

Contingency framework of Management Accounting System in SMEs of Pakistan

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Abstract

This study aims to investigate potential contingent factors which influence Management Accounting (MA) and Company Performance (CP) in SMEs operating in the manufacturing sector of Pakistan. Data was collected from 102 SMEs by using questionnaire, which was adopted from the various researches. Management Accounting (MA) and Company Performance (CP) are endogenous variables, whereas Advanced Manufacturing Technology (AMT), Firm Size (FS), Qualified Accountants (QA), Strategy (STA) and Structure (STR) are exogenous variables.

Reliability and validity was analyzed through Exploratory and Confirmatory factor analysis respectively. AMOS 23 was used to test the relevancy and hypotheses of designed contingency model by structural equation modeling (SEM). The results revealed that advanced manufacturing technology (AMT) and structure (STR) are significant contingent factors that have a positive impact on management accounting (MA). Firm size (FS) has a significant but negative impact on company performance (CP) whereas strategy (STA) has a significant and positive impact on company performance (CP). Qualified accountant shows insignificant impact on management accounting, whereas management accounting (MA) and structure have also shown insignificant impact on company's performance.

This research has filled the knowledge gap found in the literature with regards to SMEs in Pakistan. It will create awareness among the SMEs to focus on contingent variables and their effect on MA and performance, which ultimately enables the SMEs to operate efficiently in the competitive environment. This research will also help the SMEs owners, policy makers and practitioners in decision making.

Keywords: Contingency Model, Contingency Theory, Company Performance, Management Accounting.

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1. Introduction

Various researches have been carried out on Strategic MA that pertains to large industries (Cadez & Guilding, 2008; Cescon, Costantini & Rossi, 2013) for investigating the effect of different contingent factors influencing management accounting (MA) and company's performance (CP) and how critical is the role of correct MA practices in improving the performance of company. However limited consideration has been paid to SMEs with respect to Strategic MA application (Ahmad, 2013; Aziz, 2012). Ahmad (2012) stated that there are only few empirical studies through which contingency model (CM) of management accounting was being studied in the developing countries. Every organization has unique set of contingent factors, i.e. environment, structure, technology, etc. that dictates the best practices adopted for the implementation of MA as per respective circumstances (Reid & Smith, 2000).

There has been a significant contribution by Small and Medium Enterprises (SMEs) in economic development of both the developing and developed nations of the world (Annual SME Review, 2016). It is a term having various definitions with respect to diverse economies of the world. There is no fixed definition as it differs with the institutions in Pakistan. Small and Medium Enterprises Development Authority (SMEDA) was established by the Government of Pakistan as an institution working solely for the development of SMEs under the industrial and production ministry. Under SMEDA policy 2007, an industrial establishment shall be categorized as a SME if it has not a staff of more than 250, with a paid-up share capital of not more than Rs.25 million, and its annual sales are not more than Rs.250 million. SBP defines Small Enterprises (SE) as a business entity having an annual sales turnover up to Rs.150 million, 50 numbers of employees including contract employees and can have Rs.25 million of financing. Whereas, in Medium Enterprises (ME) the number of employees should be more than 50 but less than 250, having an annual sales turnover from Rs.150 to Rs.800 million and can have more than 25 million rupees of financing but not greater than 200 million rupees (SBP, 2016). The economy of Pakistan is comprised of around 90% of SMEs (SBP, 2017) having a significant contribution of around 40% in the GDP in terms of exports of manufactured goods to various countries of the world. It is a source of employment generation, employing about 80% of non- agriculture labor force which ultimately results in the poverty reduction. SMEs is contributing significantly in the economic progress of Pakistan as it is in rural and urban areas and operating in almost every industry (SME Policy, 2007).

