

Factors influencing the Use of Management Accounting Practices among SMEs in emerging economies: A case of Zimbabwe

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Abstract: Objectives: The objective of this paper is to investigate the factors influencing the application of management accounting among Small and Medium Enterprises (SMEs) in emerging economies using Zimbabwean SMEs as a case study. The paper observed that there is lack of evidence of research-based knowledge on the factors influencing the application of management accounting among SMEs in Zimbabwe. **Prior Work:** Prior studies have indicated a low uptake Management Accounting Practices (MAPs) among SMEs in developing economies. Moreover, there is paltry research-based knowledge on the factors influencing the application of MAPs among SMEs in Zimbabwe. **Approach:** Semi-structured interviews were used to obtain data from 88 participants. Data was interpreted using qualitative content analysis. **Results:** Socio-economic environment, availability of funds, costs and benefits associated with the usage of management accounting, size of the organization, qualifications of accounting personnel, financial literacy of SME owners, and technology are the key determinants, according to the study. **Implications:** The study recommends that SME owners need to be educated on the importance of having an in-house management accountant and those who are financially unable to hire can collaborate with management accountants as business partners. The Zimbabwean government, should provide government-sponsored management accounting training to SMEs, not only in tax compilation, bookkeeping, and entrepreneurship. Additionally, the government should attend to key fundamentals that will resuscitate the economy. SMEs can utilize integrated software solutions or Microsoft Excel spreadsheets, which can enable the implementation of various management accounting tools since they cannot afford to secure management accounting software. **Value:** The study identified factors that influence the use of MAPs by SMEs in Zimbabwe, made recommendations for enhancing their usage and filled a knowledge vacuum in the studied area.

Keywords: Management accounting; Small and Medium Enterprises; Management accounting practices; Zimbabwe.

JEL Classification: H83

1. Introduction

Small and Medium Enterprises (SMEs) are critical to global economic growth and development (Kithae, et al., 2013). Small enterprises, according to Domingo (2017), are believed to be solutions to economic growth difficulties in both established and emerging economies. In Zimbabwe, the critical role of SMEs in economic growth is also a reality. This is demonstrated by their significant contribution to economic activities, since they account for more than 70% of all economic activity, employ more than 60% of the workforce, and provide more than half of the country's GDP (RBZ, 2016). The SME sector is the most important for creating jobs and increasing individual wealth, both

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of which contribute to a higher quality of living and poverty reduction. SME's are undeniably the backbone of Zimbabwe's economy, yet much has been written about their battle for survival and high failure rate (Maseko & Manyani, 2011; Nyanga, et al., 2013; Manyani, 2014).

Prior research has demonstrated that management accounting practices (MAPs) are important tools for encouraging development plans, regulating operations, establishing strategy, managing change, and act as the key information system in the decision-making process, particularly for small businesses (Mitchell & Reid, 2000; Ahmad, 2012; Dlamini & Schutte, 2021). However, some SMEs conjecture that MAPs are only required and appropriate for large enterprises, which explains why MAP adoption is low, especially in developing countries (Lucas et al., 2013; Ahmad, 2013). An exploratory study that was conducted by Dlamini and Schutte (2021), on the use of MAPs by Zimbabwean SMEs revealed that there is a low uptake of management accounting in the SME sector. However, the study did not reveal the factors that led to the low uptake of MAPs. Therefore, the objective of this paper is to investigate on the factors that influence the usage of management accounting among Zimbabwean SMEs. This research fills a vacuum in the literature on the factors influencing the usage of MAPs by SMEs, particularly in Zimbabwe. The article is organized as follows: it discusses management accounting, the factors influencing its use and then reviews empirical literature. The paper then details the methodology adopted in the study. The paper comes to a conclusion based on the findings of the research.

2. Literature

Management accounting is a useful tool in management functions as it plays a critical role in the success of smaller entities and assists in their survival, growth, and migration to large-scale entities (Reid & Smith, 2002). Sulaiman *et al.* (2004) postulated that management accounting assists large-scale entities in reducing costs, maximising profitability, and excelling in the globally competitive market as they apply advanced technologies, whereas small entities apply traditional technologies. However, Hopper *et al.* (1999) stated that there is a low adoption level of MAPs among small businesses in comparison with their larger counterparts. Small businesses similarly face issues associated with sustaining their businesses due to globalisation, technology progression, funding challenges, and aggressive market competition, among others (Nandan, 2010; Ahmad, 2012).

Literature suggests that the extent of the use of MAPs is influenced by both internal and external factors (Nishimura, 2005; Azudin & Mansor, 2018). Amara and Benelifa (2017) also postulated that the successful implementation of MAPs relies on the perfect harmonisation of both the external and internal factors that surround the organisation. Kamilah (2012) further stated that advancements and changes in MAPs among entities are influenced by various contingency factors. In the same vein, Mitchell and Reid (2000) further posit that these factors are the contingency variables that determine the model and operation of the organisation. Shahzadi *et al.* (2018) assert that internal contingency variables relate to the organisation under consideration, and these factors include the size of the organisation, business strategy, education level of accounting staff, organisational structure, and operational system. Whereas external environmental factors are those that influence the organisation from the outside, such as technology and the intensity of market competition, among others (Albu & Albu, 2012; Nair & Nian, 2017). The following sub-sections discuss various factors that influence the use of management accounting among SMEs.

