

A Study on Computerized Accounting Practices of Small Business in Thanjavur District

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Introduction

In a dynamic world, the availability and adoption of Information and Communication Technologies (ICTs) across the globe has altered the norm of the game and expectations of the new mode of economics activities. The norm of inter and transnational trading changed dramatically to admit the increasing number of financial transactions and trade-related activities that take place via the Internet and technologically assisted tools. The traditional view of small business record keeping suggest that it is a paper based and hand of to the accountant firm to prepare the annual tax return. Porter & Millar (1985) mentioned in this competitive advantage, over the years, information technology had played a major role, changing the nature of business who knows its effects. With the introduction of new technology and more user friendly software, computerized accounting system (CAS) appears to reduce the problems in book record keeping practice. Furthermore, with the new and rapid financial information, new updates and changes will be available for others in making decisions.

Accounting plays a critical role in the success or failure of contemporary business institutions. Accounting systems are responsible for recording, analyzing, monitoring and evaluating the financial condition of companies, preparation of documents necessary for tax purposes, providing information support to many others organizational functions. Accounting systems provide a source of information to owners and managers of SMEs operating in any industry for the use in measuring financial performance. There are 566 Small and medium enterprises in Tanjavor. Most of the enterprises are very small and some are medium. Establishment of SMEs in research area is increasing day by day.

Review of literature

Accounting systems are responsible for analyzing and monitoring the financial condition of firms, preparation of documents necessary for tax purposes, providing information to support the many other organizational functions such as production, marketing, human resource management, and strategic planning. Without such a system it will be very difficult for SMEs to determine performance, identify customer and supplier account balances and forecast future performance of the organisation. The primary purpose of an accounting information system (AIS) is the collection and recording of data and information regarding events that have an economic impact upon organisations and the maintenance, processing and communication of such information to internal and external stakeholders (Stefanou, 2006).

When organizations adopt e-accounting, they usually discover that even though computerized accounting systems handle financial data efficiently, their true value is that they are able to generate immediate reports regarding the organization (Hotch, 1992). Prior to the advent of personal computers, businesses were limited to two methods for keeping track of financial data (Tavakolian, 1995).

One method was to install a mainframe computer and set up a data processing department. This approach had its own difficulties: the mainframe computer was expensive and many qualified ICT personnel were required to handle the various tasks involved in processing the accounting data. In most cases, large corporations were the only organizations that could afford such an expensive system. The other option was to have a manual accounting system. Such a system consisted of paper ledgers, typewriters and calculators. Each customer or vendor was on a separate ledger card which contained all the transactions for that company. Typewriters were used to type invoices and cheques, and all calculations were performed using calculators. The key drawback of the manual system was that it was possible for errors to be introduced into the system and that the error could go undetected for quite some time

Scope of the study

The research study has a wide scope. It covers various aspects it is useful in several ways to various peoples. It helps to find out the expectations of customer about tally software. It represents the customer satisfaction towards of Tally Accounting software ERP 9 with 6.4 GST in India.

Objectives of the study

- To study of customer satisfaction on computerized accounting package
- To study the complete range of tally software
- To identify factor purchase decision
- To study satisfaction of customer level

Research Methodology

This study relied on a sample of systematically selected SMEs throughout the Country. We sampled 100 SMEs from the NBSSI database. SMEs in India are defined as firms employing less than 100 workers. Out of the 100 questionnaire sent out, 56 were received, representing 56%. The resulting response rate was expected for a survey of this type considering that empirical studies involving SME have been known to generate far lesser percentage response rates. The sample included both users and non users of e-Accounting systems. The survey instruments included open ended and closed Ended questionnaires. We also followed up with personal or telephone interviews with managers of these firms. In order to ascertain the benefits of e-accounting, we focused on SMEs that adopt accounting software in their Operations. Users of accounting software were selected from the client lists of some accounting software application providers

Selection of the Study Area

The study area of the present research work is Thanjavur District, Tamil Nadu. Though it is predominantly an agricultural district, now, it stands at the ninth place in the state in terms of industrial production. The vast stretches of land utilized for coconut cultivation, the presence of adequate agricultural labourers and artisans, the emergence of an ambitious new generation of entrepreneurs and the gradual shift of people from agriculture to business and industry have changed the direction and complexion of the district into an industry-friendly region.

