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Financial and Management Accounting Practices in Small Business: An Exploratory Study in India

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ABSTRACT

Small Business promotion has continued to remain an important and integral part of Indian development strategy since her independence. The concentrated policy emphasis upon small firms as a vital vehicle of progress draws upon this sector's crucial role in generating employment and income at the regional level and acting as a shock absorber during period of economic crisis. In the current business environment, firms are faced with intensifying competition locally and globally. It is vital in this environment that Small Business firms be equipped with appropriate and modern financial and managerial accounting practices in order for them to survive and remain profitable. Growing literature on financial and management accounting supports the argument that in small business, financial & management accounting is one of the key issues. It not only increases the success rate but also affects the level of performance of a business. This research paper reports an exploratory study by raising some queries on the financial and management accounting practices of small businesses in India and attempts to find empirical justification on the usefulness of these tools of accounting for decision making. The result of the study does prove that there is a wide gap between theory of financial & management accounting and actual practices by the small business in India. The study also reveals that firms not doing well are less likely to have knowledge on different tools of financial and management accounting.

Keywords: Small Business, Financial Accounting, Management Accounting

INTRODUCTION

Small Business development has become increasingly important in recent years in both developed and developing countries (Roy &

Hutchinson, 1983). In India, SSI sector contribute nearly Rs. 6.5 lakh crores (40 p.c. of gross industrial value and 7 p.c. of GDP); on the other hand, small trading units contribute nearly Rs. 44,200 crores worth of value added in the country's economy (NSSO Report, 1997). Different studies have also shown that most of the new jobs created in this country come from small business. According to the survey of the World Bank in March, 1988, giving encouragement to the growth of small enterprises was the best way to benefit the masses or non-agricultural job seekers in the developing countries.

Establishment of small business units would provide the youth, their fruitful opportunities for self-expression and for increasing their natural well being. Country's younger generation feel frustrated because they do not have assurance that their education and scientific talents would be fully utilised. Therefore, increasing the small and medium sectors of Indian economy would strengthen the back-bone of society and also curb social unrest in the economy (Barpujari, 2002). It is more so in the North-Eastern Region (NER) of India, because the states in this region are industrially backward, having poor infrastructure facilities and subsistence nature of agriculture – where small business is the ônly ray of hope for large number of people for survival.

Recognising the importance of small business units in the socio-economic development in India, a study was undertaken in NER of India to explore and highlight the status of financial and management accounting practices of small business. The existing literature strongly supports the argument that in small business, financial and management accounting is one of the key issues for the success of an organisation. It not only increases the success rate but also affects the level of performance. The major objectives of the study were to assess the level of perceived awareness of the owner-managers of small businesses about the tools and techniques of financial & management accounting and to examine the actual uses of these tools/techniques and their impact on the survival and well being of the small units. The result of this study is expected to highlight the areas of financial & management accounting that require attention from the private and public organisations interested in development and growth of small business in India. In a nutshell, the study is to enquire, whether small business units which do not have to collect financial information for dissemination to others, have enough information to pursue the goal.

A REVIEW OF EXISTING LITERATURE

A substantial body of perspective literature has evolved dealing in whole or part with use of financial & management accounting tools and techniques by the small business units. In recent times, the books written on financial management for small business emphasise the importance of developing skills in reading and interpreting historical financial statements to monitor financial health and progress (Black, 1950; Barrow, 1988; Harman, 1979; Tungale, 1952; Rauseh, 1982; McMahon, 1986; Meredith, 1986; Walker & Petty, 1986; Scarborough & Zimmerer, 1993; Kuchl & Lambing, 1994). In journals of small business, many articles strongly advocated the use of financial analysis skills for small business units (Mayo & Rosenbloom, 1975; Konstans & Martin, 1982; McMahon & Davies, 1994).

Studies have been undertaken to determine the uses of financial ratios by the small business owner managers to monitor their business performances (Lewis & Toon, 1986; Holmes & Nicholls, 1989; McMahon & Davies, 1991). These studies have attempted to measure business success as a function of knowledge and use of financial information.

Research work on small business at West Midland, U.K. (Nayak & Greenfield, 1994) shows that firms which do not do well, is not because of lack of business records and lack of awareness of key business factors, but due to the lack of adequate accounting knowledge and proper financial records. Comprehensive financial reporting and analysis should generally lead to improved financial control and that this in itself could significantly increase the chances of a small enterprise (business) prospering through growth (McMahon & Davies, 1994).

