Financial Management Practices in Malaysian Islamic Social Enterprises (ISE)

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ABSTRACT

This study examined the role of financial management practices consisting of financial disclosure, internal control, financial planning and budgeting and financial performance management in Islamic Social Enterprises (ISEs) in Malaysia. A survey method was used and 102 financial officers in Malaysian ISEs had responded. T-test analysis was used to examine the significant differences based on Malaysian ISEs attributes including years of operation, organisational size and income generation level. This study found that Malaysian ISEs had moderate financial management practices led by internal control (77.46%), followed by financial disclosure (75.93%), financial planning and budgeting (68.87%) and the least was financial performance management (62.06%). Specifically, this study found that Malaysian ISEs with more years of operation, bigger in size and self-sustained in income generation had high financial management practices. Empirical findings from this study will benefit ISEs management, authority and regulator for monitoring and governing purposes. The study contributes by becoming among the early attempts studying financial management practice aspects of Malaysian ISEs.

Keywords: Financial Disclosure, Internal Control, Financial Planning and Budgeting, Financial Performance Management, Islamic Social Enterprise (ISE).

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INTRODUCTION

Before Social Enterprise (SE) and Islamic Social Enterprise (ISE) were introduced in Malaysia, traditional non-profit organisations were rarely involved with economic activities. Most of the non-profit organisations were established either as associations, foundations or societies that focus on social activities where funding depends heavily on donations, aid and grants from the government and donors (Shahnaz & Tan, 2009). Hence, it is not uncommon for most of the management of these traditional non-profit organisations not to have adequate financial management knowledge.

Guided by multiple objectives, accountability has become an interesting and challenging issue that needs to be properly identified and delivered. In order to gain public trust, ISE management needs to balance the needs of ISE stakeholders and at the same time manage both social and economic objectives according to *shariah* principles (Ebrahim et al., 2014). In multi-religious countries like Malaysia, ISE management needs to ensure that the operation of ISEs is not only being trusted by Muslims but also are being accepted by non-Muslim communities at large. This will eventually lead to good accountability practices by Malaysian ISEs.

Accountability has become an evergreen discussion in every sector and institutions including ISEs. In the Malaysian context, Islamic-based organisations including ISEs are also unable to escape from accountability issues. For instance, there are several Islamic non-profit organisations involved in financing terrorism (Kamaruddin & Ramli, 2018). Besides, there was a fraud case in an Islamic foundation where the secretary of the foundation was charged for embezzlement of more than RM600,000 (Abdul Jalil, 2018). There are also issues on data leakage cases in Islamic non-profit organisations such as information of donors and the property investments by irresponsible individuals (Mohd Sharip et al., 2019).

The above-mentioned accountability cases serve to illustrate the dysfunctional behaviour of staff that might be due to the lack of accountability in these Islamic-based organisations. While these cases do not provide specific evidence on ISEs, it is expected that as most ISE originate from the non-profit sector, they are prone to face similar accountability issues. Additionally, as poor financial management appears to affect non-profit organisations, it is also expected that ISEs would also face defiance in pursuing economic and social objectives simultaneously.

In order to have good accountability practices in Malaysian ISEs, several factors have been identified especially from financial management practices (Kamaruddin & Auzair, 2019). These include financial disclosure (Connolly & Kelly, 2020), internal control (Sulaiman et al., 2008; Widyaningsih, 2015), financial planning and budgeting (Othman et al., 2012) as well as financial performance management (Beamon & Balcik, 2008). However, there is still a lack of studies on financial management especially for Malaysian ISEs. Based on the literature, there are only several latest studies that have started to discuss financial management of Malaysian ISEs in general. However, these studies have focused on a few selected Malaysian ISEs and were unable to portray the current financial management practices in general.

Therefore, this study attempted to examine the current financial management practices consisting of financial disclosure, internal control, financial planning and budgeting and financial performance management in Malaysian ISEs. In the literature review, discussion on financial management practices in ISEs and related Malaysian ISEs studies are elaborated. Next, an explanation of the research methodology for the study is made. Further, empirical findings for the study are highlighted focusing on the current financial management practices in Malaysian ISEs. Finally, this study ends with several implications, limitations and suggestions for future research.