SMEs in Pakistan are still in the developing stage despite being a significant contributor in economic growth of Pakistan. Although SMEDA is working efficiently through various policy reforms and training programs it seems that MA practices are either not yet implemented satisfactorily or are in underprivileged conditions in these organizations. SMEs in Pakistan have greater chances of collapse or failure at its initial stages due to lack of performance management system, proper training and education (HafizUllah

et al., 2011, Akthar et al., 2011). As past studies from the literature depicts that contingent model is successful in developed countries (Garengo, P., Bititci, U. 2007), whereas Gatti (2018) found that research related to MA is usually criticized due to not having its influence for application purposes. Therefore, on the basis of facts found in the literature contingent model related to MA is specifically utilized in this research study for evaluating the influence of various contingent factors on MA and firms performance and to test the successful implementation of this model in SMEs of developing country i.e. Pakistan.

1.1 Research Question

- What are the contingent factors that have an impact on MA and CP?
- What is the impact of MA on CP?
- Shall the contingent model be applied successfully with respect to SMEs operating in the manufacturing concerns of Pakistan?

1.2 Objectives of Research

- To identify contingent factors from SME's internal environment that impacts significantly on the usage of MA and company performance.
- To contribute in the literature regarding SME's in Pakistan and emphasize on the prominence of MA usage in SMEs.
- To test and check the relevancy of the contingent model with respect to SMEs functioning in the production sector of Pakistan.

1.3 Significance of Research

The contribution of SMEs is crucial in the economic growth of Pakistan. Therefore, it is important to identify some important contingent variables relevant to the prevailing circumstances of the manufacturing sector that have a significant influence on MA and company performance and to test how the adoption of correct MA practices can affect the performance of SMEs. This research study will provide the empirical evidence with context to Pakistani SMEs, as limited research work has been done on the designed contingent model in the developing countries (Ahmad, 2012). This research will also create awareness among the SMEs to focus on contingent variables and their effect on MA and performance, which ultimately enables the SMEs to operate efficiently in the competitive environment. The results will also help the policy makers and practitioners to control the impact of these variables and make decisions accordingly. Further, it can be used for designing policies, decision making and future researches related to SMEs.

2. Literature Review

2.1 Contingency Theory (CT)

Contingency theory of MA emerged in 1970 for explaining the diversified management accounting practices of that time. Chenhall (2007) explained the term 'contingency' as something which is only true in a specific condition. Thus, CT states that there is no uniform accounting systems which is appropriate for all organizations equally in all circumstances, but it suggests identifying some definite aspects of accounting system that are associated to some specified conditions and that exhibits a suitable match (Otley, 1980).

2.2 Firm Size (FS)

Firm size (FS) denotes to the no. of personnel employed in a firm that can impact significantly the performance and management accounting system usage. Various researchers have used this proxy to measure the FS of the business (Gooderham et al., 2004; Kamyabi & Devi, 2011, Amara & Benelifa, 2017). Ahmad (2012) collected data through the postal questionnaire from 1,000 SMEs functioning in the Malaysia's production sector. The study results depicts that use of MA practices in medium sized firms as compared to small firms and are useful in firm's management. Moreover, AMT, firm size, competition, participation of manager or owner and use of MA has significant relationship with the company performance. Further Hoque & James (2000), Cadez & Guilding (2008), Raziq (2014) and Akhtar, Raees, & Salaria (2011) found a positive association between the FS and CP.

2.3 Advanced manufacturing Technology

Production activities in the manufacturing sector requires the use of updated and AMT in order to determine the use to MA in the firms, but in case of SMEs there are some limitations in the use AMT due to lack of resources and capital (Ahmad, 2012). Kalkhouran, Rasid, Sofian & Nedaei (2015) designed a conceptual framework for evaluating the usage of strategic MA by SMEs to encounter the challenges of varying technology and increasing competition globally. Researchers designed a framework for SMEs leader by using contingency and upper echelon theory which highlighted the effects of advanced manufacturing technology, characteristics of CEO and environmental uncertainty on the decision of using strategic MA which have an ultimately influence on the CP. Leite, Fernandes & Leite (2016) tested the link between the various contingent factors and MA practices in the textile and clothing sector of Portuguese. They found the usage of traditional practices rather than the modern management accounting techniques. Data was collected through questionnaire from 512 organizations. Contingency model was analyzed through linear regression. Results indicated positive direct relationship between AMT and the usage of MA. Further, past studies carried out by Nair & Soon (2017); Kariuki & Kamau (2016); Ahmad (2012); Cadez & Guilding (2008); Santini (2013) and Abdel-Kader and Luther (2006) have

also found a positive and significant relationship between AMT & MA.

