

RESEARCH ARTICLE

FINANCIAL PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES (SMES) IN QUEZON PROVINCE AS A TOOL TO DETERMINE EFFECTIVE MANAGEMENT ACCOUNTING PRACTICES

Joseph Alfred M. Reyroso^a, Venus C. Ibarra^b^aSan Pablo Colleges, Philippines^bAteneo de Manila University, Philippines*Corresponding Author Email: jarcj2024@yahoo.com.ph

This is an open access journal distributed under the Creative Commons Attribution License CC BY 4.0, which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited

ARTICLE DETAILS

Article History:

Received 12 July 2024
Revised 16 August 2024
Accepted 24 September 2024
Available online 27 September 2024

ABSTRACT

The study is to determine the financial performance of Small and Medium Enterprises (SMEs) in terms of return on investment, sales margin, capacity utilization, and market share as a tool to determine effective management accounting practices. Descriptive research design was utilized, and data were analyzed using weighted mean and Pearson's correlation coefficient analysis. A total of one hundred fifty-eight (158) management accountants of selected SMEs in Quezon province participated in the survey. Study shows the mean perceived level of financial performance as "high level" on SMEs competitors in the dimensions of return on investment, sales margin, capacity utilization and market share. The results also indicate a significant impact of the extent of use of management accounting practices and perceived level of financial performance of SMEs. The results of the study will provide useful inputs for developing guide to improve financial performance to be used by the SMEs in Quezon Province for effective management accounting practices.

KEYWORDS

management accounting practices, SMEs, financial performance, return on investment, sales margin, capacity utilization, market share

1. INTRODUCTION

As business organizations face new challenges in the competitive global environment, management accounting is adopted to deploy techniques for achieving efficient operations that deal with competitive advantage. Utilizing different tools and approaches, management accounting generates various financial and non-financial data to support the information needs of organization in the different areas of business. In the small and medium enterprises (SMEs), the complexity in the business environment, and advanced technology has intensified the challenges for more management accounting information to meet global competition, thus, require the support of management accounting for decision making processes (Hussein, 2018).

SMEs across different industries in the Philippines are forced to deal with globalization effects, it is imperative to utilize management accounting practices to manage challenges and issues in daily business operations. This study is to determine the financial performance of Small and Medium Enterprises (SMEs) in terms of return on investment, sales margin, capacity utilization, and market share as a tool to determine effective management accounting practices.

2. LITERATURE REVIEW

Identification, measurement, analysis, interpretation, and communication of information in pursuit of organizational goals is the process of management accounting (Biswas et al., 2014). It is an integral part of the management process with the management accountants playing the role of strategic partners in the firm's management teams. Management

accounting has the primary goal of helping management perform the functions of collection, processing, and communication of information, which forms an integral part of the process of management in the provision of essential business information for the development of plans, evaluation, control, and the process of decision making. Through the process of management accounting, managers are able to get the tools for the performance of their functions. Traditional management accounting has been found to focus on internal process, compared to the advanced process of dealing with the external problems of management of competition, generation of customer value, and the creation of competitive advantages. Giving significant impact to the different business organizations are the rapid business environment changes into the competitive and global environment.

Management accounting provides the capabilities for the reduction of cost, improvement of product quality, building of customer relationships, and process flexibility, resulting in improved organizational performance. Practices in management accounting have transformed into advanced systems with the development of information technology, supporting business operations in the dynamic global environment. Changes in the competitive environment encouraged firms to introduce the practices of activity-based management, activity based costing, product life cycle costing, target costing, customer accounting, quality cost management, and balanced scorecard for the measurement of organizational performance. Findings of the study revealed the use of the theory of Technology Acceptance Model emphasizing the adoption of a system which is found to be useful to the organization. The model encourages the creation of conditions that adopt to changes to organizations systems, capability of employees, and giving of responses to new information.

Quick Response Code



Access this article online

Website:
www.bosoc.com.my

DOI:
10.26480/bosoc.02.2024.90.95

Accounting management system provides the main source for organizational information for all aspects of business processes. traditional management accounting techniques fail to satisfy users' needs for detailed and timely information, firms opt to adopt management accounting techniques that effectively support business processes, create value, and enable competitive advantage (Suryanto and Thalassinou, 2017).

