

Accounting Practice of Micro Small and Medium Scale Entrepreneurs

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Abstract

Accounting plays an important role in the success or failure of business in recent times. Accounting systems are responsible for recording, analyzing, monitoring and evaluating the financial condition of enterprise, preparation of documents necessary for government completion, tax purposes, providing information support to many others organizational functions. Accounting systems provide a report to owners and managers of SMEs operating in any industry for the use in measuring information financial performance. This study conducted in 50 Micro, Small and medium enterprises in Coimbatore. Most of the enterprises are very small and some are medium. Establishment of SMEs in Coimbatore is increasing day by day. Basic objective of the entrepreneur is to create more job opportunity and development. All of the enterprises use accounting system in a different manner.

KEYWORDS: Recording, Performance, Entrepreneur, System.

INTRODUCTION

An accounting system is a method, well-organized scheme for as long as accurate financial information and controls. Thus accounting systems show the books, records, voucher, files and other related supporting data resulting from the application of accounting processes. The contribution of SMEs is large, present days finance and financial formations are much important to getting new capital, expansion of business. Coimbatore basically industrial area experience in business is very high so the people maintaining the accounts on their own style and less errors. In the study stated that using new technology in accounting system is not adaptable by the entrepreneurs due to many reasons. Though most of the SMEs in Coimbatore didn't use accounting system directly or without having any accounting knowledge they used some statements and voucher but their opinion reveals that as soon as possible they would try to follow accounting system for better performance.

OBJECTIVE OF THE STUDY

- To examine the contribution of MSMEs to GDP growth in India
- To study the importance of accounting in entrepreneurship.
- To study the accounting practice of entrepreneurs.

SOURCE OF THE DATA

Primary Data: Data collected from the sample enterprise through interview and by communicating with respondent over phone.

Area of study

Data collected in Coimbatore district it contain high industrial entrepreneur's population.

Secondary Data: Secondary data collected from various books, published journals, articles, research paper, and internet website.

Sample construction

Random sampling technique used to collect data from the selected enterprise and the respondent. The study constructed sample size of 50.

CONTRIBUTION OF MSMEs TO GDP GROWTH IN INDIA

The Indian MSME sector is the backbone of the national economic structure and has unremittingly acted as the bulwark for the Indian economy, providing it resilience to ward off global economic shocks and adversities. With around 63.4 million units throughout the geographical expanse of the country, MSMEs contribute around 6.11% of the manufacturing GDP and 24.63% of the GDP from service activities as well as 33.4% of India's manufacturing output. They have been able to provide employment to around 120 million persons and contribute around 45% of the overall exports from India. The sector has consistently maintained a growth rate of over 10%. About 20% of the MSMEs are based out of rural areas, which indicate the deployment of significant rural workforce in the MSME sector and is an exhibit to the importance of these enterprises in promoting sustainable and inclusive development as well as generating large scale employment, especially in the rural areas.

The MSME sector in India continues to demonstrate remarkable resilience in the face of trialing global and domestic economic circumstances. The sector has sustained an annual growth rate of over 10% for the past few years. With its agility and dynamism, the sector has shown admirable innovativeness and adaptability to survive economic shocks, even of the gravest nature. The significance of MSMEs is attributable to their caliber for employment generation, low capital and technology requirement, promotion of industrial development in rural areas, use of traditional or inherited skill, use of local resources, mobilization of resources and exportability of products. According to the estimates of the Ministry of MSME, Government of India, the sector generates around 100 million jobs through over 46 million units situated throughout the geographical expanse of the country. With 38% contribution to the nation's GDP and 40% and 45% share of the overall exports and manufacturing output, respectively, it is easy to comprehend the salience of the role they play in social and economic restructuring of India. Besides the wide range of services provided by the sector, the sector is engaged in the manufacturing of over 6,000 products ranging from traditional to hi-tech items.

IMPORTANCE OF ACCOUNTING IN ENTREPRENEURSHIP

The movement of money is not a simple matter of overall expenses and income or investment and profit. Accounting is a part of every minute aspect of business administration. from large business loans to small business grants, product manufacturing and distribution costs to marketing campaign budgets. Employee salaries must reflect the

