



# **A Study of Accounting Practices in (MSME) MICRO, SMALL AND MEDIUM ENTERPRISES**

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## **ABSTRACT**

MSMEs are viewed as the foundation of the economy in pretty much every country on the planet and India is no exemption thereto. The MSME area assumes a significant part in setting out work open doors similarly at a lower capital expense than enormous businesses and it contributes essentially to the nation's economy. In spite of playing essential for the improvement of the economy, MSMEs' disorder is at a disturbing rate as they are dealing with a few significant issues/challenges. One of the significant explanations behind the ailment of MSMEs is the absence of appropriate administration. However the Public authority is setting aside some margin to time to help MSMEs, still MSMEs are confronting a few issues which influence the presentation of MSMEs at various levels of their tasks. A business, regardless of how large or little necessities a viable bookkeeping framework that assumes a significant part in the administration of the undertaking to maintain and lay out long haul functional and monetary objectives. Bookkeeping helps in navigation; arranging and controlling cycles as it gives critical data. Bookkeeping is viewed as a supporting action for the progress of a business element. This current review has been attempted to concentrate on the bookkeeping rehearses embraced by MSMEs

Keywords: Accounting, Management, Micro, Small, Economy.

## **1.1 Introduction**

Understanding the subtleties of bookkeeping rehearses in MSMEs is essential because of multiple factors. It can illuminate policymakers, administrative bodies, and entrepreneurs about the difficulties looked by these endeavors, prompting the improvement of designated help instruments and strategy mediations. Moreover, experiences acquired from a relative report can direct MSMEs in upgrading their monetary administration processes, possibly improving their seriousness and long haul practicality.

Bookkeeping is frequently alluded to as the language of business. It gives an unmistakable image of pay and consumption, benefit or misfortune, and the monetary place of the undertaking occasionally. Bookkeeping gives data on different business exercises viz. supporting, effective money management and working exercises, and so forth that are conveyed with the help of bookkeeping to the clients including proprietors along with pariahs. This data helps the administration in direction, arranging, and controlling cycles. In a cutthroat business climate, it is fundamental for all undertakings, whether little or enormous, to embrace and perceive their choice contribution with the assistance of bookkeeping data. Furthermore, bookkeeping is essential to record expense forms and apply for business credits.

## **1.2 Need/importance of the topic**

### **Variety Inside MSME Area:**

The MSME area incorporates a large number of organizations with changing sizes, structures, and functional intricacies. Understanding the variety in bookkeeping rehearses inside this area is significant for fitting help systems and arrangements to meet the particular requirements of various undertakings.

**Monetary Commitment:**

MSMEs assume an imperative part in financial improvement by adding to work age, cultivating business venture, and supporting nearby economies. A concentrate on bookkeeping rehearses reveals insight into the monetary administration cycles of these undertakings, distinguishing regions for development and development.

**Navigation and Monetary Supportability:**

Viable bookkeeping rehearses are essential to informed independent direction and monetary maintainability. MSMEs frequently work in asset obliged conditions, and improving their monetary administration can upgrade their capacity to go with key choices, draw in ventures, and explore financial difficulties.

**Strategy Definition and Administrative Consistence:**

Policymakers and administrative bodies depend on observational information to figure out powerful arrangements and guidelines. A relative report can give bits of knowledge into the difficulties looked by MSMEs in conforming to bookkeeping principles and guidelines, educating the improvement regarding steady and versatile administrative systems.

**1.3 Theoretical implication of the topic.**

**Asset Based View (RBV) Hypothesis:** The review can add to the RBV hypothesis by investigating how MSMEs decisively designate and use their monetary assets for bookkeeping capabilities. It can evaluate whether certain asset setups lead to an upper hand in monetary administration inside the MSME area. Innovation Acknowledgment Model (Hat): Hypothetical ramifications might emerge concerning the reception of innovation in bookkeeping rehearses. The review can add to the Cap by looking at the variables affecting the acknowledgment and utilization of bookkeeping advances among MSMEs, revealing insight into the job of seen helpfulness and convenience.

**Dissemination of Advancement Hypothesis:** The review can line up with the Dispersion of Development hypothesis by looking at the rate at which MSMEs take on and incorporate creative bookkeeping innovations. It can recognize factors affecting the dispersion interaction and evaluate the effect on generally industry rehearses. Authenticity Hypothesis: Authenticity hypothesis proposes that associations take on specific practices to keep up with social acknowledgment and authenticity. The review can examine how MSMEs' bookkeeping rehearses line up with cultural assumptions and whether there are varieties in practices to keep up with authenticity.

**1.4 Recent trends related to the topic**

Remember that the business scene and patterns are dependent upon future developments, and checking later hotspots for the most recent information is suggested. Here are a few potential late patterns connected with the point:

**1. Innovation Reconciliation:**

Proceeded with reception of cloud-based bookkeeping arrangements and robotization instruments among MSMEs to smooth out monetary cycles, further develop exactness, and upgrade continuous detailing.

**2. Center around Information Investigation:**

Developing interest in utilizing information examination apparatuses to extricate significant bits of knowledge from monetary information. This pattern expects to help informed navigation and key preparation inside MSMEs.

**3. Administrative Consistence Difficulties:**

Progressing changes in administrative systems, bookkeeping guidelines, and expense guidelines that might present difficulties for MSMEs regarding consistence. Staying aware of these progressions is essential for keeping up with exact monetary records.

**4. Supportability Revealing:**

Expanding accentuation on supportability revealing inside bookkeeping rehearses, driven by a developing consciousness of natural, social, and administration (ESG) factors. MSMEs might investigate ways of incorporating maintainability measurements into their monetary revealing.

## **1.5 Overview of MSMEs and their significance in the economy**

Micro, Small, and Medium Enterprises (MSMEs) comprise an essential gear-tooth in the financial hardware of countries around the world. Their importance rises above simple numbers, as they are the motors of financial development, advancement, and business age. These ventures structure the foundation of economies, contributing considerably to Gross domestic product development and giving business valuable open doors to a huge piece of the labor force, especially in country and semi-metropolitan regions. With their deftness and flexibility, MSMEs reinforce financial versatility, assuming a critical part in retaining overflow work and diminishing joblessness rates. , hotbeds of development and business venture, encouraging mechanical headways and driving item broadening. Their restricted activities add to local improvement by giving fundamental labor and products and limiting monetary inconsistencies among metropolitan and country regions. Besides, MSMEs assume an essential part in supply chains, upgrading market contest, cultivating development, and guaranteeing item expansion. In this manner, supporting the development and maintainability of MSMEs is basic for cultivating comprehensive financial turn of events and tending to social difficulties.

### **2.1 LITERATURE REVIEW**

#### **1. Accounting Practices in Micro, Small, and Medium Enterprises: A Review" (Smith, 2020)**

Smith's comprehensive review delves into the diverse range of accounting practices prevalent among Micro, Small, and Medium Enterprises (MSMEs) globally. The study synthesizes existing research to provide insights into the significance of accounting methods for financial management and external reporting within small businesses.

#### **2. "The Role of Accounting Software in MSME Financial Management" (Jones, 2019)**

Jones' study explores the role of accounting software in facilitating financial management practices within Micro, Small, and Medium Enterprises (MSMEs). By analyzing the adoption and impact of accounting software among small businesses, Jones highlights the transformative potential of technology in improving efficiency, accuracy, and decision-making in financial processes.

#### **3. "Financial Reporting Quality in MSMEs: Evidence from Emerging Economies" (Lee, 2018)**

Lee's study focuses on assessing the quality of financial reporting in Micro, Small, and Medium Enterprises (MSMEs) operating in emerging economies. By analyzing regulatory frameworks, enforcement mechanisms, and firm characteristics influencing reporting standards, Lee provides valuable insights into the determinants and consequences of financial reporting quality in small businesses. The review highlights the challenges faced by MSMEs in maintaining high-quality financial reporting standards, including resource constraints, regulatory complexities, and cultural factors.

#### **4. "Regulatory Compliance and Financial Reporting Standards in MSMEs" (Tan, 2019)**

Tan's research delves into regulatory compliance and financial reporting standards within Micro, Small, and Medium Enterprises (MSMEs). The study examines the challenges faced by MSMEs in adhering to accounting standards and regulatory requirements, including factors such as resource constraints, regulatory complexity, and lack of awareness. Tan highlights the importance of regulatory compliance in promoting transparency, accountability, and investor confidence in small business financial reporting.

#### **5. "Capacity Building Initiatives for MSME Financial Management" (Park, 2020)**

Park's study evaluates capacity-building initiatives aimed at enhancing financial management skills among Micro, Small, and Medium Enterprises (MSMEs). By analyzing training programs, workshops, and support services tailored to MSME needs, Park explores the effectiveness of capacity-building efforts in improving accounting practices and business performance. The research highlights the importance of financial literacy, access to training resources, and peer learning networks in empowering MSME owners and managers to make informed financial decisions.

### 3.0 RESEARCH DESIGN

#### 3.1 STATEMENT OF THE ISSUE

Miniature, Little, and Medium Endeavors (MSMEs) assume a crucial part in the financial texture of different locales, contributing fundamentally to business age, development, and monetary development. Be that as it may, regardless of their monetary significance, there exists a basic hole in how we might interpret the different bookkeeping rehearses inside the MSME area. The interesting qualities and asset requirements looked by MSMEs bring up issues about the apleness, proficiency, and adequacy of their bookkeeping strategies.

The central concern is the absence of thorough bits of knowledge into how Miniature, Little, and Medium Undertakings approach bookkeeping rehearses, conform to principles, influence innovation, and settle on monetary choices. Existing writing has offered looks into the difficulties looked by MSMEs, however there is a squeezing need for an orderly and relative review that goes past recounted proof to give a nuanced comprehension of the bookkeeping scene inside this area.

#### 3.2 Nature of the review

The idea of bookkeeping rehearses in MSMEs (Miniature, Little, and Medium Endeavors) is described by different variables that separate them from bigger enterprises. Here is an outline of the idea of bookkeeping rehearses in MSMEs:

Streamlined and Casual Bookkeeping Frameworks:

1. Reliance on Fundamental Bookkeeping Strategies:

MSMEs frequently depend on improved on bookkeeping strategies, for example, cash premise bookkeeping or gathering premise bookkeeping with restricted intricacy, because of their more limited size and asset imperatives.

2. Informal Record-Keeping Practices:

Numerous MSMEs might utilize casual record-keeping rehearses, like manual records or calculation sheets, to follow monetary exchanges and screen business execution.

#### 3.3 RESEARCH GAP

How extensively have MSMEs adopted accounting technologies, and what are the implications for their financial management?

How do MSMEs allocate resources for their accounting functions, and are there optimal models for resource distribution?

What are the primary barriers that MSMEs face in implementing effective accounting practices?

What is the extent of reliance on external accounting professionals or firms by MSMEs, and how does this impact their financial management?

How do economic conditions affect accounting practices in MSMEs, and what gaps exist in understanding this dynamic relationship?

#### 3.4 HYPOTHESIS OF THE STUDY

H0: There is no significant difference in the level of compliance with accounting standards across Micro, Small, and Medium Enterprises.

H1: There is a significant difference in the level of compliance with accounting standards across Micro, Small, and Medium Enterprises.

H0: The level of compliance with accounting standards is similar across Micro, Small, and Medium Enterprises.

H1: There are significant differences in the level of compliance with accounting standards among Micro, Small, and Medium Enterprises.

H0: The impact of accounting practices on financial decision-making is not significantly different among Micro, Small, and Medium Enterprises.

H1: There are significant differences in the impact of accounting practices on financial decision-making among Micro, Small, and Medium Enterprises.

### 3.5 OBJECTIVES OF STUDY

To evaluate and document the prevailing accounting methods and systems employed by Micro, Small, and Medium Enterprises.

To Investigate the challenges and barriers faced by MSMEs in implementing and maintaining effective accounting practices

To conduct a cost-benefit analysis of different accounting practices to understand the financial implications for MSMEs.

### 3.6 SCOPE OF THE STUDY

Bookkeeping Strategies and Frameworks Obviously frame the bookkeeping techniques and frameworks that will be broke down. This could incorporate gathering bookkeeping, cash bookkeeping, or varieties in bookkeeping programming and innovation reception. Understanding the particular bookkeeping approaches is fundamental for significant correlations.

Consistence Structures Characterize the administrative and consistence systems that will be thought of. This includes analyzing adherence to nearby and global bookkeeping guidelines, charge guidelines, and other monetary detailing prerequisites.

Innovation Reception Investigate the degree of innovation reception in bookkeeping rehearses. This incorporates the utilization of bookkeeping programming, mechanization, and other innovative apparatuses. Breaking down the job of innovation is fundamental in grasping effectiveness and precision.

## 4.1 RESEARCH METHODOLOGY AND DATA COLLECTION

### a. Data Collection Method

Primary Data:

Utilizing surveys as a primary data collection method for your study on the comparative analysis of accounting practices in Micro, Small, and Medium Enterprises (MSMEs) can provide valuable insights from the perspective of the businesses themselves.

- i. **Population – Bangalore (within the company)**
- ii. **Sample design –**  
**Sample size : 75**  
**Sampling unit : 1 (Individuals)**
- iii. **Method of data collection – Primary Data**
- iv. **Instrument for data collection – Google forms**
- v. **Testing of questionnaire – Google Forms**
- vi. **Data analysis techniques – Chi-square test**

**a. TOOLS FOR DATA COLLECTION – Questionnaire**  
**STATISTICAL TOOLS FOR ANALYSIS – Chi-square Test**

**Tools:**

**The statistical tools used in the study are tabulation and percentage analysis methods.**

## 4.2 LIMITATIONS OF THE STUDY

### Test Size and Representativeness:

The review may be restricted by the example size, and the chose MSMEs may not be completely illustrative of the whole MSME area.

Getting a really assorted and delegate test across various businesses and districts can challenge.

### Information Accessibility and Dependability:

Dependence on accessible information might restrict the profundity of examination. Some MSMEs probably won't have thorough monetary records or might be reluctant to share delicate data.

The dependability of self-revealed monetary information can be a worry, influencing the precision of discoveries.

### Time Limitations:

Time requirements might restrict the span of the review, influencing the capacity to catch longitudinal changes in bookkeeping rehearses.

Fast changes in the business climate could make the discoveries time-delicate.

### Provincial Varieties:

The review might zero in on a particular district, and varieties in administrative conditions, social elements, and monetary circumstances across locales may not be completely represented.

Provincial subtleties could impact bookkeeping rehearses in an unexpected way

## 5.1 DATA ANALYSIS AND INTERPRETATION

### 5.1 Table of Gender

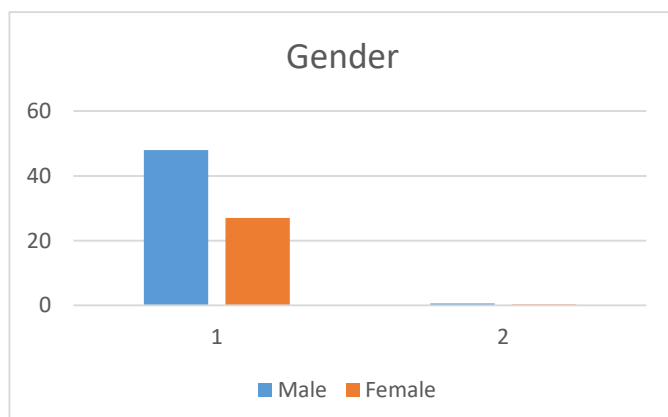
Gender	Respondents	Percentage
Male	48	64%
Female	27	36%
<b>Total</b>	<b>75</b>	<b>100%</b>

(SOURCE-PRIMARY DATA)

### Analysis of the table

From the above table more response from male is more. From this project we get to know that less female people are responded

### GRAPH NO 1



(SOURCE-PRIMARY DATA)

**INTERPRETATION:**

The data shows the gender distribution among respondents, with a total of 75 respondents. Here's the interpretation:

**Male:** There are 48 male respondents, which accounts for 64% of the total respondents.

**Female:** There are 27 female respondents, making up 36% of the total respondents.

This data suggests that there are more male respondents compared to female respondents, with males comprising a majority (64%) of the respondents, while females represent a smaller proportion (36%).

