

# THE RELATIONSHIP BETWEEN MANAGEMENT ACCOUNTING PRACTICE ON BUSINESS IMPROVEMENT: EVIDENCE FROM SME

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## Abstract

This study Considered, the relationship between management accounting practice on business improvement in small and medium enterprises in Mogadishu. With the ideas of the investigation the degree of management accounting practice in Mogadishu, examine the level of business improvement small and medium enterprises in Mogadishu and investigated the relationship between accounting management practice and Business Improvement. The Sample of the study 120 respondents with the use of a questionnaire as an instrument; Data was analyzed using descriptive statistics of mean, and correlation. The study found that the decree of management accounting practice small and medium enterprises within Mogadishu is high and also the study found level business Improvement is high and there is a strong positive relationship between the management accounting practice and business improvement.

**KEYWORDS:** Management Accounting practices, business improvements, SMEs

## Introduction

The Federal Government's perception of small business management in the early 1960s revealed that there is a normal of more than 500,000 new businesses starting every year, ignoring the high failure rate of about 400,000 innovative businesses every year. Furthermore, it is stated that the mainstream of small industries drop within the first three years. Despite a decline in significant business development in the United States, the Gross National Product has continued to grow year after year. This increase has occurred as a result of the rapid growth of small businesses over the previous two decades. The small projects employ an average of less than fifty employees (Olivera, & Martin, 2004).

As a result of improvements in measurement methods, operating and analyzing information using developed computer systems, the accounting management ability to fulfill the required needs of information while taking quality Improvement decisions in investments, especially in stock, has increased. This has led to the creation and provision of many different forms that are related to predicting the prices of securities. Nowadays, it is vital to select accounting data and forms that are appropriate for the target environment (Mat, et al, 2010). 'Various costs for different goals,' wrote one of the first management accounting writers (Clark, 1999). One of the early texts on management accounting improved was (Vatter, 1950).

## Literature review

One of the most striking conclusions from earlier research is that different individuals from different nations have varied ideas on financial managers' priorities. Business managers were once referred to as controllers, according to Shah (2009:10), since they were in charge of all relevant accounting reporting responsibilities.

According to Wu and Boateng (2010:316), Modifications in management accounting systems may be influenced by factors such as an organization's size, international partners, and top managers' and employees' comprehension. They argue that how well these factors are comprehended can have a positive impact on an organization's success and also the economy as a whole. As a result, Equity Bank may have been able to adopt tactics that were tailored to its size, operational area, and management in order to create a competitive advantage. Traditional accounting costing processes, especially in inter-organizational accounting, fall short of their objectives (Bastl, Grubic, Templar, Harrison and Fan, 2010).

Traditional costing approaches, according to these writers, fail to provide an inter-organizational focus and accompanying costing information. Solidarity of SMEs has associated with a variety of related and unrelated businesses (Equity of SMEs, 2010a), and as a result, the bank's costing 16 system would benefit from a cautious inter-organization cost emphasis (Ndwiga, 2011).

When it comes to Africa, According (Ojera, Patrick, ND), the majority of respondents were satisfied with their performance as evaluated by weighted means of revenue growth, relative market share, perceived business appearance compared to competitors', and efficacy of products/services offered comparison to alternatives. Based on this result, the study concluded that the companies were operating quite well. Competent management accounting had the highest impact on business development, followed by store

shelves management, whereas management accounting have had smallest impact on business improvement.

Loft (1995:6) stresses the lack of historical knowledge of management accounting practice and attributes this deficit to management accountants' lack of enthusiasm in their profession's roots. Looking at the history of management accounting necessitates familiarity with many professional organizations.

### Methodology

A survey was used to perform this research. "Because the survey analyzes issues such as the cost of the design, the speed with which data is collected, and the ability to understand a community from a small portion of it," says the author (Oso and Onen, 2008, p.70). "Survey is a popular and widespread approach in business and management research, and it is most usually used to answer who, what, where, how much, and how many questions," according to Saunders et al. (2009). (p.144).

