International Academic Institute for Science and Technology

International Academic Journal of Economics
Vol. 5, No. 1, 2018, pp. 92-104.
ISSN 2454-2474

International Academic Journal of Economics

www.iaiest.com

It is the External Accountant Matter in Business Performance of Small and Medium Enterprises? The Role of Non-Audit Services

Yuvaraj Ganesan [a], Hasnah Haron [b], Azlan Amran [c], Anwar Allah Pitchay [d]

[a] *Graduate School of Business, Universiti Sains Malaysia, Malaysia (Corresponding Author).*

[b] *Faculty of Industrial Management, Universiti Malaysia Pahang, Malaysia.*

[c] *Graduate School of Business, Universiti Sains Malaysia, Malaysia.*

[d] *School of Management, Universiti Sains Malaysia, Malaysia.*

Abstract

This study investaged the pattern of utilization of Non-Audit Services using by SMEs and examined whether there is any relationship between utilisation of non-audit services and business performance of SMEs. Past literatures has discovered that the external accountant is the first choice of a venue for SMEs to seek advice to assist them in their business. This advice can be in terms of business strategy, risk management, bookkeeping, preparation of tax compliance and internal audit and so on are termed as "Non Audit Services (NAS)" in the auditing literature. A total of 126 useable responses were used in the analysis. The research findings indicated that utilization NAS from external accountant have a significant effect on business performance. Furthermore, SMEs purchased more taxation services compared to other services. This study contribute to the knowledge of academic literature in the form of empirical evidence and support the knowledge base view theory. Furthermore, enhance the academician knowledge and assist the relevant parties (MIA, accounting and audit firm) to understand the impact of NAS on business performance.

Keywords: Small and Medium Enterprises (SMEs), Non-Audit Services, Business Performance, Business Advisory

Received:19 January 2018/Accepted:26 April 2018/Published:28 June 2018

1.0 Introduction

Small and Medium Enterprises[i] (SMEs) play a important role in every country and is able to have a strong impact to the world (Jenkins, 2009). In most countries, SMEs constitute more than 90 percent of companies and represent an employment portion between 50 and 60 per cent (Esben Rahbek, 2009). SMEs become vital not in the term of number of establishments but the contribution to the economy, society and in preserving the environment. In Malaysia, 99% of the business that are being established are SMEs (NSDC, 2012) and SMEs are defined according to employee size, sales turnover and sectors. This study will use the new definition to categorise the SMEs as follows:

1. Manufacturing with full time employees not exceeding 200 or annual sales turnover not exceeding RM 50 million.
2. Services and other sectors with full time employees not exceeding 75 or annual sales turnover not exceeding RM 20 million.

Based on the 2010 annual report of SMEs, the contribution of SMEs to Malaysia's GDP is 32%, to employment is 59% and to export is 15% (NSDC, 2012). These numbers do not show much increment compared to other years as shown in Table 1. By 2020, the Government aims to increase the contribution of SMEs to GDP from 32% to 41%, the total exports to 25% from 19% and employment from 59% to 62% (NSDC, 2012).

Table 1: Malaysia SMEs Performance

Macro Performance of SMEs	**+2005 (%)**	***2010 (%)**	***2020 (%) (Targets)**
SMEs' contribution to GDP	32.0	32.0	41.0
SMEs' contribution to employment (excl. Govt.)	56.4	59.0	62.0
SMEs' share of total exports	19.0	19.0	25.0

Source: *National SME Development Council 2012

The performance of SME is not significant when compared to the total establishments of SMEs in Malaysia. In their regional economies like Korea, Taiwan and Thailand, their SMEs contribute around 40% to their GDP (NSDC, 2006). The poor contribution is due to the various barriers and challenges that Malaysian SMEs faces such as low access in financing (Abdullah, 2002; NSDC, 2006, 2012; Salleh, 1991; Ting, 2004; Wang, 2003), legal and regulatory environment (NSDC, 2012; Wang, 2003), low expertise in management (Abdullah, 2002; NSDC, 2006; Wang, 2003), innovation and technology adoption (NSDC, 2012; Salleh, 1991; Ting, 2004; Wang, 2003), competition from new entrant, bigger players and foreign SMEs (NSDC, 2006; Salleh, 1991; Ting, 2004), infrastructure (Abdullah, 2002; NSDC, 2012), lack of government support (NSDC, 2006), market access (NSDC, 2012; Salleh, 1991; Ting, 2004), globalization (SMIDEC, 2002; Wang, 2003) and human capital development (NSDC, 2012; Ting, 2004). These barriers and challenges prevent them from growing further and placing them in a serious position to sustain their business. SMEs need to overcome the barriers and challenges in order to improve their business performance and survive in the long run. Besides that, the achievement of the New Economic

Received:19 January 2018/Accepted:26 April 2018/Published:28 June 2018

Model and vision 2020 do not solely depend on the larger companies because SMEs also play a significant role as it constitutes a large proportion of companies established in Malaysia and also SMEs contribute to total employment in Malaysia.

