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### Factors Affecting the Application of Responsibility Accounting in Hanoi's Small and Medium-Scale Garment Enterprises

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#### Abstract

Responsibility accounting is one of the basic contents in management accounting at businesses and is one of the economic and financial management tools that plays an important role in operating, controlling and evaluating effectiveness. Production and business activities of the unit. To effectively apply responsibility accounting into the management of production and business enterprises, it is necessary to research the influencing factors to help manufacturing enterprises have a basis to apply responsibility accounting. Truly more complete, this meets practical requirements and is consistent with current trends. This article studies the current situation of responsibility accounting at small and medium-sized garment enterprises

in Hanoi. Using quantitative research methods, the authors conducted a survey of 46 small and medium-sized garment enterprises in Hanoi. Survey results show that the level of responsibility accounting application in small and medium-sized garment enterprises in Hanoi is not high. New businesses are only interested in revenue, costs and profits, mainly with information provided on financial statements. Many businesses do not have clear decentralization of authority, so responsibility centers have not been formed. From the research results, the authors propose solutions to enhance the application of responsibility accounting in businesses.

**Keywords:** Responsibility Accounting, Small and Medium-Sized Garment Enterprises in Hanoi

#### 1. Introduction

Responsibility accounting is a basic content of management accounting, the process of collecting and reporting financial and non-financial information of the unit. This system recognizes each individual and department in a Organizations have the right to direct and take responsibility for separate operations within their scope of management. Management accounting in general and responsibility accounting in particular are considered necessary and suitable for large-scale enterprises. For small and medium-sized enterprises, operations are usually not too complicated and do not have a big impact on market trends or other competitors, so small and medium-sized enterprises themselves and their partners related parties are not really interested in using responsibility accounting tools.

The global economic downturn and stricter monetary policies have reduced consumer demand, negatively impacting the production and business activities of Vietnam's textile and apparel industries. In this environment, clothing companies require strong management tools. As a result, the article investigates the factors influencing the use of responsibility accounting in small and medium-sized textile firms in Hanoi. The paper suggests various ideas based on the research findings to improve the implementation of responsibility accounting to improve management efficiency.

#### 2. Research Overview

Since Higgins' research in 1952, responsibility accounting has been researched and applied in businesses operating in a variety of fields around the world, including manufacturing (Lin and Yu, 2002; Akenbor *et al.*, 2013), banking (Pajrok, 2014), healthcare (Nyakuwanik *et al.*, 2012; Karasioglu *et al.*, 2012). However, not all national firms can successfully implement it. Accounting for accountability. Responsibility accounting is still a long way off in Vietnam, despite more than 15 years of research (the word is stated in Circular No. 53/2006/TT-BTC) and implementation. in comparison to other countries. Researchers have raised the question of what factors influence this condition.

There have been numerous research on the factors influencing the use of responsibility accounting in manufacturing businesses, such as:

#### *Management Decentralization Factor*

Vlogel's (1962) research has shown that responsibility accounting must be built on the basis of management decentralization to collect information to control business activities in departments, thereby providing information for managers to make effective decisions. Nguyen Thi Dien and colleagues (2020), Cao Thi Huyen Trang (2020) [3]. All show that management decentralization is one of the factors that has a positive influence on the application of responsibility accounting in businesses.

#### *Enterprise Scale Factor*

According to Zimmicki (2015), Tran Trung Tuan and colleagues (2020), and Cao Thi Huyen Trang (2020) [3], the scale of the enterprise influences the identification of responsibility centers.

#### *Qualifications and Awareness of the Manager*

Shixian (2014) confirmed that the training level and management level of company leaders influence the use of responsibility accounting in enterprises. Any company with a higher-qualified leadership team will have superior management qualities and efficiency, as well as a greater ability to use responsibility accounting.

Conclusions in studies by authors such as: Ngo Van Luong and Vu Thi Hang Nga (2017), Nguyen Thi Dien (2019), Nguyen Thi Dien and colleagues (2020), Tran Trung Tuan and colleagues (2020) have confirmed that managers' levels and awareness have a positive impact on the application of responsibility accounting in businesses.

#### *Competition Level*

Huang and colleagues (2010) stressed the need of considering the amount of competition in management accounting organizations in general, and responsibility accounting in particular, in firms. Cooper (1998) found that when competition grows, a more dependable accounting information management system may be required to assist organizations compete effectively. According to the findings of Le Thi Thu Hong and Pham Ngoc Toan (2018) and Cao Thi Huyen Trang (2020) [3], the level of competitiveness is a factor that positively influences the use of responsibility accounting in enterprises.

#### *The Enterprise's Characteristics*

According to Fowzia (2011) [4], because responsibility accounting is a control tool within a company's control system, the control system is a factor that influences responsibility accounting in an enterprise. According to research by Nguyen Ngoc Tien and colleagues (2019) and Bui Thi Xuan Ha (2019), the operating characteristics of the organization have a favorable influence and a very strong impact on the organization's planning. The unit's accountability.

#### *IT Applications*

Ma Van Vien and Tran Van Long (2019) [6] confirmed that the application of information technology has a positive impact on the application of responsibility accounting in textile and garment enterprises in the southern provinces.

### **3. Theoretical Basis of Responsibility Accounting**

Responsibility accounting, according to Atkinson *et al* (2001), is an accounting system that collects, synthesizes, and reports accounting information relating to the responsibilities of each individual management in a

company. organization through reports on costs, income, and operational metrics by each area of responsibility or unit within the organization. This method gives data for assessing each manager's tasks and accomplishments. Responsibility accounting generates reports for a level of management that include both controlled and uncontrollable things.

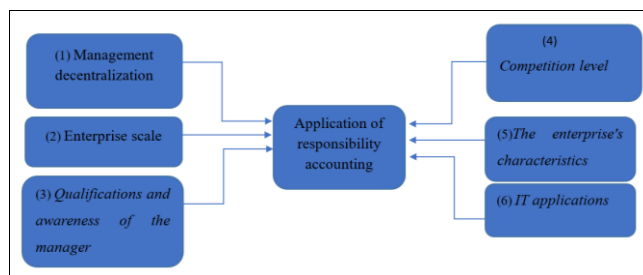
Responsibility accounting is defined by the Institute of Accounting ICMA as an accounting method that differentiates revenue and costs in certain domains in order to evaluate the successes of managers with specified responsibilities and powers.

As a result, responsibility accounting is a management control system based on the principles of decentralization and responsibility localization. Every department in the organization that has authority over expenditures, revenues, profits, or capital investments is referred to as a responsibility center in the responsibility accounting system. At each level, each center will decide the rights and obligations for each subject. The center of a department is determined by the rights and obligations allocated to that management. Cost centers, revenue centers, profit centers, and investment centers are the four responsibility centers. Specifically:

- Cost center: A center of accountability when the management is only in charge of, or has control over, expenses and has no other responsibility for, revenue, earnings, or investments. Cost centers are frequently connected to the unit's operating departments.
- Revenue center: A responsibility center where the manager is responsible for revenue, not for profits or investment capital. Revenue centers are often associated with facility management levels such as sales departments, branches or product outlets.
- Profit center: A division of the company where the manager is in charge of all revenue, expenses, and operational outcomes. Middle level management is frequently linked to profit centers, although the center administrator has complete control over everything from the operating plan to the unit's operational procedures.
- Investment center: Located at the highest level, the investment center is where administrators plan and oversee the activities of the division with a focus on three key factors: costs, earnings, and investment capital.

#### **Model and Hypothesis for Research**

The research team proposed the following research model based on the research overview:



Research model with 6 research hypotheses:

H1: Management decentralization has a positive impact on the application of responsibility accounting at small and

medium-sized garment enterprises in Hanoi.

H2: Enterprise scale has a positive influence on the application of responsibility accounting in small and medium-sized garment enterprises in Hanoi.

H3: Qualifications and awareness of the manager affects the application of responsibility accounting at small and medium-sized garment enterprises in Hanoi.

H4: Competition level has a positive impact on the application of responsibility accounting in small and medium-sized garment enterprises in Hanoi.

H5: The enterprise's characteristics have a positive impact on the application of responsibility accounting at small and medium-sized garment enterprises in Hanoi.

H6: IT application has the same impact on responsibility accounting application in small and medium-sized garment enterprises in Hanoi.