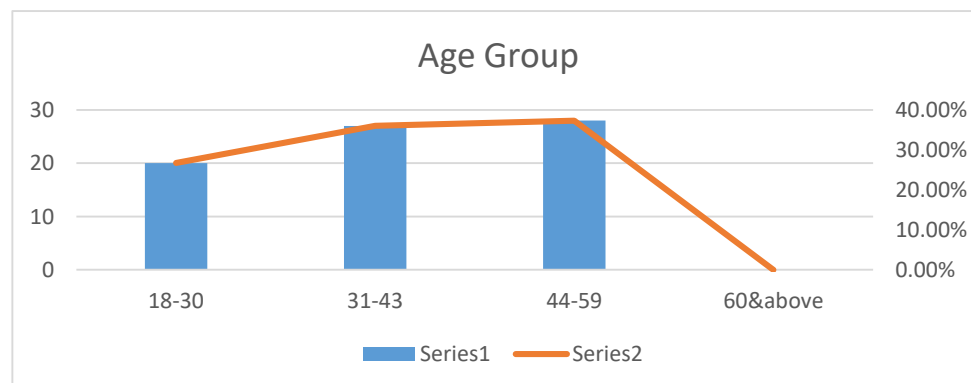
**5.2 Title of the Table :Age**

Age	Respondents	Percentage
18-30	20	26.7%
31-43	27	36%
44-59	28	37.3%
60&above	0	0%
<b>Total</b>	<b>75</b>	<b>100</b>

(SOURCE-PRIMARY DATA)

**Analysis of the Table****Age Groups:**

- 18-30: This age group constitutes 26.70% of the total respondents, with 20 individuals falling within this range. It represents the youngest segment of the respondents.
- 31-43: Accounting for 36% of the respondents, 27 individuals belong to this age group, indicating a substantial representation in the survey.
- 44-59: With 28 respondents, or 37.30% of the total, this age group shows a similar level of participation as the 31-43 group.
- 60&above: Interestingly, there are no respondents aged 60 and above, indicating a gap in representation for older individuals in the survey data.

**Title of the Graph: Age group****GRAPH NO 2**

(SOURCE-PRIMARY DATA)

**INTERPRETATION:**

The data indicates the age distribution among respondents, with a total of 75 respondents. Here's the interpretation:

- 18-30: There are 20 respondents in the age group of 18 to 30 years, accounting for 26.70% of the total respondents.
- 31-43: There are 27 respondents in the age group of 31 to 43 years, making up 36% of the total respondents.
- 44-59: There are 28 respondents in the age group of 44 to 59 years, comprising 37.30% of the total respondents.
- 60&above: There are no respondents aged 60 years and above.

This data illustrates the distribution of respondents across different age groups. The majority of respondents fall into the 31-43 and 44-59 age categories, with smaller representation from the 18-30 age group. Interestingly, there are no respondents aged 60 and above.

### 5.3 Title of the Table: Which accounting method does your MSME primarily use for financial reporting?

Which accounting method does your MSME primarily use for financial reporting?	Respondents	Percentage
Cash basis	21	28%
Accrual basis	25	33.3%
Hybrid method	22	29.3%
Not sure	7	9.3%
<b>Total</b>	<b>75</b>	<b>100%</b>

(SOURCE-PRIMARY DATA)

#### Analysis of the Table

The data presents the primary accounting methods used by MSMEs (Micro, Small, and Medium Enterprises) for financial reporting, based on responses from 75 participants.

**Cash Basis:** This method is utilized by 28% of the respondents, accounting for 21 MSMEs. Cash basis accounting records transactions when cash is received or paid out, offering simplicity and immediate visibility of cash flow.

**Accrual Basis:** Representing 33.30% of the respondents, 25 MSMEs primarily use the accrual basis method. Accrual accounting records transactions when they occur, regardless of cash flow timing, providing a more comprehensive view of financial performance over time.

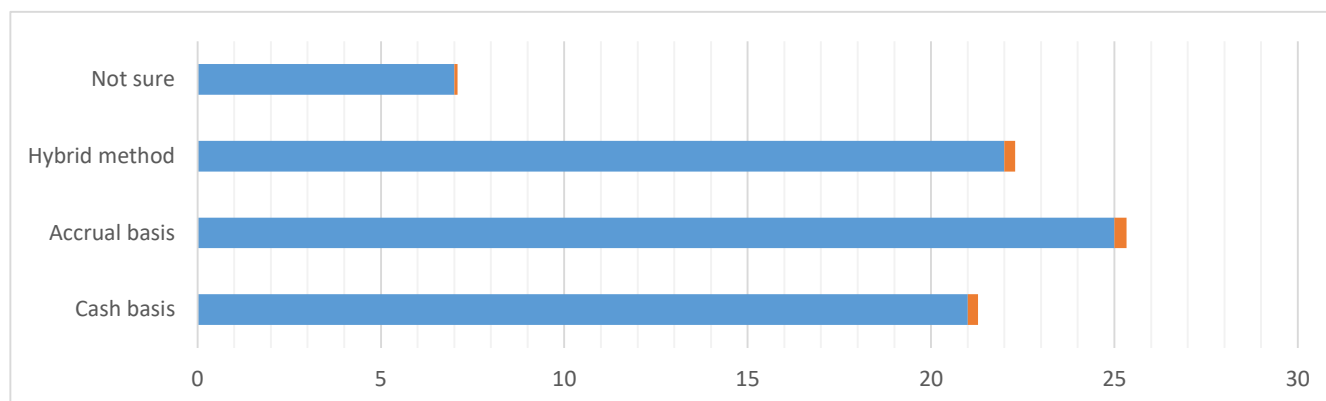
**Hybrid Method:** Nearly 29.30% of the respondents, or 22 MSMEs, employ a hybrid approach combining elements of both cash and accrual accounting to suit their specific needs.