LITERATURE REVIEW

ISEs and Financial Management Practices

It is an undeniable fact that financial disclosure has become among the main components for any organisation including ISEs to enhance their accountability (Kamaruddin & Auzair, 2020). This is because of the objective of financial disclosure itself, which is to achieve accountability. Thus, having good financial disclosure practices will ensure ISEs discharge their accountability (Connolly & Kelly, 2020; Kamaruddin & Ramli, 2018).

Besides, financial disclosure is used to assess accountability for ISEs by comparing actual financial results with its budget and assessing the financial condition with the results of operations. It assists in evaluating the effectiveness and efficiency of an organisation (Reck et al., 2019). This occurs as financial disclosure practices especially via financial reporting has become an important medium used by the ISE board and management to communicate its current performance with internal and external stakeholders (Kleinhans et al., 2020).

Meanwhile, internal control practices ensure that ISEs operate according to the standards and guidelines set by the organisation (Kamaruddin & Auzair, 2019). Furthermore, proper internal control practices will ensure ISEs utilise their financial resources in best practices and offer ISEs stakeholder assurance and confidence (Sulaiman et al., 2008). Moreover, one way to demonstrate accountability in ISEs is by having strong internal control systems (Feng et al., 2019). This is because higher dependency on internal control is constantly associated with the higher expectations on enhancing accountability in an organisation (Rafindadi & Olanrewaju, 2019). Besides, a proper and systematic internal control system is critical to growing the confidence of stakeholders (Pamungkas et al., 2019).

Next, financial planning and budgeting have become important tools for ISEs order to discharge their accountability (Kamaruddin & Auzair, 2019). By having proper financial planning and budgeting, ISEs are able to communicate to stakeholders on funds needed, proposing social returns as well as evaluation of the performance (Ghods, 2019). Besides, financial planning and budgeting were reframed to focus on increasing social justice through ensuring the fair redistribution of resources and participation (Avelino & Wittmayer, 2019). Therefore, good financial planning and budgeting practices will eventually reflect the efficiency of the management of ISEs and become more accountable (Hall & MacDonald, 2019).

In addition, measurement of the efficiency is not complete without the measurement of the effectiveness of an organisation including ISEs. In this case, the efficiency of ISEs is measured on how, economically, all resources are utilised in providing social and economic contributions. Meanwhile, the effectiveness of ISEs measures the extent to which each objective and goal of ISE's is achieved (Pinheiro et al., 2021). Therefore, a set of measurements commonly known as financial performance indicators need to be adopted in ISEs as part of good accountability practice. This is because financial performance information would allow external stakeholders such as donors, regulators and beneficiaries to determine the level of accountability of ISEs (Mamabolo & Myres, 2020).

Based on the above discussions, it can be concluded that it is crucial for ISEs to have good financial management practices such as financial disclosure, internal control, financial planning and budgeting and financial performance management to achieve good accountability practices.

ISEs in Malaysia

Based on the Malaysian Social Enterprise Blueprint 2015-2018, any legally registered organisation in Malaysia can be considered as a SE and ISE if they satisfy the following requirements: (i) the primary mission is for social agenda; (ii) the organisation is designed to use a commercial business to sustain itself; (iii) the majority of profit is reinvested for social benefits; and (iv) the organisation fulfil its social agenda distinct from traditional commercial business especially in operation and management (MaGIC, 2015). Besides, the Social Enterprise Accreditation (SE.A) was introduced with the intention to certify the status of SEs in Malaysia to any organisation that fulfils the following criteria: (i) proactively creates positive social or environmental impact; (ii) contributes significant resources to a social or environmental mission; and (iii) be financially sustainable (MaGIC, 2020).

Referring to the above guidelines on SEs in Malaysia, there are thousands of organisations with the potential to be recognised and registered as SEs and ISEs especially in non-profit sectors. In Malaysia, organisations in the non-profit sector could be classified either as society, association, foundation or company limited by guarantee (CLBG). Each organisation is bound to specific acts such as the Trustee Act 1952, Companies Act 2016, Societies Act 1966 or States Enactment (Ahmad Nadzri et al., 2021; Kamaruddin & Auzair, 2018).