Normally, SMEs will look for the external advisor to overcome their weaknesses and constraints in order to improve their business performance (Bennett & Robson, 1999; Berry, Sweeting, & Goto, 2006; Xiao & Fu, 2009). External advisor refers to solicitor, consultants, external accountants, chambers of commerce, bank, academia, government agencies and so on (Bennett & Robson, 1999; Berry, et al., 2006; Ong, Azmi, Isa, Jusoh, & Kamarulzaman, 2008). Previous studies found that external accountants are the main advisors to SMEs (Bennett & Robson, 1999; Berry, et al., 2006; Leung, Raar, & Tangey, 2008). This point is supported by a study conducted in New Zealand where the results show that accountants are the key source of advice to SMEs. They are frequently referred to, and their advice is rated as significant and useful (Lewis, Massey, Ashby, Coetzer, & Harris, 2007). The research conducted by Deakins, Logan, and Steele (2001) found that accountants assist in establishing networks, advice in business performance and ensure that learning happens in SMEs. The authors identified that SMEs who seek advice from accountants are usually in the beginning stage of the business cycle. Meanwhile, research done in Malaysia shows that there are six areas that SMEs will normally seek assistance from an external accountant and they are: (i) accounting services, (ii) taxation services, (iii) assurance services, (iv) corporate services, (v) corporate finance services and (vi) business consulting services (Ong, et al., 2008).

As external accountants are the main source of advice to SMEs, it is important to study the impact of services provided by an external accountant to the business performance of SMEs. Therefore, this study were investaged the pattern of utilization of Non-Audit Services using by SMEs and examined whether NAS provide by external accountants influences the business performance[*] of SMEs.

The remainder of the discussion is structured as follows. Firstly to discuss about knowledge based view as the theoretical explaining the relationship between non audit services and business performance. Then discusses the literature review and hypotheses development. Follow by explaining the research methodology, results and discussion of the finding. Lastly the conclusion of the paper.

2.0 Theoretical Framework

2.1 Knowledge-Based View (KBV)

The knowledge-based view (KBV) was developed from resources based view (RBV) in order to give emphasis on knowledge resources rather than tangible resources (Gassmann & Keupp, 2007). Although a firm have full of resources and capabilities, it is still not enough to perform well because the firm needs knowledge to manage, combine and convert those resources in order to have significant contribution to firm performance (Cabrera-Suárez, De Saá-Pérez, & García-Almeida, 2001). KBV suggests that knowledge is the most important resource compared to other resources and heterogeneous knowledge is the primary determinant of differences in performance (Decarolis & Deeds, 1999). KBV is very important to provide a sustainable competitive advantage, because it is characteristically difficult to emulate, hence making it easier for sustainable differentiation (McEvily & Chakravarthy, 2002), plays a significant role in the ability of the company to become entrepreneurs (Galunic & Eisenhardt, 1994) and improving performance (McGrath, Tsai, Venkataraman, & MacMillan, 1996).

---

[*]In this study business performance refer to financial performance which will be measured by ROA.

Received:19 January 2018/Accepted:26 April 2018/Published:28 June 2018

Meanwhile, Cameron (1992) mentioned "*Most small business owner-managers lack specialized knowledge to undertake the many complex operations required for adequate financial management systems. As small businesses cannot often afford to employ a full-time accountant, it is wise to use the services of a chartered accountant in public practice, who operates on behalf of many clients*." (p.15). In similar point Feldman (1994) stated the firms can seek knowledge from external parties if the knowledge is not available internally due to high cost or too specialized task. In addition, Mejri and Umemoto (2010) stressed that knowledge is very crucial for SMEs growth and survival because SMEs resources are relatively lower than large companies. Thus, the non-audit services provided by external accountants to SMEs are related to knowledge based services. This study will use the KBV as a theoretical approach to find the relationship between non audit services and firm performance.