Collection of Primary Data

The present study is based on primary data. It is an empirical research based on the survey method. For collecting required primary data from the owners of SME

Sampling Design

In Thanjavur district, both Registered and Unregistered small business units are functioning. A list of Registered business units in Thanjavur District was obtained from the District Industries Centre, Thanjavur and a total of 50 Percent of Registered business units were functioning as on 31 st March 2015 in the study area. For the purpose of this study, only registered business units were taken which precisely constituted the population.

Data analysis

The characteristics of the firms based on, size, form, ownership, and gender and industry classifications. On the size classifications, the firms were grouped as: micro representing 10% of valid respondents, small (31%) and medium (59%). The form of business organization was also identified: Sole proprietorships were made up of 17% of the total respondent firms, 7% of the valid respondent firms were organized as partnership and the remaining 76% were organized as limited liability companies. Majority (79%) of the firms were male owned. Eight industries were identified and they are agriculture, representing 15% of valid respondents, manufacturing (40%), mining and construction (5%), wholesale and retail trade (16%), hotel and hospitality (9%), information technology (5%), medical service (7%) and general services (3%).

It suggests that almost all the respondents use computers in their operations and that all SMEs contacted use accounting software in their operations. This implies that majority of SMEs in India have adopted e-accounting systems. The result of this study showed that Pastel, Sun business System, Tally, Sage, Excel and QuickBooks are the kinds of accounting softwares that SMEs have adopted. The result revealed that majority of the SMEs (25%) are interested in excel based accounting system while 9% preferred the use of Sage accounting software

It shows the goals for implementing computerized accounting systems among SMEs in India. Out of 56 SMEs who use computers in their operations, 44 representing 79% of the respondents reiterated that the use of computer enables them to reduce cost, enhance clerical

works, provide sufficient space to store data and process information for management decision. Two (4%) indicate that the use of computer has enabled them to effectively manage their cost of operation, 5% mentioned that their computer usage reduces clerical works, 4% use computer to facilitate storage of data while 8% of the respondents use computers to provide timely management information for decision making. With regard to accounting and finance functions of accounting software, almost all the respondents indicated that they use the software for accounts receivables functions as well as accounts payables, inventory management, payroll, general ledger, fixed assets management, bank reconciliation and cash management. Eighty four percent of the SMEs are satisfied with the performance of their accounting software. It is only small number of the firms selected who were not very satisfied with the results of their accounting software.

It shows With the issue of the benefits of computerized accounting information in mind, a question was designed to explore the significance, prevalence and potential problems and challenges inherent in most Indian SMEs. The survey result shows that majority of the respondent's encounter problems in supply of electricity as 38% of the respondents say they have problems in accessing uninterrupted supply of power. The result shows that 25% of the SMEs contacted indicated that frequent breakdown of their accounting system is their next biggest problem. However, only 5 firms representing 8% indicated that they face all the problems listed. These include, inaccurate reports generated by the accounting systems, frequent breakdown of the system, inability of the system to support large volumes of data, lack of constant supply of power, inability to import or / and export data, and inability to fully comprehend and interpret the results from the system.

Findings and suggestions

The adoption level of CAS was established by assessing the extent to which the accounting system of the societies was computerized at different level. As shown the result 40.8% of the factories and societies had computers in their premises while 59.2% had no computers at all. This implies that 59.2% of the factories and societies had zero of adoption given they did not computers which is a critical pre-requisite of CAS adoption

The study found out that availability of information technology infrastructure is an important Factor that influences the adoption of CAS. Specifically lack of enough computers was found to be the main constrains of CAS adoption. Compared to human resource , cost and users perception, availability of infrastructure was the second most important constrains of CAS adoption. Availability of ICT infrastructure compared to CAS adoption had a correlation of 0.400 which is a positive correlation.

