

Accounting Practices of Small and Medium Enterprises (SMEs): A Comparative Study

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Abstract

This study examines accounting practices in Feni Sadar Upazila compared to other upazilas, focusing on small and medium-sized enterprises (SMEs). It investigates the types of accounting records maintained, the relationship between accounting record-keeping status and factors such as business duration, size, and ownership structure, the challenges SMEs face in maintaining accurate books and to explore the suggestions to improve account record keeping status provided by SMEs in Feni District. The research is empirical, utilizing a structured questionnaire. The findings indicate a statistically significant difference in accounting record-keeping status between Feni Sadar Upazila and others. However, no significant relationship was found between accounting practices and business size or duration. In contrast, a significant relationship was noted between record-keeping status and ownership structure. Respondents moderately agreed with several challenges faced, including difficulties in separating business expenses, identifying all expenses, stating actual revenue, and completing accounting records. To address these challenges, they suggested solutions such as ongoing workshops, professional training, effective internal controls, and free accounting services. Overall, this research contributes valuable insights to the literature on SMEs and aids regulatory agencies in improving accounting practices within the sector, ultimately supporting the growth and sustainability of SMEs in Feni District.

Keywords: *Accounting; Accounting Practice; Challenges; SME; Sustainability*

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1. Introduction

To achieve balanced economic growth and sustainable development, fostering the success of Small and Medium Enterprises (SMEs) is essential for any nation. SMEs are regarded as a vital component of a country's economy, playing a significant role in accelerating industrialization, generating employment, and reducing poverty. According to a study by Alauddin and Chowdhury [1], SMEs are especially well-suited for densely populated countries like Bangladesh, where they can create substantial employment opportunities with relatively low investment. The contribution of SMEs to the GDP of Bangladesh is 25% [2] which is very low compared to other Asian countries. In business, accounting and financial statements are the prime means for communicating the numbers. Financial statements produced by accounting experts provide essential information about the overall performance of the businesses to various stakeholders such as investors, creditors, governments, and tax authorities. Effective management depends upon the proper and accurate information and this information is generated by accounting information systems. Without proper books of accounts, it would be difficult to run the business successfully. To maintain the accounting records, the knowledge of accounting is essential. Hossain and Rahman [3] warned that the shortage of adequate accounting knowledge and proper skills may threaten the financial stability of the handloom sectors in the upcoming years. Without financial records, it will also be very difficult for SMEs to get a loan from financial institutions. Besides, the implementation of fundamental financial and accounting practices can help ensure the sustainability of SMEs [4]. Weak internal control systems resulted in poor planning, poor financial condition, weak expense control, inadequate information for decision-making purposes and low collection of accounts receivable. The utmost priority of an accounting information system (AIS) is to collect and record of events and transactions that have an economic impact on organizations and it maintains, processes and communicates recorded information to both internal and external parties [5].

Effective record keeping serves as proof of how transactions were managed and supports the actions taken to meet business standards [6]. Accounting helps make sound business decisions, measuring accurate financial performance and determining appropriate financial position by delivering required and relevant information. Accurate accounting allows small businesses to budget for the coming accounting cycle, or month, quarter and even year. Such a budget serves as a potential warning tool especially when uncertainty exists regarding cash flows and demand for cash may fluctuate from normal to extraordinary levels. Small and medium business owners or

accounting and finance professionals can audit accounting books and records as and when necessary for material errors and potential frauds as accounting of such organizations maintain accounting records on the basis of the date and time of transactions occurring. The small business accounting practices supply the required information to determine the tax liability of the business owner regarding sales taxes, personal or corporate income taxes [7].

For the development of any business, understanding the stakeholders of that business is so much important and in order to understand the stakeholders, information is important. The majority of the information is provided by accounting information systems that helps organization to analyze that information for prudent decision making. Inaccurate information will generate an inaccurate report that will result in inaccurate decisions by the decision-makers. So, to develop a business, proper reporting of business transactions is necessary and this knowledge is generated from accounting. This study emphasizes on the accounting practices by SMEs and challenges faced while practicing. This study also aims to find out the status of accounting practices according to location, age of business and size of business. There is no comparative study found to judge the accounting practices of SMEs in Bangladesh. This will create knowledge on the literature of SMEs and help the regulatory agencies to work for the betterment of the SMEs.

