

Management Accounting Practices and Performance of Micro, Small and Medium Enterprises in Makassar City

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ABSTRACT



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The purpose of this study is to determine the effect of management accounting practices on the performance of micro, small, and medium-sized enterprises (MSMEs) in Makassar City. This study used a survey method, in which information is gathered from respondents. Quantitative variables were explored, and the data collection technique incorporated a perceptual approach in the form of a questionnaire to ease measurement. The data were gathered through the use of questionnaires sent to randomly selected respondents. This study was conducted at Makassar City's MSMEs. After obtaining the data, multiple regression analysis was used to conduct the analysis and hypothesis testing, and the results were empirical findings. The study's findings indicated that management accounting procedures based on a budgeting system approach had a statistically significant effect on the performance of MSMEs at the 5% level. Simultaneously, the cost system approach and performance assessment system have a 10% effect on the performance of MSMEs. This research demonstrates that sound management accounting methods can significantly boost the performance of MSMEs, particularly in Makassar City. This finding is consistent with the contingency theory, which states that a corporation requires the appropriate strategy to increase corporate/business performance. Among the appropriate strategies is the implementation of sound management accounting processes.

INTRODUCTION

Small, Micro, and Medium Enterprises (MSMEs) are business activities managed by business entities or individuals that refer to productive and creative economic businesses following the criteria set out by Law Number 20 of 2008. Quoted from various sources that SMEs contribute to Gross Domestic Product (GDP) is above 50%. This illustrates that the existence of MSMEs can advance the economy in Indonesia. According to Gulani & Usman (2012), MSMEs are essential in supporting economic growth and development between nations. MSMEs contribute to the economy by encouraging and developing entrepreneurship, utilizing technology, reducing unemployment, generating quick and appropriate returns on investment, developing relationships in business, and improving the socio-economic objectives of various economies. (Mitchell & Reid, 2000) further argues that MSMEs provide added value to any economy because they have a flexible business level, making them easy to operate in any economy.

In Indonesia, MSMEs are overgrowing, but several MSMEs fail to continue their business in their development. This is because many business actors do not understand specifically about the business they are running. Several studies reveal that five things cause failure in running a business in the MSME sector, namely, (1) inability to analyze product costs, (2) lack of skills in budgeting, (3) inability to evaluate performance, (4) inability to make decisions, and (4) do not have skills in management accounting practice. (Maduekwe & Kamala, 2016; Gulani & Usman, 2012; Mitchell & Reid, 2000).

The main factor that MSME business actors must understand is Management Accounting Practices because Management Accounting Practices directly involve costing, budgeting, performance evaluation, and strategic management accounting techniques (Hopper, Koga, & Goto, 1999). The application of effective Management Accounting Practices can also help SMEs become competitive in the market and overcome market dynamics to increase trends and sustainable performance (Mia & Clarke, 1999). Management Accounting Practices may not guarantee success in all MSME activities. However, if you do not implement and practice it, it can ultimately damage its performance and competitive advantage. Implementation of Management Accounting Practices in MSMEs can reduce the risk of failure in carrying out activities. In addition, Management Accounting Practices provide strategies to overcome any problems encountered. These are the two main functions of management accounting.

Previous studies believed that Management Accounting Practices are a way in which companies can become efficient and can improve company performance, including MSMEs (Mitchell & Reid, 2000). In particular, Management Accounting Practices are essential for MSMEs in terms of efficient information processing systems for management in planning, controlling, and decision making. Management Accounting Practice acts as an information system that processes information efficiently. However, Management Accounting Practices do not necessarily guarantee success, but not implementing them means reducing a company's competitive advantage (Putri, Dewi, & Dewi, 2019).

Research on management accounting practices has been conducted by (Jaradat et al., 2018; Cuzdriorean, 2017; Azudin & Mansor, 2018; Putri, Dewi, & Dewi, 2019). Jaradat et al., (2018) researched management accounting practices in SMEs in Jordan. His research found that almost in general, SMEs use Management Accounting Practices in running their businesses. However, the use of Management Accounting Practices in SMEs in Jordan is different and relatively low compared to Australia, Finland, and Malaysia. Cuzdriorean's research (2017) shows that SMEs in Romania use traditional Management Accounting Practices higher than modern Management Accounting Practices. The findings of Azudin & Mansor (2018) reveal that management accounting practices in SMEs are influenced by contingency factors, namely, operating technology, qualifications of internal accounting staff, owner/manager participation, and company size. The results of Putri, Dewi, & Dewi's research (2019) found that the success of Management Accounting Practices is supported by contingency factors consisting of accounting staff qualifications, market competition, environmental uncertainty, owner participation, and company size.

This is different from previous studies that link Management Accounting Practices with contingency variables. This study focuses more on Management Accounting Practices and their relationship to MSME performance. This research was developed based on previous research conducted by (Putri, Dewi, & Dewi, 2019; Tanjung, Rusmana, & Lestari, 2021) by adjusting the research instrument. The focus of this research is planned to be carried out on MSMEs in Makassar, considering the development of MSMEs in the city of Makassar continues to experience a significant increase, so it is necessary to improve performance by using Management Accounting Practices. This study aims to examine the effect of management accounting practices using a cost system approach, budgeting system, performance evaluation system on the performance of MSMEs. This research provides theoretical and practical benefits. Theoretically strengthens the contingency theory that underlies the relationship between Management Accounting Practices and MSME Performance. Practical benefits for MSME actors, as a benchmark in assessing the success of MSMEs in carrying out Management Accounting Practices to achieve the expected goals.

Management accounting is the process of identifying, measuring, compiling, analyzing, compiling, interpreting, and communicating financial information used by managers to plan, evaluate, and control business activities within an organization and ensure the proper use and accountability of resources. However, Management Accounting Practices can be classified into cost systems, budgeting systems, performance appraisal systems, decision support systems, and strategic management accounting

(Ahmad, 2012). This study uses a contingency theory approach to explain the relationship between Management Accounting Practices and Performance. The contingency approach is applied to Management Accounting Practices because no accounting system can be applied in all situations (Otley, 1980) (Otley, 2019). A constantly changing environment influences management Accounting Practices, so an adjustment process is needed so that Management Accounting Practices can run well with the support of contingency theory.

The cost system is a collection and classification of costs, including raw material costs, direct labor costs, and factory overhead costs to produce products or services (Blocher, Stout, & Cokins, 2016), (Osim et al., 2020). Osim et al. (2020) examined the relationship between cost systems and performance. The results of his research revealed that costing techniques as Management Accounting Practices have a relationship with increasing performance. Elhamma & Zhang, (2013) also reveal that specific costing techniques and systems contribute to better performance for the company. In addition, research by Tanjung et al., (2021) also found a relationship between the use of cost system practices and performance in SMEs.

H1: There is a positive relationship between Management Accounting Practices systems approach to performance.

The budget is an aggregate estimate of all activities that are expected to be carried out. Maduekwe & Kamala, (2016) mention that the budget for SMEs is considered essential for monitoring, measuring business performance, planning for the future, and controlling. The results of Abdadi's research (2013) found that contingency factors influence the company's budget. In addition, research by Ahmad (2012) reveals that the use of the budget system is positively related to performance growth. Research by Osim et al., (2020) found that the budget system affects performance.

H2: There is a positive relationship between the Management Accounting Practices of the budget system approach to performance

The performance appraisal system is an essential aspect of management accounting because it provides strategic information that companies can use in achieving company goals (Jusoh & Parnell, 2008). Organizations have attempted to develop comprehensive management systems such as balanced scorecards and performance hierarchies that can help provide information on this matter (Hall, 2008). Maduekwe & Kamala (2016) researched performance measurement systems in SMEs in South Africa. The results of the study found that the majority of SMEs use financial and non-financial performance measurement systems. However, the frequency of use of financial performance measures is more than non-financial performance measures. In addition, Maduekwe & Kamala, (2016) also found that SMEs use performance measurement information to monitor business performance, improve business processes, identify problems and optimize resource use. The research focus of (Osime et al., 2020; Tanjung et al., 2021) is on the performance evaluation system and its effect on performance. His research found that there was a positive influence between the performance evaluation system and performance.

H3: There is a positive relationship between the Management Accounting Practices approach to performance evaluation systems on performance.

RESEARCH METHOD

This research was conducted on MSMEs in the Food and Beverage (F&B) sector located in Makassar City, considering that most MSME actors in Makassar are engaged in the F&B industry. In addition, the F&B industry has systematic types of transactions in the practice of management accounting. Data collection techniques are carried out by distributing questionnaires to MSME actors to determine the

extent of understanding and practice of Management Accounting. To ensure that the questionnaire instrument is valid and reliable, validity and reliability tests are carried out (Hartono, 2011). The validity of the instrument was measured by factor analysis. Instruments that meet the validity have Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO MSA) 0.5 and loading factor 0.55 (Hair, 2009). Meanwhile, the instrument that meets the reliability element is seen from the Cronbach alpha value. Cronbach alpha value 0.70 – 0.80 indicates high instrument reliability (Hartono, 2011). Analysis of research data using multiple regression analysis. The criteria in determining whether the hypothesis is accepted or rejected are based on the significant value and correlation coefficient. The hypothesis that has a significance value of < 0.05 (level 5%) and or < 0.10 (level 10%) indicates that the hypothesis is accepted.

RESULTS AND DISCUSSION

This study uses secondary data by dividing the questionnaire to the responses. The results of the validity analysis are shown in table 1:

Table 1. Validity analysis results

Variable	Question	Loading Factor	Info
Fee System	P1	0,752	Valid
	P2	0,744	Valid
	P3	0,695	Valid
	P4	0,678	Valid
Budgeting System	P6	0,607	Valid
	P7	0,493	Valid
	P8	0,561	Valid
	P9	0,418	Valid
	P10	0,730	Valid
	P11	0,750	Valid
Performance Evaluation System	P12	0,673	Valid
	P13	0,719	Valid
	P14	0,638	Valid
	P15	0,739	Valid
	P16	0,650	Valid
MSME Performance	P17	0,734	Valid
	P18	0,744	Valid
	P19	0,799	Valid
	P20	0,707	Valid
	P21	0,704	Valid

The results showed that all instruments had a loading factor value greater than 0.40. This shows that all the variables used in this study are valid. After testing the validity, then testing the reliability. The results of reliability testing are as follows:

Table 2. Results of Reliability Analysis

Variable	Number of questions	Cronbach Alpha	Info
Fee System	4	0,780	Reliable
Budgeting System	6	0,733	Reliable
Performance Evaluation System	5	0,771	Reliable
MSME Performance	5	0,789	Reliable

The reliability analysis results showed that all research variables had a Cronbach alpha value greater than 0.60 (>60). This indicates that all items on the variable cost system, budgeting system, performance evaluation system, and MSME performance are reliable

Table 3. Results of Regression Analysis

Variable	Beta	Std. Error	Cof. Beta	t-statistics	P-Value
Constant	0,944	1,896		0,498	0,620
Fee System	0,198	0,112	0,170	1,762	0,081*
Budgeting System	0,483	0,117	0,475	4,128	0,000**
Performance Evaluation System	0,195	0,106	0,185	1,841	0,069*
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R ²	: 0,557				
Adjusted R ²	: 0,542				
F-Value	: 37,353				
P-Value	: 0,000				
Durbon-Watson stat.	: 2,00				
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* Significant level 10%					
** Significant level 5%					

$$Y = 1,967 + 0.531X_1 + 0.232X_2 + 0,237X_3$$

Table 3 shows that the regression coefficient that examines the effect of the independent variable on the dependent variable that the R² value of 0.557 or 55.7% indicates a strong positive relationship between the research variables, and the rest is explained by other variables that are not used in this research model. The overall analysis results show the F-value of 37.353, which is significant at 0.000 <0.05 (significant at the 1% level). This indicates that management accounting practices affect the performance of MSMEs. In addition, the Durbin-Watson value of 2.00 is within the threshold. This shows that there is no autocorrelation in the research data.

Discussion

Based on the results of the analysis in table 3, the beta value is 0.198 with a t statistic value of 1.762 and a P-value of 0.081 ($P > 0.05$, but $P < 0.10$). This illustrates that the cost system has a positive effect on the performance of SMEs at a 10% significance level. If the cost system is appropriately implemented, it can improve the performance of MSMEs. The results of this study are in line with research conducted by Osim et al., (2020) and Tanjung et al., (2021) that there is a positive relationship between the use of cost system practices and performance in SMEs. The analysis results show that the budgeting system has a positive effect on the performance of MSMEs. This can be seen in the beta value of 0.483; the value of the t statistic is 4.128 with a P-value of 0.000 ($P < 0.05$) significant at the 5% level. The results of this study provide empirical evidence that MSMEs should use a budgeting system to carry out operational activities so that all cost components to be incurred are well controlled to improve MSME performance. The results of this study support the research conducted by Maduekwe & Kamala (2016), Abdadi (2013), Ahmad (2012), and Osim et al. (2020) that the practice of the budgeting system affects the performance of MSMEs. MSME Performance and Performance Evaluation System The analysis results show a beta value of 0.195; the t statistic value is 1.841, and the P-value is 0.069 ($P > 0.05$, but $P < 0.10$). Therefore, it can be explained that the performance evaluation system has a positive effect on the performance of MSMEs at a significance level of 10%. The results of this study illustrate that MSMEs need to carry out performance evaluations to determine their business development regularly. In this way, they can determine the overall performance improvement of MSMEs. The results of this study are in line with research conducted by Osim et al., (2020) and Tanjung et al., (2021) research on the performance

evaluation system and its effect on performance. The results of his research found that there was a positive influence between the performance evaluation system and the performance.

CONCLUSIONS

The main objective of this study was to examine the effect of management accounting practices on the performance of MSMEs in Makassar City. Variables of management accounting practice used are cost system, budgeting system, and performance evaluation system. The study results confirm that all the variables used (cost system, budgeting system, and performance evaluation system) are good predictors in improving MSME performance, although with different significance levels. Therefore, we recommend that MSMEs, in running their business, should focus more on management accounting practices in regulating the financial system. In addition, MSMEs are also more focused on strategies that can increase their business activities to affect their performance sustainably.

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