A Financial Record Practice for Small and Medium Enterprises: A Comparative Study of Malaysia and Indonesia

Yuli Antina Aryani[1], Hadi Jauhari[2(✉)], Rosmaria Binti Ismail[3],
Nurul Safwanah Binti Muhammad Saleh[3], and Yuliana Sari[1]

[1] Accounting Department, Politeknik Negeri Sriwijaya, Palembang, Indonesia
[2] Department of Business Administration, Politeknik Negeri Sriwijaya, Palembang, Indonesia
ha.di@polsri.ac.id
[3] Department of Commerce Polytechnic of Melaka, Malacca, Malaysia

Abstract. This study identifies bookkeeping practices among SMEs in the city. Palembang, Indonesia and Terengganu State, Malaysia, and for comparing levels of knowledge, skills, recording methods and attitudes towards record keeping in record-keeping practices in Indonesia and Malaysia. The population of this study includes all songket weaving and batik SMEs located in Palembang City, Indonesia and Terengganu State, Malaysia. Based on data recorded at the Palembang City Industry Office, there are 29 SMEs in songket weaving in Palembang, Indonesia and 30 SMEs for typical Malaysian batik cloth in Terengganu, Malaysia. The research time is 8 months in 2022 used a non parametric statistical sampling method, namely the Wilcoxon Signed Rank Test. The results showed that there are significant differences in the practice of financial recording in the city of Palembang, Indonesia and the state of Terengganu, Malaysia, especially in accounting knowledge and recording methods. However, when viewed from the Skills and Attitudes towards Recording, no significant difference in the practice of financial recording.

Keywords: SMEs · Accounting Knowledge · Skill · Financial Recording · Recording Method

1 Introduction

In 2021, the number of SMEs will be 64.2 million and contribute 61.07 percent to the Gross Domestic Product [1]. This condition proves that the SMEs sector continue to operate in the midst of Covid 19 conditions that have occurred since 2021, of course this is the main reason for the government to give great attention to SMEs as contributors to the national economy.

Besides Indonesia, Malaysia is also very concerned about developing SMEs, because SMEs are important contributors to stimulating economic growth, increasing Gross Domestic Product (GDP) and employment. In Malaysia, all SMEs registered with the Companies Commission of Malaysia, there are as many as 907,065 SMEs registered

in Malaysia, of which more than 76% are represented by micro enterprises [14]. In Malaysia, SMESs are the cornerstone of the country's economy. This represents 97.2% of all commercial establishments in 2020.

Data from the Malaysia Statistical Business Register, in 2020, in Malaysia is 97.2% of the total commercial businesses. In terms of commercial size, micro-enterprises account for 78.4% (903.174), the largest share for SMEs. According to [2], the main focus of SMEs is to create companies that are innovative and competitive and have high resilience to compete in the global rankings. Therefore, it is important for SMEs to try to improve the performance of the companies they run.

To remain able to survive and thrive, SMEs must be responsive and able to overcome challenges, including one related to poor financial records. Accounting records are very important for decision making and knowing business performance [3]; [4], Bookkeeping will help SMEs to grow [5]. In practice, bookkeeping is a difficult thing for SMEs entrepreneurs because of limited knowledge of accounting [6], and the assumption that financial statements are not important for SMEs owners [7]. Business owners do not have proper records and do not have the separation of business and personal transactions [5, 8]. Some SMEs owners rely on their memory rather than recording transactions accurately [9]. As revealed by [10], keeping accounting records is expensive, and difficulties in maintaining an accounting system. In contrast, according to [11], manual recording to electronic records has simplified most of the bookkeeping expenses and is more reliable and accurate.

There are not many studies that compare the practice of financial records used to measure the achievement of SMEs performance in Indonesia and Malaysia. Therefore, this study analyzes SMEs in the two countries. The formulation of the problem being tested is the financial recording practice of SMEs seen from accounting knowledge, skills, recording methods and attitudes towards recording. How does the practices of Islamic boarding schools in Indonesia and Malaysia need to be compared? The research is intended to find out the factors that influence the practice of financial recording on SMEs in Indonesia and Malaysia and to compare the level of knowledge, skills, recording methods and attitudes towards recording in financial recording practices in Indonesia and Malaysia. The contribution of this research is to provide important indicators of SMEs financial recording practices and add to the literature on SMEs accounting practices.

