

“A study of awareness among the retail business shops with reference to maintenance of accounting records and required legal and mandatory compliances of business in Nagpur City”

Dr. Pushparaj Kulkarni

(Assistant Professor, Dr. Ambedkar Institute of Management Studies & Research, Nagpur)

Abstract: *The present paper aims to find out the awareness of accounting procedures and norms as well as the required legal and mandatory compliances of business in the Nagpur city. Being the emerging city in much perspective, the completion of business compliances by the retail or small shop owner is looking key aspect as there are many amendments and revolution took place in recent past with respect to taxation, compliances of business and GST. In the current paper it has been observed that the knowledge pertaining to accounting, auditing and taxation is limited or very less among the retail shop owners in the city. Beside this the records that are prepared are not in acceptable manner in many cases, many have outsourced the task, also the frequency of maintaining these records is not so regular.*

Introduction:

Accounting is known as a language of a business. It is said that business communicates with the stakeholders through accounting. Accounting is primarily necessary to ascertain business performance. As many stakeholders are interested in knowing the performance of the business. The major stakeholders of a business are owners, government, tax authority, lenders and suppliers. As per the various forms of business organization, only joint stock companies (if it is public limited) are required to make available their financial statement for public. While other forms of business organizations, do not require to publish their annual reports.

One of the business organization that exist since long is sole proprietorship. A single man run and operated business. This form of business is very often found in our day to day life. They normally run a business of grocery, daily needs, general stores, medical shops, eateries and so on. As starting a business and operating a business is relatively easier as compared to other forms of business organizations. Where lots of legal compliances are required firstly for setting up a business unit and then much other compliance is needed at later phase while operating a business. Therefore, taking into a consideration this advantage of sole proprietorship business, many budding entrepreneur are initially go with sole proprietorship and latter on they look to upgrade into either partnership or company.

But, many sole trading businesses that are exist, were established way back. Possibly they become a family business in nature. They are primarily run on the basis of trust. In these businesses, credits given to buyer are mostly on the basis of knowledge about the buyer or more often personal relations with the trader. In this business form, there is no appraisal of buyer for credit. As these businesses are mainly run in residential areas or where buyers of these businesses are huge in number and buying very small amount of goods or services. The business is more of volume than value.

Nagpur is the city having connectivity between four corners of the country. Known for centrally located in the country and having connectivity of trains, roadways and airways to each corner of the country. Traditionally Nagpur is never being a trade terminal. Many businesses who started initially their business units in Nagpur, later shifted to other part of country for better viability. There were certain problems that were exist in this city initially. Today, Nagpur is emerging as new trade terminal in the country. With upcoming projects, those are initiated by government in last decade. But despite of the industrial growth in the city, Nagpur is always a very good market place for retail businesses. There is huge potential exist in the city for trade.

Statement of Problem:

Retail business shops those are run by the owners are primarily in the nature of micro scale businesses. The turnover of these shops are not huge, they mostly do their business with smaller amount of capital. The accounting records are essentials for any business form. In absence of proper and systematic accounting records, it will be difficult to measure a performance of the

business. Many owner run businesses have no systematic and appropriate ways to maintain the accounting records of their business. Beside this, these owners are lack of knowledge about maintaining the books of accounts. These situations are hindering growth potentials of these businesses.

Research Methodology:

Type of Research: Exploratory Research. The present research aims to explore the level of awareness among the retail business shops owners.

Data Collection: for the current study data required are mainly from two sources:

- a) Primary Data: the primary data is collected through structured questionnaire from the respondents (retail shop owners) in the Nagpur City.
- b) Secondary data: the data regarding the other literature as well as the supportive data is collected from secondary sources viz. books, websites and reports published by various bodies.

Research Location: The current research is conducted in Nagpur City.

Sample: Total 140 retail business shops has been taken for conducting a survey.