2.1. Organisation Size

Prior studies have highlighted organisation size as a variable that affects the adoption of MAPs among SMEs (Mitchell & Reid, 2000; Albu & Albu, 2012; Ahmad, 2013). For instance, Nair and Nian (2017) assert that SMEs do not adopt comprehensive MAPs because of their size. In the same thread, Haldma and Laats (2002) further posit that small businesses mostly apply the traditional MAPs in contrast with the contemporary MAPs as they handle small quantities of information due to their organisational size. In that regard, large entities that have sophisticated production processes with many decisions having to be made from large volumes of information tend to adopt comprehensive MAPs compared to small entities (Albu & Albu, 2012; Ahmad, 2012). Logically, large entities will generally use more sophisticated MAPs compared to small entities as they have greater access to resources (Albu & Albu, 2012). Van-Nguyen and Brooks (1997), who examined the usage of ABC techniques, supported this and revealed that it was very high in large entities compared to smaller ones. Haldma and Laats (2002) also stated that medium-sized entities tend to adopt more MAPs compared to small-sized entities as they use more information to evaluate their performance to make an informed decision for their growth and expansion.

Furthermore, SMEs lack adequate resources to support the implementation of comprehensive MAPs, compared to their larger counterparts (Albu & Albu, 2012). Azudin and Mansor (2018), also stated that SMEs would adopt specific MAPs due to their size as they lack resources to aid transformation. On the same point, Hoque and James (2000) conducted a study on the impact of organisation size on the use of a balanced scorecard, and they revealed that entity size is positively related to accounting control systems and a balanced scorecard. They also revealed that large entities apply more MAPs that are contemporary. Cadez and Guilding (2008), as well as Albu and Albu (2012), also concur that company size is positively related to the adoption of MAPs. Similarly, Ahmad (2012) conducted a study in Malaysia on the use of MAPs among SMEs. The survey revealed that company size significantly influences the adoption of MAPs in business operations. Furthermore, the study revealed that medium-sized firms have a higher management accounting tool utilisation rate compared to small-sized firms (Ahmad, 2012). Therefore, the size of the organisation has a bearing on the adoption of MAPs as it affects the design and scope of MAPs (Nair & Nian, 2017). For instance, large organisations need more tools to aid their strategic decision-making and they have adequate resources to facilitate the use of contemporary MAPs compared to small organisations (Albu & Albu, 2012).

2.2. Organisation Structure

Senftlechner and Hiebl (2015) postulated that the complexity of the organisation's structure does not impede the use of MAPs in an organisation since management accountants can identify appropriate MAPs for their organisational structure. Large entities have a more multifaceted structure when it comes to decision-making compared to small entities, where most decisions are made by the owner or a few individuals (Albu & Albu, 2012). Thong *et al.* (1996) noted that the owner or manager in small businesses, with an entrepreneurial organisational structure, influences the adoption of MAPs as they are key decision-makers who shape the future of the entity. Furthermore, Robbins (1990) stated that organisational structure influences the accounting system applied by the entity and influences the MAPs applied by the organisation. However, Ipinnaiye *et al.* (2017) suggested that organisations with a simple structure should have no difficulties in identifying appropriate MAPs to be adopted.

2.3. Business strategy

Literature asserts that the principal goal of management accounting is to create value for the organisation through the provision of information to help management in the creation and sustainment of competitive advantages for the organisation (Ahmad, 2017). The development of a business strategy cannot be separated from management accounting. Thus, business strategy and management accounting are inextricably linked (Anthony & Govindarajan, 2007). In concurrence, Kober *et al.* (2007) further stated that MAPs are shaped by the business strategy and, at the same time, they shape the business strategy. Chenhall and Langfield-Smith (1998) posit that organisations should fit MAPs into their overall business strategy for them to achieve the desired performance. Azudin and Mansor (2018) also asserted that the implementation of MAPs in an organisation is influenced by the strategic goals of the entity, among other contingency variables. Amara and Benelifa (2017) also added that the competitive strategy determines the MAPs that the organisation can adopt. Furthermore, Hoque (2004), who stated that a business strategy is positively related to non-pecuniary performance measures, also supported this view. Therefore, the strategic direction of the entity affects the MAPs that will be adopted by the entity (Azudin & Mansor, 2018). However, on the contrary, Uyar (2019) argued that management accounting information affects the development of the business strategy as well as its implementation, so the two are interdependent.

2.4. Qualifications Of Accounting Staff

Brown *et al.* (2004) posit that the knowledge and qualifications of accounting personnel influence the achievement and advancement of the entity. Knowledge of the accounting staff is vital as it influences resource allocation and utilisation, performance evaluation, as well as decision-making and policy formulation in an organisation (Albu & Albu, 2012). Accounting knowledge determines the MAPs that can be adopted in an organisation. Haldma and Laats (2002) support this, as do Abdel-Kader and Luther (2008), who, in their studies, concluded that the level of qualification of the accounting personnel has a significant positive relationship with the MAPs adopted in an organisation. In contrast, Ng and Kee (2018) further emphasised that the experience of the accounting staff is the most crucial component compared to the qualification of the staff for the adoption of MAPs in an organisation. However, Johnson and Kaplan (1987) postulated that the relevance of MAPs changes in harmony with the changes taking place in the operational environment, so experience without relevant qualification would soon lose its relevance.

