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Factors Affecting the Use of Management Accounting: A Survey of Vietnamese Small-Medium Enterprises

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Abstract

In the market economy, the role of management accounting information is increasingly expanding and affirming its development position. Especially for small and medium enterprises in improving operational efficiency towards sustainable development. Small and medium enterprises are businesses that make important contributions to the economy in Vietnam, in terms of gross domestic product and creating job opportunities. This article surveys 135 small and medium-sized enterprises in Vietnam to evaluate

the level of application of management accounting in enterprises. Survey results show that small and medium-sized enterprises in Vietnam are paying much attention to management accounting and are aware of the many roles of management accounting information in businesses. However, small and medium-sized enterprises face many problems when applying management accounting systems in businesses such as finance, human resources, and technology.

Keywords: Management Accounting, Challenges, Small and Medium Enterprises

1. Introduction

According to Decree No. 80/2021/ND-CP dated August 26, 2022, it is stipulated that small and medium enterprises in Vietnam are enterprises with capital of less than 100 billion VND and no more than 200 employees participating in insurance society (Government, 2021). Small and medium-sized enterprises currently play an important role in our country's economy, creating many jobs, helping to maintain a low unemployment rate in Vietnam in recent years and contributing increasingly. The number of small and medium-sized enterprises operating has continuously increased over the years. In 2022, the number of operating businesses increased thanks to accelerated startups. In 2022, a record number of newly registered businesses will be established (148.5 thousand businesses), a high increase compared to previous years. Among them, small and medium-sized enterprises account for a large proportion of the Vietnamese business community, employing nearly half of the total number of workers and contributing significantly about 40% of annual GDP. Playing an important role in the private economic sector, the small and medium enterprise sector has contributed to promoting the transformation and growth of the Vietnamese economy in recent years.

Van Scheers and Makhitha (2016) ^[6] argue that small and medium-sized enterprises play an important role in stimulating economic activity, creating jobs and reducing poverty in many countries. Management accounting tools can support business administrators by providing information for decision making, making it easier to set goals and objectives clearly helps improve financial performance (Matambele, 2014) ^[3]. Mbogo (2011) ^[4] found that the lack of management accounting skills for decision making will be detrimental to the development of small and medium enterprises as well as difficulty in accessing credit.

From the above reasons, the article aims to understand the awareness of managers in small and medium enterprises in Vietnam about the use of management accounting techniques and factors affecting its use. From there, recommendations are made to help improve the effectiveness of using management accounting techniques in small and medium enterprises.

2. Literature Review

The first management accountants were scribes whose job it was to record cash receipts and disbursements and provide estimates of existing wealth, including valuable ores and foodstuffs. There is reliable evidence of these early scribes in Babylon, Greece, and the Roman Empire. The budgetary role of management accountants remained largely the same until the English Middle Ages.

During the period from 1,400 to 1,600, the elementary principles of modern management accounting practices emerged, including the concepts of standards for using raw materials, labor productivity of workers, types of professional costs and budgets. Management accounting becomes guiding and supporting decisions related to the construction or liquidation of fixed assets, management costs and product pricing. In 19th century America, textile mill owners kept detailed records of costs directly related to efficiency improvement activities and provided a basis for product pricing. In the late 19th century, railroad managers implemented an extensive and complex costing system that allowed them to calculate the costs of different types of freight. This information aids efficiency in improving and pricing railroads. The emergence of large mergers and corporations, such as Dupont and General Motors-GM, in the early 20th century, created the need to define the activities of different affiliates. Managers have developed ways to determine the ROI/Return on Investment and performance of its affiliates. By the late 1920s, management accounting was in dire straits as accounting interests focused on preparing financial statements to meet new regulations. Until the early 1970s, when the United States and Europe faced strong pressure from Japanese automakers, interest turned to developing more effective management accounting systems.