2 Literature Review and Research Hypotheses

Based on Government Regulation no. 7/2021 Article 35 paragraph concerning SMEs business capital, (1) Micro Enterprises: the meaning of SMEs in the micro business category is a business that has a maximum business capital of 1 billion and does not include land and buildings for business. (2) Small Business: then, those classified as SMEs in the small business category are those that have a business capital of more than 1–5 billion (3) Medium Enterprises: SMEs are categorized as medium businesses, namely business capital of more than 5–10 billion and does not include land and building places for business.

The decision to do good record keeping allows business to plan properly and reduce the misuse of resources [12]. The recording method follows generally accepted financial accounting standards, especially for SMEs used SAK ETAP, this standard is the

standard used to regulate non-profit institutions. Where not regulated in IFRS. There are many non-profit organizations that require standards that regulate their activities causing Indonesia to apply this standard, as well as in Malaysia. Based on this framework, the hypotheses can be proposed:

H1:   There is a difference in the average knowledge of bookkeeping in the practice of financial recording in Palembang City, Indonesia and Terengganu State, Malaysia.

H2:   There is a difference in average skills in the practice of financial records in Palembang City, Indonesia and Terengganu State, Malaysia.

H3:   There is a difference in the average recording method in the practice of financial recording in Palembang City, Indonesia and Terengganu State, Malaysia.

H4:   There is a difference in the average attitude towards recording on financial recording practices in Palembang City, Indonesia and Terengganu State, Malaysia.

3 Research Methodology

Type of research is a qualitative research on the perception of financial records in songket weaving and batik painting SMEs. Songket Weaving SMEs were chosen as the research sample from many types of SMEs in Indonesia. The famous songket woven fabric is in Palembang, because songket woven fabric is a typical handicraft of the city. While in Malaysia, Terengganu State is indeed famous for its batik painting and songket weaving companies. As a heritage product, batik is able to support cultural tourism activities and the country's fashion industry. The achievements of most batik firms are still dominated by small and simple business enterprises. In fact, a number of batik companies are micro. The population of this study includes all songket weaving and batik painting SMEs located in the city of Palembang, Indonesia and the State of Trengganu, Malaysia. Based on data from the Industry Office of Palembang City, there are 29 SMEs of songket weaving in Palembang, Indonesia and 30 SMEs of typical Malaysian batik cloth in Terengganu, Malaysia. Research instruments are developed by referring to and comparing with previous studies. For indicators of Knowledge of Bookkeeping and Skills, refer to [13], while for indicators of Recording Methods and Attitudes to Bookkeeping, it is adopted from [4, 5]. The following questions were asked to respondents:
Knowledge of Bookkeeping.

1. I know bookkeeping is important
2. I can explain the concept of bookkeeping.
3. I can explain how bookkeeping practices and rules.
4. I can identify the benefits a small business derives from proper bookkeeping.
5. I can explain the basics of bookkeeping for a small business.
6. I have the appropriate level of education to do bookkeeping.
7. I have taken a bookkeeping course
8. I am good at teaching people to keep books
9. I have learned bookkeeping in a week
10. I can record financial transactions

Skills

1. I can distinguish between transactions for expenses and purchases
2. I can calculate gross profit or loss on a daily basis
3. I can fill out source documents for business transactions. Etc: invoices, receipts
4. I can check transactions over time using bookkeeping
5. I can handle record keeping systematically
6. I can identify transactions for expenses and income
7. I have cash withdrawal records and good for personal use.
8. I have records of business assets, liabilities and equity
9. I can easily find and record business transactions
10. I can record and manage outbound business inventory

Recording Methods

1. I keep bookkeeping records manually.
2. I keep bookkeeping records using Microsoft excel.
3. I keep bookkeeping records using accounting software

Attitude to Recording

1. I can afford the cost and time for record keeping.
2. Record keeping is key to business success
3. Record keeping is a tedious activity
4. Some businesses such as micro and small businesses do not require record keeping
5. Very good for recording all transactions business.
6. Keep records of transactions business.
7. How to hire an accountant to assist in the accounting records.
8. My business is very successful even though I don't use note
9. I would really appreciate being given the opportunity to learn more about note-taking.
10. My business is not big enough to keep the books.

