

**THE EFFECT OF INTERNAL CONTROL, ENTERPRISE RISK  
MANAGEMENT AND FRAUD PREVENTIVE MEASURES ON SMEs  
PERFORMANCE: EVIDENCE FROM THE EAST COAST OF  
MALAYSIA**

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**Thesis Submitted in Fulfillment of the Requirement for the Degree  
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Science.

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**Faculty : Management and Economics**

Most of the studies and researches on internal control, enterprise risk management and fraud preventive measures against SMEs were mainly done in developed countries such as the United States. Not many studies have been conducted on the Malaysian environment. The main objective of this study is to answer the question of what the effects of internal controls, enterprise risk management and fraud preventive measures are on SMEs' performance in Malaysia.

For that purpose, the questionnaires were distributed among 432 SMEs from manufacturing industries in Kelantan, Terengganu and Pahang (the East Coast Region of Malaysia) and they were then analysed.

Partial Least Squares (PLS) on Structural Equation Modeling (SEM) were mainly used as a statistical tool to analyse the data. The study found that even though the effect of internal control on SMEs' performance is not strong, there is still a positive relationship. It showed that internal control still influences the SMEs' performance. In contrast, enterprise risk management and fraud preventive measures have no significant relationship with SMEs' performance. Furthermore, the results also showed that owners' concern on those past fraud experience is very high but they are still not ready to implement fraud preventive actions to their businesses.

There are some suggestions made through this study either directly or indirectly to particular owners and the regulators such as the CCM. It involves the need of corporate governance training among SME owners and the roles of the government through CCM to increase the SMEs' success rate.

Abstrak tesis yang dikemukakan kepada Senat Universiti Malaysia Terengganu sebagai memenuhi keperluan untuk ijazah Master Sains.

**KESAN KAWALAN DALAMAN, PENGURUSAN RISIKO DAN  
LANGKAH PENCEGAHAN PENIPUAN KE ATAS PRESTASI PKS:  
PENEMUAN DARI PANTAI TIMUR MALAYSIA**

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Kebanyakan kajian dan penyelidikan yang dilakukan ke atas kawalan dalaman, pengurusan risiko dan penipuan terhadap PKS terutamanya di negara-negara maju seperti Amerika Syarikat. Tidak banyak kajian telah dijalankan di Malaysia terhadap isu-isu tersebut. Objektif utama kajian ini adalah untuk menjawab persoalan akan kesan kawalan dalaman, pengurusan risiko dan langkah-langkah pencegahan penipuan terhadap prestasi PKS di Malaysia.

Oleh yang demikian, soal selidik telah diedarkan di kalangan 432 PKS daripada industri pembuatan di Kelantan, Terengganu dan Pahang (Wilayah Pantai Timur Malaysia) dan analisa telah dibuat.

*Partial Least Square* (PLS) iaitu sebahagian daripada *Structural Equation Modeling* (SEM) digunakan sebagai alat statistik untuk menganalisis data. Keputusan kajian menyatakan bahawa, walaupun kesan kawalan dalaman ke atas prestasi PKS tidak kuat tetapi hubungannya masih positif. Ia menunjukkan bahawa, kawalan dalaman masih mempengaruhi prestasi PKS. Sebaliknya, pengurusan risiko dan langkah pencegahan penipuan tidak memberi apa-apa kesan dan tidak terdapat hubungan yang signifikan ke atas prestasi PKS. Tambahan pula, keputusan juga menunjukkan, tahap kebimbangan pemilik PKS terhadap pengalaman penipuan yang lepas adalah sangat tinggi. Namun begitu, mereka masih lagi tidak bersedia untuk melaksanakan sebarang langkah pencegahan penipuan ke atas perniagaan mereka.

Terdapat beberapa cadangan yang telah dibuat melalui kajian ini sama ada secara langsung atau tidak langsung kepada pemilik PKS dan pihak-pihak yang lain seperti SSM. Antaranya, keperluan latihan tadbir urus korporat di kalangan pemilik PKS dan peranan sektor kerajaan melalui SSM untuk meningkatkan kadar kejayaan PKS.