AN EMPIRICAL STUDY ON OPINION OF SMALL SCALE BUSINESS OWNERS ABOUT BOOK KEEPING IN VELLORE CITY

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Abstract: This study is done to investigate the effects of bookkeeping on the growth of small businesses in Vellore city. This research was therefore set to investigate the extent to which the owners of Small businesses kept records in their businesses and to collect the opinion of the small business owners about the maintenance of book- keeping in Vellore city. The study was based on a descriptive survey design and targeted various small businesses in Vellore city. A sample of 150 respondents was selected through stratified random sampling techniques. The data was analysed using descriptive statistics and percentages. The study findings showed that many small business owners in Vellore city do not maintain record books because of lack of accounting knowledge and the cost. The study also shows that business owners are positive in maintaining book keeping which can increase profitability and business expansion in Vellore city. Education will play an important role in enabling the small business owners to acquire more knowledge on book keeping practices. This can be done through introduction of seminars, workshops and training sessions where such knowledge can be assimilated.

Keywords: Book keeping, Double Entry, small business owners, expansion of business, accounting skills

INTRODUCTION

The scenario is changed nowadays as getting white collar jobs is becoming harder and harder, many people, both educated and un- educated, are interested to be self-employed. Hence the only one way of being self- employed is to start a small business on their own. A small business is that type of business that is independently owned and operated (Kuehl, 2006). Small industries contribute 40 percent of gross industrial value added and total exports (from direct and indirect) contribute 45% in the country. India has adopted an ideal of socialistic pattern of society with full employment balanced regional development and self-reliance as the major objectives.

In Tamil Nadu, small scale businesses play a major role in the economy. They contribute to the economy in terms of output of goods and services, creating demand and supply for their products, add to increased participation of indigenous economic activities, generate employment, promote decentralised development of activities, provide quick returns on investment, improve the standard of living in sub-urban areas, mobilize and utilize savings, entrepreneurial skills, contribute 35% to India's total exports, serve as an anti-inflationary force by providing goods for daily use on a large scale, act as ancillaries to large units, ensure equitable

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distribution of income and wealth, strengthen forward and backward linkages among socially, economically and geographically diverse sectors of the economy and offer opportunities for entrepreneurial and managerial talents.

Although these small scale businesses play a big role in the development of the economy recent studies indicate that the most probable cause of low performance is lack of or limited book keeping (Chepkemoi, 2013). Bookkeeping is the recording all financial transaction in an organized and logical style. Transactions of these businesses include sales, purchase income, and payments by an individual or organization. Book keeping has two methods such as single entry and double entry systems. These may appear to be "factual" book keeping, but any procedure that comprises recording of financial transactions in a systematic manner is a bookkeeping (Haber, 2004).

The double entry accounting systems record the financial transactions on asset, liability, income or expense through accounting entries. Any accounting entry in the double entry accounting system has two effects: one of increasing one account, the other of decreasing another account by an equal amount. If the accounting entries are recorded without error, the aggregate balance of all accounts having positive balances will be equal to the aggregate balance of all accounts with negative balances. The double entry bookkeeping system ensures that the financial transaction has equal and opposite effects in two different accounts.

Accounting entries use terms such as debit and credit to avoid confusion regarding the opposite effect of the accounting entry, for example, if an accounting entry debits a particular account, the opposite account will be credited and vice versa. Recording a transaction requires recording what is given up and what is received, recording a transaction requires the noting of two changes every time a change in property occurs and an entry is made in the record system hence terminology "double entry record system". It is important to observe the relationship between the left side and right side of entries. In other words, increases in business property are recorded on the left side of an asset account, increase in money owed (creditors rights) are recorded on the right side of the of a liability account.

