



## **Impact of Demographic Factors on the Knowledge of Accounting Practices: A Study on the Micro Enterprises in Lunglei, Mizoram**

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### ***Abstract***

*Accounting is paramount in any business, even the smallest business needs to follow the accounting practices. The present study is undertaken to examine the impact of demographic factors on the awareness and adoption of accounting practices among the micro enterprises in Lunglei. The sample comprised of 60 micro enterprises, 30 each operating in manufacturing unit and servicing unit. A structured questionnaire was developed to collect primary data from the respondents which were presented in frequency tables and percentages. The results of the findings indicated that some demographic factors do have an impact on the respondent's level of awareness of accounting practices.*

**Keywords:** *Entrepreneurship, Accounting Practices, Micro Enterprises, Demographics.*

### **Introduction**

The socio-economic milieu plays an important role in the origination and development of entrepreneurs as they are embedded in socio-economic systems (Cross and Morales, 2007). Entrepreneurship promotion and development have been identified among one of the key components for economic development strategies of a nation. Entrepreneurial resource has been deemed a crucial input in the process of this economic development. Entrepreneurship among both male and female is a recent phenomenon. In a developing country like India, a favorable socio-economic environment could help in exploiting the latent entrepreneurial talents. However, the unfavorable conditions often hinder the emergence of such entrepreneurial talents. Despite these situational constraints, today more and more people are entering the field of entrepreneurship in India including Mizoram. The

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entrepreneurial behaviour and enterprise management among the people are supported and sustained by the growth of enterprise involvement by the demographic and environmental factors among the respondents. Such information is expected to provide for a mechanism to identify the people who have the potential and plan appropriate training programmes to develop their potential further.

Small scale entities are said to be the stimulant for the development and expansion of a country's economic condition and have dominated the industrial sectors of developed and undeveloped countries. The Micro, Small and Medium Enterprises (MSME) sector promotes job creation, exports of the country and manufacturing of goods. Prasad (2001) summarized that by promoting the growth of small business entities, the productive sector of the economy would broaden, revenue collected by means of tax would increase and on the larger scale it would help in reduction of poverty as employment opportunities would be generated. MSME sector is estimated to generate employment to about 11.10 crore people throughout the country. Moreover, the sector has the highest growth rate among the entire industrial sector. The uniqueness of micro business calls for careful consideration in the design of accounting systems. Micro enterprises are a vast majority of businesses found in variety of primary and intermediate production of the economy. These establishments have tremendous impact on the state and well-being of the nation in employment generation, as sources of national outputs and revenues, providing feedstock for large corporations. They may be unable to afford the complexities of a detailed accounting system but their accounting process is quite profound. Every business needs to have a reliable accounting practice and internal control systems regardless of its scale of operations. Numerous small-scale businesses are unable to understand the complexities of a detailed accounting system henceforth they follow single entry system of booking and in some cases, they have incomplete records. As observed by Wood (1979), many small businesses can obtain all the information they need by merely maintaining a cashbook and having some type of records, not necessarily in double entry system.

The studies of Dyt and Halabi (2007) revealed that the main challenge faced by the business owner of micro enterprises is mostly their inability to keep adequate accounting records to aid them in their decision-making. They further indicated that majority of micro businesses depend more heavily on manual methods or they hold their business traditionally, while small businesses are more likely to adopt computerized method. Other researcher like Amoako (2013) stated that small and micro enterprises failed to maintain proper accounting records as the need to have proper accounting record is not felt by the proprietors or owners as they are not aware about the advantages of the same and find it needless to seek professional advice because the cost associated with it is too expensive. As per Pasha (2017) SMEs in Ethiopia often face problems with regard to recording their daily transactions. This is due to the fact that most of the SMEs operators do not know how to maintain such records in a simple and easy manner. An inadequate accounting system is a prime factor for failures in small business failures. Accounting contributed a significant part in the success/failure of an entity as it documents, interprets and evaluates the performance of business entities. It also helps in maintaining the documents for filing of tax and project information for interested

outside parties. Accounting systems supply information to the owners and managers of small and micro enterprises for measuring their financial performance.