Accounting is called the language of business. The financial performance and position of any business can be analyzed from accounting reports. Besides, it helps the decision-makers to make decisions by analyzing past and present data and to forecast or take decision about upcoming challenges. By considering these facts the researchers aim to explore-

- i. What percentage does record keeping status vary according to the location of SMEs?
- ii. What is the relationship between account record-keeping status and the size of business?
- iii. What is the relationship between account record-keeping status and the ownership structure of business?
- iv. What is the relationship between account record-keeping status and duration of business?
- v. What are the challenges of SMEs face in keeping proper books of accounts in Feni District and the suggestions to overcome those challenges by SMEs?

The main objectives of the study are:

- To examine whether there are any differences between Feni Sadar Upazila and other upazilas on the basis of accounting record-keeping status.
- To find whether there is any relationship between account record-keeping status with ownership structure, size and duration of business.
- To explore the challenges of SMEs faced in keeping proper books of accounts in Feni District and the suggestions to improve account record-keeping status provided by SMEs in Feni District.

Most of the emerging countries' economy is largely based on SMEs sectors of that country. In Bangladesh, the contribution of SMEs in the economy is comparatively lower than in other Asian countries. So, for inclusive development and poverty reduction of Bangladesh, priority must be given to the SME sector. Accounting is called the mirror and also the language of a business. Without proper records of business activities, a business cannot properly determine its financial performance and position of a business rather the interested parties of that organization also get the misleading information that results in misleading decisions. Policymakers also do not get proper information that also reflects negatively in their policies. So, it is a crying need to inform the SMEs about the importance of proper financial reporting. Among so many challenges, SMEs also face some problems while maintaining books of account that will be explored in this research paper.

This study aims to explore the accounting practices of Small and Medium Enterprise (SME). Proper accounting records consist of various documents, including transactions, journals, ledgers, and financial statements, all supported by evidence like invoices and bank statements. The meticulous maintenance of these records is essential for preparing accurate financial reports, managing cash flow, and fulfilling tax obligations, with most jurisdictions requiring records to be kept for several years.

This research has been conducted on six upazilas namely Chhagalnaiya, Daganbhuiyan, Feni Sadar, Fulgazi, Parshuram and Sonagazi under Feni district. Data has been collected randomly from 100 respondents of each upazila. This study is qualitative in nature. A structured questionnaire has been used for data collection purposes. A comparative study has been performed to explore the status of accounting practices of Feni Sadar Upazila with other upazilas.

2. Literature Review and Research Framework

2.1 Review of the Related Literature

The primary assumption is that the duration or the age of the business has a relation with the accounting practices of SMEs. Yadavalli et al., [8] found a significant constructive association between small-scale business accounting and efficiency. Zelig, et al., [9] also found a positive association among a company's age, resources and preparation to maintain proper accounting practice. Souley Abdou Salam Awolo [10] indicated that the main objective of the use of accounting tools by SME enterprises is to be in line with tax obligations and to have a certain legitimacy in the eyes of business partners. He also noted from the study that there are a number of factors - size and ownership structure - that influence the level of use of the accounting tools in the SME context.

Kahsay and Zeleke, [11] arrived at the conclusion that the firm's age significantly affects the accounting practices of micro and small enterprises. Aroc, et al., [12] found no significant difference in the accounting systems used by the SMEs according to the nature of business, type of business, the number of years that the business operates and the income of the business but significant differences were found according to the number of employees. In their study, Khairunnisa and Rustiana [13] concluded that a business's age had a significant positive effect on the accounting practices of MSMEs. Karadag [14] found that the company's age has a significant influence on their accounting practice. Zelig, et al. [8] said that businesses with small number of employees tend to adjust them to production and marketing activities but as the number of employees increases, SMEs can assign a well-trained accountant in the business. Wu & Boateng [15]. Mehari and Shaik [16] noted that due to the shortage of manpower, most small and medium enterprises did not produce proper accounting reports. According to Pavtar [17], SMEs face difficulties in maintaining accurate accounting records because of a lack of trained personnel. Zelig, et al. [9] found that the level of education, the number of employees, the volume of transactions, and the size of the firm have a statistically significant and positive effect on the accounting practice of micro and small enterprises. However, he found no statistically significant effect of a firm's age on micro and small enterprises' accounting practices.