Many new business owners are frightenedof the mere idea of bookkeeping and accounting. But in reality, both are very simple. Keeping in mind about bookkeeping and accounting which share two basic goals: to keep track of income and expenses, to improve the chances of making a profit, and to collect the financial information necessary for filing various tax returns. There is no requirement that records be kept in any particular way. As long as records accurately reflect the business's income and expenses, there is a requirement, however, that some businesses use a certain method of crediting their accounts: the cash method or accrual method. Depending on the size of the business and amount of sales, one can create own ledgers and reports, or rely on accounting.

An accounting system records, retains and reproduces financial information relating to financial transaction flows and financial position. Financial transaction flows encompass primarily inflows on account of incomes and outflows on account of expenses. Elements of financial position, including property, money received, or money spent, are assigned to one of the primary groups, that is, assets, liabilities, and equity.

Within these primary groups each distinctive asset, liability, income and expense is represented by respective "account". An account is simply a record of financial inflows and outflows in relation to the respective asset, liability, income or expense. Income and expense accounts are considered temporary accounts, since they represent only the inflows and outflows absorbed in the financial-position elements on completion of the time period

Book keeping is the recording of business transaction in a systematic and orderly manner while accounting is the classification, analysis and interpretation of the business record for decision making. Accounting skills is required in order the firm business transaction in the following account book as stressed. There are two basic types of bookkeeping methods: single entry and double entry systems. Standardized bookkeeping systems can be found in business or stationery stores. Computer record keeping systems are also available.

Record keeping cycle involves a process that is followed by Accountants in handling raw financial data and converting it into output in the form of financial statements. The process varies from creating, analysing and recording the transactions in the journals by account name, post the same from journals to ledgers, prepare a trial balance, adjust the entries, post adjustments from the journal to the ledger, and prepare the financial statements.

According Ademola et al (2012) the specific benefits of record keeping are: it helps to avoid business failure, it is useful for planning and control, it helps to make sound decisions, it gives background picture which helps change in the business, it is critical to business survival

Types of Bookkeeping and the Growth of Small businesses

Book keeping records are e.g. the sales day book, purchases day book, cash receipt book, cheque payments book, petty cash book, general journal, nominal ledger, debtors' ledger and creditors' ledger. Quite often a separate payroll system is maintained and payroll transactions are summarized through general journals. However, all enterprises do not necessarily need the entire above mentioned book keeping records; but it has to decide this on the basis of its needs. When the enterprise makes the judgment of what book keeping records to be maintained it also needs to take into account whether some book keeping records are compulsory in the their business.

LITERATURE REVIEW

The financial transactions need to be recorded by any business in the books as they are very important in decision making, tracking the customers and paying taxes. It is understood that poor maintenance of records will lead to failure of business. Proper records also help in preventing theft and track the sales. Also it helps to find out the break-even point (Chepkemoi,2013). Effective record keeping will help to identify the dishonest employee and trace the money transfer. Depending on the size of the business, the small business owners can create their own ledger, or rely on proper accounting (Williams et al 2008). According to Ademola et al (2012), record keeping is vital to all businesses. It helps to function effectively always. Record keeping involves identification, classification of transactions, retention and disposal of records for preparation of financial statements. He also incorporated that in record keeping, policies, systems, procedures, operations and personnel are essential to manage the records. Record keeping plays a key role in management of knowledge on finance for good business performance.

Alvaro (2010) found out that double entry system makes it easy to have an interim check of accuracy of recording work at any time during the period. If there is any doubt that on passing an entry correctly, he can stop cross check and, at last make the two totals be equal.

Studies also show that it is hard for the SMEs to access finances from the financial institutions since they lack proper financial records as a requirement (William, 2008). The impact of accounting function is the benefit derived by the business as they can satisfy their customers (Anyigbo 1999). Most of businesses do not employ trained personnel to maintain accounts(Onaolapo and Adegbite 2014). Zhou (2010) says there is no proper software developed to improve accounting practices.