Furthermore, Ismail and King (2007) stated that the variation in the use of MAPs between large entities and SMEs is significantly affected by the qualifications of the accounting staff. They further highlighted that large entities could hire qualified accounting personnel and further split the accounting department into various sections such as management accounting, cost accounting, and financial accounting. Small businesses employ or outsource accounting experts specifically for financial reporting and the compilation of tax returns (Ng & Kee, 2018). In that regard, large entities have highly qualified accounting staff who are not only employed to prepare financial statements but also to assist management in the decision-making process as well as create and sustain competitive advantages for the organisation (Ismail & King, 2007; Nair & Nian, 2017). Ahmad (2012) conducted a study that revealed that the qualifications of the management accounting staff influenced the MAPs used by Malaysian SMEs. Those that had qualified accountants had high adoption levels of MAPs, with a significant rate for the contemporary MAPs (Ismail & King, 2007). Therefore, the level of

qualification for the accounting personnel affects the adoption of MAPs in an organisation and entities should consider empowering their accounting staff or hiring qualified management accountants if they are to excel (Ng & Kee, 2018).

2.5. Market Competition

Cadez and Guilding (2008) asserted that market competition is about the entity competing in terms of products and services with other players in the industry. According to Hussain *et al.* (2016), organisations that need to gain a competitive edge should outperform their counterparts in four main areas, which are: quality, distribution channel, low production cost, and flexibility. Grubic and Peppard (2016) suggested that in small businesses, the knowledge and application of MAPs is a key driver for gaining a competitive advantage. They further asserted that the use of MAPs is a tool that can be used by SMEs to gain stamina for withstanding throat-cutting competition with the big players in the industry (Ahmad, 2017). In this regard, it is paramount for SMEs to appreciate the use of MAPs to withstand the intensity of market competition. Similarly, Haldma and Laats (2002), as well as Ahmad (2012), earlier raised the point, as they stated in their studies that the intensity of market competition affects the adoption of MAPs among SMEs as entities strive to make sound decisions and formulate effective marketing strategies. The changes in the competitive environment affect the use of MAPs in an organisation and when the competition is stiff, sophisticated contemporary tools will be mandatory in an organisation (Hussain *et al.*, 2016).

2.6. Technology

Technology has occupied the centre stage in the modern world that is characterised by fast changes in business conditions with rapid advanced technological changes and complex automated production processes (Ismail & King, 2007). Advanced production technology is now paramount as innovative technology improves proficiency and performance through assisting the production processes to be faster (Zabri, 2015). In addition, advanced production technology is a management device that enhances product novelties and improves the competitive edge, especially in the modern business environment (Nair & Nian, 2017). Several scholars who have cited technology as one of the components that enable an organisation to sustain a competitive advantage (Jamil *et al.*, 2015) support this. Production processes have become more capital intensive while cutting direct labour, especially in large entities as compared to SMEs that lack adequate resources to capitalise their operations (Albu & Albu, 2012).

A study conducted by Karada (2015) revealed that SMEs have a low level of contemporary MAP adoption as they are characterised by a low technology utilisation rate. However, Bharati and Chaudhury (2015) further cited that medium-sized entities have a better appreciation of new technological changes as compared to small-sized entities, whereas both large and small entities in the developing economies have a low adoption rate of contemporary MAPs due to a lack of management accounting software that is compatible with advanced automated systems (Giotopoulos *et al.*, 2017; Dlamini, 2020). In 2012, Ahmad conducted a study on the use of MAPs by SMEs, and the study revealed that advanced production technology has a notable impact on the costing system as well as the performance evaluation system. Holmes and Nicholls (1998) asserted that organisational structure, technology, market competition, the size of the business, and the nature of industry determine an

entity's MAPs. Small entities, because of their size, have a low adoption level since their operations are not complex and the perceived risk aversion is low (Nair & Nian, 2017). Firms in the manufacturing industry are high adopters of MAPs because they are more capital-intensive and have a more analytical approach to decision making (Ahmad, 2014).