Lisjanto and Darmansyah [18] found significant differences in bookkeeping practices between sole proprietorship and partnership SMEs. Khadim and Choudhury [19] found high time consumption and inadequate recordkeeping knowledge of the owner as the main problems faced by MSEs operators and suggested to provide proper

training to the operators. Qubbaja and Talahmeh [20] identified several reasons for the failure to maintain accounting records in SMEs, including a lack of skills, distrust from owners or managers, the cost of hiring qualified personnel, and fear of disclosing information to the government. The authors recommended implementing training programs and making financial statements mandatory for all SMEs. Kargbo [21] found that SMEs encounter challenges such as inadequate accounting training, excessive bureaucracy in implementing accounting practices, difficulties in accurately calculating profits, and assessing customer creditworthiness. The study further highlighted that SMEs avoid keeping accounting records due to the additional costs involved, an inability to afford an accountant, insufficient accounting knowledge, and a lack of trust in accountants. Madurapperuma, Thilakerathne & Manawadu [22] concluded that SMEs often neglect record-keeping due to insufficient accounting knowledge and the costs associated with hiring professional accountants. Similarly, Lakew & Biribirsa [23] found that the small size of businesses, high costs of qualified accountants, and a deficiency of awareness about the real benefits of accounting contributed to poor record keeping, and they recommended training programs for MSE operators. The study by Stephen & Zotorivie [24] indicated that most SMEs failed to maintain proper accounting records due to the high cost of hiring qualified accountants and a lack of accounting knowledge among owner-managers. Gebremedihin, [25] concluded that SMEs struggle to implement effective accounting systems because of skills deficits in handling assets and liabilities, owner distrust, hiring costs, and concerns about disclosing information for tax purposes. (Kahsay & Zeleke [11]; Kipsang & Mwangi [26]; Mersha & Ayenew [27]) found that poor accounting record-keeping stemmed from the small size of businesses, the high expense of hiring qualified accountants, a lack of basic accounting knowledge, and a lack of awareness regarding the advantages of accounting information. Zotorvies [28] conducted a study on financial accounting practices within SMEs in Ho Municipality, Ghana, revealing that many SMEs failed to maintain proper accounting records due to the costs of hiring qualified accountants and inadequate accounting knowledge. According to Okoli [29], improper record keeping leads to ineffective financial performance assessments. Mbroh & Attom [30] examined 217 out of 250 SMEs in Ghana and reported that 59% did not engage in formal accounting practices, primarily due to low education levels and insufficient accounting knowledge among owner-managers, making it difficult for them to recognize the importance of proper accounting. Madurapperuma et al. [22] found in their study in Sri Lanka that most SMEs did not maintain full accounting records because of accounting knowledge shortage, and the costs associated with hiring professional accountants, leading to

inefficient use of accounting information for financial performance measurement. Uddin, Biswas & Khatun [31] noted that entrepreneurs often perceive accounting as a time-consuming process, facing challenges such as limited manpower, absent regulatory policies, high costs, a requirement for more staff, the need for technical skills and knowledge, and the difficulty of maintaining a system, which leads some to believe that keeping accounting records is unnecessary. Asaduzzaman [32] found that SMEs do not keep accounting records due to challenges in maintaining the system and a view that it may lead to higher taxes. However, the study offered suggestions for enhancing accounting practices, including educating managers and owners on the importance of record keeping, motivating them to adopt accounting practices, and strengthening government monitoring and supervision.

2.2 Hypothesis Development

The hypotheses of this study are as follows:

H1: There is a relationship between accounting record-keeping status and the size of the business.

H2: There is a relationship between accounting record-keeping status and ownership structure of the Business.

H3: There is a relationship between accounting record-keeping status and duration of the business.

H4: There is a difference in accounting record-keeping status between Feni Sadar Upazila and Other Upazilas.

2.3 Theoretical and Conceptual Framework of the Research.

Theoretical foundations are the basis of all scientific research. Indeed, theory sheds light on the facts, which become more intelligible and explainable.

The resource-based theory or Resource-based view (RBT or RBV): It is commonly believed that Jay Barney first introduced this theory despite the fact that there was enough evidence for a fragmentary resource-based view from the 1930s. This is usually a managerial framework which is used to determine strategic resources a firm can exploit to achieve sustainable competitive resources. RBT proposes that firms are heterogeneous because they possess heterogeneous resources, meaning that firms can adopt differing strategies because they have different resource mixes. According to Barney (1991), an organization's resources must have the following characteristics:

- **Valuable:** Resources must help organizations to exploit opportunities or neutralize threats.
- **Rare:** Resources are rare in the sense that competitors do not widely possess the resources a firms have.
- **Inimitable:** This implies that resources are difficult to copy or replicate.
- **Non-substitutable:** Meaning one type of resource cannot be replaced by other types.

These characteristics are collectively known as VRIN.