3.0 Literature Review and Hypotheses Development

3.1 Non Audit Services and Business Performance

The term of non-audit services used is interchangeable with business advisory services, non-assurance services, business advice, management advisory service and etc. The demand for NAS by SMEs can be an influence by many factors such as firm size (Bennett & Robson, 1999; Kamyabi & Devi, 2011a); firm age (Robson & Bennett, 2000); location (Xiao & Fu, 2009); growth stage of the firm (Berry, et al., 2006; Carey, Simnett, & Tanewski, 2005; Xiao & Fu, 2009); firm sector (Bennett & Robson, 1999; Xiao & Fu, 2009); ownership structure (Xiao & Fu, 2009); competence of an accountant (Carey, et al., 2005; Kamyabi & Devi, 2011a) , competitive intensity and complexity of marketing decisions of firm (Kamyabi & Devi, 2011a); trustworthy of an accountant (Carey, et al., 2005); quality and cost effective or value of money of services (Carey, et al., 2005; Kamyabi & Devi, 2011a). Although there are many factors influences the demand for NAS but the key motive on why SMEs purchase the NAS is to increase their business performance (Carey, 2008).

It was found in previous research that SMEs do tend to seek business advice from their external accountant (Bennett & Robson, 1999; Berry, et al., 2006; Gooderham, Tobiassen, Døving, & Nordhaug, 2004; Kate, Claire, Mary, Alan, & Candice, 2007). There is limited empirical evidence that relates to NAS that are provided by external accountants and business performance of SMEs (Kamyabi & Devi, 2011a). Moreover, the finding is inconclusive regardless of whether the NAS purchase from the external accountant improves business performance of SMEs or not. (Berry, et al., 2006; Carey, 2008; Kamyabi & Devi, 2011a).

Some of the previous studies examined the impact of NAS on business performance without testing the relationship between these two variables. For example, research conducted in Australia on 465 companies by Carey, et al. (2005) found that companies purchase NAS perform better than companies that do not purchase NAS. The t-test portrays that advice services significantly improved performance in terms of cash flows, profitability and sales/revenue. This result is supported by a study conducted in New Zealand by Lewis, et al. (2007), which found that accountants are the key source of advice for SMEs in terms of frequency of using them, and their advice is rated as most significant and useful. Another research conducted in UK on 834 companies found that accountants provide more helpful business advice compared to other service providers (Open University, 2009).

Received:19 January 2018/Accepted:26 April 2018/Published:28 June 2018

On the other hand, the research conducted by Robson and Bennett (2000) on 2474 small firms in the United Kingdom found that services provided by lawyers has impact on business performance but they do not find any significant relationship between the service provided by external accountant and business performance of SMEs. They explained that although an accountant is the most used source but the impact of service provided by an accountant on performance is very limited and mainly related to auditing only. This is in line with the study done by Kate, et al. (2007) who found that frequent usage of external advisor does not necessarily benefit the firm. However, the finding of Robson and Bennett (2000) is in contrast to the findings of Carey (2008). Carey (2008) argued that the external accountant provides a broader range of services that will enhance the client's business performance through useful information or decision. He explains further in the context of transaction cost economics (TCE) theory, that accountants contribute to SMEs performance by assisting in cost control. For example, the accountant advises the SMEs to outsource some business activities that are able to reduce the operations cost. Carey (2008) also describes the advisory services provided by an external accountant to SMEs will have an impact on business performance by enhancing the management process and systems.

Kamyabi and Devi (2011b) conducted a study in Iran on a sample size of 658 SMEs, and found that the extent of SMEs' utilisation of NAS positively affected the firms' performance. The authors justified that most of the SMEs in an emerging economy faces difficulties in retaining and attracting skilled workers, and as a consequence, the SMEs tend to look for external accountants to overcome their shortage in having expert and knowledgeable employees. The explanation given by the authors based on RBV stated that SMEs considers external resources to be valuable resources to be utilised in order to overcome the internal gap and improving the SMEs' performance. In summary, it was proved that NAS has a positive relationship with business performance (Carey, 2008; Kamyabi & Devi, 2011b).