**Not Sure:** A smaller proportion, accounting for 9.30% of respondents (7 MSMEs), indicated uncertainty about the accounting method primarily used for financial reporting.



**Title of the Graph: Which accounting method does your MSME primarily use for financial reporting?**

GRAPH NO 3



(SOURCE-PRIMARY DATA)

**INTERPRETATION:**

The data provided outlines the primary accounting methods used by MSMEs (Micro, Small, and Medium Enterprises) for financial reporting, based on responses from 75 respondents.

Cash Basis 28% of the respondents (21 MSMEs) primarily use the cash basis accounting method. This method records transactions when cash is received or paid out, providing a straightforward way to track cash flow, Accrual Basis 33.30% of the respondents (25 MSMEs) utilize the accrual basis accounting method. This method records transactions when they occur, regardless of when the cash is received or paid, offering a more comprehensive view of financial performance over time, Hybrid Method Nearly 29.30% of the respondents (22 MSMEs) employ a hybrid method, which combines elements of both cash and accrual accounting to suit their specific needs and circumstances, Not Sure Approximately 9.30% of the respondents (7 MSMEs) are uncertain about the accounting method they primarily use for financial reporting. These findings suggest a varied landscape of accounting practices among MSMEs, with a significant portion employing accrual accounting, followed closely by the cash basis method and hybrid approaches. The presence of uncertainty among a small but notable percentage of respondents indicates a potential need for clarity or education regarding accounting practices within this sector.

**5.4 Title of the Table : What type of accounting software does your MSME use?**

What type of accounting software does your MSME use?	Respondents	Percentage
QuickBooks	17	22.7%
Xero	15	20%
Wave	13	17.3%
Tally	30	40%
<b>Total</b>	<b>75</b>	<b>100%</b>

(SOURCE-PRIMARY DATA)

**Analysis of the Table**

The data reveals the accounting software preferences of MSMEs based on responses from 75 participants. Among the options provided:

QuickBooks, known for its user-friendly interface and comprehensive features, is utilized by 22.70% of respondents, making it a popular choice among small businesses for efficient financial management.

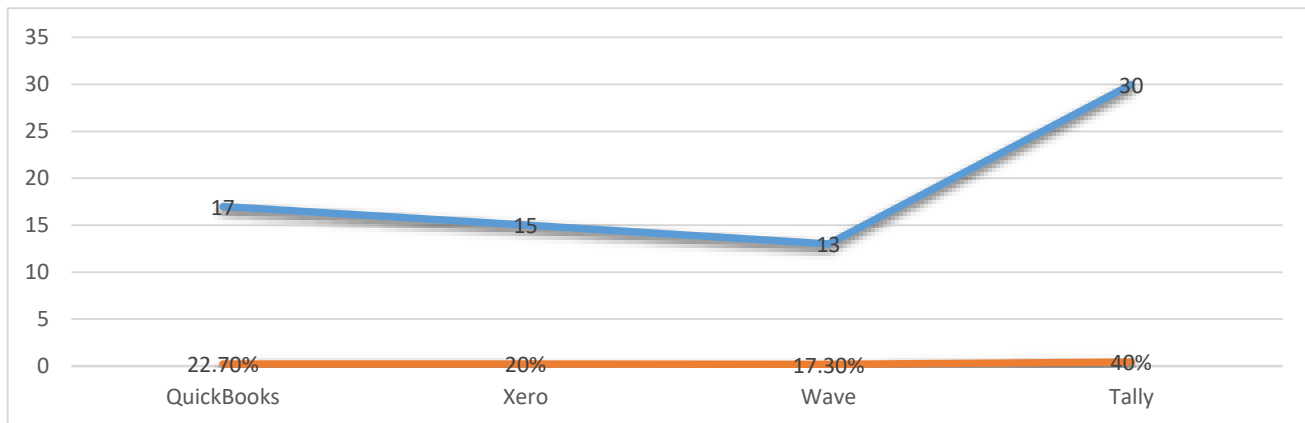
Xero, with its cloud-based platform and robust accounting capabilities, is used by 20% of respondents, offering flexibility and accessibility for businesses seeking efficient financial solutions.

Wave, valued for its free pricing structure and features like invoicing and expense tracking, is relied upon by 17.30% of respondents, particularly appealing to startups and freelancers.

Tally emerges as the most commonly used accounting software, chosen by 40% of respondents. Its widespread adoption, especially in regions like India, highlights its comprehensive accounting and inventory management features tailored to the needs of small and medium-sized enterprises.

### Title of the Graph: What type of accounting software does your MSME use?

GRAPH NO 4



(SOURCE-PRIMARY DATA)

#### INTERPRETATION:

- **QuickBooks:** Approximately 22.70% of the respondents (17 MSMEs) utilize QuickBooks as their accounting software of choice. QuickBooks is renowned for its user-friendly interface and comprehensive features, making it a popular choice among small businesses.
- **Xero:** Around 20% of the respondents (15 MSMEs) opt for Xero as their accounting software. Xero is known for its cloud-based platform and robust accounting capabilities, appealing to businesses looking for flexible and accessible solutions.
- **Wave:** Roughly 17.30% of the respondents (13 MSMEs) rely on Wave for their accounting needs. Wave is particularly popular among small businesses due to its free pricing structure and range of features, including invoicing and expense tracking.
- **Tally:** The majority of respondents, constituting 40% (30 MSMEs), use Tally as their accounting software. Tally is widely used in many countries, especially in India, for its

comprehensive accounting and inventory management features tailored to the needs of small and medium-sized enterprises.

