

APPLICATION OF BOOK-KEEPING IN SMALL MEDIUM ENTERPRISES (SMEs)

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Abstract

Since 1987 SMEs are being as Sri Lanka backbone and SMEs has been giving huge contribution to the Sri Lankan government revenue. SMEs contributes much to the employment of Sri Lanka also. SMEs are influencing major role of Sri Lanka's Gross domestic products, Gross national products approximately 45% employment generated by SMEs, SMEs encouraging vast based equitable development and provide more opportunity for woman and youth participation in the economic development of the country. However the small businesses entrepreneurial are influenced by the book keeping systems. Its impact might be positive and negative. The main objectives in doing this research weather the book keeping impacts to the organization. The purpose of the research conducted to find out application of bookkeeping in small medium enterprises. The statistical results showed a positive relationship of bookkeeping. The research was conducted in Trincomalee Town and Gravets area and 100 questionnaires were distributed to the SMEs.In this research the deductive approach has been implemented in order to answer the research questions. Quantitative data has been collected through questionnaire. The statements used in the questionnaire are based on previous studies and theories reviewed through literature. The data collected through the questionnaire has been analyzed using SPSS. The results of the study showed how the book keeping influence the small medium enterprises, The book keeping in SMEs and how SMEs are Manipulating the book keeping systems. The bookkeeping and knowledge of bookkeeping and tools of bookkeeping highly determining the application of bookkeeping in small medium enterprises. Furthermore it was found that the more positive relationship application of bookkeeping with SMEs.

Key words: SMEs, Impacts, Book-keeping.

1 Introduction

Trincomalee is one of the 25 District of Sri Lanka, the second level administrative division of the country. And this belongs to Eastern Province of Sri Lanka. It is well known by tourist for tourism as well. Trincomalee within its grounds, the grand Koneswaram Temple, natural beach, a popular vantage point for blue-whale watching. The holy complex contains ornate shrines and a massive statue of Shiva. Nearby Gokanna Temple has panoramic views over the city and the coastline in Trincomalee has natural harbor and prima wheat factory and Nippon cement factory in Trincomalee. Hot water wells situated in Trincomalee.

The district is administered by a District Secretariat headed by a District Secretary previously known by the central government of Sri Lanka. Earlier it is known as the capital of the North-East. Now it is capital of Eastern Province of Sri Lanka. Trincomalee has an area of 2,727 square kilometers. Trincomalee District's population was 378,182 in 2012. Trincomalee large number of small medium enterprises which are operated mostly popular in tourism in Trincomalee. There are favorable factors to do the small medium enterprises. Trincomalee also attracts with its peaceful surroundings, pristine nature and, of course, long and wide beaches. According to some tourists, the beaches are the best in the whole of Sri Lanka. Trincomalee divisional Secretariat office gives more benefits to the registered Small Medium Enterprises (SMEs).

There are 43 divisional secretariats divided in Eastern Province, under the Trincomalee has 11 divisions which are as follows: Gomarankadawala, Kantalai, Kinniya, Kuchchaveli, Morawewa, Muttur, Padavisiripura, Seruvila, Thampalakamam, Trincomalee Town and Graves, Verugal and Eachchalampattu. Trincomalee Town & Gravets has most population registered. According to the statistical data by divisional office Trincomalee 2018.

Table 1.Population Distribution in Trincomalee Town & Gravets

Sinhalese	13698
Tamils	30437
Muslims	2139
Others	479



(Source: Divisional office, Trincomalee 2018)

1.2 Background of the study

The term SME is used to denote micro, small and medium enterprises. The commonly used yardsticks are total number of employees, annual turnover and total investment. In the Sri Lankan context, the SME policy framework defines SMEs based on the number of employees and annual turnover.

Small Medium Enterprises in Sri Lanka

The Small Medium Enterprise's (SME) sector has been mentioned as an important strategic sector to generate the revenue to the Government of Sri Lanka. And it is most helping sector to change for inclusive economic growth, regional development, employment generation and poverty reduction. SME sector is envisaged to contribute to transform lagging regions into emerging regions of prosperity. The Government of Sri Lanka recognizes SMEs as the backbone of the economy, as it accounts for more than 75% of the total number of enterprises, small medium enterprises providing 45% of the employment and contributes to 52% of the Gross Domestic Production. SMEs encourage broad based equitable development and provide more opportunity for Women and Youth participation in the economic development of the country.by the SME'S production Sri Lanka's gross national production also enhanced.