Effects of human resource computer proficiency on CAS adoption

Human resources computer proficiency considered in the study included computer literacy level, ability to implement CAS and relevant computers skills. The findings revealed that

computer literacy level of the staff, mean of 3.2 and ability to implement CAS , mean of 3.4, are the most important elements of the human resource in respect to CAS implementation. As compared to cost, availability of infrastructure and users' perception, human resource proficiency was the third most important factor in determining the adoption of CAS

Human Resource has a correlation of 0.305 compared to 0.611 for Cost and 0.400 for Availability of Infrastructure.

User perception was considered in terms of how the managers as part of the staff who uses the system perceive the ease of use of the system. The perception on how useful CAS is in terms of easing workload and reducing errors was also considered as part of the users' perception. The findings revealed that the managers perceived CAS as tool that can reduce workload and errors. They also perceived CAS as a means of reducing the cost of operation. However users' perception was not an important constrain to adoption of CAS since it only had a correlation of 0.203. The study revealed that regardless of the adoption level of CAS undertaken by the societies, managers perceived CAS favorably. In essence therefore perception of CAS did not affect its adoption.

The cost of CAS adoption was considered in terms of cost of hardware, software, consultancy fee and maintenance. The cost of other related infrastructure was also considered. The maintenance cost of CAS was found to be the most important element of cost. Compared to availability of infrastructure, human resource proficiency and users' perception, cost was the most important factor. Therefore coffee societies adoption of CAS was mainly affected by cost involved in all the aspects of implementation. Cost had a correlation of 0.611 which was the highest correlation compared to others.

Conclusion

The study sought to find the effects of availability of infrastructure on the adoption of CAS. The study concludes that cost, availability of resources and human resource proficiency in that order. Society's lacks enough computers along with other related infrastructure to enable them adopt CAS effectively. The available ICT resources are basic mostly used for administrative work and limited accounting operations.

The study also concludes that human resources in the small bussiness are not computer literate enough to implement CAS. This is mainly because their hiring procedure does not emphasize on ICT proficiency as qualification. The study shows that the managers are aware of the benefits associated with computerized accounting system and therefore they will be willing to implement computerized accounting system once installed in order to reap the benefits associated with accounting information system in case there is availability of funds to acquire ICT infrastructure and to train them how to work with such system effectively.

The cost of implementation is prohibitive. Apart from the initial investment, the recurrent cost such as maintenance and technical support are also a hindrance to CAS implementation. These challenges have resulted in partial implementation of CAS and in most cases complete none implementation. Though some small businesses have computers they are mainly used for basic operations.

Recommendations

Small business should consider gradual implementation of CAS since cost is one of the main constrains to computerization of the accounting system.

This will spread the cost of implementation over a long period of time. Business entrepreneurs should device recruitment policies that emphasize on computer skills.

This will reduce the training cost that may be incurred for training the recruited staff. However, the existing staff should be given incentives to seek training on the relevant computer skills. The policy makers should consider zero rating hardware and software that are used in accounting system to reduce cost of CAS. This will encourage business sector to adopt CAS and improve on transparency and accountability in the business sector. Various stakeholders in the business sector should consider networking the business enterprises with marketer and other stakeholders to encourage business enterprises adopt CAS.

Further Research

This study was limited to CAS adoption by business enterprises. However, the study recommends further research in the challenges facing the societies in using ICT in marketing their produce.

While cost, human resource computer proficiency and availability of infrastructures are important factors in CAS adoption, the role of governance of business enterprises on CAS adoption should be investigated. This is based on the fact that governance plays an important role in decision making on adopting new technology.

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