

CHAPTER 5

SUMMARY OF FINDINGS, CONTRIBUTIONS, LIMITATIONS, SUGGESTIONS AND CONCLUSIONS

5.1 Introduction

This chapter will focus on discussing the findings, analysing the study's contribution, limitations, and making few suggestions for future research. The following is the structure of the final chapter. The overall finding summary in this study was summarised in Section 5.2. The contributions of the study are discussed in Section 5.3. Section 5.4 discussed on the study limitations, and suggestions for further research will be discussed in Section 5.5. The chapter wraps up with a brief conclusion in Section 5.6.

5.2 Summary of the Findings

In Malaysia, SMEs are reporting using the PERS which is close to the past IAS but PERS was not been updated since 2006. MPERS was introduced to replaced PERS to be adopted by private entities. It could be argued that accounting practices at SMEs are more focused on ensuring legal compliance rather than on economic significance. Consequently, SMEs have been known for having poor or non-existent accounting records. Users of the SMEs' financial information would not be able to evaluate risk and potential returns if the business keeps inadequate or no accounting records, which can lead to funding issues, competitive disadvantages, and greater failure rates (Chakraborty (2015)).

The MPERS as a new financial standard has been implemented and will be adopted by SMEs. MPERS was introduced to improve the quality, credibility, and transparency of

entities' financial reporting. The changes from PERS to MPERS have provoked a varied reaction from market players, namely owners of the business, government, and accounting bodies. This study was needed to see whether SMEs adopted MPERS or not, and to see the link between MPERS with the financial reporting quality.

Based on this study's finding for objective one (1), most of respondents answered positively, indicating that they prepared the entire scope of financial statements or a significant number of them which also showed the entities adopted MPERS. The assertion that the report included disclosed forward-looking information such as cash flow forecasts and budgets that helped SMEs to make expectations and predictions about the company's future was widely supported by SMEs. It was discovered that the majority of respondents confirmed that management assessed the entities' capacity to keep up as a going concern and or prepare financial statements on a going concern basis in some way. According to the vast majority of respondents, management consistently maintained the way that information is presented and organised in the financial statements from one period to the next.

To assess the financial reporting quality for SMEs, descriptive statistics had been used to measure the qualitative characteristics for objective two (2). In accordance with the study's findings, most respondents strongly agreed that their financial information was relevant. This indicated that their financial statements were relevant for decision-making by users. The majority of responses also agreed that their financial information was provided on time. Most responses agreed that annual reports should be made available to decision-makers prior to the loss of power and its effects. Thus, annual reports should be prepared within the decision timeframe. Financial information, according to most respondents, greatly improved the comparability of financial statements. As a result, the current accounting period's results may be simply compared

to those of earlier accounting periods. When asked if financial information was understandable, the majority of respondents said yes. This means that the financial statements Assets, Liabilities, Income, Expenses, and Equity were properly organised and disclosed. The result or outcome of the study demonstrated that most respondents believed financial information was reliable. This means that revenue/expenditure information is collected and captured on a regular basis; the information was free of bias and error and was essentially complete.

Karl Person's correlation coefficient matrix was used to analyse the relationship between MPERS adoption and the calibre of financial reporting by SMEs, in accordance with the study's findings from the correlation analysis. The adoption of MPERS demonstrated a positive linear association and positive correlation with all quality measures of financial reporting. This is in accordance with MASB's (2016) qualitative standard for financial reporting, which states that adopting MPERS will enhance financial reporting.

A positive linear relationship between MPERS implementation and quality of financial reporting was also identified by the findings of regression analysis. According to Mwambu (2018), there is a positive linear link between the quality of financial reporting and IFRS for SMEs. With some adaptation and customisation to the Malaysian setting, MPERS is based on IFRS for SMEs. The relationship between MPERS and SMEs' financial reporting quality was ascertained by applying regression analysis. Reliability, relevance, and understandability showed higher correlation coefficients. MPERS implementation yielded 40.8 percent R square representing the variance in dependent variables, which is quality financial reporting is described by independent variables. The finding revealed that MPERS adoption had a significant

effect on financial reporting quality measures such as reliability, relevance, and understandability.

This is supported by the equity and enterprise theory. Equity is the remaining value of an owner's interest in a company. Equity theory represents the general purpose of financial reporting is to prepare financial statements that are useful to users (Mwambu, 2018). Presenting and disclosing financial reporting using MPERS will provide relevance financial reporting for user decision-making. Information in financial reporting is necessary to present and disclose in a way users understand. Enterprise theory in accounting terms, this means that the obligation for accurate reporting extends not only to shareholders and creditors, but also to a wide range of other groups including the general public (Nandwani, 2016). The accurate reporting can result the better quality of financial reporting to be presented and discloser to users. Financial reporting must be presented within the decision time frame and reliable. By adopting MPERS, this study shows the improve of the quality financial reporting.

5.3 Contributions of the Study

The finding has certain contributions of the study. These contributions discussed from three (3) different perspectives, which is contribution to knowledge, practice and policy.