In 2019 the tourism SME sector is most probably revenue collecting sector to the Sri Lanka. And also Money exchange rate still remains high in SMEs tourism sectors.

This study considers about Book keeping. Book keeping is the recording of financial transactions, and is part of the process of accounting in business. Transactions include purchases, sales, receipts, and payments by an individual person or an organization/corporation.

However, the small business enterprises are influenced by the book keeping, the impact can be a positive and negative. SME's consider as book keeping tools are bank reconciliation, inventory reports, credit sales, general ledgers, Cash book. SMEs are required to keep proper records of financial data concerning all receipts and payments, all sales and purchases of goods and services and all assets and liabilities from which financial statements are prepared. The financial transaction recorded must be objective, sufficient, relevant and reliable to make informed decisions and judgments by interest groups.

Book keeping is important to the SME when SMEs adapt to the book keeping SMEs can find reasons to their profit and losses. And also they can effectively manipulate the expenses of their firms due to book keeping. Each and every year they can measure the SME growth and financial position, they can do the additional works for their achievements. When SME has book keeping system they can analysis the future also. But considering the impacts of book keeping, so considering about negative impact of book keeping. In Sri Lanka there is vast range SMEs are available, so they can maintain the book keeping but when we consider about the other small enterprises they do not adapted to the book keeping because of cost maintenance and also they are not that much familiar double entry system. The necessity of recording all the transactions clearly and systematically cannot be overemphasized. Accounting records, prepared on the basis of uniform practices enable business to compare results of one period with another period.

Table 2.Criteria for the SME

Criteria	Medium	Small
Production		
sector		
Annual	Rs MN. 251 -	Rs. MN. 16 - 250
Turnover	750	
No. of	51 - 300	11 - 50
Employees		



Service sector		
Annual	Rs. MN. 251 -	Rs. MN. 16 - 250
Turnover	750	
No. of	51 - 200	11 - 50
Employees		

1.3 Research Problem

Practicing the book keeping system in SMEs that is really helping to developing to the business is understood. Even through still there is significance Amount of SMEs are not adopting to the book keeping.

The small medium enterprises are controlled by the book keeping system. And that might result in positive and negative impacts. The SMEs are how they are in taking the impacts of book keeping into their firms and how they manipulating to the effects of the book keeping. Why Sri Lanka SMEs does not adapt to the book keeping systems in to their firms.in addition, the factors that induce the impact of book keeping in SMEs are not yet fully understood properly.

This study attempts to fill this gap by studying the impact of book keeping in small medium enterprises in Trincomalee town area. The research gap if the SMEs are well known about the book keeping practice and they are frequently talking about book keeping but in reality they would not do like whatever they told so finding the solution between two dimensions and the with use of the research finding the recommendations can be made towards improvement of book keeping in SMEs, SMEs can realize effective use of book keeping in accounting.

The most empirical evidence come from developed by old small business enterprises (Sri Lanka), Taiwan ,India, Maldives, there seems to be a lack of evidence from developing countries, but and limited evidence are especially in Sri Lanka.

Research questions:

- What is the relationship between the accounting bookkeeping concepts and application of bookkeeping?
- What is the relationship between the knowledge of bookkeeping and application of bookkeeping?
- How bookkeeping system helping to the accuracy of the financial statement?
- What is the attitude has in small medium enterprise about bookkeeping?

2. Literature Review

According to the Joseph Kurwo (2012), Effects of Bookkeeping on Growth of Small and Medium Business Enterprises in Kabarnet Town, Baringo County, Kenya. Research question was to determine the types of book keeping among the small and medium enterprises in Kabarnet town. To establish whether SMEs in Kabarnet Town use book keeping as accounting tool to ascertain the financial position of their businesses. Objective of the study to determine the types of book keeping among the small and medium enterprises in Kabarnet town. To establish whether SMEs in Kabarnet Town use book keeping as accounting tool to ascertain the financial position of their businesses.