RBT & Accounting Practices of SME:

Proper accounting practices under the Resource-based Theory is seen as a strategic resource rather than just a reporting function. It is a knowledge-based information resource that can help businesses make better decisions, control costs, and build stakeholder trust. This theory assumes that accountants provide expertise and judgement in maintaining integrity in reporting by being ethical and transparent.

Small and Medium-sized Enterprises often operate with limited external resources such as capital, market power, or technology but the internal strengths of their human resources in terms of knowledge, skills, culture, and flexibility become key sources of advantage.

Institutional Theory: Institutional Theory explains how organizations implement practices including accounting systems to gain social legitimacy and adapt to rules, norms, and cultural expectations, rather than just for economic efficiency. It suggests that companies should align with institutional pressures from regulatory bodies, industry standards, and societal norms to ensure long-term viability and societal acceptance.

Institutional Theory and SMEs: Most SMEs primarily have easy or simple accounting systems, often focused on cash flows and basic records. However, as they grow and face external expectations from regulators, auditors, or investors, they lean towards formalization of their accounting practices to comply with government policies, tax laws, bank demands and other legal requirements.

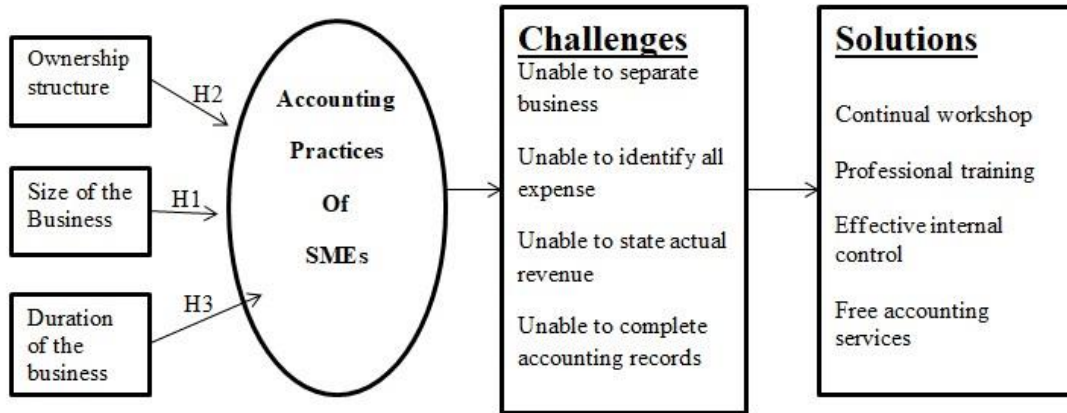


Figure 1: Conceptual Framework

Description of Variables

Accounting practices of a business: Accounting practice includes maintaining source documents, journalizing transactions from source documents and posting, summarizing, adjusting and ultimately preparing the financial statements of a business. Accounting practice is the dependent variable of this study and is measured by dichotomous questions indicating 1 for the presence of any accounting practice and 0 for the absence of any accounting practice.

Duration of Business: Duration of business refers to the time period of a continuing business. That means how many years have already passed in conducting the business.

Size of business: In this paper, the size of business is measured by the number of employees in an organization because employees are the resources of a business. The larger the number of employees, the larger the size of a business.

Ownership Structure: Ownership structure refers to the type of business, whether it is a sole proprietorship, partnership, company or family business. Based on the ownership structure of the business, the scope and formalities of the business also vary. In this paper, 1 is indicated for sole proprietorship, 2 is indicated for partnership, 3 is indicated for company and 4 is indicated for family business.

3. Methodology of the Study

The study was carried out with 602 SMEs operating in the Feni district in 2023, using a direct survey method to engage with the respondents. During the survey, a questionnaire was distributed to the respondents to provide responses. The respondents who maintain proper accounting records manually were asked to provide their opinion

about the challenges they faced while keeping accounting records and the solution of the challenges that they faced. The challenges and solutions of the challenges have been set by the researchers from an extensive review of the literature.

3.1 Study Area: The study was conducted in six upazilas: Chhagalnaiya, Daganbhuiyan, Feni Sadar, Fulgazi, Parshuram, and Sonagazi, all located within the Feni district.

3.2 Research approach: It is an empirical research based on a structured questionnaire.

3.3 Sample size and Sampling methods: According to the Economic Census, 2013, the Total number of SMEs in Feni district is 9018 firms. Based on the Cochran formula of selecting sample size, at considered 95% confidence level & 5% level of significance, the total sample size is 370 using simple random sampling. But to make a comparative study, we took a sample size of 100 from each upazila i.e. total 600 firms.