Waweru (2010) [7] offers four main theoretical frameworks that describe the stages in the formation and development of management accounting techniques. The first phase took place before the 1960s, when management accounting focused on methods of determining costs in businesses based on the goal of controlling costs based on standard costs. The second phase took place from 1960 to 1970, during which management accounting focused on using agency theory in determining contracts between related parties in the enterprise. The third phase took place from 1980 to 1990, and focused on the use of contingency theory. The fourth phase was after the 1990s, when strategic management accounting was the primary concern in management accounting techniques. In all four stages of development of management accounting, the management accounting system is recognized as an internal information system that provides businesses with relevant information to add value to the entire business. Management accounting techniques provide management solutions for internal management purposes. Therefore, management accounting techniques will include budgeting, performance evaluation, decision support and strategic analysis within the business. Mbobo (2011) [4] in his research in Kenya found the impact of management accounting techniques on small and medium enterprises. The training level and abilities of management accountants have a positive and important impact on the decision-making of administrators, increasing the success and growth of small and medium-sized enterprises. Cuzdriorean (2017) [1] conducted a survey in Romania, the results showed that budgeting is used to support planning. Since the purpose of management accounting techniques is to provide internal information, decision making and budgeting are indispensable information for controlling costs and improving business performance. Many studies have highlighted that using management accounting

techniques can give an advantage over competitors by helping to select the best investment opportunities. Maduekwe (2015) states that small and medium enterprises use management accounting techniques to monitor business activities, measure performance as well as plan and control. Using management accounting techniques widely in business benefits profitability, sustainability, performance, growth, and success.

Previous studies have shown that there are many purposes when using management accounting techniques in businesses. However, studies also show that small and medium-sized enterprises face many challenges in implementing management accounting techniques. These factors include both internal factors and external factors of the business. In a study in South Africa, Smit and Watkins (2012) [5] stated that the barriers to the success of small and medium enterprises are lack of management skills and lack of education and training. Research in Thailand also showed similar results, for small and medium enterprises in Thailand, lack of expertise, the need to save costs and time will lead to delays in providing information, so this is a factor that affects the use of management accounting techniques.

Regarding the challenges faced by SMEs, Mbogo (2011) [4] identified SMEs facing financial challenges, lack of resources and lack of access to technology. In addition, many studies have also shown that lack of finance, lack of cost control, lack of management ability, and lack of capital are the causes leading to the failure of small and medium-sized enterprises. Thus, small and medium enterprises face many challenges in using management accounting techniques. Lack of management skills, lack of education and training, financing challenges, lack of access to management accounting information, and lack of business management technology lead to the use of accounting techniques management in small and medium enterprises is incomplete and modern management accounting techniques are not used.

3. Research Method

Quantitative research to evaluate the level of management accounting use in small and medium-sized enterprises in Vietnam, carried out through the following 3 steps:

Step 1: We build a questionnaire on Google Forms, send it to accountants and business managers via email using a convenient sampling method, and send it to friends, relatives, and partners. ...

Step 2: The number of survey questionnaires distributed was 140, sent to 140 enterprises, and the number of votes collected was 135 from 135 enterprises, reaching 96.4%. All receipts meet the required information requirements.

Step 3: We analyze the data on SPSS 22 software with the following tools: Frequency statistics, average statistics. The questions in the survey apply Apply the 5-point Likert scale: 1- Strongly disagree; 2 - Disagree, 3 - Normal, 4 - Agree, 5- Strongly Agree.

4. Results

Enterprise scale

The author sent 140 votes to 140 businesses, and received information from 135 businesses with a total of 135 votes.

Table 1: Characteristics of surveyed enterprises

Characteristics		N = 135	Percentage (%)
Type	Joint Stock Company	75	56%
	Limited liability company	60	44%
Business	Manufacture	52	39%
	Commerce	35	26%
	Service	20	15%
	Build	15	11%
	Other	13	10%
	Operating time	< 5 years	75
	5 years – 10 years	34	25%
	> 10 years	26	19%

According to survey results, of the 135 responding businesses, 56% were joint stock companies and 44% were limited liability companies.

Table 1 shows that survey respondents are mainly managers of manufacturing enterprises with a rate of 39%, followed by commercial enterprises with a rate of 26%, and service enterprises with a rate of 15%, and the construction and other sectors had the least number of surveys (11%).

Regarding operating time, there are 75 new businesses that have been in operation for 5 years, 34 businesses that have been in operation for 5 - 10 years, and 26 businesses that have been in operation for over 10 years.