5.3.1 Contribution to the knowledge

This study makes a significant contribution towards improving one's knowledge about the relationship between MPERS framework and quality financial reporting by SMEs in Malaysia. The findings of this study are essential in providing a fundamental idea to ascertaining a good relationship between quality financial reporting and the new

Malaysian framework, MPERS, designed specifically for SMEs. Similar research could be done on other components of financial reporting's qualitative characteristics. Academic scholars studying financial reporting quality, MPERS, and IFRS may find the findings in this study as useful. Rather than focusing solely on the MPERS framework for SMEs and quality financial reporting, this research shows that there is a relationship between MPERS adoption and SMEs' financial reporting quality, particularly within of five qualitative characteristics, namely relevance, timeliness, comparability, understandability, and reliability.

5.3.2 Contribution to the Practice

This study also contributes in terms of practice. This study can inform users or market players of financial reporting regarding the numerous aspects of quality financial reporting. Due to complex and competitive SMEs settings, an understanding of the financial reporting quality in terms of the MPERS framework is required. To establish a relationship between MPERS adoption and quality financial reporting, this study requests for more research into the nature of the qualitative characteristics for relevance, timeliness, comparability, understandability, and reliability in quality of financial reporting, as well as ensuring that MPERS implementation can effectively improve SMEs financial reporting quality. Since the majority of Malaysian SME owners are lack of skills, expertise, and understanding or knowledge in understanding and preparing financial reporting, accounting practitioners must ensure that higher quality financial reporting is produced and aimed at improving the competency and understanding of SME owners in performing and discharging their duties effectively. Government and accounting bodies also play a critical role in educating and informing market players about the new MPERS standard.

5.3.3 Contribution to the policy

To establish the link between an MPERS adoption and quality financial reporting, the results of this study authorization further investigation of the quantitative characteristic of quality financial reporting as a component to improve quality financial reporting. This study contributes in terms of the policy which is the study finding that comes out with the framework from the quantitative characteristics of quality financial reporting relationship with MPERS. For evaluating an entity's operational performance, managerial effectiveness, and financial position, appropriate and high-quality information is crucial. Future economic decisions are influenced by the evaluation of information. The result of this study about the quantitative characteristics of financial reporting quality projected to measure relationships between MPERS and quality financial reporting by SMEs is crucial to produce higher financial reporting quality to influence users in enhancing market efficiency and making investment decisions.

5.4 Limitation of the study

There are certain limitations in this study that need to be addressed. First, this topic has been poorly studied by prior studies, especially in the field of MPERS framework. The MPERS framework has just been introduced and implemented by SMEs in 2016. From 2016, until now, there are not many studies related to MPERS. To understand the current research and relevant debates on a certain topic or field of study and to provide knowledge, a literature review is a significant and crucial aspect of the study. A literature review can contribute to the advancement of research knowledge. Because MPERS is quite similar to the IFRS framework, many past studies are taken from IFRS research in certain parts.

Second, time constraints due to the dateline and not all questionnaires able to be returned either fully answered or retaken due to multiple circumstances such as refusal or withdrawal to participate. With the Covid-19 situation plaguing the country, researcher unable to distribute the questionnaires face-to-face and data collection was conducted through the distribution of online questionnaire forms. This limits the distribution of questionnaires as this study aims to focus on its target respondents in the Klang Valley. The questionnaire was responded to only 310, which represents a response rate of 81 percent.

Third, the study only focuses on five (5) financial reporting quality qualitative characteristics, namely relevance, timeliness, understandability, comparability, and reliability. Thus, the findings of the study do not take into account all qualitative characteristics of quality financial reporting that are probable to result in higher or lower quality financial reporting. The qualitative features of financial reporting quality have importance and practical value to make users aware of various aspects of financial reporting quality.

5.5 Suggestion for further research

This research can be expanded and amended in a variety of ways. The study is based on the positivist paradigm, which emphasises the use of quantitative research methods. Future studies could use qualitative research methods to aid more in-depth analysis where it tends to investigate users, and be able to gather sufficient information and understand what users are thinking. Users can better understand the processes through which the MPERS framework influences the financial reporting quality by studying process variables and investigating the importance of adopting MPERS for private entities.

The lack of control-related and importance variables related with other factors was apparent and substantial in several research. As a result, there should be a focus on ensuring that all variables that could jeopardise the study's results are well controlled. In one study, for example, it is unclear whether external variables, such as eliminating variables, may play an impact if they are included with the study's variables (Hashim, 2012). Furthermore, multiple studies suggest or propose that financial reporting quality is influenced by factors other than accounting rules (Walker et al., 2013).

In addition, future research also may look into areas of expertise or professional recognition that are just not related to accounting, and how they can assist to enhance the quality of a company's financial reporting. Further study can be carried to see whether professional recognition is associated to the nature of the business or their experience in a related industry, which can contribute to obtain quality financial reporting performance.

Lastly, future study can focus on the relationship between SMEs failure rate with the level of quality financial reporting that implement MPERS.

5.6 Conclusion

Based on the study finding in the Chapter Four, it was determined that the MPERS were typically followed by most SMEs, showing that business had adopted MPERS. All indicators of financial reporting quality were favourably associated and had positive linear link with MPERS adoption, according to the result of both correlation and regression analysis. Higher correlation coefficients make a variable's reliability, relevance, and understanding stand out.

Financial reporting was complete, neutral, and error-free, and were convincingly relevant to users. The statements presented in financial statements and economic reports

consistent with the entity's actual financial situation. Financial reports provided timely, relevant, and verifiable representations of the financial position, including debt, cash flow, and performance. The implementation of MPERS is now justified because it enhances the quality of financial reporting, which should encourage SMEs to implement it more frequently.