Researchers can obtain quantitative data using surveys, which they can then evaluate quantitatively using descriptive data and Pearson correlation. When sampling is utilized, the sample size was 120 respondents, it is possible to get conclusions that are representative of the entire population at a lesser cost than collecting data for the entire population using a survey strategy (Saunders and colleagues, 2009, p.144)

### Results

#### Demographic analysis

Staff members of Small and Medium Enterprises in Mogadishu provided the data for the study objectives, and the respondents to the questionnaires were: Workers of Small and Medium Enterprises in Mogadishu. The significance, reason, and purpose of the investigation were all effectively stated in the research questionnaire's introductory statement. Furthermore, the responders were assured that the information they supplied would be utilized solely for academic study and would be kept private.

#### Demographic Characteristics of the respondents.

Demographics	Frequency(f)	Percentage (%)	Cumulative percent
<b>GENDER</b>			
Male	100	83.30%	83.3%
Female	20	16.70%	100%
Total	120	100%	
<b>AGE</b>			
18-24 yrs	49	40.8%	40.8%
25-31yrs	48	40%	80.8%
32-39 yrs	9	7.5%	88.3%
39 yrs Above	14	11.7%	100%
Total	120	100%	
<b>LEVEL OF EDUCATION</b>			
Secondary level	11	9.2%	9.2%
Diploma	25	20.8%	30%
Bachelor degree	72	60%	90%
Master degree	11	9.2%	99.2%
Other	1	0.8%	100%
Total	120	100%	
<b>MARITAL STATUS</b>			
Single	56	46.7%	46.7%
Married	64	53.3%	100%
Total	120	100%	

Source: Primary data 2021

Data presentation and analysis

Description of the Independent Variable

The independent variable in this study was **Management Accounting Practice** categorized into forms namely Accounting techniques,. Each of these forms was measured using quantitative questions in the questionnaire and each of the questionnaire items was Likert scaled using four points "one to four"; where 1 = strongly disagree; 2 = Disagree; 3= Agree; 4= strongly agree.

**Table 4.2.1: Means and Std. Deviations on How Respondents rated the different Management accounting practices**

Management Accounting Practices	Std. Deviation		
	Mean	Std. Deviation	Interpretation
Accounting, policy, and procedure manuals are periodically updated and provided to suitable individuals in these SMEs	2.73	0.896	High
These SMEs have accounting policies and procedures Manual available to the staff with responsibility for the key business activities.	2.76	0.935	High
The signature cards approved by the SMEs have been reviewed periodically to ensure that authority to approve accounting transactions is limited to appropriate Personnel.	2.61	0.946	Average
These SMEs have a system to provide appropriate management with explanations of variations between Budget and actual.	2.84	0.97	High
These SMEs have department maintains a separate accounting system to reconcile to each month transaction documents.	3.00	0.935	High
Reconciliations of these SMEs have been reviewed by management to correct errors and answer.	2.86	0.86	High
Anticipated fund deficits are reported to the appropriate level of management on a timely basis reports.	2.916	0.916	High
Internal controls of these SMEs appear adequate for budget and accounting overall process.	2.927	0.927	High
<b>Mean index</b>	<b>2.923</b>	<b>0.923</b>	<b>High</b>

Source: primary data 2021

**Management accounting practice**

According to the above table, decree management practice in Mogadishu Small and Medium Enterprises Business was scored an average mean of 2.79 overall with a standard deviation of 0.923. This result indicates that staff members of Small and Medium Enterprises Business Companies are working under management accounting practice in their own Small and Medium Enterprises Business activities.

Above table 4.2.1 shows that divisional accounting, strategy, and procedure manuals are frequently updated and delivered to appropriate individuals in small and medium firms. With an average mean of 2.73 and a standard deviation of 0.896, this implies that management of individual departments accounting measures ensures in small and medium firms because they typically choose to approve or agree.

The average of Small and medium scale enterprises local business has accounting process and procedures Manual available to the staff to commitment for the key business activities is 2.76, with a standard deviation of 0.935, indicating that small and medium enterprises business company has accounting policies and procedures currently offered to their employees because they chose almost agree with the mean of 2.76.

Members of staff were also asked if the signature cards approved by the Small and medium enterprises business were reviewed on a regular basis to ensure that authority to approve accounting transactions was limited to appropriate personnel, and the majority of the respondents' mean was 2.61 and standard deviation 0.946, implying that the cards were reviewed on a regular basis because the Agree level is 3 and the mean is near this level..