According to SME International Malaysia (2013), some advanced economies have succeeded because small and medium enterprises form a fundamental part of the economies, comprising over 98% of total establishments and contributing to over 65% of employment as well as over 50% of the gross domestic product. Although, the numbers might be lower in Malaysia, SMEs have the potential to contribute substantially to the economy and can provide a strong foundation for the growth of new industries as well as strengthening the existing ones, for

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Malaysia's future development. Developing stronger SMEs require major changes in the manufacturing sector, as SMEs make up over 90% of the Malaysia's manufacturing sector.

2.2 Accounting Book Keeping Concept

According to Ademola et al (2012), record keeping is essential to business management. Record keeping involves identification, classification, storage and protection, receipt and transmission, retention and disposal of records for preparation of financial statements. He also included that in record keeping, policies, systems, procedures, operations and personnel are required to administer the records. Record keeping plays a key role in management of knowledge necessary for good business performance. Modern organizations are concerned with the capture, use and storage of knowledge. Laughlin and Gray, (1999) pointed out the following as the most important reasons to set up a good record management: to control the creation and growth of records to reduce operating costs improve efficiency and productivity to assimilate new records management technologies and to ensure regulatory compliance. Accounting records include entries from day to day transactions of business for instance transactions in respect to receipts and expenditure. Records may include a list of organizational assets and liabilities. These help the enterprise to evaluate their performance in a particular period of time usually at the end of a financial period. Proper record keeping provides evidence of how the transaction was handled and substantiates the steps that were taken in order to comply with business standards. Record keeping is the foundation on which a compliance program should be built upon measures should be put in place to capture the documentation and events that take place throughout a transaction commencing from delivery and payment (Reed 2010).

2.3 Relationships between Accounting Records and Performance.

Performance of business refers to the ability of business to meet the required standards, increased market share, improve facilities, ensuring returns on profitability, and total reduction and once this is achieved, a business is believed to be performing effectively (Fitzgerald et al 2006).

Bititei et al (2001) asserts that performance is a result of workers because they provide the strongest linkage to strategic goals of the business enterprise, Customer satisfaction and economic contribution that affects the business, hence it addresses the mode in which an activity is accomplished in particular and the level of standards to which a task is carried out within the working environment.

According to Ikechukwu (1993), keeping records is crucial for the successful performance of a business. A comprehensive record keeping system makes it possible for entrepreneurs to develop accurate and timely financial reports that show the progress and current condition of the business. With the financial report generated from a good recordkeeping system, performance during one period of time (month, quarter or year) with another period can be compared. An accurate record of the business' financial performance is vehicle to monitor performance in specific areas.

Accounting records provide a basis for complete and accurate income tax computation, a basis for sound planning for the future and basis for discussion with partners, potential investors, and lenders all these are important aspects which enhance performance of the business. Business also depends on correct accounting records to make good decisions about the firm. Decision such as expansion, drop or maintain decisions of product lines, make or buy decisions, about size of debtors. Therefore if proper records are kept they will facilitate efficient, proper timely decision making and enhance performance in small scale industry.

2.4 Research Gap

There are many definitions of the concepts impact of book keeping in small medium enterprises. according to what is the small medium enterprises, Negou Ernest(October 2018), what is the main purpose of book keeping, according to Ademola et al (2012), record keeping is essential to business management. Accounting bookkeeping Procedures told by. The process ranges from creation of business transactions, analyze and record the transactions



in the journals by account name, post information from journals to ledgers, prepare a trial balance, journalize adjusting entries, post adjustments from the journal to the ledger, prepare an adjusted trial balance, journalize closing

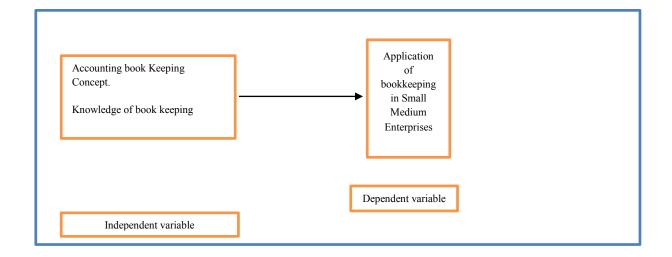
For the research identify a study of impact of book keeping in accounting in Trincomalee districts entries, post-closing entries from the journal to the ledger, prepare a post-closing trial balance, and prepare the financial statements (William et al 2008).according to Accounting Record Storage and Retrieval. Double Entry Bookkeeping System.