3.4 Data Collection Technique

Both primary and secondary data were used for the research. A semi-structured questionnaire was developed to collect primary data. The questionnaire was divided into two parts:

- a) Profile of the Respondents: Personal & business-related data.
- b) Research questions

3.5 Data Analysis Technique

Reliability and validity of the data were assessed by Cronbach's Alpha and correlation and factor analysis, respectively. SPSS Software 22 was utilized for performing both descriptive statistics, including mean, standard deviation, frequency tables, and percentages and inferential statistics (Correlation analysis, Factor analysis, Chi-square test, Mann-Whitney U test and Kruskal Wallis Test) were used to investigate the hypotheses. To analyze and rank the results from the 5-point Likert scale, the minimum and maximum values are calculated ($5 - 1 = 4$), which is then divided by 5, the highest value on the scale ($4/5 = 0.8$), as adapted from Muflih [31]. The ranges for the scores are defined as follows:

- **From 1 to 1.80:** Represents a Very Low score on the Likert scale, indicating a very low level of attitude or perception among respondents.

- **From 1.81 to 2.61:** Represents a Low score on the Likert scale, signifying a low level of attitude or perception among respondents.
- **From 2.62 to 3.42:** Represents a Medium score on the Likert scale, reflecting a moderate level of attitude or perception among respondents.
- **From 3.43 to 4.23:** Represents a High score on the Likert scale, indicating a high level of attitude or perception among respondents.
- **From 4.24 to 5.04:** Represents a Very High score on the Likert scale, denoting a very high level of attitude or perception among respondents.

4. Results of the Study

4.1: Descriptive Statistics

The study was conducted among 602 SMEs operating in Feni district during the year 2023. Among 602 SMEs, 518 SMEs found maintaining proper accounting records (manually 440 and computerized 78) and 84 SMEs did not maintain proper accounting records.

Table -1: Upazila-wise Accounting Record Keeping Status

Upazila Name	Yes (in numbers)	No (in numbers)	Total	Yes (%)	No (%)	Total
Feni Sadar	80	22	102	78.4%	21.6%	100%
Dagonbhuiyan	90	10	100	90%	10%	100%
Chhagalnaiya	77	23	100	77%	23%	100%
Fulgazi	84	16	100	84%	16%	100%
Sonagazi	95	5	100	95%	5%	100%
Parshuram	90	10	100	90%	10%	100%
Total	516	86	602			

Source: Field Survey, 2023

Table 1 indicates that among the 102 respondents from Feni Sadar, 78.4% reported that they maintain proper accounting records, while 21.6% do not. In Dagonbhuiyan and Parshuram upazilas, 100 respondents were surveyed, and 90% confirmed that they

keep proper records, with only 10% responding negatively. Similarly, among 100 participants from Sonagazi, 95% stated that they do maintain appropriate accounting records. In contrast, only 77% of respondents from Chhagalnaiya, out of 100 surveyed, affirmed that they keep proper accounting records.

Table -2: Status of Record Keeping of Feni Sadar and Other Upazilas

		Status of Record Keeping				Total
		No	%	Yes	%	
Upazila	Feni Sadar	22	21.57%	80	78.43%	102
	Others	63	12.60%	437	87.4%	500
Total		85	14.12%	517	85.88%	602

Source: Field Survey, 2023

According to Table 2, among the 102 respondents from Feni Sadar, 78.43% indicated that they maintain proper accounting records, while 21.6% do not. In contrast, among 500 respondents from other upazilas, 87.4% reported keeping proper accounting records, with only 12.6% stating they do not. Overall, out of a total of 602 respondents, 85.88% confirmed that they keep proper accounting records, while 14.12% indicated they do not.

Table -3: Upazila-wise educational status of the respondents

Upazila Name	Educational Status				
	Up to SSC	Up to HSC	BBA\ Honours	MBA\ Masters	Total
Feni Sadar	16	25	44	17	102
Dagonbhuiyan	57	33	9	1	100
Chhagalnaiya	19	14	67	0	100
Fulgazi	37	34	29	0	100
Sonagazi	43	30	24	3	100
Parshuram	31	11	58	0	100
Total	205	147	231	21	602

Source: Field Survey, 2023

From the above Table 3, the overall data shows that the majority of respondents (approximately 38.4%) have completed BBA or Honours, followed by those with

education up to SSC (34.1%). The group with an MBA or a Master's is relatively small, making up about 3.5% of the total. This suggests that while many respondents have reached higher education levels (BBA/Honors), there is a notable gap in attainment of postgraduate degrees like MBA or Master's across all upazilas, indicating potential areas for educational development and support.