2.4 Qualified Accountant

According to various researchers qualified accountant plays a crucial part in the expansion of MA system (McChlery et al., 2004; Al-Omiri, 2003; Ismail and King, 2007). Nandan (2010) examined the need of MA in SMEs and the role of qualified accountants. The research also highlighted various developments and theories of management accounting. Further they emphasized that in order to provide owners or managers with strategic course of action the accountants should also equip themselves with required skills. They also discussed the pressures on the accountants related to the adoption of modern MA in the firms, as the SMEs are quite reluctant to outsource the services to external advisors. Fasesin, Salman & Dunsin (2015) suggested that every SME must engage qualified accountant who possesses the sound knowledge of modern accounting practices and information system. According to Marriott and Marriott (2000) accountants need to provide MA services to smaller establishments in the form of interpretation as it is in ratios etc. which will ultimately results in an enhanced usage of MA services. However according to Ahmad (2012) availability of qualified accountants in SMEs is not significantly linked with MA system.

2.5 Strategy (STA)

Business strategy refers to long term planning to achieve the desired objectives. The adoption of the correct business strategy will ultimately result in an improved company performance and high profitability. Jusoh & Parnell (2008) highlighted the relationship between performance management and use of competitive strategy in Malaysian firm. 975 firms were randomly selected to conduct the survey through questionnaires. The results indicated that the firms should emphasize on the financial performance measures rather than non financial measures and found that the top managers are responsible for the implementation of business strategies. Hoque (2004) developed a contingency model to test the link between performance management, environmental uncertainty, strategy and their influence on the performance management. Researcher conducted a postal questionnaire survey and collected data from 52 manufacturing companies. Path analysis was used for testing the hypothesis. Study results revealed positive and significant link between strategy and non-financial performance measures. Cadez et al (2012) found that strategic primacies need to be supported by suitable MA system to enhance performance. Hoque (2004), Hyvonen (2007) and Jusoh & Parnell (2008) found a significant and positive link between the strategy focused on customer's satisfaction and performance of the firm using the non-financial measures. Parnell & Brady (2019) found the enhanced emphasis on STA improves CP.

2.6 Structure (STR)

It refers to the system that defines the hierarchy of a firm and outlines the job allocation, its functions, teams, supervision, work environment and reporting. It shows the level to which the decision making of the firm is decentralized or centralized (Amara & Benelifa, 2017). The contingency theory of STR examines the forms of structure that are most crucial to the particular circumstances and an independent variable in theory of management accounting (Otley, 2016). Hopwood (1947) identifies that management accounting and organizational structure are inseparable. Positive link between STR and MA practices has been found out by (Wegmann, 2008). Gerdin (2005) also found the influence of STR of establishment on MA techniques. Pennings (1975) found little impact of STR on performance whereas Baines and Langfield-Smith (2003) found an improvement in performance due to greater usage of STR that is centered on teams. Leitaog & Franco (2008) and Batool & Zulfikar (2011) found a positive impact of STR on CP.