Accounting records are important as they are sources of information and thus they must be numbered and stored properly for the purpose of record retrieval. Crane (1997) defined record storage as the housing of records when whether semi-active or inactive, must still be retained. according to Benefits of Book Keeping According to Eric and Gabriel (2012), bookkeeping which is a tool for financial control enable managers to know the financial positions of their businesses and to take certain control measures to improve corporate performance.

3. Materials and Methods

3.1 Conceptual framework

This conceptual framework is use to illustrate the relationship between the variable, which are involved in the study. Based on the literature review following conceptual framework was developed.



(Developed for this study)

3.2 Sample size, methods and framework

Population of the study is small medium enterprises in Trincomalee Town and Gravets. The research respondent is selected on convenient sample from the population for so this is stratified random sampling method.

3.3 Methods of data collection.

This research mainly based on the primary data. Self-reported questionnaires were used in order to collect data from the 100 SMEs. Here customers mean small medium enterprises and structure questionnaires was used to collect data necessary to meet the purpose and objective of the study. The questionnaires include two main parts

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of democratic information covers size and type, classification of SMEs and other related information and second part of the questionnaire considers about research information and developed to measure the variable of the study.

Independent variables such as book keeping, concepts of book keeping and dependent variable impact in SMEs are measured with a five point like scale of 1= strongly disagree to 5 = strongly agree.

3.4 The correlation analysis.

In order to explore the significant relationship between variables, the correlation coefficient(r) would be determined. Correlation coefficient is a statistical measurement of the relationship between two variable, or the extent to which these two variables are associated.

In this study two objective is to find out the relationship between small medium enterprises and impact of book keeping third objective is to find out the relation between the book keeping with SMEs for this purpose correlation can be used based on possible ranges in relation to appropriate decision attributes corresponding way.

 H_1 = There is relationship between application of bookkeeping and tools of bookkeeping.

(p>0.01)

 H_2 = There is a relationship between application of bookkeeping and accounting bookkeeping concepts.

(p<0.01)

 H_3 = There is relationship between knowledge of bookkeeping and application bookkeeping.

Decision: Accept H_1 , if p < 0.01.

4. Results and Discussions

4.1 Reliability

Reliability defined as the degree to which measures are free from error and therefore yield consistent results (Zikmund, 2000). Reliability estimate are used to evaluate the stability of measure administered at different time to the same individuals or the equivalence of sets of items from the same test (Carole and Almut, 2008). According to Carole and Almut (2008) Cranach's alpha coefficient is the most accepted index in testing and evaluating the reliability of data for internal consistency. Cronbach's alpha coefficient (CAC) ranges vary from 0 to 1 and value close to 1.00 indicating high consistency, and value close to 0 indicating no consistency. Godard, Ehlinger and Malhothraet al. (2005) indicate that the data can be reliable, when the CAC is more than or equal to 0.7 this condition is satisfied in this study, therefore all the dimensions are considered to be reliable.

4.2 Correlation analysis

Correlation measures how variable are related. Pearson's correlation coefficient is a measure of linear association. In this study, the Pearson's correlation coefficient with two tailed test of significance was considered since the data was quantitative and normally distributed variables this analysis was made to investigate the relationship between the variables table blow presents the correlation analysis results.

Table 3. Correlation values of Dependent variables

4.3 Overall correlation

Table 5. Correlations total overall analysis



Application of bookkeeping in small medium enterprises Regression Analysis: Model Summary.

Table 4. Model Summary

		-	1110401 2 41111141 3								
					Std. Error	Change Stat	istics				
Me	od		R	Adjusted R	of the	R Square	F			Sig.	F
el		R	Square	Square	Estimate	Change	Change	df1	df2	Change	
1		.994ª	.987	.987	.16217	.987	2445.71 6	3	96	.000	

(Survey data)

Adjusted R square statistic is .987 which implies that 98% of change application of bookkeeping explained by these three variables (tools of bookkeeping and knowledge of bookkeeping and concepts of bookkeeping)

		Total independent	AOP
Total independent	Pearson Correlation	1	.995**
	Sig. (2-tailed)		.000
	N	100	100
AOP	Pearson Correlation	.995**	1
	Sig. (2-tailed)	.000	
	N	100	100

^{**.} Correlation is significant at the 0.01 level (2-tailed).