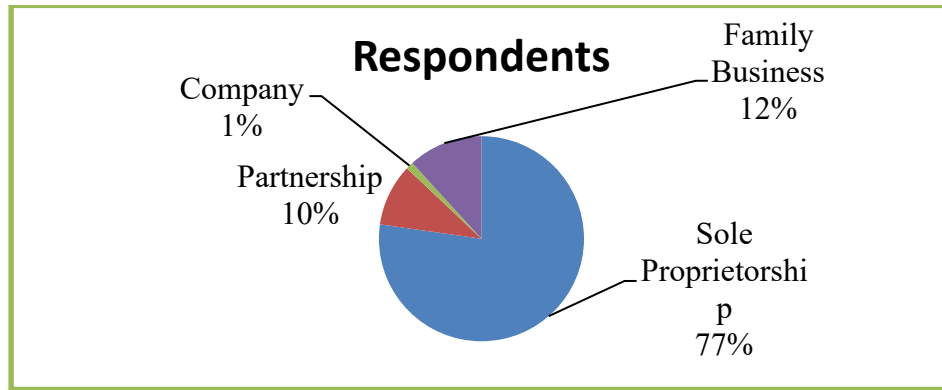


Figure -2: No. of sample companies according to ownership structure

Source: Field Survey, 2023

From the above chart, it was found that out of the total 602 respondents, Sole proprietorship is accountable for 77 %, family-run business is 12%, Partnership is 10% and Company is 1%.

Table -4: Upazila-wise mode of accounting record keeping

Upazila	Mode of Accounting Record Keeping						Total
	Manual		Computerized		None		
	No.	%	No.	%	No.	%	
Feni Sadar	63	61.77%	17	16.67%	22	21.60%	102
Dagonbhuiyan	89	89%	2	2%	9	9%	100
Chhagalnaiya	62	62%	14	14%	24	24%	100
Fulgazi	69	69%	15	15%	16	16%	100
Sonagazi	93	93%	3	3%	4	4%	100
Parshuram	64	64%	27	27%	9	9%	100
Total	440	73%	78	13%	84	14%	602

Source: Field Survey, 2023

From the above Table 4, it was found that out of 602 respondents surveyed in Feni district, 73% reported a Manual mode of accounting record keeping where 13% businesses were using a computerized system and 14% were using none.

4.2 Data Quality Test Results

4.2.1 Reliability Test

According to table 5, reliability test results of eight items are higher than 0.7. Thus, internal consistency of the measures used in this study can be considered to be acceptable for the challenges faced while keeping accounting records and solution of the challenges that they faced. Therefore, the collected data could be used for further statistical analysis.

Table-5: Results of the Reliability Test

Cronbach's Alpha	N of Items
.754	8

Source: SPSS Output (2023)

4.2.2 Correlation Analysis for Validity Test

Table -6: Results of Correlation Analysis of the Challenges faced by SMEs

		Unable to separate business	Unable to identify all expense	Unable to state actual revenue	Unable to complete accounting records	Total
Unable to separate business	Corr.	1				0.748**
	Sig.					0.00
Unable to identify all expense	Corr.	0.497**	1			0.785**
	Sig.	0.00				0.00
Unable to state actual revenue	Corr.	0.426**	0.435**	1		0.757**
	Sig.	0.00	0.00			0.00
Unable to complete accounting records	Corr.	0.365**	0.423**	0.377**	1	0.717**
	Sig.	0.00	0.00	0.00		0.00
Total	Corr.	0.748**	0.785**	0.757**	0.717**	1
	Sig.	0.00	0.00	0.00	0.00	

** . Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS Output (2023)

The corresponding critical correlation value r_{crc} for a significance level of $\alpha = 0.05$, for a two-tailed test is, $r_c = 0.094$. As the total correlation value of the above four items individually is greater than the critical value 0.094 at 5% level

of significance, Degree of Freedom=438 , so these items are valid and the correlation is significant. According to Table 6, there is a significant positive relationship between the items set as challenges for SMEs at 0.01 level of significance, where total calculated scores are 0.748, 0.785, 0.757 and 0.717 respectively.