3. Methodology

The study used semi-structured interviews to conduct qualitative research. Focus group discussions, face-to-face in-depth interviews, observations, and key informative interviews were used to gather comprehensive information about SMEs and MAPs for the study. Data collection began on November 4, 2019, but was abruptly halted on March 26, 2020, when the President of the Republic of Zimbabwe declared a national lockdown owing to the COVID-19 epidemic. When lockdown restrictions were relaxed on the 17th of August 2020, the researcher resumed data gathering until the 15th of September 2020. Over the course of six months, thirteen focus group sessions, nineteen face-to-face in-depth interviews, and twenty-one key informant interviews were held. Participants were asked about the variables that impact their usage of MAPs as well as the advantages they get from using them. The study adopted reflexive thematic analysis approach that was advanced by Braun and Clarke (2006). The researcher was actively involved in all the six stages of data analysis which are suggested by Braun and Clarke (2006). Data were thematically analysed through content analysis using Atlas. ti

4. Results and Discussion

The literature affirms that there are internal contingency variables and external environmental factors that affect the applicability of MAPs (Shahzadi *et al.*, 2018; Msomi *et al.*, 2019). It became apparent from study data that SMEs face a profusion of factors in the implementation of management accounting. The factors range from the socio-economic environment to the complex nature of the concept of management accounting itself. These factors are shown in figure 1 and include but are not limited to organisation size, availability of adequate resources, knowledge of MAPs, technology, costs, and benefits associated with their use, business environment, and qualification of the accounting personnel. However, there were other less important factors, such as market intensity, resistance to change, and organization structure. For instance, the market intensity was mentioned by six participants out of eighty-eight (7%), resistance to change was cited by three out of eighty-eight (3%) and organization structure was pointed out by one participant out of eighty-eight (1%).

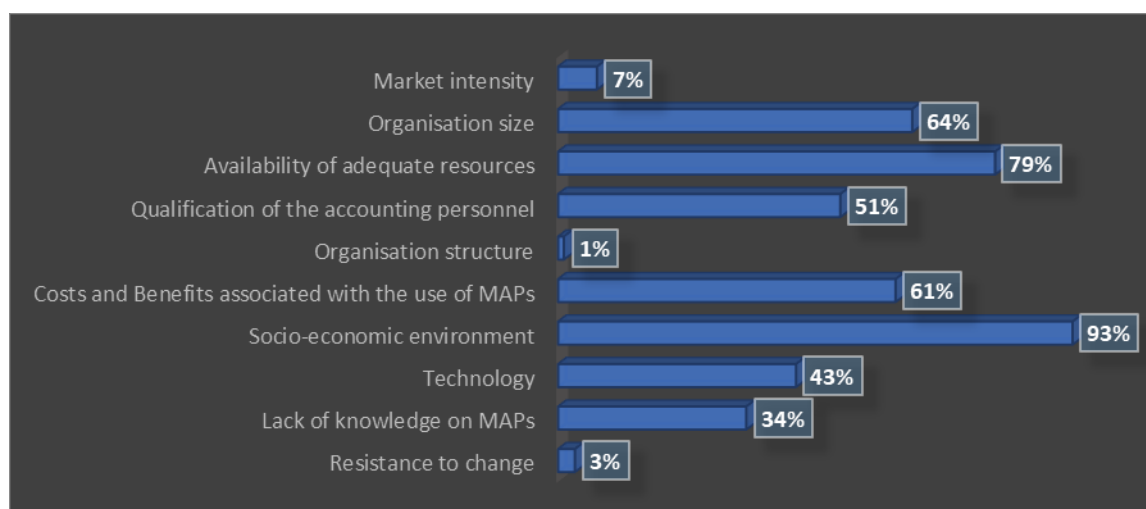


Figure 1. Factors influencing MAPs application

Source: Own formulation

Socio-economic environment: The study observed that for the past two decades, the Zimbabwean economy has undergone three different phases. For instance, in the first nine years (2000-2008) of the past two decades, there was economic paralysis that was characterised by extensive commodity shortages, political instability, corruption, high exchange rates, and hyperinflation (Bomani, *et al.*, 2015; Kanyenze *et al.*, 2017). This period was followed by eight years (2009-2016) of relative prosperity in which the economy flourished, accompanied by remarkable economic growth (Sibanda & Makwata, 2017). The economy then experienced a four-year downturn marked by hyperinflation, high unemployment, extreme poverty, GDP contracting by 8.1% in 2019 and rapid exchange rate depreciation (World Bank, 2020; Helliker & Murisa, 2020).

According to the current study findings, SMEs under consideration used more MAPs from 2009 to 2016 than they did from 2000 to 2008 and from 2017 to 2020. A significant number of participants abandoned the use of budgets due to hyperinflation. Ipinnaiye *et al.* (2017) revealed that inflation affects the levels of growth, pricing of products, and application of accounting among small businesses. Some of the respondents indicated that the hyperinflationary environment makes it difficult to apply some MAPs, especially for those firms that outsource accounting expertise. One of the participants, who was a bookkeeper, had this to say:

“During the stable economic environment, our accounting consultant used to do almost all the budgets and other management accounting reports for us. With this harsh economy, which has an abnormal inflationary environment, we could not afford to continue preparing budgets that would need to be revised now and again, that was very costly, and the consultancy fees were also heavy for us” (P41).

The participants indicated that the harsh economic environment has affected not only their operations but also the accounting systems. The findings further revealed that during episodes of economic recession, small businesses tend to desert the formal ways of doing business and adopt informal ways as long as there is an assurance of making more money.