The stages in testing the hypothesis used in this study are seen from the results of the normality test if the average data is normally distributed, then the statistical test technique used is parametric statistics, namely paired sample t test with α 0.05. If the average *abnormal return* not normally distributed, then the statistical test technique used is non-parametric statistics, namely the Wilcoxon Signed Rank Test with a significance level (α) 0.05. The criteria used for drawing conclusions are if the (α) > 0.05, then H_0 accepted, and level (α) < 0.05, then H_0 rejected.

4   Result and Discussion

From the total of 59 questionnaires distributed to each of 29 SMEs in Palembang City, Indonesia and 30 SMEs in Terengganu State, Malaysia, it is known that 55 questionnaires were returned and used. The rate of return of the questionnaire (response rate) and can be used (response use) of 81.25% with details as many as 30 respondents from the city of Palembang, Indonesia and as many as 22 respondents from the state of Terengganu, Malaysia. The statistical test tool that can be used to determine the difference with the non-parametric test is the Wilcoxon Signed Rank Test.

Value of sig. (signification) is below the level of 0.05, then H0 is rejected and H1 and H3 are accepted meaning that there are differences in the average knowledge of accounting and recording methods on financial recording practices in Palembang City, Indonesia and Terengganu State, Malaysia. While H2 and H4 are rejected, it means that skills and attitudes towards recording practices financial recording Palembang City, Indonesia and Terengganu State, Malaysia there is no difference in the average shown by the sig level. (signification) is above the level of 0.05.

The results of H1 is accepted, or there is a difference in accounting knowledge in the practice of financial records in the City of Palembang, Indonesia and the State of Terengganu, Malaysia. Due to the low knowledge of UKM treasurers of less disciplined accounting records, either in the form of daily, weekly, monthly, and so on.

The results of H2 is rejected with a significance level of 0.986 > 0.05, which means there is no difference. Skills in the practice of recording SMEs finances in Palembang City, Indonesia and Terengganu State, Malaysia. This finding proves that employees or administrative staff at SMESs in these two countries are already qualified and already have technical skills in the field of accounting.

The results Wilcoxon Signed Rank Test showed a sig. (tailed) value which is smaller than 0.05 (0.007 < 0.05), which means H0 rejected and H3 accepted, meaning that there are differences in recording methods in financial recording practices in city of Palembang, Indonesia and the state of Terengganu, Malaysia. Of course this finding is appropriate considering that each country has different accounting standards and treatment, because usually the State intervenes to authorize the accounting profession and that is why accounting standards vary around the world. This difference in recording methods can also be caused by several factors such as the political, economic, and social conditions of each country, as revealed [15] that in Indonesia, SMEs standards require additional standards.

Significance level of 0.265 which is above 0.05, this means that there is no difference in attitudes towards recording the practice of financial recording of SMEs in Palembang City, Indonesia and Terengganu State, Malaysia. This is because there is an average attitude that is supported by the same culture both in Indonesia and Malaysia so that it tends not to make the results of financial reporting different. The implementation of records to provide informative financial reports is something that is still considered difficult for SMEs actors both in Palembang City, Indonesia and Terengganu State, Malaysia. The absence of differences in financial recording practices is basically determined by the attitude of the accounting information of business actors who act as decision makers.

5   Conclusion

Based on the results, can be concluded that there are significant differences in the practice of financial recording in Palembang City, Indonesia and Terengganu State, Malaysia, especially in Accounting Knowledge and Recording Methods. However, when viewed from the Skills and Attitudes towards Recording, and no difference in the practice of financial recording. An important implication of this finding is that there are 2 challenges practices financial recording, namely First, SMEs managers must have human resources who have accounting knowledge and maximize recording methods according to financial standards generally applicable in each country.