2.7 Management Accounting

MA refers to the practices and techniques that provide financial facts to supervisors for decision making and controlling the resources of an organization and is concerned with the internal need of the management. MA practices provide competitive advantage and help the organizations to survive in the competitive environment (Gichaaga, 2014). Abdel-Kader and Luther (2006) researched on the practices of MA used in British food industry and gathered the data by using large scale postal questionnaires and interviews. Research findings indicates that the traditional MA was in use, however gap was found between the actual practices and the text books, that can be filled with the passage of time through the adoption of modern practices. Ahmad & Zabri (2015) conducted a research to analyze the factors that influence the use of MA practices in medium sized manufacturing firms of Malaysia. Postal questionnaire survey was conducted among 500 medium sized manufacturing firm of Malaysia, out of which 110 questionnaires were analyzed. Firm size (FS), AMT, competition and commitment of manager or owner of the firm are among the contingent factors that have a significant impact on the use of MA practices. Through this, a contingent based support for explaining the use of MA practices was provided. Fasesin, Salman & Dunsin (2015) conducted a study to determine the influence of MA system on SMEs operating in Nigeria. Data was collected through structured questionnaire from the sample size of 115 SMEs operating in manufacturing and service sectors. Linear Regression Analysis was applied on data. Research results indicated that there is a significant impact of MA on the SME's performance and decision making. Ahmad (2012) investigated the role of MA practices in the management of Malaysian SMEs and determined the crucial factors that affect the use of MA practices. He found the link between MA practices and CP.

2.8 Company Performance

Mills (2008) explains financial performance as the ability of the firm to use the assets to generate revenues. It depicts the health of a firm for the specific time period. Banker et al. (2000) found that subjective measures are better than objective ones. Here the researcher has utilized subjective measures as other researchers have done for e.g. (Jusoh et al. 2008; and Hall, 2008) instead of objective ones due to reluctance of management of SMEs to disclose their financial data.

2.9 Hypothesis

So, on the basis of the previous researches and literature review various variables are identified to include in this study and hence following hypotheses were tested:

H1: Advanced Manufacturing Technology (AMT) has a significant impact on Management Accounting (MA).

H2: Structure (STR) has a significant impact on Management Accounting (MA).

H3: Qualified Accountant (QA) has a significant impact on Management Accounting (MA). H4: Management Accounting (MA) has a significant impact on Company Performance (CP). H5: Firm Size (FS) has a significant impact on Company Performance (CP).

H4: Strategy (STA) has a significant impact on Company Performance (CP). H7: Structure (STR) has a significant impact on Company Performance (CP).

3. Research methodology

3.1 Nature of Research

This is an explanatory research, which include primary data. Five contingent variables from the SMEs internal environment are selected to check their impact on endogenous variable i.e. management accounting and company performance. Thus, on the basis of exogenous and endogenous variable, a contingent model is developed as shown in the conceptual framework figure 1, explaining the causal relationship among the variables. The approach used in research is deductive as the hypothesis were generated and tested after applying the various statistical tests and data analysis.

3.2 Conceptual Framework

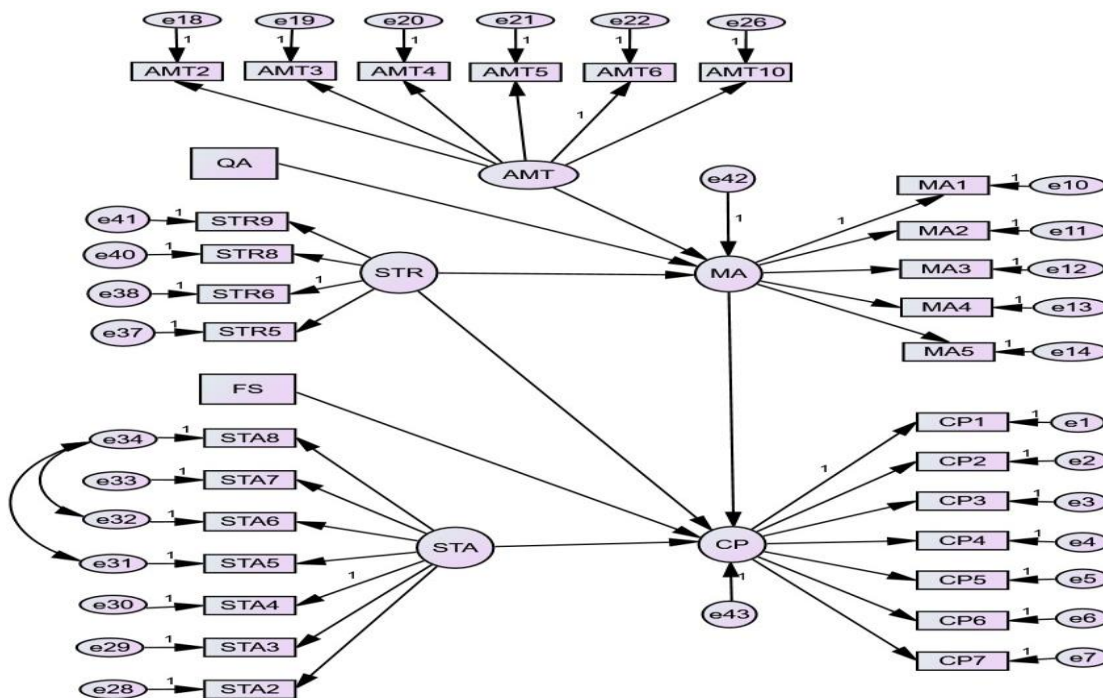


Figure I: Conceptual Framework

3.3 Data Collection Method

Structured questionnaire adopted from different researches i.e. Hoque (2004), Jusoh & Parnell (2008), Isa & Thye (2006), Abdel-Kader and Luther (2006), Askarany & Smith (2008), Langfield-Smith (2003) was used as a data collection instrument. The questionnaire was sent to 110 SMEs of the manufacturing sector. Data of 102 SMEs was selected for final analysis.

3.4 Sampling Technique and Sample Size

The non-probability sampling technique was utilized in this research study. The target population was SMEs operating in the manufacturing sector of Pakistan. Hair et.al. (2010) recommended N10 formula for selecting sample size. N stands for total variables. Here the research contains 7 variables which means sample size of 70 will be adequate for this research, however 102 SMEs were finally selected.

3.5 Data Analysis Method

Data for the proposed hypothesis was analyzed by using two softwares, i.e. SPSS version 23 and AMOS version 23. Reliability of the questionnaire used in the study was tested by using Cronbach's α , while the face validity was not checked as the adopted questionnaire was used in this research study. Discriminate validity test was applied and overall model was analyzed through SEM (Structural Equation Modeling).

4. Data analysis

4.1 Descriptive Analysis

Descriptive statistics was used only for one variable, i.e. qualified accountant due to its dichotomous nature as this question was in "Yes" or "No" form with the weights given as 0 and 1 respectively. The Table I shows the frequency distribution that out of 102 firms, 80 SMEs have the qualified accountants i.e. around 78.4%.

Table I No. of Qualified Accountants

	No.	%
No	22	21.6
Yes	80	78.4
Total	102	100

4.2 Exploratory factor analysis

Exploratory factor analysis (EFA) was utilized with the help of principal component method (PCM) of factorization to convert 54 Likert-scale items into five sub-scales according to latent constructs of this research (i.e. Company performance, Managerial accounting, strategy, Advance manufacturing technology and structure.)

It is evident from Kaiser-Meyer-Olkin measure of sampling adequacy's value of 0.793 that sample can be used to run exploratory factor analysis (EFA). Further, Bartlett's test shows ($\chi^2 = 2701.517$, $DF = 820$, $p < 0.000$) represents unbiased factor scores and that the correlation matrix is not an identity matrix. (Leech et al., 2005). Varimax rotation was also used to enhance the readability of

loaded factors. Factor loadings of less than (0.30) were eliminated; hence 41 items were loaded accordingly. Eigenvalues greater than 1 and these five constructs cumulatively explained over 63.2% of total variance. All these results are shown in Table II. According to Tharenou et al.,(2007) if components are heavily loaded into their respective factors it shows strong convergent and construct validity, as the factor loading of more the 0.5 is considered good (Hair et al., 2010). In rotated component matrix absence of cross loading ensures discriminant validity (Tharenou et al., 2007). Table III shows correlation of the five constructs.