Management accounting practices of firms around the world was examined in the study of (Ahmed et al., 2019). Studies on management accounting practices have increased due to high level of competitiveness in domestic and foreign markets, declines in profit margins, effects of globalization, and increased inputs brought about by economic and energy crisis. Organizations have appeared to put more emphasis on the adoption of management accounting information aimed at providing assistance to managers in order to reach informed decisions in the achievement of organizational goals and objectives. It provides support to managers in dealing with complex operations, planning, and controlling, to achieve the desired goals. New practices in management accounting have been proposed which focus on strategic approach that stress on the identification, measurement, and management of the drivers of shareholder value. The new management accounting techniques combine the version of financial and non-financial information, focusing on management accounting strategies. Management accounting is viewed as dynamic process that covers the functions of planning, decision making, controlling, and communication, focusing on the creation of value to the organization. Innovative practices are integrated into the value-based management accounting framework. Practices in management accounting provides the organization with the capability for survival and gain competitiveness and direct the organization towards behavioural motivation, effective management, create and support cultural values vital in the achievement of organizational objectives. Findings of the study revealed that the adoption of the management accounting practice in several countries indicate enlightening result, showing the adoption in most countries of the modern management accounting practices, with mostly involving benchmarking and utilizing financial and non-financial based on performance reporting. There was extensive use of the modern calculation and cost quality reporting, and the analysis of competitor weaknesses and strengths, specifically in the countries of UK, Luther, and Magdy. Findings show the increase regulatory pressures and competitiveness placed on organizations in these nations. Related to the use of management accounting practices are advanced production technology and organization size (Kumar, 2009).

According to Legaspi management accounting provides managers with the tools in the measurement, analysis, and reporting financial and non-financial information in the decision making process aimed at achieving organizational goals and objectives (Legaspi, 2014). It is a process supplying relevant information to managers and employees within the organization. Financial information related to production cost, service delivery cost, activity performance cost, and business process cost. Non-financial costs involve measurement of customer satisfaction and loyalty, timeliness, process quality, employee motivation, and innovation, which can be used for decision making process, resources allocation, rewarding performance, evaluation, and monitoring. The extent to which management accounting information can aid managers in the performance of functions determine the importance of management accounting information to the business. Information from the management accounting system can be used by managers in the development, communication, and implementation of organizational strategy. The same information can be used in coordinating product design, marketing decisions, production decisions, and the evaluation of the overall operating of the firm's performance. Information and reports from the management accounting system do not have to abide by a set of rules and principles mandated by government agencies. The information is intended for internal managers to assist them in decision making and control of business operations. Based on the method of management accounting, the organization can adopt enterprise resource planning (ERP) system which enables the firm to formulate plans for operations which can achieve the desired results. The roles of the enterprise planning system involves tax planning, management accounting, and financial accounting. The ERP system is adopted to support the management accounting processes, increasing the chances of meeting the requirements of financial management such as financial accounting and taxation.

The general operation of the system allows the cost factors' analysis which contribute to the effective financial management of the organization. With increased competition caused by increasing demand for quality products and services, firms cannot ignore the vital role of management accounting system. The study proved the existence of priority factors in management accounting, which involve customer satisfaction, control of operations,

profitability, quality products and services, and running of business operations. A strong form of management accounting system is required in the achievement of business objectives and considered by the study as a main tool that can guide in the realization of goals. The study presents an evidence of the continued desire of Philippine firms for the adoption of management accounting system, which has the ability to integrate flexible methods and incorporate software system to achieve organizational goals. Management accounting system was proven to enhance the overall financial management of the organization, contributing to efficiency in resource utilization, better management, improved human resource management, and customer satisfaction.

The accounting system in the Philippines is strongly influenced by international practices, specifically, the United States, with comprehensive components based on a robust and developed framework (Trade Chakra, 2014). It is anchored on a US model reflecting a combination of self-regulation and government intervention. The institutional and legislative framework of the Philippine accounting system is composed of key legislative planks of the Corporation code, the Revised Accountancy Law 1975, the National Internal Revenue Code 1999, and the revised Securities Act 2000. The Revised Accountancy Law prescribes the regulation and control of the accountancy practices' registration, administered by the Professional Regulation Commission. The Corporation Code governs the operations and creation of limited liability corporations and enforced by the Securities and Exchange Commission. Companies in special industries fall under the control of the Bangko Sentral ng Pilipinas (BSP), or other governmental organizations. The rules and guidelines of the Securities and Exchange Commission specify the contents and form of financial statements. All corporations, persons, and partnerships, filing income tax returns are required to submit financial statements by the National Internal Revenue, to include tax agents accredited by the BIR. Utilizing the accrual accounting basis, financial statements are prepared by the business organizations, as a requirement as specified in the Statement of Financial Accounting Standard. Information system from the management accounting system range from complex resource planning systems to paper-based systems, and recently, the use of software packages become management accounting tools for accounting and budgeting.