This study has limitations, including this research only examines descriptively about the practice of financial records viewed from 4 internal aspects. In future research, it is suggested to examine the external aspect. This study also only uses samples from 2 cities in each country. If possible, investigations can be carried out on a wider sample and from a similar cluster of countries.

References

1. https://www.ekon.go.id/publikasi/detail/3331/government-support-capital-for-UMKM-as-a-strategy-support-national-economy
2. Yahya, NAI, Abu Bakar, NR, Shaharuddin, NS, & Bakar, NS (2021). Practice of Management Accounts among Small and Simple Companies (SMESs) in Kuala Lumpur and Selangor. *Journal of Management & Muamalah, Vol. 11, No. 1,* 44 – 59.
3. Abdul Rahamon, OA, Adejare, AT (2014). The Analysis of The Impact Of Accounting Records Keeping on The Performance of The Small Scale Enterprises. *International Journal of Academic Research in Business and Social Sciences*, *4*(1), 1 -17.
4. Aladejebi, O., Oladimeji, JA (2019). The Impact of Record Keeping on The Performance of Selected Small and Medium Enterprises in Lagos Metropolis. *Journal of Small Business and Entrepreneurship Development*, *7* (1), 28 -40.
5. Adeyemi, MS, & Akanji, AA (2020). Role of Book Keeping on Sustainability of Small and Medium Enterprises in Nigeria. *Methods*, *4* (9), 140-154.
6. Isabel, T., Fernandes, M. (2015). Financial Literacy Levels of Small Business Owners and it Correlation with Firms' Operating Performance. *Master in Finance Dissertation.*
7. Kwak, S., Jeon, H. Good, Sh (2013). Korea's Cooperation Schemes to Development of Small and Medium Enterprises in Ethiopia. *KIEP Research Paper. World Economics,* 3(54), 13-54.
8. Roslan, N., Pauzi, NFM, Ahmad, K., Shamsudin, A., Karim, MS, & Ibrahim, SNS (2018). Preliminary investigation: Accounting literacy among small business owners.*International Journal of Academic Research in Business and Social Sciences*,*8* (10), 32–47.
9. Musah, A., Ibrahim, M. (2014). Record Keeping and the Bottom Line: Exploring the Relationship between Record Keeping and Business Performance among Small and Medium Enterprises in the Tamale Metropolis of Ghana. *Research Journal of Finance and Accounting*, 5(2).
10. Ibrahim, M. (2015). Impact assessment of accounting system on the performance of small and medium enterprises (SMEs) in Bauchi metropolis, Nigeria. *Proceedings of 32nd the iier International Conference, Dubai, UAE,* 8th
11. Azman, NA, Mohamed, A., Jamil. (2021). Artificial Intelligence in Automated Bookkeeping: a Value added Function for Small and Medium Enterprises.*JOIV: International Journal on Informatics Visualization*, *5* (3), 224 - 230.

12. Mwebesa, Kansiime, C., Asiimwe, B., Mugambe, P. Rwego. (2018). The Effect of Financial Record Keeping on Financial Performance Of Development Groups In Rural Areas Of Western Uganda. *International Journal of Economics and Finance*, 10(4), 136-145. doi:https://doi.org/10.5539/ijef.v10n4p136.

13. Masliza Idani binti Mahmood, Nurul Safwanah binti Muhammad Saleh. (2018). A Financial Record for Bookkeeping Practices among Wholesale Markets at Central Melaka. *8th National Conference in Education Technical & Vocational Education and Training (CiE-TVET)*

14. SME Corporation Malaysia. (2021). SME Statistics. Retrieved from https://www.smecorp.gov.my/index.php/en/policies/2020-02-11-08-01-24/sme-statistics.

15. Dewanti, DK, & Kiswara, E. (2015). *Comparative study of the level of compliance with the adoption of the International Financial Reporting Standard in 12 countries* (Doctoral dissertation, Faculty of Economics and Business).