The study also found that in the period from 2017 to 2020, the Zimbabwean government initiated many policies and statutory instruments that were highlighted by participants as impediments to business growth and development. The key informants and respondents revealed that the never-ending stream of statutory instruments makes it difficult for entities to conduct business in the prevailing environment. As a result, this affected the business environment, causing small businesses to informalise the bulk of their business dealings. The majority of participants (seventy-three out of eighty-eight), as well as seven key informants from the accounting firms, highlighted that the performance of the economy is a major contributor to the application of management accounting tools. The respondents had this to say:

“As an entity, we are mostly affected by the business environment, increase in prices is abnormal. Last year, we retrenched some of our staff members to reduce our wage bill, and this affected our manpower, even in the accounting department. We are now understaffed in the department, and we sometimes fail to meet some deadlines” (P11).

“Many of these statutory instruments that were issued in 2019 affected our business activities and only favoured the government, they were not balanced at all, on the other hand, the economic environment is harsh, and doing business is difficult in this country. The escalation in prices makes it difficult even to determine the cost of a product and you cannot even provide a quotation for a customer. You quote a customer today, tomorrow the cost of raw materials will have tripled in price. Honestly, how do you cost a product? It is very difficult even to follow proper accounting principles” (P13) (sic).

“Mamiro enyika avakurema kunevamabhizinisi, nekudaro takamisa vamwe basa kuti tikwanise kuderedza Mari yatinobhadhara vasevenzi” (The economic environment is acerbic for business hence, we had to cut down our wage bill by retrenching other employees) (P57).

Three key informants (Chartered Accountants) who are also consultants for SMEs had this to say:

“The economic environment is very harsh, especially for small businesses; most of them are no longer following the formal ways of doing business. They have even abandoned some of the management accounting tools and are only concerned about financial reporting and taxation. Most small business owners will always find ways of survival, especially from the lessons learnt in the period from 2000 to 2008. For example, the government issued a statutory instrument to ban the use of foreign currency, and all businesses were now supposed to wait for the central bank to allocate forex for their imports (K11)

“Due to the unavailability of foreign currency with the central bank, entities will wait for their allocation for more than three to six months, and this threatens the survival of small businesses. Then, informally, these small businesses will sell forex to each other using the black market (informal market) rates. For instance, an exporting entity will sell forex to an importing entity and then import the merchandise, invoicing it in Zimbabwean dollars at an interbank rate that is very low to avoid paying high taxes” (K5).

“The economy is very harsh. SMEs are failing to operate like they used to do when the economy was stable, I lost three clients from SMEs, I used to provide management accounting services. They cited the unavailability of adequate resources as the main reason” (K2).

The views from respondents reveal that socio-economic factors such as hyperinflation, employee retrenchment, and high operating costs influenced the application of MAPs. The respondents indicated that during an economic recession, entities tend to reduce their wage bills and other overheads by

cutting the number of employees. In addition, the respondents also indicated that retrenchments compromise the application of MAPs due to understaffed accounting departments. Regardless of the above challenges that have led to the drastic reduction in the use of MAPs among SMEs under study, scholars argue that entities should continue to use them, even in harsh economic conditions, to survive (Hall, 2008; Olarewaju *et al.*, 2020).

Availability of adequate resources: The majority of the participants (sixty-seven out of eighty-eight) indicated that the unavailability of adequate resources is one of the top hindrances in the application of MAPs among the SMEs under study. Interview discussions revealed that the lack of financial capacity is a major factor among SMEs, though the challenge is onerous in small-sized firms. Small businesses lack adequate resources to train their accounting personnel and acquire essential resources to necessitate the application of MAPs, especially the modern MAPs (Ismail & King, 2007; Karanja *et al.*, 2012). Training of accounting personnel enables capacity building for the workforce, and this will increase not only the uptake of MAPs but will further enhance product innovation (Abdel-Kader & Luther, 2008). The respondents indicated that the majority of SMEs do not have the requisite capital needed for the smooth application of MAPs. Some of the participants had this to say:

“Our major challenge in the implementation of management accounting is the lack of adequate resources. These systems need a computer package; even if you can acquire the software, you will have challenges maintaining the system because these software licenses do expire” (P59).

“Lack of resources is also a contributing factor to our low usage of these cost accounting methods. We tend to use our few resources for taxation and the preparation of final accounts” (P47).

“Some of the management accounting tools are too complex. They need management accounting software packages, which are very expensive, and we cannot afford to buy them as an entity” (P13).

The acquisition of accounting software that has management accounting packages is beyond the reach of most entities in developing countries (Dlamini, 2020). A management accounting package is essential for the wide application of MAPs, especially the decision-support systems and SMA techniques (Karanja *et al.*, 2012). In a study conducted by Dlamini (2020) on the use of MAPs among large manufacturing entities in Zimbabwe, it was revealed that most entities did not have accounting software that had management accounting packages. Commenting on the lack of resources and its impact, one of the key informants had this to say:

“Funds availability is a major hindrance to the implementation of MAPs by SMEs. There is little assistance they are getting from the government as we speak, so with the little income they get, some of them cannot afford to acquire a computerised system, and they are struggling to cater for their overheads. The economy is very harsh. SME's are failing to operate like they used to when the economy was stable, and I lost three clients from SMEs. I used to provide management accounting services; they cited the unavailability of adequate resources as the main reason” (K2).

The current study found that the lack of adequate resources was one of the major contributors to the low adoption of MAPs among the SMEs under study. These findings resonate with studies that have been conducted by other scholars (Mhizha, 2014; Nian & Nair, 2017). For instance, Mhizha (2014), who analysed the challenges faced by Zimbabwean SMEs in adopting strategic management practices, obtained similar results. The present study results are consistent with the findings obtained by Mitchell and Reid (2000), who indicated that a lack of adequate resources affects management accounting innovations in small businesses. Furthermore, the participants also highlighted that government grants

are no longer forthcoming due to the uncertain economic situation currently prevailing in the country, while lending institutions are wary of SMEs' lack of collateral security. Hence, Gangata and Matavire (2013), as well as Manyani (2014), assert that banks are wary of supporting SMEs due to collateral insecurity. The literature states that lack of adequate resources influences the application of MAPs negatively, especially in small businesses (Ahmad, 2017).

Costs and benefits associated with the use of MAPs: The costs and benefits associated with the use of MAPs influenced their application among the SMEs under study. Fifty-four respondents indicated that the costs associated with the use of management accounting in small businesses are perceived to be high compared to the benefits derived from its application. The respondents had this to say:

“The cost of using these management accounting techniques is too high for small businesses like ours maybe for large entities, they can benefit from them. I know the benefits associated with their use, but I think at the end of the day we might not even benefit because of the costs that are associated with investing in their use as well as maintaining them, our business is still small, so we just pick a few tools” (P33).

“Mina ngibona sengathi singa faka imali kumasysytems lawa sibuye sehluleke ubenefitha kuwo ngoba leli ilizwe lifuna into ezakunika amaresults khonapho khonapho, so nxasingaqhathanisa amacost akhona longakuzuza kusangangahambelani (In my view, you might fund these systems and further fail to benefit from them, because this country needs things that will give you the desired results immediately, so if you compare the costs against the benefits, it might be cost-inefficient)” (P77).

“As an entity, we outsource accounting expertise for tax computation and financial statement preparation, if we further outsource for management accounting, the perceived benefits will not match the costs associated with that exercise. We will be spending a lot on the accounting side as an entity” (P56).

The participants assume that the perceived benefits of the use of management accounting are lower than the costs associated with its use. Seventy-one per cent (71%) indicated that costs associated with the application of contemporary systems are too high, as these tools cannot be done manually without a computerised system. Ali Qalati *et al.* (2021) state that the cost-effectiveness of modern tools seems to be a factor that also leads to their low adoption among SMEs as their application is relatively costly. One of the respondents had this to say:

“We know that there are vast benefits associated with the use of strategic management accounting tools and other modern systems, especially strategic costing, value chain analysis, and strategic pricing. Yet, it is hard to apply these techniques manually, you need a computer package. As an entity, we can only manage to have and maintain an accounting package for financial reporting only. If we are to fund their usage, we rest assured that we will go out of business” (P52).

These findings indicate that the costs and benefits associated with the use of MAPs are a factor that influences the application of MAPs among the SMEs under study. The study findings resonate with results obtained by Bäuml (2014), who conducted a study in Malaysia; he discovered that the cost associated with the use of SMA was a major challenge in the implementation of SMA practices. However, the literature suggests that the application of management accounting is essential for the success and growth of small business entities as it promotes efficiency and improves the competitive edge (Abdel-Kader & Luther, 2006; Karanja *et al.*, 2012; Armitage *et al.*, 2016).

Size of the organisation: The size of the entity determines the level of application of MAPs. A large number of respondents expressed this sentiment. Fifty-six respondents were of the view that the size of the organisation influences the application of MAPs within an entity.

“When we increased our production processes, that is when we had to apply ABC because we were now producing a wide range of products, so ABC makes it easier for us to share the overhead costs” (P49).

“Six years back when I was the only one in the accounts department, we would use a consultant mainly for tax issues and few things on the management accounting side due to the fees they used to charge us, as for now we internally do all accounting related activities. We have even increased the usage of cost and management accounting tools because we now have a well-established accounting department. I agree with my brother that size has a bearing on the usage of these MAPs” (P28).

“The management accounting techniques we used to apply were fewer than the ones we are now using I am also of the view that the size of the firm does affect the usage of MAPs” (P8).

This was buttressed by the four key informants who stated that the larger the organisation, the wider the usage of MAPs would be. The key informants further asserted that small-sized firms are low users of management accounting tools due to their size, as they have fewer volumes of information to handle as compared to medium-sized or large-scale entities. Furthermore, some of the respondents who were external accountants highlighted that, due to their size, small-sized firms mostly use traditional MAPs because of their simplicity and convenience in use. On the contrary, the respondents indicated that medium-sized firms are high adopters of contemporary MAPs, compared to small firms, due to their complexity in production. These findings are consistent with the empirical literature that asserts that the variations in the use of management accounting techniques between small firms and large firms are due to the volumes of datasets or information they handle (Haldma & Laats, 2002; Mitchell & Reid, 2000; Albu & Albu, 2012; Ahmad, 2014; Nair & Nian, 2017).