This data highlights a diverse range of accounting software preferences among MSMEs, with Tally emerging as the most commonly used platform, followed by QuickBooks, Xero, and Wave. Each software option offers unique features and benefits, catering to the varying needs and preferences of MSMEs in managing their financial processes.

### 5.5 Title of the Table: How frequently does your MSME update its financial records?

How frequently does your MSME update its financial records?	Respondents	Percentage
Daily	15	20%
Weekly	23	30.7%
Monthly	31	41.3%
Yearly	6	8%
<b>Total</b>	<b>75</b>	<b>100%</b>

(SOURCE-PRIMARY DATA)

#### Analysis of the Table:

The data illustrates a range of updating frequencies for financial records among MSMEs, reflecting diverse approaches to financial management and reporting.

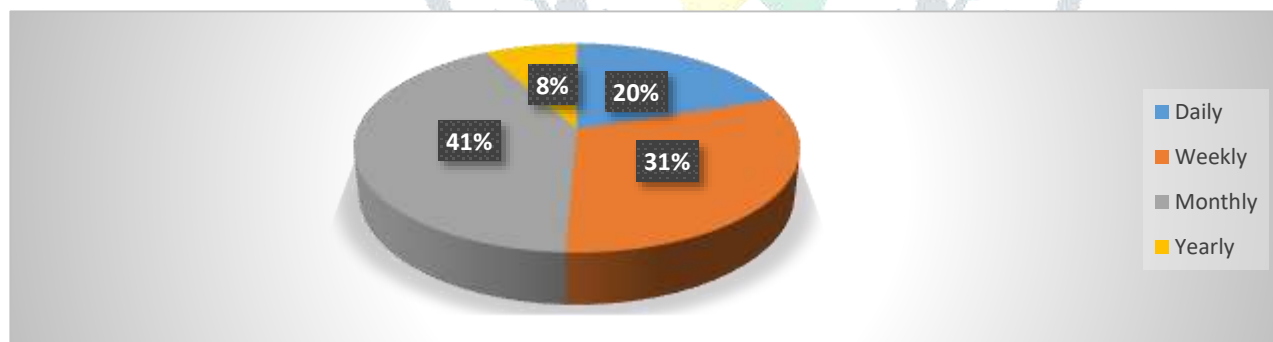
The most common updating frequency is monthly, suggesting a widespread practice of regular, periodic reviews of financial data among MSMEs surveyed.

Daily and weekly updating frequencies indicate a proactive stance towards financial management, emphasizing the importance of timely data analysis and decision-making.

The small percentage of respondents updating their financial records yearly may indicate less frequent reporting requirements or reliance on simpler financial transactions.

#### Title of the Graph: How frequently does your MSME update its financial records?

GRAPH NO 5



(SOURCE-PRIMARY DATA)

#### INTERPRETATION:

The Pie chart above represents the frequency at which MSMEs update their financial records:

**Daily Updates (20%)** This category shows that 20% of MSMEs surveyed update their financial records on a daily basis, indicating a proactive approach to financial management with real-time monitoring and analysis of transactions.

**Weekly Updates (30.70%)** Nearly 31% of MSMEs update their financial records weekly. This demonstrates a regular cadence for reviewing and recording financial transactions, allowing for timely insights into business performance.

**Monthly Updates (41.30%)** The majority of MSMEs (41.30%) update their financial records monthly. This structured approach indicates a common practice of periodic review and assessment of financial data.

Yearly Updates (8%) A smaller percentage of MSMEs (8%) update their financial records yearly. While less frequent, this approach may be suitable for businesses with simpler financial transactions or less frequent reporting requirements.

### 5.6 Title of the Table: Prepare and maintain balance sheets, income statements, and cash flow statements regularly?

Prepare and maintain balance sheets, income statements, and cash flow statements regularly?	Respondents	Percentage
Yes, regularly	14	18.7%
Sometimes	38	50.7%
No, regularly	19	25.3%
Not sure	4	5.3%
<b>Total</b>	<b>75</b>	<b>100%</b>

(SOURCE-PRIMARY DATA)

#### Analysis of the table:

The data highlights a range of approaches to financial reporting among MSMEs, with a notable proportion reporting only occasional or irregular preparation and maintenance of financial statements.

MSMEs that regularly prepare and maintain financial statements demonstrate a proactive stance towards financial management, potentially enabling better monitoring of financial performance and informed decision-making.