Objectives of the study:

- 1) To understand the awareness among the retail shop owners about accounting records.
- 2) To know the process of maintaining the accounting records by the retail shop owners.
- 3) To study the problems usually faced by the retail shop owners with respect to maintenance of books of accounts.
- 4) To identify the scope of improvement in record keeping process of retail businesses.

Hypothesis: Hypothesis for the current study is:

H0: retail shop owners are having sufficient knowledge with respect to accounting and taxation compliances.

Data Analysis & Interpretation:

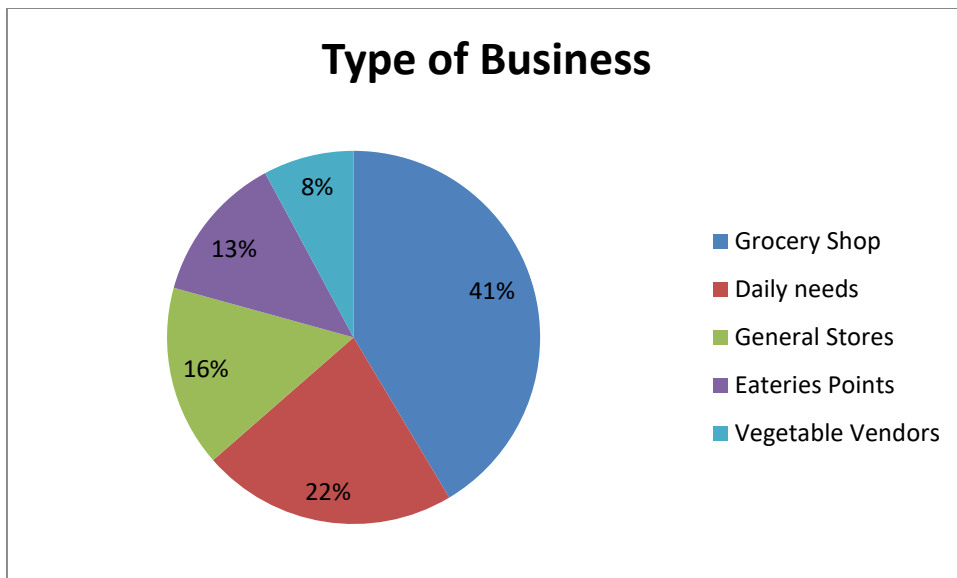
For the current study a structured questionnaire was prepared and circulated among the sample shop respondents. Total 140 retail shop owner participated in the questionnaire. The primary business of these respondents are Grocery Shop, Daily needs, General Stores, Eateries Points (break-fast & Tea) and few are Vegetable Vendors. The respondents are spread over a city. Zonal representations was considered while collecting the data of sample respondents as pattern of these zones in Nagpur city is substantially different.

The following table & graph shows participation by type of business in a survey:

Table No. 1: Classification of sample respondents as per the type of business they own

Type of Business	Responses	%
Grocery Shop	58	41
Daily needs	31	22
General Stores	22	16
Eateries Points	18	13
Vegetable Vendors	11	8
Total	140	100

Graph No. 1: Classification of sample respondents as per the type of business they own