Management accounting provides information to managers within the organization, who are responsible in directing and controlling of organizational operations (Castillo, 2018). Information derived from management accounting system includes estimated and historical data used by the organization in the conduct of operational functions, future operations' planning, and the development of overall business strategies. Varying needs of management influence the characteristics of management accounting. The system prepares management accounts in the provision of timely and accurate key statistical and financial information vital to managers in making short-term aimed at providing support to external stakeholders, including lenders, investors, and creditors. Management accounting develops reports, whether weekly or monthly, for the internal audiences of the organization, such as the chief executive and department managers. The reports present the cash available, orders in hand, sales revenue generated, accounts receivable, accounts payable, orders in hand, in-process inventory, raw material inventory, and outstanding debts. The system is also known as managerial accounting and information from the system can include variance analysis, trend charts, and other statistical diagrams.

The Philippine government recognizes the importance of improved financial management in the country which is crucial in ensuring the achievement of Philippine development goals (Asian Development Board, 2018). A credible and transparent financial management system can support the effective and efficient provision of goods and services and in the development of informed decisions. An aggressive reform agenda, under the umbrella of the Philippine development plan, promotes the honest and effective governance which create an enabled environment for the people. The good governance cluster developed an integrated and comprehensive financial management systems resulting in improved regulatory and policy environment, increased capability for results-based budgeting for the development of the private sector. The reforms will continue to be implemented until year 2022. The areas on accounting and reporting were found to have insufficient data integrity, electronic reporting mechanisms, and delays in the timely submission of reports, which led to qualified audit opinions. Thus, the need for a comprehensive management accounting system which will assure outcomes for budget. The electronic accounting systems provided improvements and solutions for computerized accounting. The system undergoing further updating and development and has been rolled out to certain number of public institutions. There is the need also for the strengthening of the financial accountability framework, with the Commission on Audit issuing a whole of audit opinion. A web-based application system have been developed, the

budget and Financial Accountability Reporting System and the Annual Financial Reporting System. Efficient submission of the reports is facilitated by the systems. The automated management accounting systems are designed to provide relevant and timely budgetary and financial information to clients and the government agencies. Utilization of the systems promote and encourage transparency in the management and utilization of funds, ensure faster and efficient reports and financial statements' consolidation, prompt submission of reports, and reports' preparation. Manual interventions in data gathering are minimized with user error eliminated in the process of consolidation, allowing the generation of reliable, efficient, and timely reporting.

There is the need for the strengthening of the financial management system in the Philippines in the provision of information of value to managers responsible in the delivery of services to the public (International Federation of Accounts, 2019). Reinforcement of the Philippine development plan is needed, together with requirements on the changes that need to be made on the components of the financial system. This will create capability in producing financial statements which are based on international standards. International accounting standards have been formally adopted and processed, with the updating of the existing national standards. Changes in financial reporting will cause changes in the accounting arrangements which can be applied at all government levels. The implementation of standards for accounting requires the commitment of the accounting profession efforts and significant resources, for the provision of support. Extensive integration with new and existing systems are needed in accounting standards' implementation. Complexity will increase with the dynamic financial management environment, including the extent to which new management accounting systems will create integration problems, derived from a changing accounting environment.

3. MANAGEMENT ACCOUNTING PRACTICES OF SMES

The study of Legaspi, focused on the management accounting practices of the small and medium sized enterprises in the Philippines (Legaspi, 2018). The use of adequate and appropriate techniques in management accounting were found to solve business problems in daily operations and serve as an excellent source of competitive advantage. The managerial use of management accounting information is described in the study. With the effects of globalization, firms across industries are forced to develop relevant ideas to manage challenges, problems, and issues, thus management accounting play an essential role in helping managers analyse, measure, and report information relative to decision making, resources allocation and in performance monitoring, evaluation, and rewarding. Descriptive research design was used in the study, with questionnaire and interviews served as data gathering instruments. Respondents of the study were the managers and accountants from firms in the different industries of Metro Manila. Findings of the study revealed that the individual management accounting tools used by the small and medium enterprises of budgets are useful for the functions of planning and controlling, found to be consistent with previous studies. The tool allows firms to determine the ways for the achievement of goals, as well as outlining sales level, cost and expenses and income and cash flows can be anticipated based on near term projection. Cash flows management was viewed as more essential activity to focus than concentrating on operating budgets, as the need for sufficient cash is essential in meeting obligations and orders, and directly affecting cash balances. Medium enterprises managed decisions for capital budgeting and customer relationship, considering them as vital analytical tools, including the budgets. In the modern business environment, the tools become part of the management accounting information, which are viewed as vital in the successful management and conduct of business operations. Decisions on capital budgeting and better analysis on the amount of capitalization are crucial in the improvement of customer performance to achieve customer satisfaction and loyalty. Decisions for capital budgeting are essential as financial budget supports the firm in the identification of financial consequences, examined by the use of financial statement analysis. Findings of the study show that firms need the help of accountants as business partners.

Small businesses were found to use more simple techniques and approaches in product costing, with limited use of the techniques of sensitivity analysis, activity-based costing (ABC), advanced quantitative techniques, and market research (Ahmad and Zabri, 2016). For small businesses, there has been a wide gap between management accounting theory and practice. Activity-based costing received little attention for SMEs despite the important role of the technique in the improvement of the firms' competitiveness. Less complex systems of product costing were considered in SMEs with simple routine accounting was emphasized. Management accounting techniques for product costing were not

extensively used in performance evaluation and in decision making process. However, SMEs maintain detailed cost management processes, focusing on quality control and engineering.

3.1 SMEs' Performance on Return on Investment

Return on investment (ROI) is a popular measure of an organization's performance and used as an evaluation metric in business analysis (Botchkarev and Andru, 2011). When applied correctly, ROI analysis is a powerful tool for the evaluation of existing information systems and in the development of informed decisions on business projects. It is a financial term defined as a concept which is based on analysis of costs and financial terms which are quantifiable. ROI has been found as the most popular metric for comparing investments' attractiveness, allowing the quantification of the potential success of a business project. It evaluates investment's efficiency and compares the efficiency of various investments. The benefit or investment return is divided by the investment cost in the calculation of ROI, and the result is a ratio or percentage. It is an individual measure providing a rationale for acquisition and investment decisions and for justification or prioritization of projects, which facilitates informed choices about which investments to pursue or which solutions need to be implemented. The ROI method oversimplifies complex processes for decision making.

3.2 SMEs' Performance on Sales Margin

Sales margin relates to the amount of profit that can be generated from the product or service sale, a measure of organizational performance that allow the firms to identify the products and services that are most or least profitable (Batchimeg, 2017). It is an important indicator of the business success, with higher sales margin, the more profit potential can be expected, allowing the firm to have a close watch on competition for the achievement of long-term success. Sales margin relates to the difference between total costs and the final product's selling price. It is often called gross profit margin showing the profitability before subtracting expenses for operations. Gross profit margins are a function of the price paid in buying products, thus, the higher the gross profit margin, the fewer restrictions faced with tight budgets for operating expenses. They can also be used for the determination of salesperson performance levels or in calculating various bonuses and commissions. The total increase of goods sold and sales revenue is reflected in gross profit margin, showing the efficiency with which the firm produces each unit of product. Sales margin signifies the overall measure of the firm's ability to turn each sale into net profit, establishing the relationship between sales and net profit. Management's efficiency in the administration, production, and sale of products are indicated.

3.3 SMEs' Performance on Capacity Utilization

Capacity utilization relates to the actual output level to a sustainable maximum capacity or output level (Corrado and Matthey, 2016; Kumar et al., 2023). Sustainable practical capacity is the greatest output level that an organization or plant is able to maintain within the framework of realistic schedule of work, considering sufficient availability of inputs and normal downtime. Capacity represents the sustainable maximum output level for an industry. Structural changes involving work week of capital lengthening and downsizing affect capacity utilization. Capacity utilization movements primarily stems from aggregate demand shocks, pushing the economy to an upward-sloping aggregate supply curve. As capacity utilization exceeds a threshold of 82%, inflation begins. A strategy needs to be adopted in providing capacity in line with demand, done by adding capacity to respond to the changing market demand. Through flexible labor and facilities addition of capacity, the firm can meet the product or service demand required. With good capacity planning in place, the risk of underutilized resources is eliminated. Capacity utilization strategy relies heavily on accurate information and forecasting as decisions are made consistent with the forecast. Ineffective forecasting results in wasted resources and missed opportunities.

3.4 SMEs' Performance on Market Share

Market share relates to the sales of the organization as a percentage of the sales in the target market, the proportion of the total available market being serviced by the organization (Hofler, 2010). Organizations can experience poor productivity, they struggle in maintaining market share, thus, suffer difficulties in the expansion of their market share. Firms strive for efficiency and effectiveness in order to achieve the desired level of organizational performance. Difference in performance is attributed to the strategy adopted by the firm. Market share can be expressed as the firm's sales revenue from the market divided by the total sales revenue which are available in the particular market. It can also be expressed in terms of

the firm's unit sales volume in a specific market divided by the volume of sold units in the market. The share of the overall market sales for every brand. Market share measure is vital as it describes the extra business that a firm can reasonably look for, thus, achieving the goal for increased market share is an important objective. Small increase in market share means very large increases in sales. Firms seek to expand market share in order to improve profitability. Measure on market share provides information on organization's strength.