Table- 7: Results of Correlation Analysis of the Solutions

		Continual workshop	Professional training	Effective internal control	Free accounting services	Total
Continual workshop	Corr.	1				0.795**
	Sig.					0.00
Professional training	Corr.	0.477**	1			0.705**
	Sig.	0.000				0.00
Effective internal control	Corr.	0.457**	0.322**	1		0.747**
	Sig.	0.000	0.000			0.00
Free accounting services	Corr.	0.227**	0.168**	0.381**	1	0.588**
	Sig.	0.000	0.000	0.000		0.00
Total	Corr.	0.795**	0.705**	0.747**	0.588**	1
	Sig.	0.000	0.000	0.000	0.000	

** . Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS Output (2023)

The corresponding critical correlation value r_{crc} for a significance level of $\alpha = 0.05$, for a two-tailed test is, $r_c = 0.094$, As the total correlation value of the above four items individually is greater than the critical value 0.094 at 5% level of significance, Degree of Freedom=438 , so these items are valid and the correlation is significant. According to Table 7, there is a significant positive relationship between the items set as solutions of the challenges faced by SMEs at 0.01 level of significant where total calculated scores are 0.795, 0.705, 0.747 and 0.588 respectively.

According to Table 8, based on the mean perception score and standard deviation, it was found that respondents opined that they moderately agree with the challenges stated as Unable to separate business which indicates a moderate level of difficulty for SMEs in keeping business and personal finances separate. It's a common issue that can lead to financial mismanagement. Moderately agree with being unable to identify all expenses that can affect their budgeting and cash flow management. Moderately agree

Table -8: Descriptive Analysis of Survey Questions

Challenges faced by SMEs	N	Mean	S. D.	Interpretation
Unable to separate business	439	3.17	0.703	Moderate
Unable to identify all expense	439	3.07	0.770	Moderate
Unable to state actual revenue	439	2.92	0.806	Moderate
Unable to complete accounting records	439	2.97	0.743	Moderate
Solutions of the Challenges				
Continual Workshop	439	3.90	0.897	Agree
Professional Training	439	4.10	0.781	Agree
Effective Internal Control	439	3.58	0.729	Agree
Free Accounting Services	439	3.59	0.689	Agree

Source: SPSS Output (2023)

Table -9: Description of the Responses

Challenges faced by SMEs	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Unable to separate business	1	63	246	118	11	439
Unable to identify all expense	2	99	216	111	11	439
Unable to state actual revenue	1	145	191	90	12	439
Unable to complete accounting records	8	96	245	82	8	439
Solutions of the Challenges						
Continual Workshop	1	8	170	114	146	439
Professional Training	1	16	59	223	140	439
Effective Internal Control	2	11	201	179	46	439
Free Accounting Services	2	8	199	189	41	439

Source: SPSS Output (2023)

with unable to state actual revenue that can hinder financial analysis and decision-making and Unable to complete accounting records that can result in incomplete financial reporting and compliance issues. In order to cope up with the challenges, the respondents agreed with the solution stated as Continuous Workshop, Professional Training, Effective Internal Control and Free Accounting Services. These reflect a need for more educational resources and support systems to enhance the financial capabilities of SMEs

From the above Table 9, it was found that out of 439 respondents, 246 respondents moderately agree with the challenge unable to separate business, 216 respondents moderately agree with the challenge unable to identify all expenses, 191 respondents moderately agree with the challenge unable to state actual revenue and 245 respondents moderately agree with the challenge unable to complete accounting records. And on the other hand, out of 439 respondents, 170 respondents moderately agree with the solution Continual Workshop, 223 respondents agree with the solution Professional Training, 201 respondents moderately agree with the solution Effective Internal Control and 199 respondents moderately agree with the solution Free Accounting Services.

4.3: Hypothesis Testing Result

H0: There is no difference in accounting record-keeping status between Feni Sadar Upazila and Other Upazilas

H1: There is a difference in accounting record-keeping status between Feni Sadar Upazila and Other Upazilas.

Table-10: Mann-Whitney U test result

Status of record keeping	Upazila	N	Mean Rank	Sum of Ranks
	Feni Sadar	102	279.08	28466.00
	Other upazilas	500	306.07	153037.00
	Total	602		

Source: SPSS Output

According to Mann-Whitney U test and Kruskal Wallis Test, significant differences have been found between Feni Sadar and other Upazilas according to record-keeping status, where p-value is 0.018 which is less than 5% significance value. and this result was also supported by Kruskal-Wallis Test where p-value is 0.001.