Table II Factor Loading

Eigenvalue		8.750	3.807	2.288	1.992	1.512
% of variance		30.172	13.128	7.888	6.868	5.215
Cumulative %		30.172	43.300	51.188	58.057	63.271
	α	1	2	3	4	5
CompanyPerformanceCP_4	0.883	0.834				
CompanyPerformanceCP_5		0.823				
CompanyPerformanceCP_3		0.742				
CompanyPerformanceCP_2		0.728				
CompanyPerformanceCP_6		0.707				
CompanyPerformanceCP_1		0.610				
CompanyPerformanceCP_7		0.577				
StrategySTA_4	0.868		0.784			
StrategySTA_8			0.773			
StrategySTA_6			0.730			
StrategySTA_2			0.719			
StrategySTA_7			0.691			
StrategySTA_3			0.649			
StrategySTA_5			0.607			
AdvancedManufacturingTechAMT_5	0.890			0.873		
AdvancedManufacturingTechAMT_4				0.846		
AdvancedManufacturingTechAMT_3				0.777		
AdvancedManufacturingTechAMT_10				0.767		
AdvancedManufacturingTechAMT_6				0.760		
AdvancedManufacturingTechAMT_2				0.633		
ManagementAcccountitngMA_2	0.818				0.756	

ManagementAcccountitngMA_5					0.712	
ManagementAcccountitngMA_1					0.666	
ManagementAcccountitngMA_3					0.647	
ManagementAcccountitngMA_4					0.644	
StructureSTR_9	0.847					0.792
StructureSTR_5						0.783
StructureSTR_8						0.755
StructureSTR_6						0.740

4.3 Confirmatory factor analysis (CFA)

AMOS 23 was used to perform CFA for construct reliability. Through CFA a measurement model was produced in order to test the theory of this model related to five latent constructs. 41 items were included in the model i.e. (9 items for company's performance, 8 items for Strategy, 10 for advanced manufacturing technology and 7 items each for structure and managerial accounting). To highlight the association of observed variable with unobserved variable CFA was used (Byrne, 2010). Convergent validity was checked through average variance extracted (AVE). Additionally, for each sub-scale composite reliability was also measured as it is considered a more appropriate indicator for reliability in comparison to Cronbach's α (Lin and Lee, 2005; Molina et al., 2007). The values of AVE and CR i.e. (company's performance (CR = 0.523; AVE = 0.723); Strategy (CR = 0.504 AVE = 0.710); advanced manufacturing technology (CR = 0.608; AVE = 0.779); structure (CR = 0.589; AVE = 0.767) and managerial accounting (CR = 0.471; AVE = 0.684) reveal a good model (Molina et al., 2007).

The following Goodness of Fit (GoFit) indices were used by the researcher to analyze the model as according to researchers, for e.g. Bentler (1990), Browne and Cudeck (1993), Marcoulides and Schumacker (2001) and Byrne (2010) these indices are applied extensively

i.e. the proportion of χ^2 statistics to DoF (CMIN/DoF), root mean square error of approximation (RMSEA) with PCLOSE, normed fit index (NFI), GoF index (GFI), adjusted GoF index (AGFI), comparative fit index (CFI) and Tucker-Lewis Index (TLI).

According to Byrne (2010) the value of (CMIN/DoF) shall be less than 3 with ($p < 0.000$). So this study shows (CMIN/DoF) of 1.526 with ($p = 0.00$). Other indices of model-fit include GFI = 0.744; AGFI = 0.699; NFI = 0.703; CFI = 0.870; TLI = 0.857 and RMSEA = 0.072 with (PCLOSE = 0.002). These outcomes

altogether proposes that the CFA model appears to display an acceptable model-fit in between the variables i.e. observed and unobserved (Byrne, 2010).

Table III Correlation Matrix

Variables	CP	MA	STA	STR	AMT
CP	1				
MA	0.19	1			
STA	0.30	0.14	1		
STR	0.16	0.26	0.26	1	
AMT	0.04	0.17	0.11	0.29	1

4.4 SEM among variables

The goodness of fit is calculated by Chi-square value which depicts about the overall model's goodness of fit while further regression weights are predicted through the model (Coffman & MacCallum, 2005). The research study incorporates SEM in order to predict the relation between exogenous variables with specified endogenous variables.