In terms of financial practices, there is no specific accounting standard for organisations in Malaysia's non-profit sector. However, these organisations are encouraged to comply with the Malaysia Financial Reporting Standards (MFRS) issued by the Malaysian Accounting Standard Board (MASB) in the preparation and presentation of their financial statements. This includes preparing statement of receipts and payments and balance sheet. However, other related financial statements such as cash flow statement, statement of changes in general funds and notes along with explanatory notes are not required.

Based on the literature, there are limited studies related to financial management practices for SEs and ISEs in Malaysia. Zainon et al. (2014) tried to study on the SE model in Malaysia. In this study, Amanah Ikhtiar Malaysia was viewed as one of SE in Malaysia and had a good financial management practices especially on repayment processes. However, this study was limited to only one SE and only discussed on the repayment aspect. It was continued by Abdul Kadir and Mhd Sarif (2015) studying the sustainability of ISEs in Malaysia. This study discussed that private Islamic schools can be financially sustained by managing both Islamic charitable funds and income generation together. However, there was no details on how to manage those funds and income.

Next, Ramli et al. (2016) discussed financial management practices in ISEs on a conceptual basis. In this case, several challenges were identified including lack of financial disclosure, lack the adequate financial skills for ISE staff, low understanding of the program delivery cost as well as lack of communication on the financial aspect among staff. Later, Muhamed et al. (2019) urged the importance of having good financial management practices apart from good governance and distribution of income in order to achieve the goal set by Malaysian ISEs. Similarly, Mohd Ali et al. (2019) also agreed that among the Malaysian ISEs successful factors were to have financing creativity and monitoring practices.

In a related study, Cheah et al. (2019) analysed Malaysian and Singaporean SEs and found that financial planning practices is becoming an important criterion that is able to influence financial and social performance. Lastly, Kamaruddin et al. (2021) studied financial management in Malaysian ISEs and indicated that financial governance significantly influenced financial management practices in order to achieve accountability. However, these two studies just focused on the relationship related to financial management and there was no detailed discussion on financial management practices itself.

Overall, the study on financial management practices for SEs and ISEs in Malaysia remains to be explored due to limited and no detailed study conducted at present. Therefore, it supports the need to examine in detail the current financial management practices in ISEs especially in the Malaysian context. Thus, this study aimed to investigate current financial management practices covering financial disclosure, internal control, financial planning and budgeting and financial performance management in Malaysian ISEs.

METHODOLOGY

The aim of the study was to examine the current financial management practices consisting of financial disclosure, internal control, financial planning and budgeting and financial performance management in Malaysian ISEs. Based on this objective, a survey questionnaire was employed as the data collection method for the study.

For study sampling, there was no specific list for Malaysian ISEs. Therefore, several related references were used as a guideline to identify the ISE population in Malaysia. Basically, as part of SEs, Malaysian ISEs must comply with the SEs requirements and criteria set by MaGIC (MaGIC, 2015; MaGIC, 2020). Besides, several additional characteristics for ISEs such as being owned or managed by Muslims, having Islamic objectives (*maqasid shariah*) and operating according to *shariah* principles were included. In addition, ISEs also received Islamic charitable funds and generated income at the same time. Moreover, ISEs also need to ensure that their business activities complied with *shariah* principles (Kamaruddin & Auzair, 2018). Therefore, all types of existing organisations in Malaysia that fulfilled the above requirements and criteria such as societies, associations, foundations and company limited by guaranteed (CLBG) were included.

Thus, this study chose CLBG due to several justifications. First, CLBG is normally entrusted to manage heavily on charitable funds and at the same time generate income. This is due to the fact that in order to register as a CLBG, the revenue (charitable funds collected) by the particular non-profit organisation must be more than RM1 million as compared to other types of a non-profit organisations, in which their requirements are lower than CLBG. Second, the CLBG designation combines social and economic activities into an organisation, which suits the SE concept. Lastly, previous studies recognised CLBG as part of SEs as CLBG fulfil the SE criteria (Dey & Steyaert, 2018; Kamaruddin et al., 2021; Kamaruddin & Auzair, 2018). Therefore, CLBG was chosen as the sampling frame for this study.