Many new business owners are daunted by the mere idea of bookkeeping and accounting. But in reality, both are pretty simple. Keep in mind those bookkeeping and accounting share twobasic goals: to keep track of income and expenses, which improves chances of making a profit, and to collect the financial information necessary for filing various tax returns. There is no requirement that records be kept in any particular way. As long as records accurately reflect the business's income and expenses, there is a requirement, however, that some businesses use a certain method of crediting their accounts: the cash method or accrual method. Depending on the size of the business and amount of sales, one can create own ledgers and reports, or rely on accounting (Williams *et al* 1999).

In addition, the International Finance Corporation (IFC) and Corporate Affairs Commission in 2001 further justified that Nigeria's industrial sector is dominated by SMEs, estimated to be about 90% of the sector employing less than 50% of the people (HPACI 2002). Given the place occupied by the SMEs in Nigeria's industrial sector, it is expected that the success of the Nigerian economy would be partly dependent on the success of the SMEs (Nwoye1991).

Proper record keeping offers evidence of how the transactions were handled and validates the steps that were taken in order to fulfil with business principles. It is the basis on which a compliance program should be built to capture the documentation and events that take place throughout a transaction beginning from delivery and payment (Reed 2010).

Small scale enterprises has been defined variously by many individuals and institution using various yardsticks such as numbers of employees, volume of sales, value of assets, or the volume of deposit in banks The National Economic Reconstruction Fund (NERF) defined small and medium enterprises with a criterion that projects to be financed by the firm should have a total fixed asset cost (including land) of not more than N10 million.

The Federal Ministry of Industry (in respect of the small scale industries credit scheme) sees small scale industry as any manufacturing, processing or service industry with capital investment not exceeding Rs. 150,000 in machinery and equipment alone, a small business is any manufacturing, processing or servicing industry that satisfies any or all of the following conditions:

Cost of land and not excluding Rs. 750,000

Staff strength not exceeding 50 persons

A manufacturing, processing or servicing industry, exceeding the units of investment stated is relatively small compared to prevalent size of plant and the technology is fairly labour intensive.

STATEMENT OF THE PROBLEM

The necessity of recording all the transactions clearly and systematically cannot be over-emphasized. Accounting records, prepared on the basis of uniform practices enable business to compare results of one period with another period. Taxation authority (both income tax and VAT) are also likely to believe the facts contained in the set of accounting records/books if they are maintained according to generally accepted accounting principles. Accounting records backed up by proper authenticated vouchers are good evidence in court of law in the event of fraud by the customers, suppliers and employees.

Studies on SMEs have disclosed that about 60% of small businesses fail within the first three years due to management inefficiencies brought about by poor record keeping in spite of its importance in the success of businesses. This could be lack of sound knowledge in book keeping practices by owners. Further studies indicate that a significant element in the failure of many businesses is due to inefficient or absence of book keeping. An adequate financial record-keeping-system will provide the required information to assist SMEs to make sound decisions for future plans. However, many SMEs do not maintain accounting records yet they perceive the positive role of accounting records in the business performance.

Although accounting records have been cited as one of the possible factors contributing to success of business, there is no research done to establish how accounting influences performance. Little information if any is available on the role of book keeping on performance of SMEs. Hence, it's against this background that the study investigated the effects of bookkeeping on the growth ofSMEs in Vellore city.

OBJECTIVES

1. To determine the types of book keeping maintained among the small and medium enterprises in Vellore city.
2. To establish whether Small Scale Business in Vellore city would use book keeping as accounting tool to determine the financial position of their businesses.

RESEARCH METHODOLOGY

The study of research is descriptive in nature. In this design, questionnaires were used to collect data. This design is considered to be suitable because it enables to collect data accurate information from the small business owners about their opinion on book keeping in Vellore City. The study area is chosen because the researcher had witnessed that most businesses are doing well but not maintaining the proper records. If they maintain good records they can still grow more and pay tax regularly so that it will lead to economic development of the country. The target population for the research included all types of business owners involved in various business activities in the city. Through stratified random sampling 150 registered business owners were selected. Data is collected using the questionnaire having both open ended and closed ended questions.