There is wide gap between theory and practice of management accounting in case of small business. On the other hand financial accounting system is based on the traditional "Mahajani" system and is incomplete in nature (Soral & Jain, 1994). Past experience and intuition play an important role in financial decision-making. Among the other factors, the non-use of financial tools and techniques for economic decision-making has resulted in a variety of financial problems, which the small units face (Vinayak, 1987).

Growth can result in financial stresses such as cash-flow difficulties and excessive use of debt. These financial problems create a critical need

for improved financial control which can come about through an upgrading of financial reporting and analysis system (Hutchinson & Ray, 1986).

A study by Holmes and Nicholls (1998) concluded that the amount and nature of accounting information prepared or acquired is dependent on a number of operating and environmental variables like business size, age, industrial grouping, owner-managers education etc. The study also shows that there is a big gap between the owner-managers, awareness and the uses of financial management techniques (Siop & Ahmed, 2000). They (owner-managers of small business units) are venturing into business without proper accounting and financial (control) 'know-how'.

Rice and Hamilton (1979) in their study found that small businessmen employed a multidimensional, stochastic, non-quantitative decision process, which are primarily informal in nature. The finding was that for a majority of small businessman decisions were the result of 'experience', 'intuition', or 'guesswork'. This implies that in small business units scientific decision-making process does not take place.

Another study (LeCornu et al., 1996) has thrown light on the financial objective of small business units. They found that financial management of small enterprises is or should be qualitatively as well as quantitatively different from that of large enterprises. It also appears that behaviour and decision making in small enterprises are unequivocally attached to the personal motivations of the owner managers.

Isa et al. (2007) in a study on financial and management accounting practices among SMEs in Malaysia observed that a majority of the firms prepared their financial and management accounting reports on a monthly basis. Preparing tax returns ranks first as the purpose of financial accounting reports. Financial accounting reports were perceived to be more useful than management accounting reports.

The findings of the study conducted by Chand & Dahiya (2010) suggested that management accounting techniques have a great impact on different firm's aspects especially on cost reduction and quality improvement. Further results indicate the major obstacles for application of management accounting techniques in Indian SMHEs relating to ownership size characteristics and extensive high cost.

Efficient and scientific management of finance in an enterprise is of prime importance for achieving its objectives. In practice, the matter of production or materials quality or marketing, in the ultimate analysis, relates to financial issues (Sen et al., 2001).

Therefore, all out efforts are needed for applying the tools of financial & management accounting to the enterprises in a systematic manner in the interest of injection of fresh confidence and restoring the financial health of the organisation.

OBJECTIVES OF THE STUDY

(i) To assess the level of perceived awareness of the owner-managers of small business units about tools and techniques of financial and management accounting.

(ii) To examine the pattern of managerial use of the financial and management accounting tools and techniques by the small businesses.

(iii)To evaluate the impact of financial and management accounting practices on the survival and growth of the small business units.

RESEARCH METHODOLOGY

Tools of Data Collection

The present research work was exploratory in nature. The data were also collected with the help of a structured questionnaire along with a loosely structured personal interview schedule (guide) for the entrepreneurs. A pilot survey was conducted by the researchers within a small group of small business units in Silchar town of Assam state of India to know the tendency of the entrepreneurs (owner-managers) in answering the questions. Consequently, the questionnaire was modified.

Population / Universe of Study

For the present research the working definition of "Small Business units/firms", which fulfilled the following quantitative characteristics were considered:

(i) All Small Scale Industries (SSI) registered and unregistered (as defined under SSI Policy, 1991 as amended in 1998)

- Manufacturing unit – investment limit in plant and machinery upto Rs. 10 million.
- Ancillary unit – investment limit in plant and machinery upto Rs. 10 million.

- Tiny sector including service sector – investment limit upto Rs. 5 lakhs.

(ii) Small Trading units (Whole seller/retailer) who run firms with under fifty (50) employees (with full time/part time; skilled/unskilled labourers).

Selection of Sample

Non-random judgement sampling was used so that data are representative and purposive in nature. Due care has been taken to include in the sample different segments of the small business population. The segments are (a) Manufacturing units (b) Service units (c) Trading units.