As the non-audit services provided by external accountants to SMEs are related to knowledge based services, firms need knowledge to manage, combine and convert those resources in order to have a significant contribution to firm performance. This study will use the knowledge based view to explain the relationship between NAS and business performance. Based on the above discussion, can conclude that utilization of NAS able to increase the business performance of the user. Thus, the proposed hypothesis is:

H1: There is a positive relationship between utilization of non-audit services provided by external accountant and business performance of SMEs.

4.0 Methodology

4.1 Data and Sample

This study adopted a correlational study, because the objectives of this research were to examine the relationship between non-audit services and business performance. The population of this study consists of SMEs in manufacturing sector (Private Limited Company† only) and unit analysis is organization level. The primary data collocted to achieve the study objectives. The random sampling method was used in this study to choose the respondents. The samples for this study was chosen from the Federation of Malaysian Manufacturing (FMM) directory (45th edition). The sample size has to be ranged between 30 to 500

Received:19 January 2018/Accepted:26 April 2018/Published:28 June 2018

respondents to ensure the analysis is acceptable and can be tested (Sekaran & Bougie, 2010). A 600 questionnaires were sent to SME manufacturing companies with hopes for a 20% response rate.

4.2 Research Variables and Measurements

This study has two types of variables, namely non-audit services provide by external accountants as independent variable, the business performance of SMEs as dependent variable. For the NAS, The respondents were requested to indicate whether their company purchased the following non-audit services from an external accountant in the past 3 years. If 'Yes', then they need to rate on a scale of 1 (Extremely Low) to 7 (Extremely High), as the extent that their company utilised an external accountant as an advisor for the following non-audit services. There were a total of 27 non-audit services, which can be classified into five main categories, such as accounting services, taxation services, assurance services (besides statutory audit, such as an internal audit), corporate services, corporate finance services and business consulting services were adapted from Ong, et al. (2008). As not all of the NAS were purchased by each particular respondent, this study adapted the method by Suhairi (2004), which would calculate the sum score for individual respondents. The score was calculated by multiplying the services purchased from an external accountant with the extent that the firm utilised an external accountant as an advisor for the specific service, and then a sum of all the scores for the respondent. Meanwhile, previous literature claimed that business performance can be measured either using primary (a subjective measurement that collects from surveys using a Likert scale) or secondary data (an objective measurement that collects from company annual reports). Most research in SMEs usually use a subjective measurement due to SMEs' reluctance to publicly reveal their actual financial performance (Zulkiffli & Perera, 2011). The subjective measurement is significantly reliable as an alternative to objective measurement in business performance (Daft, Sormunen, & Parks, 1988; Zulkiffli & Perera, 2011), this study used primary data to measure the business performance in terms of return on assets (ROA), which were adapted from Suhairi (2004) and Daft, et al. (1988). The respondents were requested to indicate in average their company's growth in terms of ROA during the last three years using a seven point Likert scale.

5.0 Findings

A total of 600 questionnaires were distributed to respondents by mail. Out of the 600 questionnaires sent, only 21.5% were returned. Three questionnaires were excluded from the 129 questionnaires returned due to incomplete questionnaires. This resulted in this study based on 126 usable questionnaires used for the data analysis in this study.

5.1 The pattern of utilization of Non-Audit Services using by SMEs

In this study, NAS was classified into six categories, which are (i) accounting services, (ii) assurance services, (iii) corporate finance services, (iv) taxation services, (v) corporate services and (vi) business consulting services. It can be seen that only two services, tax compliance and company secretarial services were purchased by all of the respondents (100%). Examining the extent of utilisation of the service for both services, it can be seen that 81% of respondents used the tax compliance services 'more than the fair extent'. Meanwhile, for the secretarial services, only around 61% of respondents utilise 'more than the fair extent'.

Received:19 January 2018/Accepted:26 April 2018/Published:28 June 2018

Other services purchased by SMEs were services tax (83.3%), tax planning (77%), Risk Management (35.7%), Human Resource (HR) consulting (35.7%), IT consulting advisory (44.4%), tax dispute resolution (27.8%), internal audit (30.2%) and financial statement compliance (28.6%). The least services sought by the respondents were forensic audit (0.8%), followed by insolvency and receivership (1.6%). It can be concluded that taxation services is a much needed service by the respondents. **Error! Reference source not found.** 1 shows a clearer picture of the types of NAS purchased by respondents.