4. METHODS

Descriptive research design was utilized, and data were analyzed using weighted mean and Pearson's correlation coefficient analysis. The study was conducted in Quezon province, with the SMEs as the respondent organizations. Participants of the study were the management accountants of the SMEs who are directly practicing management accounting in the business operations. A total of one hundred fifty-eight (158) management accountants of selected SMEs in Quezon province participated in the survey. The researcher adopted the survey instrument from Ojra in order to deal with the various issues covered in this study (Ojra, 2014).

4.1 Data Analysis

Table 1 shows the perceived level of financial performance relative to SMEs' competitors in terms of return on investment.

Table 1: Perceived Level of Financial Performance Relative to SMEs' Competitors in terms of Return on Investment		
Return on Investment	WM	AR
Management accounting practices results in efficiency of investments among SMEs.	3.93	High Level
Adoption of management accounting practices contribute to the provision of rationale for firms' future acquisition and investment decisions.	4.04	High Level
Practices result in rate of return providing accurate solutions to business problems and the evaluation of existing projects to achieve organizational performance.	4.00	High Level
Management accounting practices facilitate the achievement of the desired return on money invested among SMEs.	3.96	High level
Return on investment as a performance measure among SMEs directly measures the amount of return relative to the cost of investment.	3.98	High Level
Composite Mean	3.98	High Level

Note: 4.21-5.00-Very High Level; 3.41-4.20- High Level; 2.61-3.40-Moderate Level; 1.81-2.60- Low Level; 1.00-1.80- Very Low Level

Findings show that adoption of management accounting practices contribute to the provision of rationale for firms' future acquisition and investment decisions, perceived by the respondents to be at "High Level", with the highest mean of 4.04, ranked 1st as the main contributor to the high level of return on investment among SME's. Practices result in rate of return providing accurate solutions to business problems and the evaluation of existing projects to achieve organizational performance, is at high level, with a mean of 4.0, contributing to the high level of return on investment in SME industry. Return on investment as a performance measure among SMEs directly measures the amount of return relative to the cost of investment, is at high level, with a mean of 3.98, which contributes to high level of return on investment. Management accounting practices facilitating the achievement of the desired return on money invested among SMEs and resulting in efficiency of investments among SMEs, are at high level, with mean values of 3.96 and 3.93 in the achievement of return in investment in SMEs.

The composite mean of 3.98, shows the overall agreement of respondents on the use of management accounting practices contributing to the achievement of high level of return on investment (ROI) among SMEs. Respondents are highly aware of the advantages of the use of management accounting practices in achieving organizational efficiency and profitability of firm's investments which when performance is measured results in high level of ROI. Findings show the importance of management accounting practices in reporting and measuring information on firm's

economic activities for utilization in planning, evaluation, performance, and operation control, thus, when adopted by SMEs achieves high level of return on investment. Respondents are knowledgeable of the importance of management accounting practices as an effective means of improving the firm's financial performance and the maintenance of competitive advantage in the industry that lead to sustainable return on investment.

The adoption of management accounting practices results in improvement of SMEs' performance, specifically in the level of return on investment and other financial performance (Okafor and Nduka, 2021). When used during turbulent times and economic crisis, management accounting practices was found to be effective in enabling firms to reach high level of financial performance and return on investment, through better integration of sustainable approaches into organizational activities (Varzaru et al., 2022).

Financial performance is the core of the effectiveness of the firm involving maximization of profit, sales margin, market sales growth or shareholder's benefits, measuring the company's financial efficiency and operations (Muhammad and Shah, 2014). Sales margin is a preferred measure of the growth of a firm which reflect short- and long-term changes in the company, driven by products or services' demand, allowing growth of the dimensions of assets and employees (Sam and Hoshino, 2013).

Table 2 presents the perceived level of financial performance relative to SMEs' competitors in terms of sales margin.

Table 2: Perceived Level of Financial Performance Relative to SMEs' Competitors in terms of Sales Margin		
Sales Margin	WM	AR
Management accounting practices enable SMEs to use sales margin scale in the measurement of organizational performance through progress of company sales.	4.16	High Level
Sales margin measure allows SMEs to identify products and services that are most or least profitable.	4.09	High Level
Sales margin achieves organizational performance providing firms the ability to have a close watch on industry competition.	4.12	High Level
Sales margin measure provides firms with information on increase.	4.00	High Level
Sales margin provides accurate data on the total increase between cost of goods sold and sales revenue reflecting the efficiency with which the firm produces each unit of product or service.	4.08	High Level
Composite Mean	4.09	High Level

Note: 4.21-5.00-Very High Level; 3.41-4.20- High Level; 2.61-3.40-Moderate Level; 1.81-2.60- Low Level; 1.00-1.80- Very Low Level

Results show that management accounting practices enable SMEs to use sales margin scale in the measurement of organizational performance through progress of company sales, resulting in "High Level" of sales margin among firms, with the highest mean of 4.16, in contributing to the attainment of high level of sales margin. Sales margin achieves organizational performance providing firms the ability to have a close watch on industry competition, perceived to be at high level, with a mean of 4.12, important indicator in achieving organizational performance. Sales margin measure allows SMEs to identify products and services that are most or least profitable, with a mean of 4.09, perceived to be at high level, with the effective implementation of management accounting practices. Sales margin provides accurate data on the total increase between cost of goods sold and sales revenue reflecting the efficiency with which the firm produces each unit of product or service, with mean value of 4.08 and sales margin measure provides firms with information on increase on increase of profit made on product or service sales, with a mean value of 4.0, were at high level in improving SMEs performance, contributing to the increased performance of SMEs.

The composite mean of 4.09, shows the overall high level of sales from products and services offered by the firms, achieved through the effective use of management accounting practices, allowing them to lower the cost in the provision of products and services to the market. Management accounting practices are found to provide effective management decisions that bring the greatest profit, determine the critical volume of production,

assess the risk level, and identify the margin of financial strength, thereby, resulting in high level of sales margin. Findings show the benefit of management accounting practices in increasing sales margin through improvement in inventory visibility, increasing the perceived value of products and services, streamlining of operations for the reduction of operating expenses, and increasing the price to attain higher sales margin. Sales margin, as a performance measure was found to allow the SMEs to identify the most and least profitable products or services, enabling them to maintain a high level of sales margin, utilizing management accounting practices at the optimum level. Table 3 presents the perceived level of financial performance relative to SMEs' competitors' terms of capacity utilization.

Table 3: Perceived Level of Financial Performance Relative to SMEs' Competitors terms of Capacity Utilization		
Capacity Utilization	WM	AR
Management accounting practices allow the achievement of maximum sustainable output level for the firm.	4.16	High Level
The practices enable the firm to maintain high output level attributed to sufficient availability of input resources.	4.06	High Level
Application of technology enhances capacity utilization to achieve higher organizational performance.	4.03	High Level
Practices allow defining full capacity as attainable level of output which can be reached under normal operating conditions.	4.15	High Level
Practices allow the firm to provide the capacity of product or service made within the given period of time under normal working conditions.	4.12	High Level
Composite Mean	4.10	High Level

Note: 4.21-5.00-Very High Level; 3.41-4.20- High Level; 2.61-3.40-Moderate Level; 1.81-2.60- Low Level; 1.00-1.80- Very Low Level

Findings show that management accounting practices allow achieving a maximum sustainable output level for the firm, perceived to be at a high level, with the highest mean value of 4.16, in contributing to high level of capacity utilization among SMEs. Management accounting practices allow defining full capacity as the attainable level of output which can be reached under normal operating conditions, with a mean value of 4.15, showing a high level of capacity utilization of firms in the industry. Practices allow the firm to provide the capacity of product or service made within the given period under normal working conditions, resulting in high level of capacity utilization, with a mean value of 4.12, in contributing to high level of capacity utilization. The practices enable the firm to maintain high output level attributed to sufficient availability of input resources and the application of technology enhances capacity utilization to achieve higher organizational performance, with mean values of 4.06 and 4.03, respectively, lead to high level of capacity utilization of SMEs.

The composite mean of 4.10, indicates the overall high level of capacity utilization among SMEs, reflecting respondents' awareness of the capability of the firms to consider cost determination and cost reduction in the establishment of better utilization of capacity. Findings revealed the high level of strength of SMEs' ability to use management accounting practices to apply uniform and consistent capacity for production of products and services that achieve the desired organizational performance. Firms were found to identify imbalances, bottlenecks, and idle capacity, thereby, effectively use organizational resources. Respondents believe that SMEs are engaged in the proper allocation of resources, enabling them to achieve the maximum organization productive capacity through elimination of unavoidable production interruption due to internal causes, thus, achieve high level of capacity utilization.

Making decisions related to capacity utilization requires management accounting information for planning and control (Hemmer and Labro, 2017). Management accounting information support the development of capacity utilization decisions and the evaluation of managers' performance, requiring decisions to be timely, to provide speedy reaction to shortages in capacity (Chen and Zhao, 2015). Capacity utilization is influenced by factors beyond the control of managers, thus, require relevant information from management accounting system (Dierynck and Labro, 2018). Financial performance of SMEs in the dimension of "Market

Share" is presented in Table 4.

Table 4: Perceived Level of Financial Performance Relative to SMEs' Competitors' in terms of Market Share		
Market Share	WM	AR
Management accounting practices in SMEs enables firms to achieve the percentage of sales in the target market.	4.03	High Level
Practices are effective in achieving the proportion of the total available market serviced by the SMEs.	4.16	High Level
Adoption of management accounting practices allow the creation of new businesses that increase SMEs market share.	4.06	High Level
Practices with integrated technology create favorable business environment for SMEs that achieve increased market share.	4.12	High Level
Management accounting practices increase organizational performance through labor productivity that leads to increases in market share.	4.02	High Level
Composite Mean	4.08	High Level

Note: 4.21-5.00-Very High Level; 3.41-4.20- High Level; 2.61-3.40-Moderate Level; 1.81-2.60- Low Level; 1.00-1.80- Very Low Level

Findings revealed that management accounting practices are effective in achieving the proportion of the total available market serviced by the SMEs, perceived to be at "High Level", with the highest mean of 4.16, in contributing to high level of market share of SMEs. Practices with integrated technology create a favourable business environment for SMEs that achieve increased market share, is at high level, with a mean of 4.12, to achieve high level of market share of firms in the industry. Adoption of management accounting practices allow the creation of new businesses that increase SMEs market share, with a mean of 4.06, contributing to high level of market share. Management accounting practices in SMEs enables firms to achieve the percentage of sales in the target market and increase organizational performance through labor productivity that leads to increases in market share, with mean values of 4.03 and 4.02, respectively.

The composite mean of 4.08, shows the overall high level of market share achieved by the SMEs, utilizing management accounting practices. The finding implies the awareness of respondents on the importance of the adoption of management accounting practices that allow SMEs to achieve market power and higher economies of scale that provide cost advantages, resulting in a high level of market share. Findings show that efficiency gained in the use of management accounting information system explains the high level of market share achieved by SMEs in the industry. Efficient SMEs are found to obtain high market share and earn high profits attributed to the use of effective management accounting information allowing firms to offer products of greater value, thus, are enjoying gains in high level of market share.

Better-managed firms gain a competitive advantage and grow faster than rival firms through offering of better products at lower prices due to firms having the capability to develop superior skill and foresight of market share gain (Benkovskis & Worz, 2014). Market share analysis require relevant information from management accounting thereby develop the ability to predict competitors' future action, market structure, competition, and marketing actions used in formulating strategies that achieve high level of market share (Cooper & Nakanishi, 2010).

5. CONCLUSION

Respondents are in agreement on the use of management accounting practices contributing to the achievement of high level of return on investment (ROI) among SMEs. Findings show the benefit of management accounting practices in increasing sales margin through improvement in inventory visibility, increasing the perceived value of products and services, streamlining of operations for the reduction of operating expenses, and increasing the price to attain a higher sales margin. Findings also revealed the high level of strength of SMEs' ability to use management accounting practices to apply uniform and consistent capacity for the production of products and services that achieve the desired organizational performance. Other findings show that efficiency gained in the use of management accounting information systems explains the high level of market share achieved by SMEs in the industry. The perceived

level of financial performance relative to SME competitors is at High Level in terms of Return on Investment, Sales Margin, Capacity Utilization and Market Share.