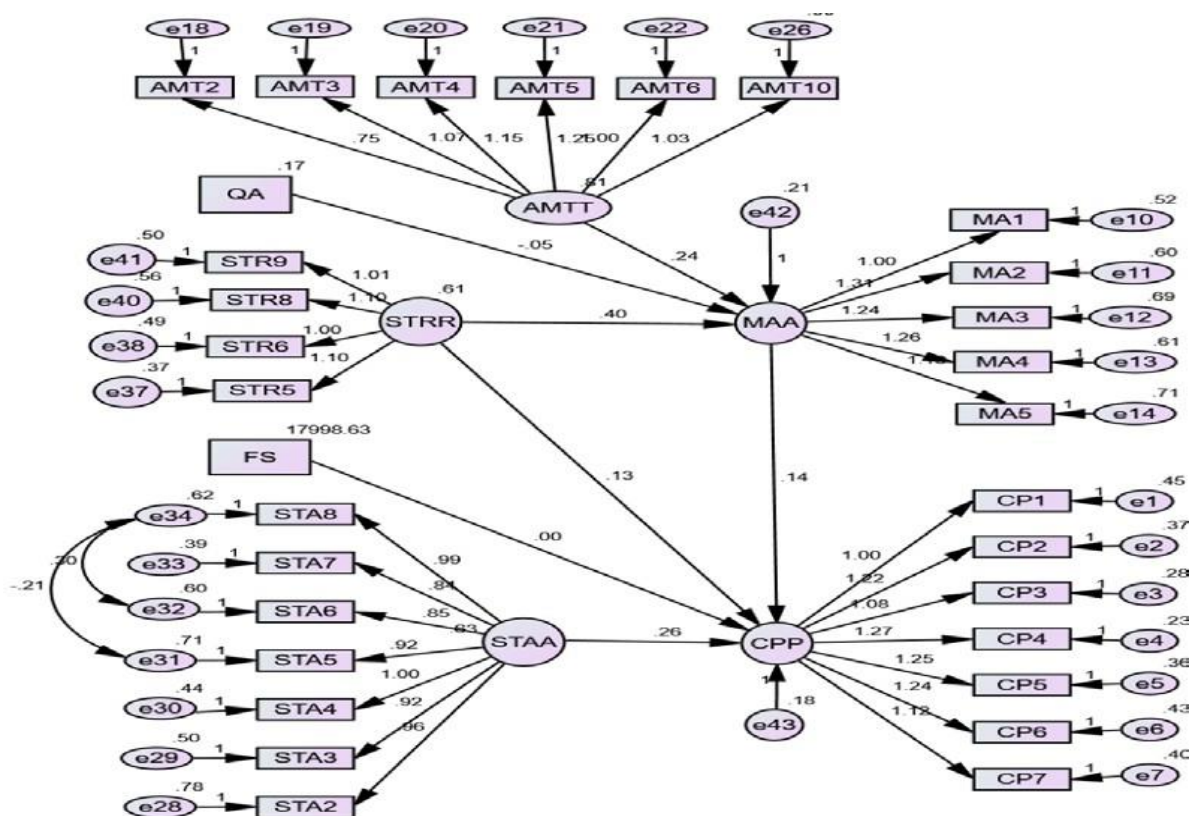


Figure II: Structural Relationship among Variables

Table IV: Regression Results

Regression Path			Estimate	S.E.	C.R.	P
MA	<---	AMT	0.243	0.076	3.206	0.001
MA	<---	QA	-0.053	0.137	-0.389	0.697
MA	<---	STR	0.397	0.100	3.986	***
CP	<---	MA	0.141	0.110	1.287	0.198
CP	<---	FS	-0.001	0.000	-1.929	0.054
CP	<---	STA	0.257	0.075	3.414	***
CP	<---	STR	0.135	0.083	1.616	0.106

