



APPLICATION OF ACCOUNTING INFORMATION SYSTEM IN PERFORMANCE ENHANCEMENT OF ORGANIZATION

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ABSTRACT

In the current globalized business economy, numerous small and medium-sized enterprises (SMEs) battle for survival. There are numerous explanations behind the intermittence of business among SMEs other than quickly changing market conditions. This incorporate absence of sufficient working capital, poor management expertise and insufficient utilization of basic business and management rehearses. The utilization of management rehearses which can give significant information to the management is fundamental to guarantee the viability and effectiveness of the business. To enhance the performance of organization the Accounting Information Systems (AIS) is used by the Small and Medium Sized Enterprises (SMEs) in India, and firms' enhanced execution pointers and profitability, This observational investigation depends on a review did among small and medium-sized firms to find out the degree to which advancement and usage of accounting information systems had occurred, and in this manner an examination was made concerning how much this presentation may affect on change in result markers and efficiency. As fascinating outcomes we have discovered that there is a positive relationship among the SMEs that utilization AIS for monetary and bank management and better execution measures that ought to be used by the SMEs. This claim is that effective information-handling assumes a fundamental part in fruitful smaller enterprises. In this paper we will learn about the viability of accounting information management systems in execution improvement of the SMEs Organizations.

1. INTRODUCTION



Small and Medium Enterprises (SMEs) have become a topical subject among management and additionally research practitioners everywhere throughout the world and, this has led to a proliferation of research interests centered on SMEs. As indicated by *Van-Scheers and Makhitha (2016)* the aggregate number of SMEs in India is a little more than 2 million and they contribute between 52 and 57% to country's GDP and provide around 61% to employment. A previous report conducted by Forie (2015) indicated that the Indian SME industry represents 91% of formal businesses and, that these SMEs contribute

up to 57% to the Indian GDP. Nyman, Kennon, Schutte and Von Leipzig (2014) likewise agree that SMEs contribute considerably to the national GDP and to private sector employment [1].

Love and Roper, (2013) likewise agree that SMEs assume an essential role in economic development as they have been the principle source of employment generation and yield development, both in developing and in developed countries. SMEs are additionally the fastest developing segment of most economies and are perceived to be more flexible and adaptable in terms of structure and speed of response than larger associations. Besides the commitments which SMEs make to the economy, SMEs are engaged in accounting [2].

Amoako (2013) calls attention to those accounting information users in SMEs is on the increase and the nature of accounting information utilized inside the SME has a positive relationship with an entity's performance and also survival. Several studies indicate that privately-owned companies tend to use accounting and money related information for decision-production less than non-privately-owned companies [3].

However, it is likewise imperative to mention that, inside the Indian context, there is dearth of research studies that have shed light on the effect of management accounting practices on the business performance of Small and Medium Enterprises in India. Previous researchers in India have examined SMEs in different contexts by concentrating on why SMEs make strides toward environmental friendliness; the effectiveness of E-commerce among SMEs in Polokwane, India; barriers to effective inventory network management and implementation, and the effect on business performance of SMEs in India; the effect of entrepreneurial orientation on access to debt finance and performance of SMEs in India; a literature review of small and medium enterprises (SME) hazard management practices in India; enterprise resource arranging in assembling SMEs in the Vaal Triangle.



In light of the above hole the researcher is convinced that there dearth in studies that have investigated the effect of management accounting practices on the business performance of Small and Medium Enterprises in India, Hence the need for the current empirical examination. Moreover, it is additionally essential to mention that, there is limited literature that focuses on management accounting practices as predictor variables of business performance. Therefore, it is the point of this paper to remedy this absence of research by investigating the effect of management accounting practices on the business performance of Small and Medium Enterprises in India.

2. ACCOUNTING INFORMATION SYSTEMS (AIS)

The role of accounting information systems was summaries according are a system that operate functions of data gathering, processing, categorizing, and reporting financial events with the aims of providing relevant information for the purpose of storing information keeping inventories records and decision making, and also provides financial report on a daily and weekly basis. This study have shown that successful implementation of accounting information systems has benefits, improvement in work qualities, improved flow of product, improved flexibility, multifunctional ability, motivation of using software application, problem solving capability of employees, increased productivity and performance in terms of production cost, and finally increased emphasis on suppliers integration. All these mentions make accounting information systems so unique and advantageous in use [4].

3. SMALL AND MEDIUM BUSINESS IN INDIA

In excess of 3.2 million units are spread everywhere throughout the nation creating around 8000 things, from extremely fundamental to profoundly complex items. The SMEs are the greatest employment-giving parts after agribusiness, giving employment to 29.4 million individuals. It is assessed that SMEs represent very nearly 90% of mechanical units in India and 40% of significant worth expansion in the assembling division. Small industry has been one of the major boards of India's monetary advancement methodology since Independence. The small scale portion is a sign of India's financial improvement display what's more, has met with the nation's long haul desires as far as commitment to Gross domestic product, modern base, employment and fares. This portion shapes a noteworthy part of India's modern base. Small enterprises in India have come up in an impromptu, uncontrolled and aimless way. They have risen anyplace furthermore, wherever – nearer to the area of assets and markets, in groups and in addition in a scattered way, in mechanical, commercial and neighborhoods [5].



3.1 Accounting and Financial Information

The Financial Management of the Small Enterprise emphasized the basic conviction that better money related information implies better control and higher possibility of achievement. Accounting information will be information given by bookkeepers and accounting systems. This information is typically introduced in budgetary proclamations, for example, the pay explanation and the asset report. It additionally incorporates any money related proportions extricated from these monetary articulations [6].