There are six independent variables in the suggested research model: (1) Management decentralization; (2) Enterprise size; (3) Qualifications and awareness of the manager; (4) Competition level; (5) The enterprise's characteristics; (6) IT application with 21 measurement scales inherited from the studies of Vlogel (1962), Shixian (2014), Zimmicki (2015), Huang *et al.* (2010), Fowzia (2011)<sup>[4]</sup>, Cao Thi Huyen Trang (2020)<sup>[3]</sup>, Tran Trung Tuan and colleagues (2020), Nguyen Thi Dien and colleagues (2020), Ma Van Vien and Tran Van Long (2019)<sup>[6]</sup>.

The following variables are encrypted and renamed:

QL: Management decentralization

QM: Enterprise size

NT: Qualifications and awareness of the manager

CT: Competition level.

DD: The enterprise's characteristics

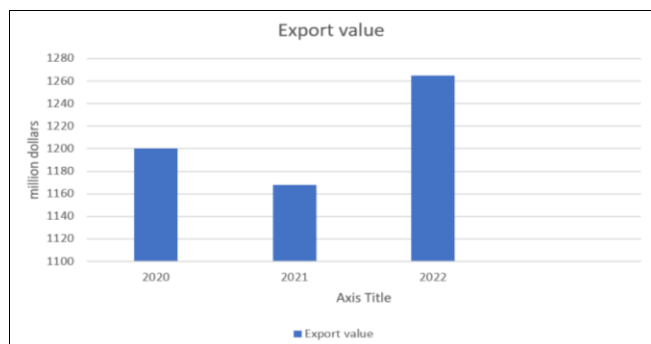
CN: IT application.

According to Hair *et al* (2006), Nguyen Dinh Tho (2011), if conducting EFA analysis research, the sample size is at least 5 times the number of observed variables. Thus, with the proposed model, the author conducted a survey of 120 investors, accountants, auditors and employees of state management agencies. These are subjects interested in the quality of information in financial reports.

#### 4. Results

##### 4.1 Introduction to Small and Medium Garment Enterprises in Hanoi

According to data from the General Statistics Office, Hanoi, although this industrial sub-sector only ranks 11/32 in terms of production value, it ranks 2/32 in terms of labor and employment. Hanoi's annual textile and garment export value also reaches over 1 billion USD/year.



Source: VIRAC

Fig 1: Textile and garment export value of small and medium garment enterprises in Hanoi

There are currently about 500 clothing firms in Hanoi, employing over 60 thousand people. Participating state-owned firms, private enterprises, and over 20 FDI enterprises. The majority of them are small and medium enterprises.

The method of outsourcing sewing, which was very popular in the past at small and medium garment enterprises in Hanoi, has now decreased because of its low efficiency. Small and medium garment enterprises in Hanoi have strongly shifted to the production method of buying raw materials and selling products. In particular, Hanoi has had many garment enterprises create breakthroughs when switching to making products with their own brands, achieving higher economic efficiency. Some enterprises with FDI capital, although entering the market late, have quickly achieved large production scale such as Viet Pacific Company, Jc plus vina. Recently, many small and medium garment enterprises in Hanoi have paying a lot of attention to in-depth development, focusing on design, style and quality. Processes that have long been weak such as R&D research and development, design, fashion sewing, developing new designs, developing distribution systems, etc. have also made very significant progress.

##### Descriptive statistical results

After conducting 120 surveys of administrators and accountants at 46 small and medium-sized garment enterprises in Hanoi, the author received 110 valid votes. The author conducted data processing and data analysis. The initial descriptive results are obtained:

Table 1: Describe the general characteristics of the research sample

		Frequency	Rate (%)
Sex	Male	68	61.81%
	Female	42	38.19%
Age	From 25 to 40 ages	45	40.90%
	From up 41 to 60 ages	58	52.72%
	Upto 60 ages	7	6.38%
Average monthly earnings	< 5 million VND	2	1.83%
	From 5 to 10 million VND	32	29.09%
	Up 10 to 20 million VND	38	34.54%
	> 20 million VND	38	34.54%
Academic level	high school level	0	0%
	University degree	78	70.90%
	PhD/Master's degree	32	29.1%
The level of responsibility accounting operations at the enterprise	Not yet applied	46	41.82%
	Have used it before	28	25.45%
	In use	36	32.73%

The descriptive statistics table shows that the level of implementation of responsibility accounting in firms is low. As a result, recognizing factors that influence the use of responsibility accounting in firms is critical. The author undertakes an examination of factors influencing the use of responsibility accounting in firms using preliminary processed data.