Respondents were asked That Small and medium enterprises business has the system to provide appropriate management with explanations of variations between budget and actual, and the result indicates that the Small and medium enterprises business have systems to control variation between budget and actual activities with the mean 2.84 close to agreeing on the level without doubt standard deviations of 0.970 that is very close to mean.

Employees were also asked, that Small and medium enterprises business have department maintains a separate accounting system to reconcile to each month transaction documents and most of the respondent's mean was 3.00 and standard deviation 0.935, this means that they have accounting systems to reconcile transactions because they close to agree on the area.

Respondents were asked that Reconciliations of this Small and medium enterprises business industry reviewed by management to correct errors and answer and the respondent's answer scored with the mean of 2.82 and standard deviation of 0.860 this result indicates that management of these small and medium enterprises business correct and answer errors to adjust and reconcile errors occur in the activities with the mean close to agreeing on the level.

Employees were also asked that anticipated fund deficits are reported to the appropriate level of banking management on a timely basis therefore they scored mean of 2.79 and standard

deviation of .916 and the result indicates that the Small and medium enterprises business fund deficit are reported on time with the mean close to agreeing on the area without doubt standard deviations of 0.916.

In the 8<sup>th</sup> question of the respondents asked were Internal controls of this Small and medium enterprises business appear adequate for budget and accounting overall process and It's got mean of 2.78 and standard deviation of .927 so that this outcome shows that the Small and medium enterprises business have somewhat adequate internal control because of the mean close to agreeing on the level.

### Description of the Dependent Variable

This study namely the effect of Management accounting practices on Business Improvement in SMEs in Mogadishu- Somalia. The dependent variable of this study is Business Improvement. Hence, the Business improvement was measured these three dimensions number of customers, employment opportunities and market size with 10 items or questions in the questionnaire, with each question Likert scaled between one to four, where 1= strongly Disagree;2= Disagree;3= agree and 4= strongly agree.

**Table 4.2.2: Means and Std. Deviations on How Respondents rated the different Employee productivity**

	Mean	Std. Deviation	Interpretations
<b>Business Improvement</b>			
Small and medium enterprises business performed market research to identify business opportunities.	2.82	1.069	Close to agree
Small and medium enterprises business have proposal improvement procedures, outlines, management plans.	2.95	0.849	High
You're Small and medium enterprises business has improved a current Customer Capture Plan.	2.88	0.852	High
Small and medium enterprises business received and paid deposits on time to satisfy its customers.	2.93	1.03	High

These small and medium enterprises businesses make dependable distribution promises to their customers.	2.64	1.002	Average
You're Small and medium enterprises business currently has business improvement by support Arranged payment.	2.55	0.924	Average
Small and medium enterprises businesses have done involved international transactions.	3.05	0.96	High
You're Small and medium enterprises business has improved strategic planning including risk assessment.	2.9	1.008	High
<b>Mean index</b>	<b>2.84</b>	<b>0.962</b>	<b>High</b>

Source: primary data 2021

### Business improvements

according to the above table presented that the level of Business Improvement in Mogadishu Small and medium enterprises business was scored an average mean of **2.84** overall and standard deviation of **0.962** this result indicates that Small and medium enterprises business have management and business improvement with the mean of 2.84 that was high level without doubt standard deviations of .962.

The above table shows that employees of the Small and medium enterprises business performed market research to identify business opportunities and It's got mean of 2.82 and standard deviation of 1.069 this result indicates that the Small and medium enterprises business know the business opportunities because they always make market research with the mean close the Agree level.

Employees were also asked that the Small and medium enterprises business has proposal development procedures, outlines, management plans, and the outcome signifies that the Small and medium enterprises business have plans and improvement procedures with the score of 2.95 and without doubt standard deviation of .849 that is very close to mean.

In the 3<sup>rd</sup> question employees of the Small and medium enterprises business firms were asked that their Small and medium enterprises business has developed a current Customer Capture Plan and with the score mean of 2.88 and standard deviation of .852 that means these firms have customers capture plans.

Respondents were asked that Small and medium enterprises businesses paid deposits on-time delivery to satisfy their customers and got with the mean of 2.93 and the standard deviation was 1.030 This indicates that Small and medium enterprises business have always do deposits to make customer satisfaction of their employees.