As of 31 December 2020, 2,040 CLBGs were registered under the Companies Commission of Malaysia. Based on the sampling frame for this study, only selected CLBGs that fulfilled ISEs requirements and criteria as discussed earlier were recognised as sample for this study. In this case, the screening processes on the background of CLBGs were made by looking into their objectives (social, economic and Islamic) and activities (social and economic) including involvement with Islamic charitable funds and income generation. After the screening processs, 301 CLBGs consisting of 73 CLBGs with the name 'Berhad' and 228 CLBGs without the name 'Berhad' were lected. Therefore, questionnaire surveys were administered to these 301 selected Malaysian ISEs. Later, 105 questionnaires were received and after the screening process, only 102 questionnaires could be used for further analysis. The survey was answered by financial officers of Malaysian ISEs. It is believed that they are the most appropriate individual to provide the data on financial management practices in Malaysian ISEs.

For survey instruments, financial disclosure was measured using nine items that reflected financial disclosure practices. These items were included on the disclosure of income statement, balance sheet, cash flow, changes in equity, notes to the accounts, revenues and expenditures, activities conducted, activities planned in the future and separate income generation (Siraj, 2012). Internal control practices were measured using 23 items based on the literature by Kamaruddin and Ramli (2017), Sulaiman et al. (2008) and Widyaningsih (2015). These items included segregation of duties, authorisation of transactions, documentations and records and physical control over assets.

Financial planning and budgeting practices were measured using six items used previously by Siraj (2012) in Islamic organisations in Malaysia. These items covered preparation of revenue budgets for collection of funds, revenue budgets for income generation, expenditure budgets for social activities/programs/projects, preparation of expenditure budgets for social activities/programs/projects, preparation of capital budgets for investment and cost-benefit analysis in financial planning and budgeting. Lastly, financial performance management practices, was measured using 12 items based on Arshad and Zain (2017) and Bagnoli and Megali (2009). These items consisted of efficiency analysis (financial ratios) and effectiveness analysis (input, output, throughput, outcome and impact). All items used a dichotomous scale which was 'yes' and 'no' as suggested (Siraj, 2012). For data analysis, a descriptive analysis approach using the Statistical Statistic for Social Sciences (SPSS) software version 26 was employed.

RESULTS AND DISCUSSION

Malaysian ISEs Background

Several attributes for Malaysian ISEs were explored. This included core business, years of operation, organisational size and income generation level. The following Table 1 summarises the background of the study.

Table 1: Malaysian ISEs Background

Characteristics	Frequency	Percentage
Core Business		
Education & Training	52	50.98
General Services	22	21.57
Health Services	14	13.73
Manufacturing & Trading	7	6.86
Investment & Asset Management	5	4.9
Others	2	1.96
Years of Operation		
Less than 10 years	66	64.71
11-20 years	19	18.62
More than 20 years	17	16.67
Organisational Size (Full-Time Employees)		
Less than 10 full-time employees	75	73.53
11-50 full-time employees	19	18.63
More than 50 full-time employees	8	7.84
Income Generation Level		
Less than 25% from total revenues	62	60.78
25-50% from total revenues	18	17.65
51-75% from total revenues	7	6.86
More than 75% from total revenues	15	14.71

Based on Table 1, Malaysian ISEs operate in various sectors with the majority in the education and training as the core business (50.98%). It is followed by general services (21.57%), health services (13.73%), manufacturing and trading (6.86%), investment and asset management (4.9%) and others (1.96%). Meanwhile, for years of operation, 66 Malaysian ISEs (64.71%) have been in operations less than 10 years, while another 19 Malaysian ISEs (18.62%) have been operating within 11-20 years and the remaining 17 ISEs (16.67%) have operated for more than 20 years. While quite diversified, the composition of the ISEs seems to suggest the stability and potential growth of ISEs operations in Malaysia.