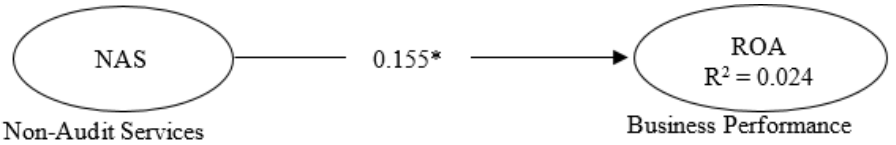
Figure 1: Numbers of respondents that purchased non-audit services



Received:19 January 2018/Accepted:26 April 2018/Published:28 June 2018

5.2 The Relationship between the Non-Audit Services and Business Performance

Figure 2: Direct relationship model between NAS and ROA



Based on the first hypothesis of this study, there is a positive relationship between utilisation of non-audit services and business performance (ROA) of SMEs. Figure 2 showed that there is a significant effect of NAS on business performance (β=0.155; $p<0.05$) and the value of R^2 is 0.024, suggesting that a positive effect of NAS on business performance was explained by 2.4%. Although the R^2 value obtained in this study was found to be smaller than the R^2 value of 0.15 Kamyabi and Devi (2011b), the value is nevertheless still valid as it is within the range endorsed by Cohen (1988). According to Cohen (1988), the R2 was categorised in three groups that are weak were in the range between 0.02-0.12, moderate in the range 0.13-0.25 and substantial being 0.26 and above. Therefore, H1 was accepted because there is evidence that NAS was able to influence the business performance of SMEs.

6.0 Discussion of Findings

The finding depicted the pattern purchased NAS which are tax compliance and company secretarial services showed the highest non-audit services (NAS) purchased by the respondents. This is because there is a requirement for the private limited company to submit an annual return to Companies Commission of Malaysia and an income tax submission to Inland Revenue Board. In addition, other NAS purchase types are risk management, HR consulting, IT consulting advisory, goods & services tax, tax dispute resolution, tax planning, internal audit and financial statement compliance.

Meanwhile, as highlighted in the literature, the relationships between non-audit services and business performance established due to SMEs sought services from external parties to fill up a gap in absentee internal staff or the lack of management expertise, to gain specialist knowledge, and to develop new internal processes and procedures for the company (Robson & Bennett, 2000). Furthermore, most of the past research revealed that the external accountant is first choice for SMEs seeking the NAS in order to increase their business performance by overcoming their weaknesses through business advice that they received. The reasons stated in previous research as to why an accountant is the first choice of SMEs in obtaining advice is because a relationship exists when SMEs purchase compliance services. Other reasons are that accountants operate within a government backed and strong self-regulatory framework in addition to tendency for accountants to have a good attitude, such as competency, trust, proximity and responsiveness (Bennett & Robson, 1999; Blackburn, Carey, & Tanewski, 2010; Blackburn & Jarvis, 2010; Devi & Samujh, 2010). Meanwhile, the top three factors influencing SMEs' decisions to purchase NAS from external accountants in Malaysia are strength in technical knowledge, responsiveness and the knowledge of the SMEs in terms of the needs of the business (Ong, et al., 2008). Although there are some researches conducted that relates to NAS in Malaysia, such as services quality, fees, auditor's independents but all the research failed to investigate the effect of NAS on business performance. As non-

Received:19 January 2018/Accepted:26 April 2018/Published:28 June 2018

audit services provided by the accountant relates to knowledge-based services, the knowledge base view was used as the underlying theory to link the relationship between NAS and business performance.

As the results, this study examined whether the NAS purchased from the external accountant is able to improve the business performance of SMEs. As expected, findings showed that the extent of utilisation of NAS has a significant effect on business performance. The finding of this study is in line with previous research conducted in Australia (Carey, 2008), Manchester City region in UK (Berry, et al., 2006) and Iran (Kamyabi & Devi, 2011b). In addition, the results are consistent with the research on 51 SMEs conducted in New Zealand, which indicates that the advice given by accountants is more useful both in addressing short-term (operational) issues and long-term (strategies) issues as compared with other sources, such as management consultants, trade associations, friends and others (Lewis, et al., 2007). On the other hand, the small value of R2 in this research is due to the small sample size and low level of NAS purchased by respondents. For example, the larger R2 value obtained in the study by Kamyabi and Devi (2011b) in Iran was because 658 samples were utilized, which is about five times the amount of samples obtained in this study. Although the R2 value obtained for this study is lower than those found in past studies, it is nevertheless still valid as it is within the range endorsed by Cohen (1988). Therefore, the findings suggest that the knowledge obtained by SMEs from the non-audit services provided by the accountant is able to address the problem or issues faced by SMEs, particularly on how to improve business performance and to sustain their business in the long run.