The data was also collected by depth personal interviews. The validity of the questionnaire was checked using the pilot study on 30 business owners. This helped to eliminate the ambiguous questions. The collected data was analysed using frequencies. Percentages and tables only as the study are done to collect the opinion from the business owners about the book keeping.

LIMITATIONS OF THE STUDY

1. The samples are from Vellore City only
2. The data is going to be collected from only 150 people.
3. This study isconfined only on small scale business

PERIOD OF THE STUDY

The Period of the study refers to the duration of the study. The duration of this study is approximately 4 months from Jan 2017- April 2017.

INTERPRETATION OF DATA

The data was collected from 150 business owners comprising both men and women from Vellore city. Hence the distribution of respondents according to gender is shown in Table 1

TABLE 1: DISTRIBUTION OF RESPONDENTS BASED ON GENDER

Gender	Frequency	Percentage (%)
Male	118	79
Female	32	21

Source: Primary data

Table 1 show out of 150 respondents in the study 79% are male business owners and 21% are female business owners.

The type of accounts maintained by them for their business is collected and analysed. The same is given in Table 2.

TABLE 2: MAINTENANCE OF RECORDS BY SMALL SCALE BUSINESS

Maintenance of records	Frequency	Percentage (%)
Yes	90	60
No	60	40
Total 50	150	100

Source: Primary data

The findings show that 60% of the Small scale business operators in Vellore town maintained books of account as compared to 40% who indicated that they did not keep business records. Although most small businesses maintained business records, most of them reported that their records were not up to the standard and in line with any definite bookkeeping procedures. This will hinder the growth of the business. As a follow up, the researcher sought to find out the types of books kept by them in Vellore city and the findings are presented in Table 3.

TABLE 3: KINDS OF RECORDS MAINTAINED BY SMALL SCALE BUSINESS

Kinds of books	Frequency	Percentage (%)
Purchase	42	28
Sales	12	8
Cash	42	28
Others	54	36
Total	150	100

Source: Primary data

As shown in table 2, 36 % said that they did not know whether they kept purchases or sales or cash records as they have some records which are not specific and 8% of the respondents who reported that they kept only sales records. The study further sought to find out the awareness of types of bookkeeping in small scale businesses in Vellore city. The results are shown in Table 4.

TABLE 4: AWARENESS OF TYPES OF BOOK KEEPING SYSTEM

Awareness of book-keeping	Frequency	Percentage (%)
Single entry	102	68
Double entry	48	32
Total	150	100

Source: Primary data

It is evident that only 32% of the respondents are aware of double entry system of book keeping and 68% of them are aware of single entry system. This shows that few small scale businesses are aware and appreciate the importance of double entry system of book keeping.

The study also sought to find out whether book keeping will help to ascertain the financial position of the business; the results obtained are shown in Table 4. It was asked using 5 point Likert scale to collect data from the small business owners whether believe that book keeping will improve their financial position.

TABLE 5: BOOK KEEPING AND PROFITABILITY OF THE BUSINESS

Opinion	Frequency	Percentage
Strongly agree	86	57
Agree	22	15
Neutral	15	10
Disagree	27	18
Strongly disagree	0	0
Total	150	100

Source: Primary data

A critical examination is done to find out and table shows that 57% of the small scalesbusinesses are strongly agree that maintaining book keeping will help to find out the current financial position compared to 18 %t who disagreed. This implies that Small scale business could use book keeping ascertaining the financial position of the businesses suggesting that there was a positive relationship between book keeping and growth of Small scale business.

Responses on whether book keeping will help to improve the growth of small businesses, the data was collected and given in the following table.