##### Cronbach's Alpha Results

All of the variables' Cronbach's alpha coefficients were 0.6, allowing them to be included in component analysis. At the

same time, the overall correlation coefficients of the observed variables all meet the 0.3 threshold, indicating that the offered scales can be believed statistically. The observed variable "Management decentralization" has the highest Alpha coefficient (0.824).

**Table 2:** Reliability Statistics

Factors	Observed variables	Cronbach's Alpha
Management decentralization	QL1, QL2, QL3	.824
Enterprise size	QM1, QM2, QM3, QM 4	.718
Qualifications and awareness of the manager	NT1, NT 2, NT3,	.782
Competition level	CT1, CT 2, CT3,	.695
The enterprise's characteristics	DD1, DD 2, DD 3, DD 4,	.798
IT application	CN1, CN2, CN3, CN4	.768
<b>Apply responsibility accounting</b>	<b>VD1, VD2, VD3</b>	<b>0.764</b>

Source: Data processing outcomes

*Exploratory Factor Analysis for EFA*

The results of evaluating the data with KMO = 0.798 (> 0.5) and Sig of Bartlett's Test is 0.000, less than 0.05, indicating that these observations are correlated and totally consistent with factor analysis. The observed variables' factor loading factors are all greater than 0.5, the total variance retrieved is 71.417% (greater than 50%), and the Eigenvalue coefficient is 1.256 (greater than 1). For exploratory factor analysis, these tests were justified.

*Regression Analysis Results*

The following are the findings of the regression analysis of the model of factors influencing the desire to use T with six independent variables: Model fit test value sig. = 0.000 (0.05 indicates that the model variables can explain the change in the dependent variable. According to the results of the aforesaid analysis, all six factors are significant (p 0.05), and the model is as follows:

**Table 3:** Coefficients<sup>a</sup>

Model	The beta coefficient is not uniform.		Beta Coefficient Standardized	t	Sig.
	B	Std. Error	Beta		
Blocking coefficient	3.126	.021		163.793	.000
QL	.367	.033	.326	10.883	.000
QM	.086	.038	.216	2.823	.005
NT	.034	.024	.068	1.269	.082
CT	.067	.037	.152	1.949	.050
DD	.142	.024	.121	5.096	.000
CN	.157	.038	.198	4.410	.000

a. Dependent Variable: VD

Source: Data processing outcomes

The linear model depicts the impact of the following factors on the use of responsibility accounting at small and medium-sized clothing enterprises in Hanoi:

$$VD = 3,126 + 0,326* QL + 0,216*QM + 0,068* NT + 0,152* CT + 0,121*DD + 0,198*CN$$

According to the findings of the regression analysis and the standardized regression equation, there are six parameters

that have a positive link with the use of responsibility accounting in small and medium-sized textile firms in Hanoi.

**5. Conclusion**

Businesses must efficiently use resources, as well as suitable management tools, to achieve competitive advantages in a continuously changing business environment. Responsibility accounting is a method of achieving long-term competitive advantage by assisting managers in gaining relevant information for decision-making. Responsibility accounting can be used in a variety of units and organizations. However, several things influence this, including the size of the business, the accountant's level of understanding, the extent of management decentralization, and so on.

The authors recommend a number of remedies based on the research findings to improve the implementation of responsibility accounting to increase management capacity at small and medium-sized garment firms in Hanoi:

*1. In Terms of Management Decentralization*

First and foremost, the board of directors recognizes the significance of responsibility accounting in business management. Furthermore, because the responsibility accounting system is closely linked to the management hierarchy, managers must be knowledgeable and constantly taught.

The management structure should be explicitly decentralized. In responsibility accounting, the management decentralization model is designed to assure compliance with production characteristics, management organizational structure, and production technology process.

*2. About Responsibility Centers*

Enterprises conduct cost classification. To serve the purpose of preparing reports for each department and each type of product, businesses classify costs into variable costs and fixed costs.

Prepare cost, revenue, and profit reports for each department and product type to evaluate the results of each department.

Develop indicators to evaluate the results and performance of responsibility centers. At the same time, it is necessary to develop reward regulations appropriate to each evaluation criteria.

*3. Increase Technology Application*

Due to the characteristics of small and medium-sized enterprises in Hanoi, the human resource level of textile and garment enterprises is still low, thus requiring businesses to invest as well as improve labor qualifications in the enterprise.

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