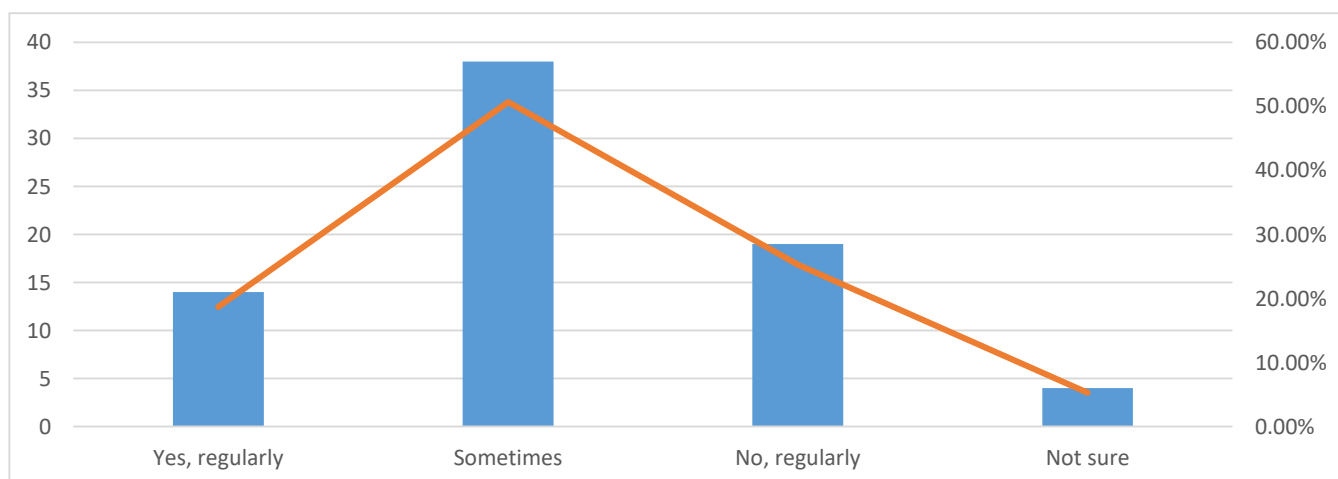
MSMEs reporting occasional or irregular financial reporting practices may benefit from implementing more consistent processes to ensure the accuracy and timeliness of financial information.

The presence of uncertainty among some respondents underscores the importance of financial literacy and awareness of best practices in financial reporting among MSMEs.

Overall, the analysis suggests opportunities for MSMEs to improve their financial reporting practices, emphasizing the importance of regularity, accuracy, and transparency in maintaining financial records.

### Title of the Graph: Prepare and maintain balance sheets, income statements, and cash flow statements regularly?

GRAPH NO 6



(SOURCE-PRIMARY DATA)

**INTERPRETATION:**

**Yes, regularly (18.70%):**

18.70% of respondents, comprising 14 MSMEs, indicated that they prepare and maintain these financial statements regularly. This suggests a proactive approach to financial management, with a commitment to maintaining accurate and up-to-date financial records.

**Sometimes (50.70%):**

The majority of respondents, accounting for 50.70%, reported preparing and maintaining financial statements only occasionally. This suggests a less consistent approach to financial reporting,

potentially influenced by factors such as resource constraints, time limitations, or perceived importance of regular financial reporting.

**No, regularly (25.30%):**

25.30% of respondents, representing 19 MSMEs, reported not regularly preparing and maintaining financial statements. This indicates a lack of regularity in financial reporting practices, which could pose challenges in monitoring financial performance, making informed decisions, and complying with regulatory requirements.

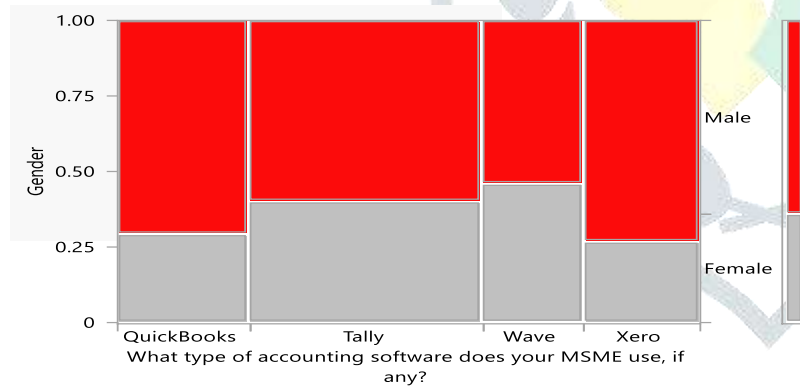
**Not sure (5.30%):**

A small percentage of respondents (5.30%) expressed uncertainty about their regularity in preparing and maintaining financial statements. This uncertainty may reflect a lack of clarity or awareness regarding financial reporting practices within these MSMEs.

**CHI-SQUARE TEST**

**1. Contingency Analysis of Gender By What type of accounting software does your MSME use, if any?**

**Mosaic Plot**



**Contingency Table**

What type of accounting software does your MSME use, if any? By Gender

Count	Female	Male	Total
Total %			
Col %			
Row %			

Wave	6 8.00 22.22 46.15	7 9.33 14.58 53.85	13 17.33
Total	27 36.00	48 64.00	75

## Tests

N	DF	-LogLike	RSquare (U)
75	3	0.84631575	0.0173

Test	ChiSquare	Prob>ChiSq
Pearson	1.677	0.6420

## INTERPRETATION:

Based on the contingency analysis of gender by the type of accounting software used by MSMEs (Micro, Small, and Medium Enterprises), we can interpret the results as follows:

### 1. Contingency Table Analysis:

- The contingency table provides a breakdown of the count, total percentage, column percentage, and row percentage of MSMEs by gender and the type of accounting software they use.
- It shows the distribution of MSMEs across different accounting software options (QuickBooks, Tally, Wave, and Xero) based on gender (Female and Male).
- For example, among Female MSMEs, 12 out of 17 (70.59%) use QuickBooks, while 18 out of 30 (60%) use Tally.
- Similarly, among Male MSMEs, 11 out of 15 (73.33%) use Xero, while 18 out of 48 (37.50%) use Tally.