### **Review of Literature**

An intensive literature review is undertaken to familiarize with the financial accounting practices, to identify the research problem and to develop appropriate methodology. Both relevant Indian and International research works are reviewed here:

Abor & Quartey, (2010) bemoaned that even though majority of SME owner/managers did not have adequate accounting knowledge; they failed to seek professional advice on technical challenges and rather tend to take crucial financial decisions themselves. Maseko & Manyani (2011) established that majority of the micro and small enterprises failed to hold proper accounting records as they lack knowledge and technical skills about the same and are not inclined to hire a professional due to the cost assigned with it. His study highlighted that the use of accounts by the SMEs results in ineffective utilization of accounting information to support financial performance measurement. Mwangi (2011) in his study revealed that small and micro enterprises have an unrecorded accounting system. He also states that the existence of informal trade in which small and micro enterprises prosper cannot be dismissed as transitory. Nikhil, Brajesh & Safiqul (2017) reported that the implications from their study is that there is a gap between the theory of accounting and actual use of accounting tools for managing small business by the owners/managers of MSMEs in Tripura. Priskil & Fanai (2018) stated that the food and grocery shop owners of Mizoram do not go beyond basic products of banking services such as savings bank account, withdrawing and depositing cash, passbook, cheque book, ATM cards. They do not have proper records of their business transactions and therefore cannot determine their net profit. Gebremedihin (2019) stated that the micro enterprises in Sodo town, Ethiopia have recognized the importance of accounting practices for the growth of enterprises but failed to implement it. The reasons are lack of skills to handle asset and liability to prepare financial statements, distrustful attitude of owner, cost of hiring and fear of tax.

### **Objectives**

- a) To study the demographic profile of select micro enterprises in Lunglei, Mizoram.
- b) To study the familiarity of accounting practices among the micro enterprises in Lunglei, Mizoram.

### **Hypotheses**

H<sub>01</sub>: Gender of the respondents and awareness of accounting practices of micro enterprises are not significantly associated.

H<sub>02</sub>: Age group of the respondents and awareness of accounting practices of micro enterprises are not significantly associated.

H<sub>03</sub>: Educational qualification of the respondents and awareness of accounting practices are not significantly associated.

## Methodology

For the purpose of the study, primary data and secondary data were collected. A structured questionnaire with open ended and close ended questions was developed to collect primary data for this research. Secondary data were collected from journals, books, newspapers, published and unpublished thesis and dissertations, reports and websites. The present study uses purposive sampling method selecting a total number of 60 respondents, 30 respondents each from manufacturing unit and services unit. Micro enterprises which are in existence of at least 3 years or more were selected as samples. The Statistical Package for Social Sciences (SPSS) version, 22.0 and Microsoft Excel were used to analyze data and presented in frequency tables and percentages. For testing the formulated hypotheses of the study independent sample t-test and Chi-square test were employed.

## Results and Discussions

### *Demographic and Socio-economic Profile of the Respondents*

Table 1 indicates the demographic and socio-economic profile of the respondents.

Table 1: Demographic characteristics and socio-economic profile of the respondents

Variable	Description	No. of Respondents	Percentage
Gender	Male	36	60
	Female	24	40
Age group	25-35	7	11.7
	36-45	15	25
	46-60	35	58.3
	Above 60	3	5
Marital Status	Married	50	83.3
	Unmarried	4	6.7
	Widowed/Widower	6	10
Educational Qualification	Matriculation	31	51.7
	Higher Secondary	15	25
	Under Graduate	12	20
	Post Graduate	2	3.3
Form of Organization	Sole Proprietor	27	45
	Joint Family	31	51.7
	Partnership	1	1.7
	Cooperative	1	1.6
Annual Income	Below 5 lakhs	3	5
	5-10 lakhs	8	13.3
	10-20 lakhs	15	25
	20-25 lakhs	3	5
	Above 25 lakhs	31	51.7

Source: Primary Data

With regard to the gender composition among the entrepreneurs, it was found that 60 percent of the micro enterprises were owned by male entrepreneurs and the remaining 40 percent were female entrepreneurs. 58.3% of the respondents are in the age group of 45 to 60 years. 25% of the respondents are in the age group of 35 to 45 years and 11.7% respondents belong to the age group of 25 to 35 years. The age group above 60 years constitutes 5% with the least number of respondents. The study also revealed that 83.3% of the entrepreneurs were married. Only 6.7% were unmarried and 10% female entrepreneurs were widow/widower. 51.7% respondents are matriculates, followed by 25% respondents passing higher secondary. The under graduates constitute 20% respondents and only 3.3% respondents are post graduates. It is also observed that 51.7% respondents are in joint family business. There are 45% respondents who are sole proprietors and 1.7% of the respondents each are partnership firm and cooperative organization.

In terms of annual income of the micro enterprises, 51.7% respondents are having annual income above 25 lakhs, 25% respondents have an annual income between 10 to 20 lakhs, followed by 13.3% respondents having annual income between 5 to 10 lakhs. The number of respondents having annual income between 20 to 25 lakhs and below 5 lakhs constitutes 5% each to its respective total.

***Demographic Factors and Awareness of Accounting Practices by Micro Enterprises in Lunglei***

Table 2 indicates the familiarity of accounting practices and demographic profile of the respondents. The demographics profile of the respondents includes here are the gender of the respondents, educational qualification and age group of the respondents.