*** = $p < 0.001$

From Table IV or figure II estimates can be checked interchangeably. It is clear that AMT proves to be significantly related with MA at 5% significance level. The results are supported by the previous studies conducted by Godil D.I & Shabib ul Hasan, 2018; Kariuki & Kamau, 2016; Ahmad, 2012; Cadez & Guilding, 2008; Santini, 2013; Abdel-Kader and Luther, 2006). In the same way STR proves to be significantly related with MA 1% significance level. The association between STR and MA is supported by Otley (2016), Amara & Benelifa (2017), and Chia (1995). Thus both the research hypothesis i.e. H1 and H2 are accepted.

H3 was rejected because the p value is greater than 0.05 and hence an insignificant relationship was found between the QA and MA. However this result was supported by Collis and Jarvis (2002) as according to their study enhanced utilization of MA in medium sized companies is not dependent of the availability of accountant. Ahmad (2012) and Nair & Soon (2017) have also found an insignificant relation between qualified accountant and MA.

Further the regression results depict the significant and positive relationship of STA with CP, while FS has significant but negative relationship of with CP at 10% significance level, therefore; the research hypothesis H5& H6 are accepted. The positive association of STA with CP is supported by the previous empirical studies i.e. (Cadez & Guilding, 2008; Jusoh & Parnell, 2008; Sener & Dirlik, 2012; Cadez et al., 2012; and Santini, 2013; Godil D.I & Shabib ul Hasan, 2018). FS has a significant, but a negative relationship with CP which is supported by Luqman, Olawale (2017). This negative sign is might be due to limited sample size. As far as impact of STR and MA on CP is concerned, as the p-value is greater than 0.05 therefore, it can be determined that there is no significant impact of STR and MA and CP in SMEs operating in the production sector of Pakistan. Hence the research hypotheses i.e.H4 & H7 are not supported. As mentioned by Dalton et al. (1980), Zwerman (1970) that fit between STR technologies has no association with performance. Pennings (1976) found

discovered that the fit in between structural and environmental facets appeared to have minor influence on performance. Different researchers such as Miller & Cardinal, (1994) and King et al., (2010) found both positive and negative on CP by the utilization of specific conventional MA practices. Nuhu, Baird, & Appuhami, (2016) have found no significant relation between Traditional MA and performance. Similarly according to Holmes et al., (2006) and Lapsley, (2009) concentrating on the usage of conventional practices does not support public sector managers trying to enhance performance.

5. Conclusion and Recommendation

Economic growth of Pakistan is driven by 90% SMEs. There are around 3 million SMEs that are working in Pakistan. Various policies, reforms and support programs are in process by the government and SMEDA in order boost up the growth and market competitiveness of SMEs (Hussain, Ismail & Akhtar, 2015). This research was designed to ascertain the important contingent factors from the manufacturing SMEs of Pakistan that have a significant impact on the use of MA and finally on company performance. Further the purpose was to check the relevancy of Contingency model in the context of developing country like Pakistan. The data collected through questionnaire from 102 SMEs operating in the manufacturing sector and path analysis was applied by using AMOS 23. Research results revealed that overall model was significant and except for QA all other variables were found to have a significant influence on MA, whereas FS and STA have a significant influence on CP. So according to the results of this study it shall be concluded that it has provided insight of the relevant contingent variables, i.e. AMT, STR, STA & FS which are either significantly impacting the use of MA or on CP and hence they can be successfully incorporated in testing of model related to Pakistan. This research will help the SMEs owners, policy makers, and practitioners to control the impact of these variables and make decisions accordingly for the improvement of SMEs in Pakistan. Same can be used as reference for making policies and future researches.

5.1 Limitations and Future research

Primary researches have their own limitations related to the response of questionnaire such as biasness, lack of interest, lack of time and understanding level of the respondent. As this study is only confined to the manufacturing sector, researchers can include other industries and can examine the impact of other contingent factor on SMEs for future researches. Sample size can further be increased to investigate the same relationship for generalizing the key findings.

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