In terms of organisational size, 73.53% of Malaysian ISEs were classified as a small organisation (less than 10 full-time employees). It is followed by medium sized (11-150 full-time employees) with 19.63% and the remaining 7.84% were big with more than 50 full-time employees. Finally, for income generation from economic activities, 60.78% of Malaysian ISEs were generating less than 25% of total revenue. Another 17.65% were generating about 25%-50% of total revenue. About 6.86% were generating about 51%-75% of total revenue and the remaining 15 Malaysian ISEs (14.71%) generated more than 75% of total revenue. Thus, it can be concluded that most Malaysian ISEs were yet to be self-sustained based on income generation from the total revenue.

For the following discussion on financial management practices, the results focused on four main components namely (i) financial disclosure; (ii) internal control; (iii) financial planning and budgeting; and (iv) financial performance management. All items were analysed by comparing the means. A further analysis was also performed by considering the differences between Malaysian ISEs attributes such as years of operation (emerging @ less than 10 years versus matured @ more than 10 years), organisational size (small @ less than 10 full-time employees versus big @ more than 10 full-time employees) and income generation level (dependent @ less than 50% from total revenue versus self-sustained @ more than 50% from total revenue) (Bull, 2007; Madill et al., 2010).

Malaysian ISEs Financial Management Practices

For the first component, financial disclosure practices measurement comprised of nine items under two categories which were mandatory statements and voluntary statements. Mandatory statements consisted of five items including: (i) comprehensive income; (ii) financial position; (iii) cash flow; (iv) changes in equity; and (v) note to the accounts. Meanwhile, voluntary statements, consisted of four items which were: (i) revenues and expenditure based on each type of funds; (ii) all activities conducted during the year; (iii) all activities planned in the future; and (iv) fund received and income generation separately. The result for financial disclosure practices is shown in Table 2.

Table 2: Financial Disclosure Practices

Items	Full Sample Mean	Years of Operation		Organisational Size		Income Generation Level	
		Emerging	Matured	Small	Big	Dependant	Self-Sustained
Mandatory Statements	0.7490	0.7606	0.8028	0.6933	0.9099	0.7300	0.8182
Voluntary Statements	0.7696	0.7386	0.8239	0.7467	0.8471	0.7563	0.8182
Overall Mean	0.7593	0.7496	0.8134	0.7200	0.8785	0.7432	0.8182

Notes: *emerging (N = 66) versus matured (N = 36); small (N = 75) versus big (N = 27); and dependent (N = 80) versus self-sustained (N = 22)*

As for the comparison between years of operation, the result showed that matured ISEs had higher financial disclosure compared to emerging ISEs (mean difference = 6.38%). Similarly, there was also a significant difference based on organisational size. In this case, the result indicated that big ISEs had higher financial disclosures compared to small ISEs (mean difference = 15.85%). Lastly, there were also significant differences between dependent and self-sustained ISEs based on income generation level where self-sustained ISEs had higher financial disclosure compared to dependent ISEs (mean difference = 7.51%).

Therefore, it can be considered that financial disclosure by Malaysian ISEs had above a moderate level of practice when the overall score was 75.93%. Meanwhile, the comparison between mandatory statements and voluntary statements, mandatory statements had higher disclosure compared to voluntary statements. This showed that Malaysian ISEs tend to disclose mandatory statements more than voluntary statements except for the disclosure of activities during the year which has become the highest practice among Malaysian ISEs.

The internal control measurement comprised of 24 items under four categories which were segregation of duties, authorisation of transactions, documentations and records and physical control over assets. Segregation of duties consisted of four items (i) different staff who receive and deposit the funds; (ii) different staff who receive and record the funds; (iii) different staff who prepare payment documentation and sign the cheques; and (iv) different staff who approve and handle distribution of the funds. Meanwhile, authorisation of transactions consisted of three items which were: (i) limit of power and amount of authorisation among staff in different levels; (ii) limit of amount on the usage of funds for each transaction; and (iii) limit of amount on the usage of funds for each activity/project/program.