In addition, to ensure the level of understanding of the enterprise's production and business activities, the author conducted a survey of the position of the surveyed people in the enterprise. The results show that 22% of respondents are business owners, 53% of respondents are both business owners and managers, and 25% of respondents are business managers.

Application of management accounting

First, the author conducted a survey to evaluate the purpose of using corporate management accounting techniques. In particular, there is a focus on many uses of management accounting techniques such as supporting in decision making, helping to control costs, supporting planning, providing an advantage over competitors, supporting choose the best investment opportunities, ensure profits, ensure sustainability, support business performance assessment, support successful business operations, support financial reporting, help develop strategy business. The survey results are shown in Table 5. Questions were asked on a 5-level Likert scale. The purposes that lead managers of small and medium-sized enterprises to implement management accounting in their businesses that are considered the most important include: Support for planning (mean 4.42), support for evaluating business performance (mean 4.02). The purpose least interested in by managers is to help develop business strategy (mean 2.85), and bring advantages over competitors (mean 2.50).

Table 2: Application of management accounting

Application	Mean
Support in decision making	3.83
Helps control costs	3.65
Planning support	4.42
Gives an advantage over competitors	2.50
Support in choosing the best investment opportunities	3.05
Guaranteed profits	3.54
Ensuring sustainability	3.25
Support business performance evaluation	4.02
Support for successful business operations	3.10

Financial reporting support	3.45
Help develop business strategy	2.85

Factors influencing the application of management accounting techniques

Survey respondents were also asked to indicate factors affecting the application of management accounting techniques in small and medium enterprises. The survey questions also use a 5-point Likert scale from strongly disagree to strongly agree. Table 3 shows that factors affecting the application of management accounting techniques include business industry characteristics, enterprise size, lack of skills education, lack of technology, lack of management accounting knowledge, and problems operating costs. Survey results show that lack of management accounting knowledge and lack of skills education are the two biggest reasons affecting the application of management accounting techniques in small and medium enterprises in Vietnam (with mean are 4.32 and 4.02 respectively). This result is quite similar to previous studies. Rudora and Selesho (2014) also highlighted the lack of educational training and understanding of management accounting in small and medium-sized enterprises as reasons for the low level of adoption of these techniques. Lack of technology is the least influential factor with a mea of 3.25.

Table 3: Factors influencing the application of management accounting techniques

Factors	Mean
Business industry characteristics	3.65
Enterprise scale	3.77
Lack of skills education	4.02
Lack of technology	3.25
Lack of management accounting knowledge	4.32
Operating cost issue	3.75

Challenges that small and medium enterprises face

Table 4 shows the challenges faced by small and medium enterprises in Vietnam. The results show that the biggest challenge is the financial challenge (mean 3.85), followed by the resource challenge (mean 3.43). Regulatory, operating environment, and other challenges are not appreciated. To build a management system that meets the needs of administrators, modern management accounting techniques must be used. Therefore, businesses need to ensure financial resources to build and maintain this accounting system. In addition, to proficiently use modern management accounting techniques, each business also needs to train highly qualified human resources, apply modern theory and use technology.

Table 4: Challenges that small and medium enterprises face

Challenges	Mean
Finance	3.85
Human Resources	3.43
Technology	3.35
Regulations	2.96
Operating environment	3.04
Other	3.10

5. Conclusion

Through research results, the author finds that small and medium-sized enterprises in Vietnam are paying much attention to management accounting and are aware of the

many roles of management accounting information in businesses. However, small and medium-sized enterprises face many problems when applying management accounting systems in their businesses. The challenges these businesses face the most are financial and human resources. Technology is also a challenging factor, but not to the point of receiving strong attention. Regulatory and environmental issues are currently less recognized as challenges affecting the use of management accounting techniques in small and medium-sized enterprises.

From the survey data above, to increase the level of application of management accounting in small and medium enterprises in Vietnam, business managers should be trained in management accounting to have the best understanding. Determine the role of management accounting information in businesses. In addition, during the recruitment process, businesses should also promote the knowledge of management accounting of accountants. Management accounting includes many techniques, based on business lines, business size, financial capacity and human resources to choose to apply management accounting techniques to suit the business. For the state, educational organizations also need to ensure the provision of effective management accounting training courses for small and medium-sized enterprises, so that administrators always have access to modern information.

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