Qualifications of accounting staff: The role of accountants in management accounting is the subject of diverse debates in the extant literature (Ng & Kee, 2018). Management accounting personnel should possess the requisite skills and qualifications to cope with changes in management accounting (Drury, 2012). Literature asserts that management accounting is a multifaceted field that needs proper training for it to be correctly applied in an organisation (Gray, 2010). The study also sought to ascertain participants’ understanding of management accounting principles. The underlying assumption in this enquiry was that participants’ understanding might have an impact on the application and use of management accounting principles in their organisation. Seventy-four participants indicated that they understood the concept of management accounting. However, only sixty-seven knew about contemporary management accounting systems, and all entities that used modern MAPs were among the sixty-seven participants. Respondents noted that:

“We know that there are vast benefits associated with the use of strategic management accounting tools, especially strategic costing, value chain analysis, and strategic pricing. Yet, it is hard to apply these techniques manually; you need a computer package. As an entity, we can only manage to have and maintain an accounting package for financial reporting only” (P52).

“At the moment, as an entity, we cannot afford to apply some of the management accounting techniques even if we know that they can benefit us. We still lack the resources to fund these systems” (P43).

These participants indicated that the non-adoption of contemporary MAPs was due to other issues such as lack of resources, like computers and management accounting software, rather than a lack of knowledge of these modern MAPs. Twenty-one participants indicated a lack of knowledge as a contributing factor to the non-adoption of modern MAPs. These participants were using traditional MAPs while believing they were using contemporary MAPs. For instance, when asked about the usage of SMA, seven participants assumed that they were using SMA tools whilst they were applying traditional MAPs. Some of the participants had this to say:

“We manage our strategy as an entity by using the relevant costing system. This helps us with costing our products and ensure that we achieve our strategic goals” (P47).

“In strategic management accounting, we use various techniques which include the payback period, especially in deciding on long term projects” (P19).

The study observed that all the sixty-seven respondents had accounting qualifications, while the other twenty-one participants had other accounting-related qualifications in areas like banking, finance, or business management, etc.

Furthermore, forty-five participants indicated that the qualification of the accounting personnel is a factor that influences the adoption of MAPs among SMEs. The external accountants, who serve as accounting consultants among the SMEs under study, highlighted that the accounting personnel in some firms are underqualified. They do other bookkeeping duties, but they cannot prepare financial statements, compile tax returns, or do other management accounting-related roles. This was buttressed by several studies which indicated that small businesses lack qualified accountants, so they tend to outsource for accounting expertise (Albu & Albu, 2012; Ng & Kee, 2018). The findings of this study confirm the view that accounting personnel in small businesses are underqualified and that this contributes to the non-adoption of management accounting techniques (Ismail & King, 2007; Ahmad, 2012).

Lack of knowledge by the SME owner: Figure 1 reveals that thirty participants (34%) indicated that a lack of knowledge of management accounting by the SME owners or managers influences the application of MAPs. These respondents indicated that if the owner does not attach any importance to the use of MAPs, the entity would not implement MAPs. The techniques that the owner or managers deem imperative for their success are the ones that would be implemented (Ipinnaiye *et al.*, 2017; Nair & Nian, 2017). Hence, the importance placed on MAPs by the managers or SME owners determines the adoption level (Albu & Albu, 2012). It came out from the discussions that most of the time, SME owners and managers are mainly interested in the preparation of financial statements and the computation of tax returns. Some of the participants had this to say:

“Most SME owners and managers do not comprehend the need for management accounting. To them, accounting is the preparation of financial statements, generation of few budgets and compilation of tax returns” (P21).

“Mina ngibona ingathi lokho kubaluleke kakhulu kumakampani amakhulu ngobathina sivele sisebenzisa uconsaltant manje singengeza izinto esizifunakuya kuzasidule and we can do without these management accounting systems ngoba okwamanje kasikaboni hlupho ngesikwenzayo” (As for me, I am of the view that these are important for large entities considering that we are using accounting consultants. If we use more of their services, it will be expensive and we can do without these

management accounting systems, and we have not seen any problems with what we are doing) (P50).

“At first my boss did not want us to spend money on the usage of these management accounting systems, but we had to explain to him, and it took us time to convince him” (P71).

This reveals that the level of appreciation of management accounting by SME managers and owners has a bearing on the usage of MAPs. It further indicates that even though the accounting personnel have adequate qualifications, at times the adoption of MAPs is also influenced by the knowledge of the owner. The responses from the managers of small businesses revealed that there is little awareness or appreciation of management accounting issues. One of the participants (SME manager) had this to say:

“Ngokwazi kwami imanagement accounting imayelana ngokufaka intengo yezinto elizenzayo lokwenzamabudgets njengekampani”. (**What I know is management accounting is all about determining the price of the products you produce as well as preparing budgets as a company**) (P67).

“Thina esikwenzayo nxa sesi qedile ukulungisa amaproducts athu sikhangelela intengo abanye abathengisa ngayo, lathi sibe sesifakaleyo price, ngoba singezake sibe lamaprices angafanani labanye, ikakhulu nxa sinanzelela sisebenzisa izinto ezifananayo ukulungisa amaproducts ethu so leprice izafana, ungasulisa uyalahlekelwa ngamacustomers”. (**As for us what we do after producing our products we consider the prices that are charged by other companies, thus the price we are going to charge, because we cannot have our own that are different from others, especially, noting that we are using the same materials in producing our products so the price will be the same if your products are expensive, you lose customers**) (P67).