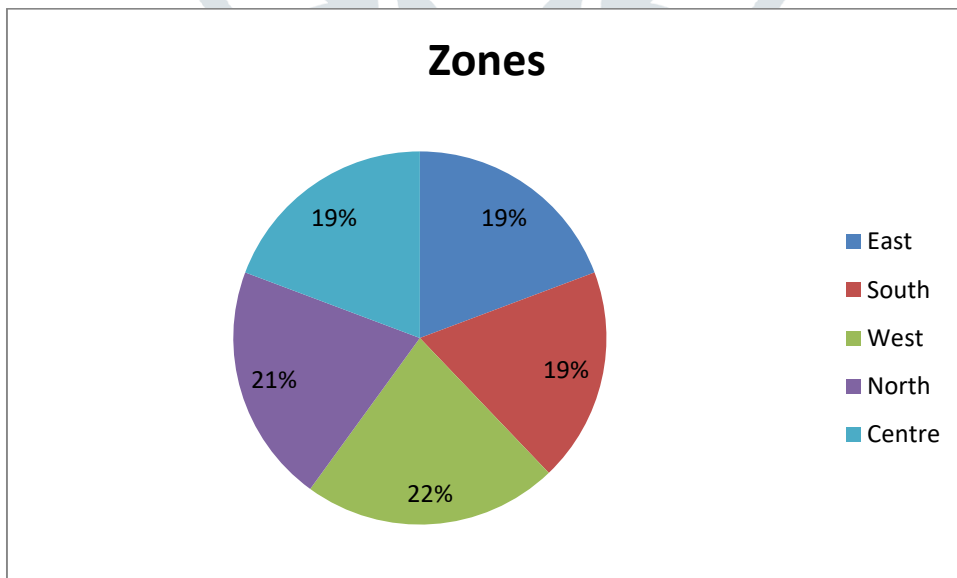
The table and graph shows that out of the selected sample respondents 41% of the sample respondents are grocery shop owners, 22% are daily needs shopper. The representation of general stores, eateries points and vegetable vendors are 16%, 13% and 8% respectively.

The following table & graph shows participation by zones in the city.

Table No. 2: Classification of sample respondents as the zones to which they belongs

Zones	Responses	%
East	27	19
South	26	19
West	31	22
North	29	21
Centre	27	19
Total	140	100

Graph No.2:



The table and graph shows that out of the selected sample respondents 22% of the sample respondents are from West zones, 21% sample respondents are from North Zones. The representation of East Zone, South Zone and Centre Zone are 19% each.

How do you maintain books of accounts for your business?

On asking to the sample respondents regarding the way they are maintaining the books of accounts for their business. Following responses have been arrived.

Table 3: Maintenance of books of accounts

	Responses	%
Self	108	77
Outsource	32	23
	140	100

Out of the sample respondents surveyed 77% of the sample respondents replied that they are maintaining their own books of accounts. Whereas, 23% of the sample respondents are availing the services of accounting technician or professionals for maintaining their books of accounts.

How frequently you are maintaining the books of accounts

When it was asked to the sample respondents regarding the frequency of maintaining the books of accounts for their business. The responses gathered are given below

Table No.4: Frequency of maintaining books of accounts in a month

Frequency of maintaining	Responses	%
Daily	36	26
Weekly	23	16
Fortnightly	37	26
Monthly	44	31
	140	100

Out of the sample respondents surveyed, 31% of the sample respondents are maintaining their books of accounts of monthly basis. 26% of the sample respondents are maintaining their books of accounts on fortnightly basis. Adding together, 57% of the sample respondents are maintaining the books of accounts either once or twice in a month. These are mainly one who has outsourced their accounts maintenance to the third party on contractual basis. 26% of the sample respondents are maintaining their books of accounts on daily basis.

Do you have a formal knowledge of maintaining the books of accounts?

Formal knowledge of accounting is essential for maintaining books of accounts as the stated rules of accounting. When it was inquired to the sample the respondents regarding knowledge of accounting or whether they have taken any formal training for maintaining the accounts, the responses gathered are as follows:

Table No. 5:

	Responses	%
Yes	81	58
No	59	42
	140	100

58% of the sample respondents are having formal knowledge of maintaining books of accounts for their business. Still, 42% of the sample respondents are not having formal knowledge of maintaining the books of accounts. these 42% includes major number who have outsourced their accounts to outsiders for maintaining appropriately.

Are your books are maintained in formal manner?

On asking the sample respondents about maintaining the books of accounts in formal manner (as per the double entry accounting rules), the data obtained is mentioned below:

Table No. 6:

	Responses	%
Yes	92	66
No	48	34
	140	100

Total 66% of the sample respondents are maintaining their books of accounts in formal manner as required by tax or government authority or banks. Despite, 34% of the sample respondents are not maintaining their books of accounts in double entry accounting system. Those who are maintaining their books of accounts in formal manner are mainly include all who have outsourced their accounting work.