human resource budget allotment. Rent or purchases of office space, buildings, equipment, and machinery must be balanced with projected profit margin increases and investment returns. Everything is calculated and analyzing through accounting tools. An important accounting finance function of entrepreneur is creation of a budget. Budgets outline the expenditures needed for various aspects of the business. Entrepreneurs may budget capital for increasing production hiring employees, advertising strategies, inventoried purchases and other types of business expenditures. it helps entrepreneurs to avoid wasting capital on non-essential business items. Budgets can also create a historical record of how the enterprise spent capital for producing consumer goods or services. Accounting is the primary way a company determines its profitability. Although a small enterprise may be able to generate high amounts of sales revenue, failing to generate enough profits may doom the business to failure. Banks, lenders or investors may also require the company financial position. Auditors providing useful information to entrepreneurs help when filing business tax returns and ensuring that all business issues are accounted for at year ending. Accounting records and reflects the results of operations as well as statement of financial position. Indicate the balance sheet and profit & loss accounts ratios are calculated that help entrepreneur to analyze the performance of an entity. Some tools like Debt equity ratio, Current ratio, Turnover ratio etc. Also we can compare previous period accounting data with current period as well as budgeted figures for variance analysis.

ANALYSIS AND FINDINGS

S.NO	GENDER	ENTREPRENEURS	PERCENTAGE
1	Male	32	64
2	Female	18	36
Total		50	100

Table indicate majority (64%) of entrepreneurs are male still women entrepreneurs not came to the equal position with males. This also found some of business registered with women entrepreneurs name but originally operated by male persons.

EDUCATIONAL QUALIFICATION

S.NO	EDUCATIONAL QUALIFICATION	ENTREPRENEURS	PERCENTAGE
1	Illiterate	5	10
2	School level	18	36
3	College level	27	54
Total		50	100

Majority (54%) of entrepreneurs are completed their education on college level

AWARENESS OF ACCOUNTING SIGNIFICANCE

S.NO	AWARENESS OF ACCOUNTING SIGNIFICANCE	ENTREPRENEURS	PERCENTAGE
1	Very high	22	44
2	High	8	16

3	Moderate	12	24
	Low	4	8
	Very low	4	8
	Total	50	100

The table indicate maximum (44%) of entrepreneurs having very high awareness in significance of accounting system to business. They having basic idea about finance and profits. And remaining entrepreneurs having partial and low knowledge of accounting importance.

ACCOUNT MAINTAINING METHODS

S.NO	ACCOUNT MAINTAINING METHODS	ENTREPRENEURS	PERCENTAGE
	Books	22	44
	Computerized	18	36
	Paper works	10	20
	TOTAL	50	100

In the recent computerized world maximum (44) of people using books type accounting maintaining system. (36%) of entrepreneurs adopted computerized accounting system in that also people using simple tally software to record the transaction.

ACCOUNTING SYSTEM

S.NO	ACCOUNTING SYSTEM	ENTREPRENEURS	PERCENTAGE
	Single entry system	22	44
	Double entry system	28	56
		50	100

Majority (56%) of entrepreneurs using double entry system through computer ERP systems and (44%) of people using single entry simple formats. Both the method not having many differences it need to change for scientific way of analysis.

FINANCIAL STATEMENT PREPARED BY SMES

Every year ending 80% of medium scale entrepreneurs are preparing annual report and financial report. Based on financial report only 20% entrepreneurs are preparing SWOT analysis. Majority (62%) of entrepreneurs preparing the financial report for fulfilling government rules and regulations.

AUDITED FINANCIAL STATEMENT

Most of the MSMEs not generally conducting auditing to their enterprises. If bank making compulsory means medium and small scale entrepreneurs conducting internal and external auditing in their enterprise.

QUALITY OF INFORMATION

Quality of information represents accuracy, timeliness and consistency of the records and transaction.

ENTREPRENEURS	QUALITY OF INFORMATION
Micro	68 % of entrepreneurs accounting data having low quality
Small	80% of entrepreneurs accounting data having high quality
Medium	70% of entrepreneurs accounting data having high quality

LIMITATIONS TO IMPLEMENT ACCOUNTING SYSTEM IN MSME

	Factors	Percentage
The entrepreneurs exposed	It is time-consuming process,	10
	Lack of regulatory policies,	5
	It is expensive process	25
	It requires more staff	20
	There is no need to keep accounting records,	12
	Without accounting system its run perfectly	28
	Total	100

CONCLUSION AND RECOMMENDATION

Most of the enterprises follow single entry accounting system. The study reveals that lack of accounting knowledge of the majority of MSMEs in considering with practicing the operation. Most of the managers do not aware the importance of keeping a good accounting. Organize training for managers and owners, Hire consultants for MSMEs for financial statement analysis, and Make the use of accounting records mandatory, Offer free accountancy services. Motivate managers or owners to adopt accounting records, strengthen monitoring and supervision, Edify managers or owners on the need to keep accounting records. Provide more potential training center and courses for SMEs.

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