The participants highlighted that there is a need for SME owners to be trained in management accounting systems to enhance their appreciation of MAPs. The lack of knowledge within the accounting discipline forces small businesses to outsource accounting expertise (Ng & Kee, 2018). Phan *et al.* (2017), who examined the application of environmental management accounting in Australian entities, also revealed the above assertion. They reported that small businesses are low adopters of environmental management accounting due to the lack of awareness and understanding of management accounting by SME owners. Ahmad (2012), also reported that owners' knowledge of management accounting innovation is a critical step in the successful implementation of the management accounting system. Hence, the performance of small businesses is also highly affected by the level of education of the owners (Neneh, 2018). SME owners are the major decision-makers in these entities (Albu & Albu, 2012; Ahmad, 2014). As such, if they place little importance on MAPs, that may influence the application of MAPs in the organisation (Ahmad, 2017). The perception of owners and managers towards management accounting is critical to the successful application of MAPs within an entity (Ahmad, 2012).

Technology: Technology has been mentioned as one of the facets that enhance an organisation's ability to achieve a sustainable competitive edge, as it enables the entity to be more proficient and improve production performance (Jamil *et al.*, 2015). Figure 1 above reveals that forty-three per cent (43%) of the respondents highlighted that the usage of innovative technology influences the application of MAPs. The respondents highlighted that a lack of management accounting software contributed to the low adoption of modern MAPs. The respondents had this to say:

“These systems are very expensive to apply, you need to have management accounting software to fully apply the system and that is beyond our reach at the moment” (P83).

“You talk of modern management accounting tools such as decision support tools; you cannot apply such systems properly if you are still lagging on technology, those tools need an advance system” (P39) (sic).

The study revealed that low utilisation of technology influences the usage of contemporary MAPs among SMEs under consideration. Furthermore, the study observed that advanced production technology has a notable impact on the costing system. One of the participants from those firms which do not have a computerised system for cost determination had this to say:

“We do not have a computerised system. We determine the production cost manually and, as of now, we do not have a problem with that, I think as we grow, we will reach a point in time where we will need a computerised system” (P32).

Related, to cost determination, one of the participants also had this to say:

“It will be very difficult to determine the price of a particular product from a wide range of products without a proper costing system in place. For instance, in the production of a product with various versions, there is more information that needs to be processed before determining the actual cost or the price of that particular product. Imagine how you can go about coming up with an accurate cost from large volumes of data without a system to process the data. The volume of the dataset we handle just forces you to have a system in place” (P53).

From the discussions, it emerged that those firms that had advanced production processes utilised technology even in the application of MAPs. The findings further revealed that those entities that had complex production processes were high users of technology, compared to those who were manually determining the cost of a product. These results are consistent with the literature that posits that capital intensive firms are high users of technology and are high adopters of MAPs compared to labour-intensive firms (Haldma & Laats, 2002; Ahmad, 2012; Nair & Nian, 2017). Nair and Nian (2017) further affirm that there is a correlation between technology-intensive companies and the use of sophisticated MAPs. Those entities that utilise technology tend to use more MAPs, compared to their counterparts.

5. Conclusion

The paper examined the factors influencing the application of MAPs by Zimbabwean SMEs. The research revealed that major factors include the socio-economic environment, availability of funds, costs and benefits associated with the use of management accounting, size of the organisation, qualifications of accounting personnel, financial literacy of SME owners and technology. The participants and key informants revealed that the harsh socio-economic environment, which includes hyperinflation, a high unemployment rate, extreme poverty, and a GDP that contracted by 8.1% in 2019 (World Bank, 2020), is detrimental to the successful implementation of MAPs. The findings further revealed that inadequate capitalisation of SMEs compromises their ability to purchase accounting software with management accounting modules. The respondents indicated that it is difficult to retain qualified management accountants because they do not have the resources to pay them a salary that is commensurate with their qualifications. Consequently, most of the sampled small-sized firms do not have in-house accountants but rely on accounting consultants who provide services

for statutory compliance and tax-related issues. The study results also revealed that unfamiliarity with MAPs on the part of SME owners and managers may explain their reluctance to adopt them.

The study recommends that the Zimbabwean government, through the Ministry of Women Affairs, Community, Small and Medium Enterprise Development, should provide government-sponsored training to SMEs, not only in tax compilation, bookkeeping, and entrepreneurship, but also in management accounting. Workshops should focus on mainstreaming the use of contemporary MAPs in the SME sector. Furthermore, the government of Zimbabwe should attend to key fundamentals that will resuscitate the economy. The economic downturn affects the implementation of MAPs and the success of SMEs. SMEs can utilise integrated software solutions or Microsoft Excel spreadsheets, which can enable the implementation of various management accounting tools since they cannot afford to secure management accounting software. SME owners need to be educated on the importance of having an in-house management accountant so that those who are financially able may hire an in-house management accountant and those who financially unable can collaborate with management accountants as business partners.

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