Employees were also asked that these Small and medium enterprises businesses make dependable delivery promises to their customers and results say that some of the customers of these companies got dependable delivery promises with a score of 2.64 and standard deviation of 1.002.

Respondents were asked that the Small and medium enterprises business currently has business combination Arrangements and the outcome indicates that some of these companies have business arrangements and got the mean between disagreeing and agree to levels of 2.55 and standard deviations of .924.

Employees were also asked that This Small and medium enterprises business has involved international transactions and got with the mean of 3.05 and standard deviation of .960 so this result indicates that all of these companies have international transactions with the agreement to level.

In the last questions of business, development employees were asked that their Small and medium enterprises business has developed strategic planning including risk assessment and the result says yes they have strategic planning including risk assessments with the mean of 2.90 and standard deviation of 1.008.

### Relationship between management accounting practices and business improvements

There is a relationship between management accounting practices and business improvements. This relationship between management accounting practices and business improvements was determined by using the Pearson's Correlation in standard statistical software "Statistical Package for Social Sciences" (SPSS). Pearson's Correlation is a measurement of the strength of a linear or straight-line relationship between two variables. The Correlation Coefficients indicate both the direction of the relationship and its magnitude (Table 4.3.1).

**Table 4.3.1 Correlation between Management Accounting Practices and business improvements**

Variables correlated	R. Value	Significance
Management Accounting Practices	0.549	0.001
business improvements	0.549	0.001

Source: primary data 2021

The third objective was to investigate the relationship between management accounting practice and business development and the analysis of the results indicates a positive correlation between management accounting practice and business development ( $r = 0.549$ ) and is significant at 0.10. This shows that when the Management accounting practices adopted to the activities of Small and medium enterprises business improvements increased.

### Discussions

It identified that the majority of descriptive statistics reveal that management accounting practice was gained average mean **2.79** overall and standard deviation of **0.923** this outcome specifies that Small and medium enterprises business' employees are operating under management accounting practice in their Small and medium enterprises business activities.

The outcome from the findings of the business development reveals that the majority of the business improvements questions was scored an average mean of **2.84** overall and standard deviation of **0.962** this result indicates that Small and medium enterprises business have management and business improvement.

Moreover, it revealed that the majority from the outcome of Pearson's linear coefficient shown that business Improvement (the dependent variable, correlated with management accounting practice (independent variable) with correlation = 0.549 and, sig =0.001, that means the relationship is very high.

Previous studies, a study conducted in the UK by CIMA. (2006) investigates management accounting practices of (UK) small-medium-sized enterprises (SMEs) and establishes that management accounting practice has negative results. This bend forward to be the result of the increasing complexity that accompanies increased size and the need for management accounting tools required for decentralized decision making, such as budgets and responsibility centers, not relevant in smaller enterprises.

An empirical study conducted in Italy by (Breuer, Frumuşanu, and Manciu. 2013) investigated the role of management accounting in the decision-making process: case study caraş Severin county and create that role of management accounting have positive results. Related to the name of the second route, management account practice, they believe that the latter of business development are accounting techniques, i.e. managerial accounting, suits its purpose better, i.e. to provide information necessary for the decisions related to the business development and cost reduction.

### Conclusion

This section presents the conclusion of the research. Organizations today need good management accounting practice to become their Improvement increasing when holding appropriate management accounting practices and attainable standard of work in their business activities.

The findings revealed that high management accounting practices could deliver benefits due to the continuous interaction between the characteristics of management accounting practices. Small and medium-sized businesses are constantly improving their ability to undertake business improvement, but they are experiencing bad management accounting practices, which leads to a drop in business improvement. As a result, the findings imply that management accounting practices serve as a driver of accounting procedures, allowing businesses to successfully adapt. The findings of this study, management accounting practices have an impact on business improvement in the case of small and medium-sized businesses; in general, the researchers conclude that management accounting was found to have a significant positive relationship to business improvement at the stage of the correlation value 0.549

According to the findings, management accounting practice bodies should retain and use management accounting methodologies in order to achieve company improvement goals. The report also suggested using accounting methods and international standards, as well as establishing a Somali Accounting Body or Association. The researcher suggested that fathers focus their studies on the following topics. Accounting management practice on business expansion and accounting management practice on productivity and profitability.

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