Accounting systems are in charge of investigating and observing the money related state of firms, readiness of reports important for impose purposes, giving information to help the numerous other hierarchical capacities, for example, creation, advertising, human asset administration, and vital arranging. Without such a system it will be exceptionally troublesome for SMEs to decide performance, distinguish customer and provider account adjusts and figure future performance of the association. The basic role of an accounting information system (AIS) is the accumulation and recording of information and information in regards to occasions that have a monetary effect upon associations and the upkeep, handling and correspondence of such information to interior and outside stakeholders.

3.2 Accounting practices and financial reporting of SMEs

The progressions that happened in business condition have prompted an expanding number of information to be handled, produced and conveyed. In this manner, the basic part is the nature of information delivered by the business itself which will be utilized as a part of settling on business choices. Accounting systems give a wellspring of information to proprietors and managers of SMEs working in any industry for use in the estimation of money related execution. In any sense, profit can comparably be seen as the life-blood of a business and henceforth the accounting bases, ideas and standards embraced should catch and report all the important accounting information to guarantee unwavering quality in its estimation [7].

4. RESEARCH METHODOLOGY

The study is based on accounting information system and its applications in SMEs in India all over the world. So for the present study we considered 150 SMEs as a sample. So the sample size is as follow:



Table 1: Profile of Size Characteristics (Number of employees)

Number of employees	Number of firms	Percentage (%)
1-30	86	52
31-60	39	36
61-100	25	12
Total	150	100

5. FINDINGS & DISCUSSION ON ACCOUNTING APPLICATIONS

5.1 Accounting and Financial Information

Proficient financial supervisors choose not to move on and show in order to foresee the future and for appropriate assessment and examination of financial exercises. To accomplish this point, legitimate book-keeping stays basic. It is similarly recognized by their tendency; the SMEs important academic and accounting foundations are required to impact the achievement or generally of this basic capacity.

Table 2: Factors inhibiting the preparation of monthly management accounts

Inhibiting factors	Frequency	Percentage (%)
internal accounting staff is limited	77	57
Unable to understand Accounting reports	96	70
Unable to maintain expensive expert accountants	113	85
business size is small	59	42
Value is not added in Accounting reports	41	32
paying taxes is not paid on time	71	51

Table 2 indicates factors that may keep the arrangement of month to month management accounts:

- Qualified accountants excessively costly, making it impossible to keep up (85%). To these respondents they are frightened by the consultancy expenses qualified accountants charge their customers. The qualified accountants likewise whine that these little and medium firms have poor installment culture, regardless of the way that they invest a great deal of energy with regards to the examining of little organizations.
- Accounting record excessively troublesome, making it impossible to comprehend (70%). The absence of accounting learning with respect to proprietor/supervisors account for this circumstance.



- Lack of inward accounting staff (57%). The failure of these little and medium firms to pay great compensations to their representatives makes it exceptionally hard to draw in qualified accounting staff. The absence of inward accounting staff as a hindering component for the act of sound financial management framework teams up with the past discoveries.

5.2 Accounting Knowledge and Usage

Table 3 Accounting records kept by SMEs

SMEs	Purchases day (order) book	Sales day (receipt) book	Expenditure (bills) book	Payroll records	Asset register
Retail Outlets	42	47	20	39	20
Production/Manufacturing	20	42	21	10	23
Other services	27	15	19	14	6
Total	95	95	56	61	53
Percentage (%)	71	73	46	47	36
Ranking	4	3	5	5	7

Table 3 demonstrates that the sales day (receipt) book positioned most elevated with 73 % and the buys day (order) book positioned second with 95%. The finance records book positioned third with 46%, the consumption (charges) book positioned fourth and the benefit enlist book positioning last (fifth) with 39 %. The greater part of the SMEs in the retail shops business kept sales day (receipts) books and the vast majority of the SMEs in the assembling area (25 out of 30) kept resource registers.

Table 4: Financial statements prepared by SMEs

SMEs	Statement of income	Statement of financial position	Statement of cash flows	Statement of changes in equity	None
Retail Outlets	17	9	6	8	35
Production/Manufacturing	14	7	2	8	9
Other services	12	6	3	7	15
Total	43	21	11	21	56
Percentage (%)	33	13	9	15	42
frequency	4	5	4	4	2

Table 4 demonstrates that the statement of income positioned most noteworthy with thirty percent and the statement of changes in value positioned second with 33%. What's more, 42 percent of the



SMEs did not set up any financial statement or record. The statement of financial Position positioned forward with 15percent and the statement of money streams positioned fifth with 7%.

Table 5: Reasons given for calculating profit

Reasons	Percentage responses
Purposes of Tax	35
sharing of Profit	25
Financial reporting	29
Other	21
Total	100

As per the inquiries on the reasons why SMEs arranged the financial information. Table 5 demonstrates that the most vital explanation behind planning financial information is for the sole reason for charge.

Table 6: Challenges faced by SMEs

Challenges	Percentage responses
accounting knowledge is low	44
Cost and time	28
Low guidance of accounting rules	26
Other	12
Total	100

Table 6 demonstrates that the larger part of SMEs (44%) credited the difficulties they looked in keeping appropriate accounting records to absence of accounting learning, 28% of SMEs showed cost and time imperatives as difficulties while 26 % referred to absence of rules or particular accounting controls for SMEs as adding to challenges they looked in keeping legitimate accounting records. 12 % of the SMEs referred to different difficulties.

6. CONCLUSION

Here we reasoned that that small scale entrepreneur's view money related records as important malevolence with no unmistakable advantage, requested by government for motivations behind removing tax. Therefore, these undertakings see keeping of money related records as exercise in futility. This presumably accounts for the general inclination by these undertakings to utilize the single passage arrangement of accounting. It is noticed the inability to utilize accounting records



by small scale endeavors because of their convictions that record keeping requires significant investment, their aversion for figures and absence of learning as the kind of information required and how to gather them.

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