TABLE 6: BOOK-KEEPING AND GROWTH OF THE BUSINESS

Growth of business	Frequency	Percentage (%)
Yes	32	21
No	118	79
Total	150	100

Source: Primary data

The obtained results show that only 21% of the responses agreed compared to 79 percent who disagreed. This means that 21% agreed that bookkeeping leads to expansion of business but others did not believe that it could led to growth of the business. Therefore it can be said that majority of them do not believe on maintaining book keeping as it does not help in growth of the business.

Further it was decided to find out from the small business owners whether the book keeping helps to calculate tax? The findings are presented in Table 7.

TABLE 7: BOOK-KEEPING AND CALCULATION OF TAX

Opinion	Frequency	Percentage
Strongly agree	73	49
Agree	77	51
Neutral	0	0
Disagree	0	0
Strongly disagree	0	0
Total	150	100

Source: Primary data

The results indicate that all of them both strongly agree and agree that book keeping will help them to calculate tax as all of them are paying tax regularly.

The next question was asked whether the small business owners know that they can trace the customers if they have proper records. This was done whether they know about tracking of the customers using the book keeping in Vellore district in case if they sell their goods on credit. Also this will help in cash sales as this will improve their sales. The results are collected analysed and shown in Table 8.

TABLE 8: BOOK-KEEPING AND CUSTOMERS TRACKING

Opinion	Frequency	Percentage (%)
Strongly agree	90	60
Agree	60	30
Neutral	0	0
Disagree	5	10
Strongly disagree	0	0
Total	150	100

Source: Primary data

The Table shows that all of them agree that they can trace their customers if they have proper records maintained.

The question planning, decision making and control was asked to business owners if they have proper accounts. Their responses are given in the Table 9.

TABLE 9: BOOK-KEEPING AND DECISION MAKING

Opinion	Frequency	Percentage
Strongly agree	75	50
Agree	45	30
Neutral	0	0
Disagree	5	10
Strongly disagree	5	10
Total	150	100

Source: Primary data

The result implies that they agree that proper records will help to make good decisions, plan and control their business.

CONCLUSION

The main purpose of the study was to find out the role of book keeping on the growth of Small scale business in Vellore city. It was found that majority of the respondents didn't kept business accounting records. The study has established that the small business owners are aware of the benefits of bookkeeping in Vellore city but majority of the traders are employing single entry bookkeeping system as it is convenient to them. The study has also established that there is a direct relationship between book keeping, growth and profitability of Small scale business. Accountings to records are very essential for decision making which is used for

auditing purposes and majority of the respondents do not prepare yearly financial statements which is the major huddle for auditing process If properly maintained, bookkeeping could lead to increased profitability and expansions of Small scale business in Vellore city.

Book keeping could be used to monitor business transactions although many merchants do not use it for this purpose. Therefore, bookkeeping can be used as a tool for monitoring business transaction in SMEs. The findings of this study could provide useful information that will help the business community in Vellore city to appreciate the role of book keeping in their businesses.

RECOMMENDATIONS

Based on the conclusions drawn from the study, there is need for the Small scale business operators in Vellore city to follow proper book keeping practices in order to be successful in the financial performance of their businesses. It is recommended that Small scale business operators in Vellore city should employ sales clerk, who have knowledge in book keeping as a way of helping them to cultivate the habit of preparing trading, profit and loss account. The local chamber of commerce in Vellore city should organize seminars that will teach small business owners on how to keep proper written records. Symposiums, conferences, and open forums can also be used.

Scope for further study

The aim of any business irrespective of its size is to make profit. Research findings have shown clearly that for a business operator to make profit accurate recordkeeping of business records is vital. Research also shows that growth of small business is important for the economic development. The present study is done in order to find out the opinion of the small business owners about the maintenance of proper record keeping and they have accepted that book keeping will help them a lot. This study is done in Vellore city where the small business is doing well. Hence, the study must be done to target medium scale operators to find out how medium scale businesses are maintaining the accounts. Training the owners is emphasised in this study and further studies can be done on how effective it will be on the attitude of the businesses on maintaining the accounts.

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