REFERENCES

- Ahmad, K., Mohamed, S., Hussein, T., 2016. Management accounting practices among small and medium enterprises, *Vision 2020: Innovation Management, Development Sustainability, and Competitive Economic Growth*, Proceedings of the 28th International Business Information Management Association Conference, 9 (4), Pp. 3627-3637.
- Ahmed, A., Abdulrahman, S., Ghani, M., 2019. Management accounting practices in many countries around the world: A review of literature, *IOSR Journal of Business and Management*, 21 (2), Pp. 5-9.
- Asian Development Board, 2018. Examining why and when market share drives profit, *Journal of Marketing*, <https://eprints.whiterose.ac.uk/175848>.
- Batchimeg, B., 2017. Financial performance determinants of organizations: The case of Mongolian companies, *Journal of Competitiveness*, 9 (3), Pp. 22-33. DOI: 10.7441/joc.2017.03.02.
- Benkovskis, K., and Worz, J., 2014. What drives the market share changes? Price versus non-price factors, European Central Bank Publications, The Competitiveness Research Network, Paper No. 1640.
- Biswas, M., Akterujjaman S., Yasmin, A., 2014. Management accounting practices in manufacturing business firms in Bangladesh, *BGMEA University of Fashion & Technology*, 2, Pp. 87-97.
- Botchkarev, A., and Andru, P., 2011. A return on investment as a metric for evaluating information systems: Taxonomy and application, *Interdisciplinary Journal of Information, Knowledge, and Management*, 6, ResearchGate.
- Castillo, J., 2018. Influence of firm size on organizational culture and morale, *Journal of Management Research*, 1 (4), Pp. 220.
- Cooper, L., and Nakanishi, M., 2010. Market-share analysis: Evaluating competitive marketing effectiveness, Anderson Graduate School of Management University of California, Los Angeles, Kluwer Academic Publishers.
- Corrado, R., Matthey, G., 2016. Management accounting practices on organizational performance mediated by rationalized managerial decisions, *International Research Journal of Management Science*, 5 (1), Pp. 148-169, <http://www.ncm.edu.np>.
- Dierynck, B., and Labro, E., 2018. Management accounting information properties and operations management, *Foundations and Trends in Technology, Information and Operations Management*, <https://www.kenaninstitute.unc.edu/wp-content/uploads/2018/03/FnT-article-2-22-2018.pdf>.
- Hemmer, T., and Labro, E., 2017. Management accounting and operations management. New York and London: Routledge Companions.
- Hofler, T., 2010. Influence of company size on accounting information for decision making of management, *Our Economy*, 65 (2), Pp. 11-20, Sciendo, DOI: 10.2478/ngoe-2019-0007.
- Hussein, G., 2018. Introduction to management accounting, 7th Ed., Pearson Education, Inc.
- International Federation of Accounts, 2019. The case of a newly implemented modern management accounting system in a multinational manufacturing companies. *Australian Accounting Business and Finance Journal*, 8 (2).
- Kumar, R., 2009. Information and Communication Technologies, Laxmi Publications, ISBN: 9789394002807.
- Kumar, R., Singh, R.C., Jain, V., 2023. Modeling for Sustainable Development: A Multidisciplinary Approach. Nova Science Publishers, DOI: <https://doi.org/10.52305/HAXA0362>
- Legaspi, J., 2014. The impact of management accounting literature to practice: A study of management accounting concepts in the Philippine industries, *International Journal of Academic Research in Accounting, Finance, and Management*, 4 (2), Pp. 343-361.
- Legaspi, J., 2018. Management accounting practices of the Philippines small and medium sized enterprises, *European Journal of Business, Economics, and Accountancy*, 6 (3).
- Muhammad, H., Shah, B., Islam, Z., 2014. The impact of capital structure on firm performance: Evidence from Pakistan. *Journal of Industrial Distribution & Business*, 5 (2), Pp. 13-20. Doi: <http://dx.doi.org/10.13106/jidb.2014.vol5.no2.13>, <https://www.koreascience.or.kr/article/>
- Okafor, U., Israel, U., Oji, R., 2021. Management accounting practices and performance of small and medium-scales enterprises in Nigeria, *International Journal of Business and Management Invention*, 10 (6), Pp. 44-58,
- Sam, M., and Hoshimo, Y., 2013. Sales growth and performance: Empirical study of Japanese ICT industries with Asean countries, *Interdisciplinary Journal of Contemporary Research in Business*, 4 (11), Pp. 138-156. Institute of Interdisciplinary Business Research, ijrb.webs.com.
- Suryanto, T., Thalassinis, I., 2017. Cultural ethics and consequences in whistle-blowing among professional accountants: An empirical analysis, *Journal of Applied Economic Sciences*, 6 (52), Pp. 1725-1731.
- Trade, C., 2014. Return on investment in asset management systems and process improvements, *The National Academies of Sciences, Engineering, and Medicine*, <https://onlinepubs.trb.org/onlinepubs/webinars/180507.pdf>
- Varzaru, A., Bocean, C., Mangra, M., Mangra, G., 2022. Assessing the effects of innovative management accounting tools on performance and sustainability, *Sustainability*, 14 (5585), Pp. 1-16. <https://doi.org/10.3390/su14095585> <https://www.mdpi.com/journal/sustainability>.