On the other hand, eight items were covered under documentation and records: (i) purchase order; (ii) payment voucher; (iii) receipt; (iv) quotations; (v) report for every social activities/programs/projects; (vi) proper filing system for financial documents; (vii) adequate verifications on financial documents; and (viii) adequate reconciliation between bank statements with cash and bank accounts. Physical control over assets consisted of nine items which were: (i) specific workplace for financial staffs; (ii) safety box for cash; (iii) list of assets; (iv) tagging system for assets; (v) security alarm for premise; (vi) CCTV camera for premise; (vii) special door access to financial rooms/spaces; (viii) keep cheque book into a safe place; and (ix) keep financial documents into a safe place. Table 3 shows the result for internal control practices.

Table 3: Internal Control Practices

Items	Full Sample Mean	Years of Operation		Organisational Size		Income Generation Level	
		Emerging	Matured	Small	Big	Dependant	Self-Sustained
Segregation of Duties	0.7230	0.6932	0.7763	0.6767	0.8767	0.7095	0.7727
Authorisation of Transactions	0.7745	0.7121	0.8875	0.7245	0.9386	0.8333	0.5606
Documentations and Records	0.9253	0.9072	0.9582	0.9100	0.9680	0.9203	0.9432
Physical Control Over Assets	0.6754	0.6515	0.7185	0.6118	0.8707	0.6556	0.7475
Overall Mean	0.7746	0.7410	0.8351	0.7308	0.9135	0.7797	0.7560

Notes: *emerging (N = 66) versus matured (N = 36); small (N = 75) versus big (N = 27); and dependent (N = 80) versus self-sustained (N = 22)*

As for the comparison between years of operation, the result showed that matured ISEs had higher internal control compared to emerging ISEs (mean difference = 9.41%). Similarly, there was also a significant difference based on organisational size. In this case, the result indicated that big ISEs had higher internal control compared to small ISEs (mean difference = 18.28%). Lastly, there were only small differences between dependent and self-sustained ISEs based on income generation level where self-sustained ISEs had higher internal control compared to dependent ISEs (mean difference = 2.37%).

Therefore, it can be considered that internal control by Malaysian ISEs had above a moderate level of practice when the overall score was 77.46%. Meanwhile, a comparison between internal control components, showed that documentations and records had the highest practice (92.53%), followed by authorisation of transactions (77.45%), segregation of duties (72.3%) and the lowest is physical control over assets (67.54%). This showed that Malaysian ISEs mostly focused on the control for documentations and records as compared to others especially on physical control over assets.

Meanwhile, financial planning and budgeting practices comprised of six items under four categories including revenue budget, expenditure budget, capital budget and cost-benefit analysis. Revenue budget consisted of both revenue budgets for the collection of funds and income generation. Expenditure budget consisted of both expenditure budgets for social and economic activities/programs/projects. The remaining two were for the preparation of the capital budget for investment and cost-benefit analysis in financial planning and budgeting. Table 4 lists the results for financial planning and budgeting practices.

Table 4: Financial Planning and Budgeting Practices

Items	Full Sample Mean	Years of Operation		Organisational Size		Income Generation Level	
		Emerging	Matured	Small	Big	Dependant	Self-Sustained
Revenue Budgets	0.7843	0.7778	0.8065	0.7400	0.8981	0.7438	0.9319
Expenditure Budgets	0.8726	0.8636	0.8917	0.9046	0.9375	0.8563	0.9319
Capital Budgets	0.4902	0.4546	0.5573	0.4800	0.5494	0.5250	0.3636
Cost-Benefit Analysis	0.6078	0.5758	0.6625	0.6000	0.6283	0.5875	0.6818
Overall Mean	0.6887	0.6680	0.7295	0.6812	0.7533	0.6782	0.7273

Notes: *emerging (N = 66) versus matured (N = 36); small (N = 75) versus big (N = 27); and dependent (N = 80) versus self-sustained (N = 22)*

As for the comparison between years of operation, the result showed that matured ISEs had higher financial planning and budgeting compared to emerging ISEs (mean difference = 6.16%). Similarly, there was also a significant difference based on organisational size. In this case, the result indicated that both big ISEs had higher financial planning and budgeting compared to small ISEs (mean difference = 7.22%). Lastly, there was a significant difference between dependent and self-sustained ISEs based on income generation level where self-sustained ISEs had higher financial planning and budgeting compared to dependent ISEs (mean difference = 4.92%).