However, the results contradict the findings of a study conducted in the UK by Robson and Bennett (2000). The study found that there no significant relationship between NAS and business performance. This may be due to the different country status; the UK is a developed country with SME owners being sufficiently literate and knowledgeable of best practices to manage their company compared to owners of SMEs in a developing country like Malaysia who may lack similar financial and management capabilities to manage their company (Devi & Samujh, 2010; NSDC, 2012). This point supported by Kamyabi and Devi (2011b) revealed that SMEs in the developing country have greater needs to use external accountants compared to those of a developed country. Another reason for the difference in the finding is the design or method utilised in the study. Robson and Bennett (2000) measured the NAS with a binary measurement (Yes/No) and included many services providers in their study. In contrast to the method, Carey (2008) explained that the evidence is equally weak if the research was conducted with many services providers to examine the relationship between the NAS and performance.

Furthermore, in Malaysia, auditing is the main source of income for the Small and Medium Practitioners (SMPs) audit firms, and SMEs are the major customer for SMPs. As there is a plan to implement an audit exemption for SMEs (Chan, 2012), this resulted in the SMPs to expand their service to NAS. In order for the SMPs to sustain their business in the long run, SMPs must provide NAS with good-quality services that will able to improve the business performance of SMEs. This in line with one of the respondents who stated in an open ended questionnaire that "NAS should be able to improve the business performance of SMEs, but it is dependent on the quality of services of the service provider." This implies that SMPs provided a good quality of services because the findings of this study showed that NAS has a positive influence on the business performance of SMEs.

Meanwhile, bookkeeping services should be able to provide information about the business transactions, such as sales, purchase, overhead costs, expenses and other information that will help the owner to plan accordingly to increase their business performance. For instance, the bookkeeping services provided by

Received:19 January 2018/Accepted:26 April 2018/Published:28 June 2018

the external accountant should be able to assist the SME to identify whether the overhead cost is too high, and if so, the owner will take the necessary steps to reduce the cost, which will result in better business performance for the SMEs.

Another illustration is the HR consulting service, such as calculation of salary, overtime, EPF, SOCSO, planning and to determine the amount of personal income tax to be paid, the filing of relevant documents and making payment to relevant authorities before the due date, recommending training or development programmes for the employees and management and providing an explanation of the labour law requirements to the management of SMEs. This service should be able to assist SMEs complying with all the regulations. The compliance with law and regulations will result in lesser reputational risks and penalties, which will assist SMEs to improve performance.

Although there is a positive relationship of NAS and the performance of the company, this study reveals that a number of SMEs who purchased NAS are still at the low level. As shown by Table 5-6, the services purchased by all respondents are tax compliance and secretarial services due to the requirement of the law to submit their annual return and tax return yearly to the Companies Commission of Malaysia and Inland Revenue Board of Malaysia, respectively. One of the respondents stated that his company only purchased NAS that was needed in order to comply with mandatory requirements that include tax compliance and secretarial services. As indicated in Table 5-3, around 56% of SMEs have their own account staffs and therefore the NAS, such as bookkeeping, budgeting, financial planning is not commonly purchased by the SMEs. Another reason, as mentioned in the literature for the low-level purchase of NAS (besides tax compliance and secretarial services) are the high price tag or expensive fees charge for the services provided by the accountant, which resulted in the inability of SMEs unable to purchase the services (Haron, Ismail, Yahya, Khalid, & Ganesan, 2010).

In summary, the result from this study asserts that utilisations of non-audit services by SMEs has a significant impact on their company business performance. Hence, the knowledge from external accountants can be said to be converted in the form of NAS to benefit the buyer of the services.

7.0 Conclusion

This study have contributed to the academic world mainly for NAS and SMEs researchers as it will be able to provide empirical evidence and theoretical testing of the relationship of NAS to performance of SMEs. As illustration, the services provided by external accountants in term of NAS are based on knowledge which supported and provide evidence that knowledge based view (KBV) about the relationship between NAS and business performance of SMEs.