### 2. Tests:

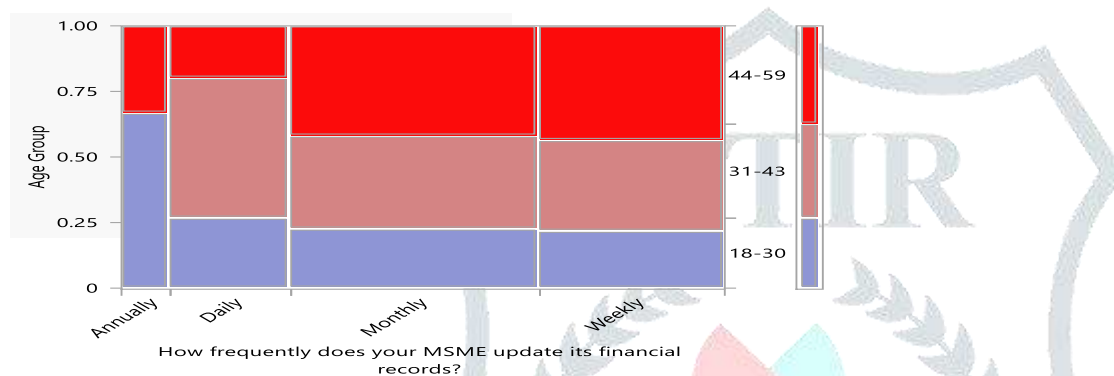
- The tests section provides statistical measures to assess the significance of the relationship between gender and the type of accounting software used.
- The -LogLike (log-likelihood) and RSquare (U) values suggest the goodness of fit of the model to the data. In this case, the RSquare value is relatively low, indicating that the model explains only a small portion of the variance.
- The ChiSquare tests (Likelihood Ratio and Pearson) assess the association between gender and accounting software usage. Both tests yield p-values (Prob>ChiSq) higher than the typical significance level of 0.05, indicating that there is no significant association between gender and the type of accounting software used by MSMEs.

3. Interpretation:

- Based on the hypothesis testing, we fail to reject the null hypothesis, suggesting that there is no significant relationship between gender and the type of accounting software used by MSMEs.
- In other words, the choice of accounting software among MSMEs does not appear to be influenced by gender. The preference for a particular accounting software seems to be independent of whether the business is owned by a male or female.

Overall, these results imply that gender is not a significant factor in determining the choice of accounting software among MSMEs, as evidenced by the lack of association found in the contingency analysis and hypothesis testing.

2. Contingency Analysis of Age Group By How frequently does your MSME update its financial records?  
Mosaic Plot



Contingency Table

How frequently does your MSME update its financial records? By Age Group

Count	18-30	31-43	44-59	Total
Total %				
Col %				
Row %				
Total	20 26.67	27 36.00	28 37.33	75

**Tests**

N	DF	-LogLike	RSquare (U)
75	6	5.1255132	0.0628

Test	ChiSquare	Prob>ChiSq
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Pearson	9.068	0.1698
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**INTERPRETATION:**

Based on the contingency analysis of age group by how frequently MSMEs update their financial records, here's the interpretation of the results:

**1. Contingency Table Analysis:**

- The contingency table presents the distribution of MSMEs across different age groups (18-30, 31-43, and 44-59) based on how frequently they update their financial records (Annually, Daily, Monthly, and Weekly).
- It shows the count, total percentage, column percentage, and row percentage of MSMEs in each category.
- For example, among MSMEs aged 18-30, 4 out of 20 (20%) update their financial records annually, while 11 out of 31 (35.48%) update them monthly.

**2. Tests:**

- The tests section provides statistical measures to evaluate the significance of the relationship between age group and the frequency of updating financial records.
- The -LogLike (log-likelihood) and RSquare (U) values indicate the goodness of fit of the model to the data. A higher RSquare value suggests a better fit. In this case, the RSquare value is 0.0628, indicating that the model explains about 6.28% of the variance.
- The ChiSquare tests (Likelihood Ratio and Pearson) assess the association between age group and the frequency of updating financial records. The p-values for both tests are higher than 0.05, suggesting that the association is not statistically significant.

**3. Interpretation:**

- The hypothesis testing results indicate that there is no significant relationship between age group and the frequency of updating financial records among MSMEs.
- In other words, the choice of how frequently to update financial records appears to be independent of the age group of the MSME owners.
- While there might be differences in the distribution of updating frequencies across age groups based on the contingency table, these differences are not statistically significant according to the hypothesis tests.

Overall, these findings suggest that age group does not play a significant role in determining how frequently MSMEs update their financial records, as indicated by the lack of statistical significance in the association between these variables.



## CONCLUSION

In conclusion, improving accounting practices in MSMEs (Micro, Small, and Medium Enterprises) is essential for enhancing financial management, decision-making, and overall business performance. By investing in accounting software and technology, providing training and capacity building, promoting compliance and regulatory awareness, facilitating access to professional support, encouraging formalization and record-keeping, offering financial incentives and support, facilitating peer learning and collaboration, implementing internal controls and risk management practices, embracing strategic financial management, and promoting a culture of financial transparency and accountability, MSMEs can optimize their accounting processes and drive sustainable growth. These strategies empower MSMEs to make informed decisions, comply with regulatory requirements, manage financial risks, and achieve their business objectives. By prioritizing improvements in accounting practices, MSMEs can enhance their competitiveness, resilience, and long-term success in today's dynamic business environment.

This study contributes valuable insights into the diverse landscape of accounting practices within MSMEs. Recognizing the unique challenges faced by Micro, Small, and Medium Enterprises, our findings underscore the importance of tailored approaches to foster financial sustainability. By addressing the identified challenges and implementing the suggested improvements, MSMEs can strengthen their financial management capabilities, contributing to overall business resilience and growth. This study provides a foundation for future research and policy interventions aimed at advancing accounting practices in the dynamic landscape of small and medium-sized enterprises.

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