The findings showed that Malaysian ISEs had a above moderate level for financial planning and budgeting practice when the overall score was 68.87%. Meanwhile, the comparison among financial planning and budgeting items showed that most Malaysian ISEs only focussed on preparing revenue and expenditure budgets. Low practice in the preparation of capital budget may result from organisational size with the majority being small and most of them had a low-income generation level, hence indirectly portraying a low capacity of these Malaysian ISEs to have investment activities. In addition, the cost-benefit analysis also showed low practices, probably due to little awareness or knowledge for them to do so.

Lastly, financial performance management practices comprised of 12 items under two categories which were efficiency and effectiveness analysis. Efficiency analysis consisted of seven items including: (i) programme efficiency ratio; (ii) fundraising ratio; (iii) fiscal performance ratio; (iv) public support ratio; (v) operating income ratio; (vi) objectives achieved ratio; and (vii) administrative efficiency ratio. Effectiveness analysis consisted of the remaining five items which were: (i) evaluation on input elements; (ii) evaluation on output elements; (iii) evaluation on throughput elements; (iv) evaluation on outcome elements; and (v) evaluation on impact elements. Table 5 summarises the findings for financial performance management practices.

Table 5: Financial Performance Management Practices

Items	Full Sample Mean	Years of Operation		Organisational Size		Income Generation Level	
		Emerging	Matured	Small	Big	Dependant	Self-Sustained
Efficiency Analysis	0.4804	0.4351	0.5608	0.4514	0.5588	0.5339	0.2857
Effectiveness Analysis	0.7608	0.7545	0.7823	0.7147	0.8757	0.7275	0.9091
Overall Mean	0.6206	0.5948	0.6716	0.5831	0.7173	0.6307	0.5974

Notes: *emerging (N = 66) versus matured (N = 36); small (N = 75) versus big (N = 27); and dependent (N = 80) versus self-sustained (N = 22)*

As for the comparison between years of operations, the result showed that matured ISEs had higher financial performance management compared to emerging ISEs (mean difference = 7.68%). Similarly, there was also a significant difference based on organisational size. In this case, the result indicated that big ISEs had higher financial performance management compared to small ISEs (mean difference = 13.42%). Similarly, there was a significant difference between dependent and self-sustained ISEs based on income generation level where dependent ISEs had higher financial performance management compared to self-sustained ISEs (mean difference = 3.33%).

Therefore, it can be considered that financial performance management by Malaysian ISEs showed a moderate level of practice when the overall score was only 62.06%. Meanwhile, the comparison between efficiency and effectiveness analysis showed that most Malaysian ISEs only focussed in performing effectiveness analysis (48.04%) compared to efficiency analysis (76.08%). Different practices between these two analyses indicated that Malaysian ISEs tend to perform a simple evaluation for financial performance management practices. As for efficiency analysis, the practice was low perhaps due to the involvement of financial ratios which is more complicated compared to effectiveness analysis. It is believed this result is due to little awareness or knowledge for them to do so.

In addition, t-test analysis was conducted in order to confirm the significant difference among Malaysian ISEs based on years of operation, organisational size and income generation level. The finding is shown in the following Table 6.

Table 6: T-Test Analysis

Items	Years of Operation		Organisational Size		Income Generation Level	
	F	Sig.	F	Sig.	F	Sig.
Financial Disclosure	3.855	0.052	14.852	0.000	7.591	0.007
Internal Control	4.638	0.034	5.780	0.018	0.180	0.672
Financial Planning & Budgeting	0.003	0.958	5.978	0.016	9.624	0.002
Financial Performance Management	0.127	0.722	2.262	0.136	14.034	0.000

Notes: *p-value < 0.05*

Based on Table 6, all organisational attributes consisted of years of operation, organisational size and income generation level had a significant influence on financial management practices. Specifically, for years of operation, both groups (emerging and matured) of Malaysian ISEs had different practices especially for internal control. Meanwhile, for organisational size, both groups (small and big) of Malaysian ISEs had different practices especially for financial disclosure, internal control and financial planning and budgeting. While, for income generation level, both groups (dependent and self-sustained) had different practices especially for financial disclosure, financial planning and budgeting and financial performance management.