Size of Sample

As the gamut of small business is very large, it was decided to take a sample size of around 220 from the entire region keeping in mind the different business segment and different states involved. However, finally 208 duly filled in questionnaires were collected and out of which 191 duly filled-in correct questionnaires were processed for the purpose of analysis. The researchers collected field data through interviewer assisted questionnaire from seven states of NER of India viz., Assam, Meghalaya, Tripura, Mizoram, Arunachal Pradesh, Manipur and Nagaland. Small business units were selected from seventeen (17) major commercially important places of the region. The survey was conducted during the period from July 2003 to March 2004.

Statistical Tools for Analysis of Data

Since it was not possible to meet the assumptions underlying parametric statistical testing, the study used appropriate non-parametric tests of association. Chi-square is an important non-parametric test. Chi-square (χ^2) was used (i) as a test of goodness of fit, (ii) as a test of independence.

LIMITATIONS OF THE STUDY

The study is likely to have following limitations in spite of best efforts:

i. As the widely-acknowledged authority on exploratory research Tukey, pointed out, it is still true that exploratory methodology can only be a beginning, a base from which subsequent

confirmatory research can begin. With this in mind, the present research might be judged on the basis of the questions it raises regarding potential significance for further investigation, rather than upon answers it may provide.

ii. A further limitation of the present research work is that the methodology used could not gauge all the factors influencing the responses, such as the moral standing and social beliefs of owner-managers. These considerations on financial management and reporting practices, limit the internal and external validity of the study.

iii. The present study was conducted in a relatively economically backward region of India (i.e. North-Eastern Region of India). Hence, due care was taken in generalising the result in terms of the entire country.

iv. The dynamics of small business enterprise growth were inevitably complex and affected by many factors other than financial management. It was not possible to control other influences in the exploratory study with a limited sample size.

v. Given small sample size and the lack of homogeneity among small business population and the selection bias, there is a need for caution in making generalisation based on its findings.

vi. As no official definition was there for small businesses in India, a working definition for the study was framed taking into consideration – qualitative and quantitative parameters/characteristics.

vii. The sampling and data collection methodologies employed inevitably imposed limitations on interpretation of the results of this study. The accuracy and completeness of the data collected relied heavily on the ability and skills of interviewers and also the co-operation of owner-managers interviewed.

STUDY FINDINGS

Profile of Owner-Managers and Their Business

Demographically, 97 p.c. of the owner-managers of small business units under study were male and only 3 p.c. were female. More than half

of the businesses (65 p.c.) were over 5 years of age. Majority (92 p.c.) of the businesses were one man business i.e. sole proprietorship business; only 8 p.c. of the units were found partnership firms (more than one owner); and no company form of business were there in the study. Majority (57.6 p.c.) of the respondents were employing more than one employee. Nearly 60.7 p.c. of the respondents had a family background other than business, while 32.5 p.c. operated family-oriented enterprises. The majority of the owner-managers had educational credentials not relevant to their enterprises' activity, as all of the owner-managers under study had general educational qualification, like graduation (36.6 p.c.), Inter/HS (36.6 p.c.) and upto HSLC (27.7 p.c.); no technically qualified professionals were found in the survey.

The small business units of North-Eastern Region of India mostly (92 p.c.) operate in the local market i.e. to meet the local market demand. Nearly 88 p.c. of the respondents were registered units (Registered under local authority i.e. Municipal Corporation, Municipal Board, Sales Tax etc.). It was observed from the study, that principal activity of the small businesses were trading (70.2 p.c.) in North- Eastern region of India. In relation to size, more than half (52 p.c.) of the business enterprises reported monthly sales revenue of upto Rs. 10,000/-; only 4 (2 p.c.) enterprises where monthly revenue earning was more than Rs. 5 lakhs.

Analysis according to the Features of the Business

To see the relationship between different features of the small business under study, chi-square test was employed. (i) The result of test revealed that the age of the business units and their (perceived) level of performance/achievement were independent. (ii) On the other hand, when the relationship between different business sectors and the performance level was tested, it was observed that there was some relationship between business sectors and their performance. (iii) The test result also revealed that there was some relationship between size (in terms of monthly sales turnover) of the business units and their respective age. It may now be concluded that, the size of the business increases in relation to their ages. (iv) Chi-square test also observed that business experience (in terms of years) of the owner-managers of small business had no relation with their business performance/achievement. These two attributes were independent.

Level of Awareness

The present study identified 28 (twenty eight) most commonly used financial & management accounting tools and techniques and tried to judge the level of awareness of the owner-managers of small businesses (Table I).

Table I. Awareness level of Owner-manager of Small Business of North-Eastern Region of India

Financial Management Tools in Practice	**Awareness Level (N = 191)**
Purchase Ledger	20%
Sales Ledger	11%
Cash Book	100%
Debtors Book	100%
Creditors Book	100%
Depreciation	15.7%
Trial Balance	-
Bank Reconciliation Statement	5.2%
Profit and Loss Statement	34%
Balance Sheet	34%
Sales / Purchase Budget	-
Capital Budgeting	-
Cost-volume-profit (CVP) Analysis	-
Job Costing System	-
Process Costing System	-
Inventory Control Method (EOQ, ABC analysis, FIFO, LIFO etc.)	-
Stores Ledger	11.5%
Liquidity Measures through Ratio Analysis (Financial Ratios), Liquidity Ratios, Quick Ratio, Capital Gearing Ratio, Debt-equity Ratio, etc.	-
Fund Flow Analysis	-
Comparative Financial Statement Analysis	-
Working Capital Management	-
Calculation of Cost of Capital	-
Pay Back Method of Analysis, Net Present Value Method (NPV) and Internal Rate of Return (IRR)	-
Auditing	5.7%
Tax Matters	77%
Investment Management	-

The result of the study observed that only 12 (twelve) financial & management accounting tools/techniques were known to owner-managers. Out of these 12 known instruments barring cash book, creditor's book and debtor's book (100 p.c. aware), the awareness level on other techniques were very low. This result was consistent with Mirze's (1979) findings that the degree of awareness and uses of budgeting was low and the firms size affected its use. This finding of the present study on the level of awareness of owner-managers of small business units in North-Eastern region of India tends to confirm the findings of Grablowsky and William (1980) that small business owner-managers do not use these business financial appraisal techniques because they find these highly quantitative. According to Holmes (1986), the responsibility for using financial management tools, generally rests upon owner-managers of a small business. But as the owner-managers level of awareness was very low on financial & management accounting, therefore, proper and judged use of those instruments for analysis did not apply to small business units of North-Eastern region of India.

Financial Reporting and Analysis Practice

Running a business effectively require an awareness and good/proper knowledge of how the business is doing by the owner-managers of a small business on a day to day basis. Apart from legal requirement there is a practical necessity to keep sufficient records to ensure that business activities can continue without problem and in proper direction. However, the fields of financial & management accounting have yet to provide an accepted normative theory indicating which financial reports are most valuable in financial management and how often they should be used (McMahon & Davies, 1994).

The Question in the Survey which Related to Basic Record Keeping Was: How Do You Measure Financial Performance of Your Business?

The study observed that 51.3 p.c. (p.c.) of the small business units under study, measure their performances on the basis of 'Sales' i.e. total amount of sales during a particular period of time. Only 43 p.c. of the respondents use profit and sales (both) to evaluate their business performances.

What is the Frequency of Preparing Financial Accounting Records?

The survey result revealed that, only 15 p.c. of the small business

units of North -Eastern Region (NER) of India kept their Accounting information upto date on a daily basis; 36 p.c. on a monthly basis and 49 p.c. i.e. majority of them upto date their accounting records on yearly basis (Table II).

The result of chi-square test revealed that, the perceived level of achievement and frequency of record keeping had no relationship, i.e. these two attributes were independent. But the study observed that small business firms doing well were more likely to be comfortable with accounting to maintain financial records and were much more likely to keep their books upto date at least on a yearly basis (53 p.c.).

Table II. Perceived Level of Performance and Frequency of Record Keeping by the Small Business

Frequency of Preparing/ Financial Records	Level of Achievement	
	Doing well (N-109)	No doing well (N-82)
Daily	17%	12%
Weekly	NIL	NIL
Monthly	29%	44%
Yearly	53%	43%

Table III. Age of the Small Business and Frequency of Record Keeping

Frequency	Age of the Business	
	Less than 5 (five) years old (N – 67)	More than 5(five) years old (N – 124)
Daily	4.50%	21%
Weekly	NIL	NIL
Monthly	28%	36%
Yearly	67%	42%

Chi-square test was employed to study the relationship between age of the business and frequency of record keeping. The result indicated that these two attributes had some relationship. As the data (Table III) revealed that nearly 21 p.c. of more than 5 years old small business units recorded their books of account daily compared to younger (less than 5 years old) business (4.5 p.c.). Similarly, nearly 35 p.c. of older business (more than 5 years of age) maintained their books monthly compared to

younger business (28 p.c.). To see the different books of account maintained by the small business units, questions were asked and thereafter the survey results were recorded as follows (Table IV):

Table IV. Common Accounting Tools Used by Small Business

Name of the Accounting Tools	Used in Percentage (N=191)
Sales Book	9.40%
Purchases Book	12.50%
Cash Book	100%
Debtors Book	100%
Creditors Book	100%
Ledger	NIL
Profit and Loss A/C	24.60%
Balance sheet	10.50%

The financial & management accounting data of small business under study were mostly (90.5 p.c.) kept in single entry system or indigenous (Mahajani) system, and conversion into double entry is very difficult as records are kept haphazardly. In most of the cases, accounting records were written in one general ledger or register, incorporating various kinds of business accounting information in one common place. The survey result showed that, small business record keeping system is tailor made i.e. based on the requirement of the owner-managers and the nature of the business.

The chi-square test revealed that educational qualification of owner-managers of small business and the uses of financial & management accounting tools were independent. There was no significant difference between educated and less educated owner-managers with regard to use of accounting tools.

Analysis by Features of the Business

There was significant difference with regard to basic record keeping techniques between firms which were less than 5 years old (younger) and those more than 5 years old (older). The study also indicates that older business units were more knowledgeable and diligent enough in record keeping about their business compared to younger business (Table V).

The analysis shows interesting features about the different types of

business sector. The retailers, who have the least complex decision process, were the most diligent record keepers – compared to other sector.

There was no major difference between firms doing well and not doing well in keeping the books of account for management by the small business owner-managers. The most revealing insight from the analysis is that those not doing well were not diligent enough in preparing financial statements like profit and loss account and balance sheet which are most important accounting tools for business appraisal and management accounting and future planning.

Table V. Basic Record keeping: Analysis by the Features of the Businesses

Basic Accounting	**Age of the Business**		**Business Sector**			**Achievement**	
Records of Proper Financial Management	Less than 5(five) years (N–67)	More than 5(five) years (N – 24)	Manufacturing (N– 22)	Retail Trade (N–34)	Service (N– 5)	Doing well (N–09)	Not doing well (N–82)
Self Kept	90%	49%	45.50%	68%	57%	60.50 %	67%
Computer Used	3%	14.50%	4.50%	11.90 %	8.50%	15.60 %	3.70%
Profit and Loss A/C	6%	35%	45%	24%	14%	28%	19.50 %
Balance Sheet	3%	14.50%	13.60%	11%	5.70%	15.60 %	3.60%

Table VI. Size of the Business and Financial & Management Accounting Practices(According to Monthly Sale Turnover)

Financial Management Tools/Techniques	Upto Rs. 10,000/- (N – 99)	Rs. 10,000/- to Rs. 20,000/- (N – 55)	Rs. 20,000/- to Rs. 50,000/- (N – 20)	Rs. 50,000/- to Rs. 1 lakh (N – 3)	Rs. 1 lakh and above (N – 14)
Sales Book	-	1.80%	20%	100%	71%
Purchase Book	-	5.40%	35%	100%	79%
Profit and Loss A/C	5%	27%	50%	100%	100%
Balance Sheet	1%	9%	20%	67%	64%
Accounts Audited Yearly	-	-	10%	33%	57%

The study revealed that, as the sales turn over increased the use of more financial tools was observed. Small businesses with monthly sales turnover of more than Rs. 50,000/-were more diligent in maintaining financial records in detail (Table VI).

As the awareness level of owner-managers was very poor, very few financial & management accounting tools and techniques were practiced by the respondents to assess the level of performance of the business unit. The present study observed a different pattern of behaviour in financial record keeping in the field of cost accounting, pricing decision, credit management, inventory management and capital investment decision, which were at variance with the prescribed standard rules of financial & management accounting. In most of the cases, small business decision process was the result of '*experience*', '*intuition*', *or* '*guess work*'. All the respondents of the present study said that even through they did not have firm figures or formal accounting records, they knew (according to their own perception) how their business was doing. They generally follow multidimensional and non-quantitative decision processes which were primarily informal in nature. This was corroborated by Rice and Hamiltan (1979) study.

The findings of the present study and earlier studies could not establish a direct link with improved financial & management accounting practices and their (small business) level of achievement/performance. Thomas and Evanson (1987) were similarly unable to establish such relationship.

SUMMARY AND CONCLUSION

The changing economic circumstances have pushed Indian economy from "infant protection strategy" to the stage of economic liberalisation and to meet the challenges of globalisation. Under these circumstances, it is but natural that the government is shifting its focus from small business by curtailing the fiscal concessions and other benefits doled out to this sector in 70's and 80's. This new but non-protective culture for small businesses, a different outlook with a competitive attitude to mobilising and utilising the resources, is needed by the small entrepreneurs in their struggle for existence in the age of 'survival of the fittest'.

Review of the effectiveness and uses of the financial & management accounting tools and techniques, in most of the previous analyses is recorded in the context of large corporate sectors. It is found that only 500 out of 5,00,000 active business enterprises in India, are recognised corporate setups. Ironically, more than 90 per cent of industrial units, with turnover in the range of a few thousand, continue to function in an apparently unprofessional way. So any isolated attempt to improve the efficiency of these few giants maybe futile, without improving the rest of the business sector. Following the examples of ASEAN tigers, it is needed to concentrate on the medium and small scale business enterprises, for all round development including reduction of regional imbalances.

The results of the study highlight a wide gap between theory and practice of financial & management accounting. Small Business owner-managers may hardly find the existing accounting techniques of any use. At the same time, little effort has been made in the field of research, on developing tools and techniques of financial & management accounting for small business. With their peculiar problems and limited resources, this small business sector generally relies more on traditional accounting namely financial and taxation matters, rather than managerial accounting. The theories of financial & management accounting so far developed, has little relevance in catering to the specific needs of the small business. Thus, the theory and the practice of financial & management accounting being interdependent may form a vicious circle hindering the growth of this vital sector. In this age of cut-throat competition more sophisticated accounting tools cannot be a luxury for small business units to flourish. However the onus of designing suitable kit for financial management for small business lies with the academics.

This in turn calls for the need of a "real life research"(Chowdhury, 1995).

To prevent errors and provide correct information of the business, the financial & management accounting system must provide for certain internal checks. A standard method of preventing errors and fraud is to have two or more individuals involved in the recording function. An alternative approach for ensuring accuracy is to employ the services of a public accountant or a book-keeper. Assistance will also be provided by a book-keeping service agency in filling out tax returns and in making periodic audits. Still another approach to handling the accounting function is to purchase a simplified book-keeping systems (software) which is available in the market for small business. Such systems are ideal for the business owners who know little about accounting and has some workable knowledge on computer.

But there is no denying the fact that small business units in India are facing some problems, which make the application of accounting tools difficult due to lack of knowledge, awareness and most of the firms are marginal units. Difficulties are there, but they are not insurmountable, given the determination and concerted efforts – problems of implementation can be overcome. There is no alternative to the observance of proper discipline and financial ethics for ensuring the optimal and efficient use of financial resources. Therefore, measures should be taken to familiarise the owner-managers with modern tools & techniques and their benefits to be derived from their use etc., through the provision of training, short term courses, conferences, seminars/workshops etc. by the development agencies.

At the present stage, it is sad to observe that young technical manpower is shifting to white collar jobs, instead of being groomed in factory shop floors. As a result, the think tanks of industries are starved of essential tech-force nourishment and the outcome is self restraining. On the other hand, the management curriculum has not really looked into the requirements of this medium and small scale sector of businesses. Trained managers are rarely interested in working for this sector and generally do not understand or contribute, even if capacitated. Largely, the scope of professionalism does not get an entry in the small business sector in India.

Evidently the present small business definition in India was framed

to withstand the competition from the large scale industries within the country, in a protective environment of 60's and 70's. But at present Indian economy has undergone a 'U' turn from protection to a market economy where a broad based small business definition is needed to withstand the competition. In the proposed new definition, where limits on investment have to be removed and include all the constituents of small business. Trade, Industry and Commerce need to meet the present challenges. Therefore, government policies have to shift its direction from investment criteria to employment in defining small business. The proposed shift in the policy shall act as a facilitator of economic activities – as small business may be promoted in the light of employment generation to cultivate the spirit of entrepreneurship in the country's economy.

In conclusion, this study's major findings will hopefully help focus the attention of researchers, business practitioners and policy makers on the needs and challenges facing small businesses in the field of financial & management accounting. These small business units/firms can be formidable competitive forces both domestically and internationally, as they often are the sources of technological innovation and employment generation for developing country like India. Such findings should accelerate the search for ways to improve the efficiency of small business units to match their high growth rates in sales with higher achievement level.

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