Table 2: Demographic factors and Awareness of accounting practices of the respondents

	Description	Familiarity		Total
		Aware	Not Aware	
Gender of the respondents	Male	26	10	36
	Female	20	4	24
	Total	46	14	60
Educational qualification of the respondents	Matriculation	28	3	31
	Higher secondary	8	7	15
	Under graduate	8	4	12
	Post graduate	2	0	2
	Total	46	14	60
Age group of the respondents	25-35	5	2	7
	35-45	10	5	15
	45-60	28	7	35
	Above 60	3	0	3
	Total	46	14	60

Source: Primary Data

As shown in table 2, majority of respondents, i.e., 80% respondents were aware of accounting practices while 20% of the respondents were not aware of accounting practices. Among the male respondents, 72.2% were aware of accounting practices and 27.8% were not familiar with accounting practices. With regards to the female respondents, 83.3% were aware of accounting practices and 16.7% indicated that they were unaware of accounting practices. With regards to the educational qualification of the respondents, 90.3% of the matriculates were familiar with accounting techniques however, the remaining 9.7% matriculates were not familiar with accounting practices. Respondents with higher education qualification constitute 25% of the total respondents and out of them, 53.3% said that they were aware of accounting practices and 46.7% were not aware of accounting practices. 20% of the respondents were under graduates, 66.7% were familiar with accounting practices and 33.3% were not familiar with accounting practices. With respect to the post graduate respondents, 100% were familiar with accounting practices.

In respect of the age group of the respondents, among the age group 25-35 years 71.2% were aware of accounting practices and 28.8% were not aware of accounting practices. Among the age group 35-45 years, 66.7% were familiar with accounting practices however 33.3% indicated that they were not aware of accounting practices. Among the age group 45-60 years, 80% were familiar with accounting practices and 20% were not familiar with accounting practices. With regards to the respondents above 60 years, 100% were familiar with accounting practices.

### Test of Research Hypotheses

This section provides a test of the formulated null hypotheses of the study. Independent sample t-test and chi-square test statistics were used in the test of the research hypotheses.

#### *Hypothesis 1*

H<sub>01</sub>: There is no significant difference between gender of the respondents and awareness of accounting practices.

Table 3: Independent sample t-test for Hypothesis 1

Awareness of accounting practices	Gender		
	T	df	Sig. (2 tailed)
	0.519	58	0.605
The t-test value with df 58 is +/-2.0017 at .05 Significance level			

Source: Primary data

In case of gender, the t-value (0.519) does not fall within the critical region defined by the critical value of +/- 2.0017  $p > 0.05$ . Therefore, from the t-test result, it can be concluded that there is no statistical difference between gender of the respondents and awareness of accounting practices. The study then fails to reject the null hypothesis H<sub>01</sub>.

### **Hypothesis 2 and Hypothesis 3**

H<sub>0</sub>2: There is no significant difference between age group of the respondents and awareness of accounting practices.

H<sub>0</sub>3: There is no significant difference between educational qualification of the respondents and awareness of accounting practices.

Table 4: Chi-square test for Hypotheses 2 and 3

	Chi-square	df	Asymp. Sig.
Age group of the respondents	1.66 <sup>a</sup>	3	0.664
Educational qualification of the respondents	11.660 <sup>a</sup>	3	0.009

Source: Primary Data

In case of age group of the respondents, results of the Chi-Square test revealed a significant level of 0.644 which is larger than 0.05 meaning that the test of variance is not significant. Thus, the study fails to reject the null hypothesis H<sub>0</sub>2 and it can be concluded that there is no a significant difference between age group of the respondents and awareness of accounting practices. In case of educational qualification of the respondents, results of the Chi-Square test revealed a significant level of 0.009 which is less than 0.05 meaning that the test of variance is significant. Therefore, the study to reject the null hypothesis H<sub>0</sub>3 and it can be concluded that there is a significant difference between educational qualification of the respondents and awareness of accounting practices.

### **Conclusion and Recommendations**

The study revealed that majority of the micro enterprises in Lunglei were aware of accounting practices and had kept some form of accounting records to support their business. Male entrepreneurs had dominated the micro enterprise and more than three-fourth of the respondents were married. More than half of the respondents were in the age group of 45-60 years and a little over half of the respondents were Matriculates. Joint family business was the most popular among the respondents and more than half of the respondents had an annual income above 25 lakhs. The study further revealed that educational qualification of the respondents had a statistical difference on the awareness of accounting practices. This indicates that some demographic factors do have an impact on the awareness of accounting practices by the micro enterprises.

The study recommended that workshops, skill development and accounting training programmes may be initiated in State Level and/or District Level among the entrepreneurs by the Ministry of MSMEs and/or Academic Institutions like Mizoram University and affiliated Colleges to improve the skill and expertise needed for accounting practice of the entrepreneurs. The study further recommended that Government and Academic Institutions should take further steps to create awareness to the entrepreneurs regarding the importance of keeping complete and proper accounting records.

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