In which form do you maintain your books of accounts?

Following result has been obtained from the sample respondents regarding the mode of maintaining the books of accounts.

Table No. 7:

	Responses	%
Manually	97	69
Computerized	14	10
Partially Computerized	29	21
	140	100

Still today, the retail shop owners preferred to maintain their books of accounts in manual way. Around 69% of the sample respondents are maintaining their books in manual way. Only 10% of the sample respondents are using computerized accounting information. Again those 10% are mostly the one who has outsourced their accounting work. 21% of the sample respondents are using partially the computerized records.

Are you doing audit of your accounts from authorized auditor?

The responses gathered for the above question is given below:

Table No: 8

	Responses	%
Yes	11	8
No	129	92
	140	100

It has been observed that the auditing importance is quite insignificants in the business that are surveyed. So primarily the turnover of these business are not huge, which comes into mandatory audit. Even though the turnover limit may crosses sometimes, but due improper record keeping the respondents find it difficult to ascertain the exact turnover for a particular period. In the survey, 92% of the sample respondents are not doing any type of audit.

Do you fill income tax return for your business?

Filling annual IT return is compulsory phenomena in recent times, on inquiring to the sample respondents about the

Table No: 9

	Responses	%
Yes	43	31
No	97	69
	140	100

Testing of Hypothesis:

To test the first hypothesis stating retail shop owners are having sufficient knowledge with respect to accounting and taxation compliances. To test this hypothesis we have clubbed the responses of two questions that have been asked to

sample respondents. First how do you maintain the books of accounts and second do you have formal knowledge of maintaining books of accounts. The outcome of these is mentioned in following matrix:

Table No. 10: Observed Frequency

Formal Knowledge Maintaining records	Yes	No	Total
Self	70	38	108
Outsource	11	21	32
Total	81	59	140

From the observed frequency, the expected frequency table has been developed. The expected frequency table is given below

Table No. 11: Expected Frequency

Formal Knowledge Maintaining records	Yes	No	Total
Self	62	46	108
Outsource	19	13	32
Total	81	59	140

To test goodness of fit, the chi-square test has been used. The outcome is given below:

Table No. 12: Computation of value of Chi - square

Expected Frequency (fe)	Observed Frequency (fo)	fe - fo	(fe - fo) ²	(fe - fo) ² / fe
62	70	- 8	64	1.03
46	38	8	64	1.39
19	11	8	64	3.37
13	21	- 8	64	4.92
				10.71

The calculated value of chi - square is 10.71 whereas the tabulated value of chi - square test for (2 x 2) matrix at 5% level of significance is 3.814. Thus we will reject the null hypothesis and accept the alternative hypothesis that retail shop owners are not having sufficient knowledge with respect to accounting and taxation compliances

Finding:

It has been noticed that the accounting records maintenance is relatively haphazard or mostly not in much formal manner as expected by the businesses. In the present study, it is clearly indicating that the sample respondents have less or minimum knowledge with respect to maintenance of books of accounts for their business transactions as well as the limited or negligible knowledge about legal and mandatory compliances which are required such as audit, filling income tax returns or return under indirect taxes as applicable previously before commencement of GST. Majority of the sample respondents are maintaining the accounting records on fortnightly or monthly frequency. Still majority of the respondents are maintaining records in manual format but in formal manner of accounting. With respect to auditing of accounts and filling income tax return many of the retail shop owner have affirmative response on this. In all it is found that there is need for maintaining appropriate books of accounts in more formal manner and preferably to maintain the computerized format. More awareness should be spread among the traders with respect to filling income tax and other returns for better governance. Also they should encourage for registering under the GST if they are meeting required criteria to get register under GST law.