The table overall correlation analysis defining there is strong positive relationship between dependent variable and independent variable.

4.4 Regression overall analysis

Table 6. Model Summary

					Change Statistics					
Mode			Adjusted R	Std. Error of	R Square				Sig.	F
1	R	R Square	Square	the Estimate	Change	F Change	df1	df2	Change	
1	.996ª	.993	.992	.12222	.993	4330.041	3	96	.000	

a. Predictors: (Constant), total KBK, BKC, TBM

The Analysis of variable

Table 7. ANOVA^a

1 abi	ic 7.		71110 171			
Mod	lel	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	192.949	3	64.316	2445.716	.000b
	Residual	2.525	96	.026		
	Total	195.474	99			



(Survey data)

If any change in independent variable it will effect 2.525 of residual value effecting the dependent value.

Table 8. The analysis of coefficients

Coefficients

		Unstandardized Coefficients		Standardized Coefficients		
Model	l	В	Std. Error	Beta	T	Sig.
1	(Constant)	.002	.175		.014	.989
	BKC	.241	.077	.197	3.133	.002
	TBM	.778	.068	.713	11.516	.000
	KBK	.124	.091	.088	1.359	.177

(source data)

According to the table 19.7% of variation in bookkeeping concepts is explained application of bookkeeping ,71.3% tools of bookkeeping explained application of bookkeeping 8.3% knowledge of bookkeeping explained about application of bookkeeping .the above said three impact are significant 98% significance level thus the null hypothesis is rejected that there is significant impact of the three variable.

Table 9. Hypotheses testing

Hypotheses	Analysis method	Result
H_1	Correlation analysis	Accepted
H_2	Multivariate Regression Analysis	Accepted

5. Conclusion

This study has undertaken the BKC and KBK and TBM as independent variable and AOP as dependent variable and analyzed and assessed the objectives and the study has given special attention to the sample size of 100 SMEs who are in tricomalee town and grave. To accomplish the objective of this study, the data collected from the respondents through the questionnaire. Its use for the analysis purpose and were analyzed and evaluated by using inferential analysis and research hypothesis.

The results of this study showed the SMEs of Trincomalee area, bookkeeping how effect the SMEs, and accounting bookkeeping concept and tools of bookkeeping and knowledge of bookkeeping are influencing the SMEs's application of bookkeeping.

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The main purpose of this research was to find out what is impact of application of bookkeeping to the SMEs .the statistical results of the analysis of the questionnaire show the positive result to the research problem.

The first objective of the study is to identify the degree of contribution of TBM in determine of AOP. The finding of the study clearly shows that the level of contribution of TBM in determine of AOP. And the dimension of TBM is a most determinant factor of AOP.

The second objective of the study is to identify the degree of contribution of BKC in determine of AOP. The finding of the study clearly shows that the level of contribution of BKC in determine of AOP. And the dimension of BKC is a most determinant factor of AOP.

The third objective of the study is to identify the degree of contribution of TBM in determine of AOP. The finding of the study clearly shows that the level of contribution of TBM in determine of AOP. And the dimension of TBM is a most determinant factor of AOP.

The study finding clearly show that AOP has relationship with SMEs therefor have to increase the inputs.

5.2 Implication of the study

The main problem of study why small medium enterprises are could not the application of bookkeeping properly. This study has taken BKC, KBK, TBM as independent variable, AOP as dependent variable through the data analysis and discussions, the important contribution of the present study is 19.7% of BKC, 71.3%KBK, 8.8%TBM.there is impact has positively impact on application of bookkeeping thus as stated in the research problem, the empirical gap has been closed throughout the study .therefore BKC, KBK, TBM of are positive on AOP. By this study SMES are can get the benefit at end of this study. Due to this study the SMEs are able to understand the important of the study.

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