In terms of financial disclosure practices, the above finding confirmed that both big and self-sustained Malaysian ISEs tend to have better financial disclosure practices compared to small and dependent ISEs. This is similar to Khieng and Dahles (2015) who found that self-sustained SEs in

Cambodian tend to disclose their financial information in order to become more accountable compared to dependent SEs. Besides, the finding is also in line with Bradford et al. (2020) where years of operation did not influence financial disclosure practices by Australian SEs. In this case, most Australian SEs tend to disclose their financial information regardless of their years of operation especially to internal stakeholders.

Meanwhile, for internal control practices, matured and big Malaysian ISEs tend to have better internal control practices compared to emerging and small ISEs. This is similar to the previous studies by Imperatori and Ruta (2015) and Khieng and Dahles (2015) where matured SEs in Australia and Cambodian tend to implement more systematic management including internal control practices. Besides, it is also suggested by Hudon et al. (2020) the government supports emerging SEs including in the implementation of internal control systems due to the lack of internal control practices in these SEs groups.

For financial planning and budgeting, big and self-sustained Malaysian ISEs tend to have better financial planning and budgeting practices compared to small and dependent ISEs. This is in line with the finding found by Salvado (2011) where big and self-sustained Bangladesh SE had good financial planning and budgeting practices. This finding also indirectly supports a previous study by Sunley and Pinch (2012) where good financial planning and budgeting practices was to be found amongst SEs of varying ages.

Lastly, in terms of financial performance management practices, only self-sustained Malaysian ISEs tend to have better financial performance management practices compared to dependent ISEs. This finding is in line with a previous study by Bradford et al. (2020) where years of operation did not influence financial performance management practices by Australian SEs. Moreover, a variety of sizes also led to the difficulty to normatively support a standardised and universal financial performance management by SEs (Costa & Andreaus, 2020). Therefore, findings from this study contradicted with previous assumptions by Defourny and Nyssens (2017) where small SEs were more likely to be motivated to have better financial performance management practices.

In short, it can be concluded that all different groups of Malaysian ISEs under three organisational attributes (years of operation, organisational size and income generation level) had significant differences in terms of their financial management practices. Among these groups, matured and self-sustained Malaysian ISEs tend to have better financial management practices compared to emerging and dependent ISEs.

CONCLUSION

This study discussed the current practices of financial management in Malaysian ISEs consisting of financial disclosure, internal control, financial planning and budgeting and financial performance management. Based on empirical findings, this study suggests that Malaysian ISEs have moderate financial management practices led by internal control (77.46%), followed by financial disclosure (75.93%), financial planning and budgeting (68.87%) and the least is financial performance management (62.06%).

In terms of comparison between Malaysian ISEs' attributes, years of operation played a significant role in financial management practices. Matured ISEs had higher financial management practices compared to emerging ISEs. Besides that, big ISEs also had similar high practices compared to small ISEs. Meanwhile, self-sustained ISEs had high practices compared to dependent ISEs for all financial management components covered in this study except for financial performance management where dependent ISEs had higher practices compared to self-sustained ISEs.

This study lays several practical implications. For instance, it is believed that the empirical findings from this study can be used by management of ISEs in order to improve their practices especially on the financial management aspect. Besides, the findings and instruments in this study can also become a reference for the authorities in order to develop related scopes and tools to monitor and govern Malaysian SEs and ISEs. In addition, findings from this study also urge more attention especially by the government to plan and support the growth of SEs and ISEs in Malaysia.

This study has a few limitations. As this study only focused on Malaysian ISEs under CLBG classification, findings from this study could have become more comprehensive if the study was conducted on other types of ISEs as well. Besides, future research could include other factors related to financial management such as governance, ethics, accountability, leadership and impacts that could possibly affect ISEs' best practices in a bigger framework. It is hoped that empirical results from this study will benefit future ISE research.

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