

PG1 - MINI RESEARCH PROPOSAL

This form is to be completed by both the student and supervisory team within **THREE** months for full-time students and **SIX** months for part time students, after the commencement of the research degree or Part Two. Return the completed form to the **Academic Office** pgresearch@uwtsd.ac.uk.

Student Details

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Proposed Research

Current Proposed Title (20 / 30 words):
<i>Financial Risk Reporting Practice in Small and Medium-sized Enterprises: a case study</i>
Background & Context (approx. 250 words)
As a group has great contribution to GDPs in many economic entities, small and medium-sized enterprises (SMEs) plays a significant part in national finance growth (Cosenz and Noto, 2015). However, the performance of SMEs in China, from the perspective of average business life span, is not as appealing as it in Japan or the US. The average business life span is only 2.9 years, whereas this number in Japan and the US is 12.5 and 8.2 years (Yi, 2018). According to OECD's report on both its members and non-member economies, the SMEs in many countries are facing 'financing gap' in their operation (2006). The main challenges of SMEs' operating are often finance related (OECD, 2006), like poor finance management, lack of related finance managing knowledge (Kaya and Alpan, 2012), lack of ability to access necessary resources (Wagner and Burgstaller, 2015). Providing that many researches interpret SMEs challenges by financing gap and external factors, there are less researches investigate the risks that caused by the internal finance risk reporting

systems. This study is intend to filling the gap of this area.

As a critical means of business performance measurement, a normative finance reporting and managing system is highly valued by Financial Accounting Standard Board (FASB) (). Whereas in practice, due to the less rigorous requirements on financial report, the value of financial information that these SMEs providing for measuring performance and predicting risks is compromised.

Considering the uncertainty of operating in this transition era, investors and policy makers are more concern with corporate risk disclosure (CRD), however, the researches are mainly empirical studies on listed companies in different countries (Taylor et al., 2010; Marzouk, 2016; Saggar and Singh, 2017). Comparing to the survivability of Chinese listed companies, the rate of survival of non-listed SMEs is much lower, whereas there are less qualitative research in financial risk reporting procedure in these firms. Therefore, this research is mainly conducted in non-listed firms in expectation of contributing to the development of financial risk management in these organizations.

Aims and Objectives (approx.. 250 words)

This research is aiming to find out whether there is a sufficient financial risk reporting system/procedure within SMEs' finance management. To achieve this aim, the research would select two firms, one founded within 2.9 years (the average life span of Chinese SMEs), and the other is founded over 2.9 years, to do a comparative case study, and to find out the reality in the practice of their financial risk management.

Objective 1: Identifying particular financial risks that caused by both internal and external factors of the two firms during the operation.

In this step, the research is focusing on the financial risks that provided by Cabedo and Tirado

(2004), credit risk, market risk and liquidity risk, which affects the firms' ability of survive directly.

Objective 2: Observing and investigating the financial information report procedures within the two organization.

In this stage, detailed working process including recording business events, the method choice in measuring different assets and preparing financial reports of the accountants in the two firm would be observed and compared. Moreover, the role of the accountants in the organization will also be investigated. To avoid ambiguity, the job description of accountant in the firm and the role of the accountant in the management and decision process will both be studied and compared.

Objective 3: extracting the financial risk managing procedures from the two business operating.

The study would seek out and identify the financial risk detecting, reporting and feedback procedures of the two organizations. Finally, assess the procedures to see if they are efficient in predicting financial risks.

Proposed plan of work including timetable

Proposed plan of work

In this section you will need to complete a proposed plan of your work explaining the timeline for key elements of the thesis.

Planned Development (e.g. submission of form, completion of chapter, submission of thesis)	Target Date
Submission of the proposal form	July 2021
Literature review, first draft	Nov 2021
Literature review, final version	Jan 2022
Methodology	April 2022
Data collection	July 2022
Data analysis	Oct 2022
Write up findings and discussion	Jan 2023
Write up conclusion	March 2023
Footnote and references	April 2023
Submission of thesis	April 2023

Proposed methodology (approx. 500 words):

This research will be based on qualitative case study (Klein and Myers, 1999) that related to risk management in two different SMEs in China. As an approach provides flexibility in exploring and bridging theory and practice, choosing case study for this research offers an opportunity to reexamine the financial difficulties in SMEs' operation (Voss et al., 2002).

The research will begin with a systematic literature review (Fink, 2005; Tranfield et al., 2003), to organize previous studies about financial risks, including how to identify them by different schools, to conceptualize financial risks in SMEs. This part mainly consists of library-based research for constructing an academic background of financial risk. In addition, on-line research is also necessary for gathering organizations' practice in financial risk management from different regions, and combining Chinese macro statistics to build up a current background image, providing that there is not enough mature research on practice of this area in SMEs.

Fieldwork will be conducted after constructing conceptual framework for the research. To collect financial risk related data, this research chose a case study approach consists of interviews and observation. Considering that the requirement of financial information for SMEs is not as rigorous as it for listed firms. There might not be a formal financial risk reporting system embedded in the organizations. Thus, in order to extract hints from abstract information, both accountants and decision-making groups need to be involved in interviews, and the way they interact with each other will be observed as well. Besides, providing that the interview questions are difficult to standardized, the interviews this research would take are mainly in semi-structured or in-depth form (Creswell, 2014).

To collect original data on risk management practice of the two firms, observation on how information is transferred, and how the networks are formed in the organization is vital to the relate

evidence. Therefore, an observer-as-participant role might be more appropriate for the research, as it can provide an objective point of view which raises less ethical issues (Roulet et al, 2017).

Descriptive observation, note making are required to integrate data and generate a narrative account (Robson and McCartan, 2016). Although according to Kihlstrom, data collection under this approach may perform high ecological validity (2021), researcher need to be aware of observer error caused by either not familiar or over familiar with the context (Saunders, 2019), as well as observer effect, i.e. participants behaviour change caused by the presence of of the observer.

Another thing might need to aware of is observer effect (LeCompte and Goetz, 1982; and Spano, 2005; Monahan and Fisher, 2010).

During the fieldwork in the two organization, the data shall be recorded as detailed as possible to ensure the reliability and validity of next stage, data analyzing (Yin, 2009). As this research is a comparative case study, after the independent study of each firm, the two sets of data will be analyzed emphasizing on the similarities and differences between the operations. In addition, the financial risk management practice will be summarized and compare with it in large or listed firms. However, it should be cautious in the phase of data analyzing to ensure that no definition drift in coding process (Gibbs, 2007).

Introductory bibliography:

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Student Signature

Signature or Print Name:	Xialiang Yao	Date: 20. Jul. 2021
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Supervisory Team

Has the student proposed a viable research project that is appropriate for this programme that should be supported by the Institute?

Supported: ☐

Not Supported: ☐

Authorisation

Director of Studies	Signature or Print Name:	Date:
Institute Manager of Research Degrees	Signature or Print Name:	Date: