

ABSTRACT

In India role of micro, small and medium enterprises (MSMEs) in the economic and social development of the country is well recognised. MSME sector is a nursery of entrepreneurship, often driven by individual creativity and innovation. This sector contributes 37.54 per cent of the country's GDP, 37.33 per cent of the manufactured output and 40 per cent of total exports. The MSME sector provide employment to about 117 million persons through 51 million enterprises. The labour to capital ratio in MSMEs and the overall growth in the MSME sector is much higher than in the large industries. MSMEs are more evenly distributed in different geographic parts of the nation. Thus, MSMEs are important for the national objectives of growth with equity and inclusion. (Annual Report 2015-16, Ministry of Micro Small and Medium Enterprises, Government of India.)

Objectives of the study:

Considering the importance and research gap for MSMEs in Tripura which has discussed above researcher set major objectives of the present study are as follows:

- i) To assess the level of perceived awareness of the owner-manager of MSMEs about the tools and techniques of accounting system.
- ii) To examine the pattern of managerial use of the Accounting tools and techniques by the micro, small and medium enterprises.
- iii) To evaluate the impact of financial and management accounting practices on the survival and growth of the micro, small and medium enterprises.

Research Queries:

Proposed research works aims to address the following queries:

1. Whether the owner /manager of Micro, Small and Medium Enterprises (MSMEs) are aware of the Financial and Management accounting tools & techniques?
2. Whether they (owner /manager) make uses of the same in managing their enterprises?
3. Whether use of appropriate Financial and Management accounting tools and techniques can aid the growth and survival of MSMEs?

Hypotheses

On the basis of above research questions following hypotheses have been developed:

H₁: There is a low level of awareness about the tools and techniques of accounting system among the owner/ manager of MSMEs.

H₂: There is a lack of synergy in the application of Financial and Management accounting tools and techniques among the MSMEs.

H₃: There is no impact of uses of accounting tools and techniques on the growth and survival of MSMEs of Tripura.

Sample selection for the Survey:

For the present research work, Micro, Small & Medium Enterprises, comes under the purview of MSMED Act, 2006 has been considered as population for the study. As per the above working definitions of MSMEs, there are 2289 registered MSMEs are there in Tripura (As per Annual report 2012-13, by the Ministry of MSME, Government of India). In additions to that some unregistered organisations are also there in Tripura.

Out of these 2289 MSMEs of Tripura, 330 sample have been chosen for the survey. Stratified random sample has been applied to ensure the proper representation from different types of enterprises of Tripura.

The method of data collection:

Researcher has employed direct distribution of schedules among the respondents to collect the data.

Findings on research objective number -1:

Perceived Awareness about financial accounting tools and techniques:

Perceived awareness about the financial accounting tools and techniques are quite high among the owner/manager of responding MSMEs of Tripura. As per importance profit & loss accounting got the 1st rank with 87.58% response rate, this result followed by debtors book, creditors book, cash book and balance sheet with 2nd rank (84.58%), 3rd rank (83.08%), 4th rank (80.91%) and 5th rank (72.42%) respectively. Importance of the remaining accounting tools and techniques are in similar line with the usage rate of these techniques.

Perceived Awareness about financial accounting tools used to monitor/track financial performance:

Perceived awareness of cash and bank balance as a financial performance tracker acknowledged by 73.64% of respondents rating it as either moderately important or important. In case of Profit & Loss account and Balance Sheet seems to have considerable perceived awareness; 70% and 38.79% of respondents rated these techniques in two forms either moderately important or important. Perceived awareness for remaining four tools & techniques are significantly low among the owner/manager of responding MSMEs of Tripura.

Perceived Awareness about Accounting Ratios:

Importance of gross profit ratio acknowledged by 14.55% of responding MSMEs rated as either moderately important or important. Respondents also acknowledged the importance of gross profit ratio (15.15%), current ratio (8.18%) and net profit before and after tax (8.18%) as either moderately important or important. For the remaining ratios, majority of the respondents do not aware about their importance in their business. As a result majority of the respondents opted either 'not important' or 'moderately important' in times of giving responses.

Perceived Awareness about costing techniques:

Perceived awareness level about the tools and techniques of Cost collection system and Costing techniques is very low. To mention a few, respondents acknowledged the importance of batch costing (2.73%), process costing (3.03%) and job costing (1.52%) as either moderately important or important. Among the costing techniques, respondents acknowledged the importance of variable costing (2.12%) and variable and absorption costing (1.52%) as either moderately important or important.

Perceived Awareness about budgeting techniques:

Importance of annual budget was acknowledged by 27.58% of responding MSMEs rating this technique as either moderately important or important. . Respondents also acknowledged the importance of production budget (23.33%), sales budget (22.42%) and purchase budget (15.45%) as either moderately important or important. For the

remaining budgeting techniques either very minimum number of respondents are aware about these techniques of budgeting or not aware at all about these techniques.

Perceived Awareness about financial and non-financial measures to measure business performance:

Out of six financial performance measures respondent are aware about sales growth (50.31%), operating income & sales growth (39.39%), operating income (26.67%) and ROI (24.24%). Among the non-financial performance measures, out of eight techniques very minimum number of respondents are aware about only two techniques, which are customer complaints and defect rate.

Perceived Awareness about MAPs for decision making:

Information tools used for decision making are collected through fifth set of MAPs, very negligible portion of respondents are aware (or not aware at all) of these techniques and considered these as perceived to be important.

Perceived Awareness about strategic management accounting techniques:

Management accounting tools and techniques used for strategic analysis of business, here also result shows that very negligible portion of respondents are aware (not aware at all) about these tools and techniques of strategic analysis.

Findings on research objective number -2:

Uses of financial accounting tools and techniques:

Most of the respondents make less use of these tools and techniques. Debtors book is the most used books of accounts (50%), followed by creditors book (48.18%), profit & loss account (23.03%), and balance sheet (19.70%). Cash flow analysis is the least preferred techniques among owners/managers of the responding MSMEs of Tripura.

Uses of accounting information to monitor/track financial performance:

Financial accounting tools and techniques that majority of the responding MSMEs in Tripura are making very less use of the above mentioned tools to monitor/track financial performance for their firms. Cash and bank balance (5.16%) is the most used tools for this purpose followed by profit & loss account (4.85%) and balance sheet (4.55%).

Uses of Accounting Ratios:

There are very minimum number of users for accounting ratios for analysing their financial results among the responding MSMEs of Tripura. In other words it can be interpreted that respondents do not consider accounting ratios as an information base for taking future decisions of MSMEs in Tripura.

Uses of costing techniques:

There are very low user for cost collection techniques and costing system among the responding MSMEs of Tripura. Majority of the respondents do not consider these cost collection techniques as well as costing system as important tools for running their small business. Traditional absorption costing has been considered as the best system for cost accounting by the respondents (though response rate is very poor). For other techniques literally there are no user among the responding MSMEs except medium scale enterprises.

Uses of budgeting techniques:

There are very low user for any form of budgeting system among the responding MSMEs of Tripura. Majority of the respondents do not consider these various forms of budget as important tools for controlling their business activities. Annual budget, production budget, sales budget and purchase budget are among the preferred budget (though response rate is very poor) of responding MSMEs of Tripura. There are lack of preferences among the surveyed respondents of MSMEs of Tripura for new techniques of budgeting like activity-based budgeting, incremental budgeting, zero-based budgeting and budgeting for long term plans.

Uses of financial and non-financial measures to measure business performance:

Very minimum number of respondents have adopted any techniques from both financial measures and non-financial measures. Though there are minimum adoption rate of performance evaluation techniques, dominance of financial measures over non-financial measures has been observed. Sales from the financial measures and number of customer complaints from non-financial measures are among the most preferred techniques of surveyed MSMEs of Tripura.

Uses of MAPs for decision making:

Almost there are no user of management accounting tools and techniques for decision making purposes among the surveyed MSMEs of Tripura. Reason may be either infrastructure required for applying these techniques not prevailed within the surveyed firms or all these techniques are not required for taking any short run (or long run) decisions for the mix of firms selected for survey.

Uses of strategic management accounting techniques:

Usage rate of *strategic management accounting techniques* are very poor (or zero usage rate) among the surveyed MSMEs of Tripura. From a series of interview with the respondents researcher came to know that above mentioned tools are not likely to serve any purpose for them. They thought that, either kind of business (micro and small) they are dealing with is not suitable for these techniques to apply or they don't have such type of professional person who can apply these techniques.

Findings on research objective number -3:

Usage of financial accounting tools and techniques and their impact on survival and growth of MSMEs:

There are strong positive correlation between cash book and sales book with sales growth rate and operating profit growth rate. There are moderate positive correlation of purchase book and expenses book with every five variables consider for perceptions of firm performance. Sales has a moderate correlation with level of productivity, product quality and cash flow growth rate. Positive moderate correlation observed between provisions for depreciation and sales growth rate and also with operating profit growth rate. Fixed asset register has the positive moderate correlation with operating profit growth rate. Stock book for materials has the moderate positive correlation with all the variables consider for perceptions of firm performance except operating profit growth rate, which has strong correlation with stock book for materials. Debtors' book has the moderate correlation with Product quality. Creditors' book has the positive moderate correlation with product quality and operating profit growth rate. There are moderate positive correlation between Profit & Loss Account and operating profit growth rate.

Balance sheet has the moderate positive correlations with sales growth rate and operating profit growth rate. Cash flow analysis has moderate correlation only with level of productivity. Finally, computer for recording business transactions has the moderate positive correlation with level of productivity, sales growth rate and operating profit growth rate.

Usage of financial accounting tools and techniques for tracking financial performance and their impact on survival and growth of MSMEs:

There are strong positive correlation between Cash & bank balance and Profit & Loss account as a financial performance tracker with sales growth rate and operating profit growth rate. There are moderate positive correlation of cash & bank balance with level of productivity, product quality and Cash flow growth rate. Balance sheet has a moderate correlation with sales growth rate and operating profit growth rate. Results also shows a moderate and positive correlation between cash flow analysis and level of productivity. Finally, trend analysis has the moderate positive correlation with level of productivity. For the remaining variables either there are weak or very weak correlation among the variables.

Usage of accounting ratios and their impact on survival and growth of MSMEs:

It is observed that there are strong positive correlation between operating profit ratio with all the five parameters consider for this test namely with level of productivity, product quality, sales growth rate, operating profit growth rate and cash flow growth rate. Gross profit ratio shows strong positive correlation with level of productivity, product quality and cash flow growth rate. There are moderate positive correlation of net profit before and after tax with all the parameters consider for perceptions of firm performance. Average payment period has a moderate and positive correlation with level of productivity, product quality and cash flow growth rate. Results showing a moderate and positive correlation of gross profit ratio with sales growth rate and operating profit growth rate. Similarly, average collection period has a moderate and positive correlation with product quality and cash flow growth rate. Finally, current ratio has the moderate positive correlation with sales growth rate. For the remaining ratios either there are weak or very weak correlation with the variables consider for perceptions of firm performance.

Usage of cost collection techniques and their impact on survival and growth of MSMEs:

Only batch costing has the moderate positive correlation with level of productivity and cash flow growth rate. For the remaining cases either there are weak or very weak correlation among the remaining variables.

Usage of costing techniques and their impact on survival and growth of MSMEs:

Not even a single technique under costing techniques has got a strong or moderate correlation with any variables considered for perceptions of firm performance. All the items under costing techniques either there are weak or very weak correlation among the variables.

Usage of budgeting techniques and their impact on survival and growth of MSMEs:

There is only one positive strong correlation, which is between the annual budget and sales growth rate. Production budget moderately correlated with all the variables considered for perceptions of firm performance. Moderate correlation coefficient has been observed for sales budget with level of productivity, product quality, sales growth rate and operating profit growth rate. Annual budget also moderately correlated with level of productivity, product quality, operating profit growth rate and cash flow growth rate. Similarly, purchase budget moderately correlated with level of productivity.

Usage of performance evaluation techniques and their impact on survival and growth of MSMEs:

It has been observed that among the financial performance measures operating income and sales growth has strong correlation with product quality and operating profit growth rate respectively. Among the non-financial performance measures only defect rate has its strong correlation with cash flow growth rate. Return on investment is moderately correlated with level of productivity, product quality, sales growth rate and operating profit growth rate. Among other financial measures, operating income is moderately correlated with level of productivity, sales growth rate and operating profit growth rate. Sales growth rate is moderately correlated with product quality, sales growth rate and

cash flow growth rate. Operating income and sales growth is moderately correlated with sales growth rate and operating profit growth rate. Among the non-financial measures only on-time delivery is moderately correlated with level of productivity.

Usage of decision making techniques and their impact on survival and growth of MSMEs:

None of the business decision making technique (or techniques), used for business decision making are strongly or moderately correlated with any variables consider for measuring perceptions of firm performance.

Usage of strategic analysis techniques and their impact on survival and growth of MSMEs:

Here also, none of the technique (or techniques), used for strategic business analysis are strongly or moderately correlated with any variables consider for measuring perceptions of firm performance.

Result of Hypothesis number-1(H₁):

H₁: There is a low level of awareness about the tools and techniques of accounting system among the owner/ manager of MSMEs.

Nine sub-hypotheses (H₁₋₁ to H₁₋₉) were developed to show in details the perceived awareness level about the financial and management accounting tools and techniques summary of results has been discussed in the following sections:

H₁₋₁: There is a low level of awareness about the financial accounting tools and techniques among the owner/ manager of MSMEs.

For cash book, sales book, debtors book creditors book, profit and loss account and balance sheet null hypothesis has been rejected which indicates responding MSMEs are well aware about these techniques. For the remaining techniques awareness level is not up to the mark for that reason null hypothesis accepted for all remaining techniques.

H₁₋₂: There is a low level of awareness about the financial accounting tools and techniques used to monitor/track financial performance and profitability among the owner/ manager of MSMEs.

For Cash and bank balance and Profit and Loss account null hypothesis has been rejected which implies respondents are well aware about these two techniques. For the remaining techniques null hypothesis has been accepted which indicates respondents not aware for the remaining techniques.

H₁₋₃: There is a low level of awareness about the accounting ratios among the owner/ manager of MSMEs.

For all the ratios null hypothesis has been accepted which indicates respondents are not aware about these ratios, which can be used for their business performance analysis.

H₁₋₄: There is a low level of awareness about the Cost collection techniques among the owner/ manager of MSMEs.

As the test result for all the techniques of cost collection method accepted the null hypothesis which indicates respondents are not aware about all these techniques of cost collection methods.

H₁₋₅: There is a low level of awareness about the costing system among the owner/ manager of MSMEs.

For all the costing techniques accepted the null hypothesis which indicates respondents are not aware about all these costing techniques. They even do not know the utility or importance of these techniques for their business

H₁₋₆: There is a low level of awareness about the budgeting system among the owner/ manager of MSMEs.

Test result of all these budgeting techniques indicates acceptance of null hypothesis, which in turn implies that responding MSMEs of Tripura are not aware about all these budgeting techniques.

H₁₋₇: There is a low level of awareness about the Performance evaluation system among the owner/ manager of MSMEs.

Except sales growth rate, test result of all the other performance evaluation techniques null hypothesis has been accepted. From this reason it can be concluded that other than

sales growth rate respondents of Tripura are not aware about all these techniques of performance evaluation system.

H₁₋₈: There is a low level of awareness about the Information used for decision making among the owner/ manager of MSMEs.

For all the decision making tools and techniques null hypothesis has been accepted, which indicates non-awareness of the respondents about these tools and techniques of information used for decision making.

H₁₋₉: There is a low level of awareness about the Use of management accounting for strategic analysis among the owner/ manager of MSMEs.

All the decision making tools and techniques null hypothesis has been accepted, which indicates non-awareness of the respondents of Tripura about these tools and techniques used for strategic decision making.

Result of Hypothesis number-2(H₂):

H₂: There is a lack of synergy in the application of Financial and Management accounting tools and techniques among the MSMEs.

The following nine sub-hypotheses (H₂₋₁ to H₂₋₉) has been consider separately to show in details about the usage of different financial and management accounting tools and techniques. Which has discussed in the following sections:

H₂₋₁: There is a lack of synergy in the application of financial accounting tools and techniques among the MSMEs.

Test result for debtors book about the usage of this technique becomes a tie value, which indicates half of the respondents are aware about this technique and the remaining half are not aware. Other than creditors book test result for all the techniques of financial accounting accepted the null hypothesis, which indicates non usage (or very minimum usage) of above financial accounting techniques by the respondents.

H₂₋₂: There is a lack of synergy in the application of financial accounting tools and techniques used to monitor/track financial performance and profitability among the MSMEs

For all the techniques of financial accounting tools and techniques used to monitor/track financial performance and profitability null hypothesis has been accepted, which indicates respondents are not using (or very minimum usage) these techniques for tracking their financial performance.

H₂₋₃: There is a lack of synergy in the application of accounting ratios among the MSMEs.

For all the ratios null hypothesis has been accepted, which indicates respondents are not using (or very minimum usage) these techniques for their business performance analysis.

H₂₋₄: There is a lack of synergy in the application of Cost collection techniques among the MSMEs.

Test result for all the cost collection techniques, null hypothesis has been accepted for every case, concluded that respondents are not using (or very minimum usage) any cost collection techniques for their business.

H₂₋₅: There is a lack of synergy in the application of costing system among the MSMEs.

Test result for all the costing techniques, accepted the null hypothesis, concluded that respondents are not using (or very minimum usage) any costing techniques for their business.

H₂₋₆: There is a lack of synergy in the application of budgeting system among the MSMEs.

Due to very minimum usage or non-usage of budgeting techniques by the responding MSMEs of Tripura, null hypothesis has been accepted for each and every techniques.

H₂₋₇: There is a lack of synergy in the application of Performance evaluation system among the MSMEs.

For all the performance evaluation techniques, hypothesis test result for every techniques accepted the null hypothesis. Which indicates very poor usage (or no usage) of these techniques by the respondents of Tripura.

H₂₋₈: There is a lack of synergy in the application of Information used for decision making among the MSMEs.

For every techniques of decision making information, hypothesis test result accepted the null hypothesis which in turn implies that either non-usage or very minimum usage of information for decision making by the responding MSMEs of Tripura.

H₂₋₉: There is a lack of synergy in the application of Use of management accounting for strategic analysis among the MSMEs.

For every techniques of strategic analysis hypothesis test result accepted the null hypothesis which in turn implies that either non-usage or very minimum usage of strategic decision making techniques by the responding MSMEs of Tripura

Result of Hypothesis number-3(H₃):

H₃: “There is no impact of uses of accounting tools and techniques on the growth and survival of MSMEs of Tripura.”

The following nine sub-hypotheses (H₃₋₁ to H₃₋₉) has been consider separately to show in details about the impact of uses of accounting tools and techniques on the growth and survival of MSMEs of Tripura. Which has discussed in the following sections:

H₃₋₁: There is no impact of uses of financial accounting tools and techniques on the growth and survival of MSMEs of Tripura.

Cash book, sales book, purchase book, expenses book, stock book for materials, debtors book, creditors book, Profit & Loss account and computer for recording transactions has the positive impact with all the five parameters consider for perceptions of firm performance as a consequences of these results researcher rejected the null hypothesis. For provision for depreciation, fixed asset register and balance sheet there is an impact of these three tools and techniques on survival and growth of MSMEs from the perceptions of firm performance for any four variables out of five variables consider for this test. Finally, in the case of cash flow analysis there is an impact on survival and growth of MSMEs from the perceptions of firm performance for any three variables out of five variables consider for this test.

H₃₋₂: There is no impact of uses of financial accounting tools and techniques used to monitor/track financial performance and profitability on the growth and survival of MSMEs of Tripura.

Cash and bank balance and profit and loss account has the positive impact with all the five parameters consider for perceptions of firm performance for that reason researcher rejected the null hypothesis. For balance sheet and cash flow analysis there is an impact as a tracking tools on survival and growth of MSMEs from the perceptions of firm performance for any three variables out of five variables consider for this test. For comparative financial statement analysis and trend analysis there is an impact as a tracking tools on survival and growth of MSMEs from the perceptions of firm performance for any two variables out of five variables consider for this test. Finally, for fund flow analysis there is no impact on survival and growth of MSMEs from the perceptions of firm performance.

H₃₋₃: There is no impact of uses of accounting ratios on the growth and survival of MSMEs of Tripura.

Gross profit ratio, operating profit ratio, net profit before and after tax and average payment period has the positive impact with all the five parameters consider for perceptions of firm performance, as a consequences of these researcher rejected the null hypothesis and concluded that there is an impact of above ratios on survival and growth of MSMEs from the perceptions of firm performance. Average collection period has an impact on four parameters of survival and growth of MSMEs from the perceptions of firm performance, namely with product quality, sales growth rate, operating profit growth rate and with cash flow growth rate. Here also researcher rejected the null hypothesis for the respective cases. Current ratio has its impact on three parameters out of five parameters consider for perceptions of firm performance that's why researcher rejected the null hypothesis for the respective cases. Return on equity, return on capital employed and acid test ratio has its impact on any two parameters out of five parameters consider for perceptions of firm performance, for that reason researcher rejected the null hypothesis for their respective cases. Finally, in the case of circulation of working capital there is an impact on survival and growth of MSMEs from the perceptions of firm performance on cash flow growth rate, here also researcher rejected the null hypothesis for this case.

H₃₋₄: There is no impact of uses of Cost collection techniques on the growth and survival of MSMEs of Tripura.

Batch costing has its impact on three parameters of perceptions of firm performance namely on sales growth rate, operating profit growth rate and on cash flow growth rate. As a result of this null hypothesis has been rejected for the respective cases of batch costing. For the remaining cost collection techniques, researcher accepted null hypothesis for every cases of perceptions of firm performance and concluded that there is no impact of remaining cost collection techniques on the growth and survival of MSMEs of Tripura.

H₃₋₅: There is no impact of uses of costing system on the growth and survival of MSMEs of Tripura.

Absorption costing has its impact on sales growth rate and operating profit growth rate, as a result of this null hypothesis has been rejected for the respective cases of absorption costing. Variable costing has its impact on product quality and cost of quality has its impact on level of productivity because of this null hypothesis has been rejected. For the remaining costing techniques, researcher accepted null hypothesis for every cases of perceptions of firm performance and concluded that there is no impact of remaining costing techniques on the growth and survival of MSMEs of Tripura.

H₃₋₆: There is no impact of uses of budgeting techniques on the growth and survival of MSMEs of Tripura.

Sales budget, purchase budget, production budget and annual budget showing the positive impact with all the five parameters consider for perceptions of firm performance. As a consequences of these researcher rejected the null hypothesis and concluded that there is an impact of above budgeting techniques on the survival and growth of MSMEs from the perceptions of firm performance. For cash flow budget, monthly budget, flexible budget, budgeting for planning and budgeting for controlling cost no impact on perceptions of firm performance has been observed, as a result of this null hypothesis has been accepted.

H₃₋₇: There is no impact of uses of Performance Evaluation System on the growth and survival of MSMEs of Tripura.

Among the financial measures sales growth has a positive impact with all the five variables consider for perceptions of firm performance, for this reason null hypothesis has rejected for every respective cases. Operating income and return on investment has an impact on survival and growth of MSMEs from the perceptions of firm performance for any four variables out of five variables consider for this test, here also researcher rejected the null hypothesis for the respective cases. Return on investment got a tie value with cash flow growth rate and for this reason no conclusion can be made about any impact of this performance evaluation technique on cash flow growth rate. Operating income and sales growth has an impact on product quality, sales growth rate and operating profit growth rate, again researcher rejected the null hypothesis for the respective cases. Variance analysis has an impact on sales growth rate and on operating profit growth rate, as a result of this researcher rejected the null hypothesis for the respective cases. Finally among the financial measures, cash flow has got the positive impact with level of productivity and for this particular case null hypothesis has been rejected.

Among the non-financial performance measures defect rate has a positive impact on with all the five variables consider for perceptions of firm performance, because of this null hypothesis has been rejected for every five parameters. For number of customer complaints, there are positive impact with product quality, operating profit growth rate and cash flow growth rate, here again null hypothesis rejected. For the remaining techniques of financial and non-financial measures there is no impact on survival and growth of MSMEs from the perceptions of firm performance.

H₃₋₈: There is no impact of uses of decision making information techniques on the growth and survival of MSMEs of Tripura.

There is no impact of any decision making information techniques on any variables of perceptions of firm, as a result of this null hypothesis has been accepted for every cases and concluded that there is no impact of decision making information techniques on the survival and growth of MSMEs from the perceptions of firm performance.

H₃₋₉: There is no impact of uses of strategic analysis tools and techniques on the growth and survival of MSMEs of Tripura.

There is no impact of any strategic analysis tools and techniques on any variables of perceptions of firm performance As a result of this null hypothesis has been accepted

for every cases and concluded that there is no impact of strategic analysis tools and techniques on the survival and growth of MSMEs from the perceptions of firm performance.