Apart from that, the study benefits the Malaysian Institute of Accountants (MIA), accounting and audit firms to do effective strategies and rules in order to provide services that will enhance the business performance of SMEs based on the findings from the study. This paper essential as it discovered that NAS provided by external accountant has impact on business performance of SMEs in Malaysia's as SMEs play a significant role in the economy, employment and society in Malaysia. Besides that, the achievement of Vision 2020 by Malaysia is also dependent on the performance of SMEs. In addition, the 'Transformasi Nasional 2050' (TN50) is an initiative plan in the future of Malaysia in the period 2020 to 2050. TN50 has a vision of becoming a developed nation, which strive to be among the top countries around the world in economic development, citizen well-being and innovation.

Received:19 January 2018/Accepted:26 April 2018/Published:28 June 2018

References

Abdullah, M. A. H. (2002). *Industri kecil di Malaysia: Pembangunan dan masa depan*: Dewan Bahasa dan Pustaka.

Bennett, R. J., & Robson, P. J. A. (1999). The use of external business advice by SMEs in Britain. *Entrepreneurship & Regional Development, 11*(2), 155-180.

Berry, A. J., Sweeting, R., & Goto, J. (2006). The effect of business advisers on the performance of SMEs. *Journal of small business and enterprise development, 13*(1), 33-47.

Blackburn, R., Carey, P., & Tanewski, G. A. (2010). *Business Advice to SMEs: Professional Competence, Trust and Ethics* (No. 119).

Blackburn, R., & Jarvis, R. (2010). *The role of small and medium practices in providing business support to small-and medium-sized enterprises*. New York, USA: International Federation of Accountants (IFAC).

Cabrera-Suárez, K., De Saá-Pérez, P., & García-Almeida, D. (2001). The succession process from a resource-and knowledge-based view of the family firm. *Family Business Review, 14*(1), 37-46.

Cameron, A. (1992). The small business expert advice gap and the role of public accountants. *Unpublished doctoral dissertation, Massey University*.

Carey, Simnett, R., & Tanewski, G. (2005). *Providing Business Advice to Small and Medium-sized Enterprises*.

Carey, P. J. (2008). *The Benefits of Services Provided by External Accountants to Small and Medium Sized Enterprises.* Unpublished PhD, University of New South Wales, Australia.

Chan, W. M. (2012). Exemption of Annual Audit for Small Companies: A Review. *Pertanika Journal of Social Sciences & Humanities, 20*(1), 1-10.

Cohen, J. (1988). Statistical power analysis for the behavioral sciences: Hillsdale, NJ: Lawrence Erlbaum.

Daft, R. L., Sormunen, J., & Parks, D. (1988). Chief Executive Scanning, Environmental Characteristics, And Company Performance: An Empirical Study. *Strategic Management Journal, 9*(2), 123-139.

Deakins, D., Logan, D., & Steele, L. (2001). *RR64 - The financial management of the small enterprise* (No. 64). London: Association of Chartered Certified Accountants.

Decarolis, D. M., & Deeds, D. L. (1999). The Impact of Stocks and Flows of Organizational Knowledge on Firm Performance: An Empirical Investigation of the Biotechnology Industry. *Strategic Management Journal, 20*(10), 953-968.

Devi, S., & Samujh, H. (2010). *Accountants as Providers of Support and Advice to SMEs in Malaysia* (No. 118): The Association of Chartered Certified Accountants.

Esben Rahbek, P. (2009). The many and the few: rounding up the SMEs that manage CSR in the supply chain. [DOI: 10.1108/13598540910941975]. *Supply Chain Management: An International Journal, 14*(2), 109-116.

Feldman, M. P. (1994). *The geography of innovation* (Vol. 2): Springer.

Galunic, D. C., & Eisenhardt, K. M. (1994). Renewing the strategy-structure-performance paradigm. *Research in organizational behavior, 16*, 215-215.

Gassmann, O., & Keupp, M. M. (2007). The competitive advantage of early and rapidly internationalising SMEs in the biotechnology industry: A knowledge-based view. *Journal of World Business, 42*(3), 350-366.

Received:19 January 2018/Accepted:26 April 2018/Published:28 June 2018

Gooderham, P. N., Tobiassen, A., Døving, E., & Nordhaug, O. (2004). Accountants as sources of business advice for small firms. *International Small Business Journal, 22*(1), 5.

Haron, H., Ismail, I., Yahya, S., Khalid, S. N. A., & Ganesan, Y. (2010). *Cases Of Successful Malaysian Small And Medium Enterprises (SMEs):Does Business Advisory Services Help?* : Malaysian Accountancy Research and Education Foundation (MAREF).

Jenkins, H. (2009). A 'business opportunity' model of corporate social responsibility for small- and medium-sized enterprises. *Business Ethics: A European Review, 18*(1), 21-36.

Kamyabi, Y., & Devi, S. (2011a). Use of Professional Accountants' Advisory Services and its Impact on SME Performance in an Emerging Economy: A Resource-based View. *Journal of Management and Sustainability, 1*(1), p43.

Kamyabi, Y., & Devi, S. (2011b). Use of Professional Accountants' Advisory Services and its Impact on SME Performance in an Emerging Economy: A Resource-based View. *Journal of Management and Sustainability, 1*(1), 43-55.

Kate, L., Claire, M., Mary, A., Alan, C., & Candice, H. (2007). Business assistance for SMEs: New Zealand owner-managers make their assessment. [DOI: 10.1108/14626000710832695]. *Journal of Small Business and Enterprise Development, 14*(4), 551-566.

Leung, P., Raar, J., & Tangey, G. (2008). *Accounting services and SMEs: An Australian Study*. ACCA Research Report No. 99 (London, U.K.).

Lewis, K., Massey, C., Ashby, M., Coetzer, A., & Harris, C. (2007). Business assistance for SMEs: New Zealand owner-managers make their assessment. *Journal of Small Business and Enterprise Development, 14*(4), 551-566.

McEvily, S. K., & Chakravarthy, B. (2002). The persistence of knowledge-based advantage: an empirical test for product performance and technological knowledge. *Strategic Management Journal, 23*(4), 285-305.

McGrath, R. G., Tsai, M. H., Venkataraman, S., & MacMillan, I. C. (1996). Innovation, competitive advantage and rent: a model and test. *Management Science, 42*(3), 389-403.

Mejri, K., & Umemoto, K. (2010). Small- and medium-sized enterprise internationalization: Towards the knowledge-based model. *Journal of International Entrepreneurship, 8*(2), 156-167.

NSDC. (2006). *SME Annual Report 2006*. Kuala Lumpur, Malaysia: National SME Development Council.

NSDC. (2012). *SME Masterplan 2012-2012 : Catalysing Growth and Income*: National SME Development Council.

Ong, F. S., Azmi, A. A. C., Isa, C. R., Jusoh, R., & Kamarulzaman, Y. (2008). *A Report of Current Usage Patterns of Business and Professional Services Among SMEs in the Manufacturing and Distributive Trade Sectors*: MIA.

Open University. (2009). *Quarterly Survey of Small Business in Britain*. Britain: The Open University, Business School.

Robson, P. A. J., & Bennett, R. J. (2000). SME Growth: The Relationship with Business Advice and External Collaboration. *Small Business Economics, 15*(3), 193.

Salleh, M. I. (1991). *The role of small and medium scale in Malaysia industrial development: Prospect and problem.* Paper presented at the Third Southeast Asia Roundtable on Economic Development, 23-24 September 1991, Kuala Lumpur.

Received:19 January 2018/Accepted:26 April 2018/Published:28 June 2018

SMIDEC. (2002). *SMI Development Plan (2001-2005)*. Kuala Lumpur, Malaysia: Percetakan Nasional Malaysia Berhad.

Suhairi. (2004). *Personality, Accounting Knowledge, Accounting Information Usage and Performance: A Research on Entrepreneurship of Indonesia Medium Industries*. Unpublished PhD, Universiti Sains Malaysia, Malaysia.

Ting, O. (2004). SMEs in Malaysia: pivotal points for Change. *on line and available at http://www. mca. org. my*.

Wang, S. (2003). The implications of e-financing: implications for SMEs. *Bulletin on Asia-Pacific Perspective, 2004*.

Xiao, J., & Fu, H. (2009). An empirical study of usage of external business services by Chinese SMEs. *Journal of Enterprise Information Management, 22*(4), 423-440.

Zulkiffli, S. N. A., & Perera, N. (2011). *A Literature Analysis on Business Performance for SMEs: Subjective or Objective Measures?* Paper presented at the Society of Interdisciplinary Business Research (SIBR) 2011 Conference on Interdisciplinary Business Research.

[i] In this study only on manufacturing companies that have 5 to 200 employees and were incorporated as a private limited company.

Received:19 January 2018/Accepted:26 April 2018/Published:28 June 2018