Table-11: Test of hypothesis result

Sl.	Hypothesis	Chi-square Tests	Degrees of Freedom	P-Value	Remarks
1.	H0: There is no differences in accounting record keeping status between Feni Sadar Upazila and Other Upazilas	5.620	1	0.018	H0 is Rejected
	H1: There is a difference in accounting record keeping status between Feni Sadar Upazila and Other Upazilas.				
2.	H0: There is no relationship between accounting record-keeping status and size of the business	15.327	13	0.287	H0 is not Rejected
	H1: There is a relationship between accounting record-keeping status and size of the business.				
3.	H0: There is no relationship between accounting record-keeping status and Ownership structure of the Business.	13.038	3	0.005	H0 is Rejected
	H1: There is a relationship between accounting record-keeping status and Ownership structure of the Business.				
4.	H0: There is no relationship between accounting record-keeping status and duration of the business.	15.192	19	0.710	H0 is not Rejected
	H1: There is relationship between accounting record-keeping status and duration of the business.				

From the above Table 11, it has been found that there is a statistically significant difference in accounting record keeping status between Feni Sadar Upazila and other Upazilas as the p-value is smaller than that of level of significance which is (0.05). There was found no statistically significant relationship between accounting record keeping status and size of the business since p-value (0.287) is much greater than the value of significance level(0.05) but a significant relationship was observed between accounting record keeping status and Ownership structure of the business because p-value (.005) is much lower than that of significance level (0.05). Besides, no significant relationship was found between accounting record keeping status and duration of the business as p-value (0.710) is much greater than the value of significance level (0.05).

5. Discussion

In this research paper, it has been found that accounting record-keeping practices varies according to the location of SMEs. Out of 602 respondents, 85.88% reported that they keep proper accounting records, while only 14.12% do not maintain proper accounting records. About 73% SMEs reported that they keep accounting records manually, only 13% businesses use a computerized system and 14% SMEs do not maintain accounting records properly. There was found no statistically significant relationship between accounting record keeping status and size of the business(Number of Employees) that support the research result [8] but not match with the findings [9] due to differences in geographic area and research methods, no statistically significant relationship between accounting record keeping status and duration of the business that support the recent research result conducted in 2020 ,2022 [11], [9] and not match to the result of prior research conducted on 2017, 2019 [12] and [13] but a significant relationship was observed between the accounting record keeping status and Ownership structure of the business that support the result [17]. Out of 602 respondents, it was found that 439 respondents keep accounting records properly. Respondents who maintain proper accounting records were asked for their opinions on the challenges they face and potential solutions. Among them, 56.04% moderately agreed with the challenge of being unable to separate business transactions, while 49.20% moderately agreed with the difficulty of identifying all expenses. Additionally, 43.51% moderately agreed with the challenge of stating actual revenue, and 55.81% moderately agreed with the challenge of completing accounting records. Regarding proposed solutions, out of 439 respondents, 38.72% moderately agreed with the solution of conducting continual workshops, while 50.80% agreed with professional training as a solution. Furthermore, 45.79% moderately agreed with

the implementation of effective internal controls, and 45.33% moderately agreed with the provision of free accounting services. The findings indicate that SMEs in the surveyed regions are facing significant challenges in financial management, specifically in the areas of separating business from personal finances, identifying all expenses, stating actual revenue, and completing accounting records. This aligns with previous literature that highlights the difficulties SMEs encounter due to a lack of resources and financial expertise. These results emphasize the importance of adequate accounting practices in the sustainability of SMEs, suggesting that many businesses may struggle to achieve financial clarity.

6. Implication of the Study

The study highlights that many SMEs face significant challenges in managing their finances. This awareness can prompt SME owners to prioritize financial education and seek out resources that can help them improve their management practices. Educational institutions can form partnerships with local SMEs to provide hands-on training opportunities, workshops, and internships that allow students to apply their knowledge in real-world settings while assisting SMEs. The significant regional differences in accounting practices emphasize the need for policymakers to design targeted support programs that address specific local challenges faced by SMEs. Programs should consider geographic economic conditions and tailor interventions accordingly. As SMEs enhance their financial health and stability through better management practices, they are likely to grow and create more job opportunities, contributing positively to overall employment rates and economic development. The implications of this study suggest that addressing the financial management challenges faced by SMEs is crucial for their growth and sustainability. By understanding and acting upon these implications, stakeholders can work together to create an ecosystem that supports SME development, enhances financial literacy, and ultimately contributes to broader economic resilience and prosperity.

7. Conclusion

This research is conducted based on a large sample size and covers all the regions of a district. It is the first in-depth research by which a snapshot of the accounting system of the SMEs has been found. The study found a statistically significant difference in accounting record-keeping status between Feni Sadar Upazila and other Upazilas. The study also found no statistically significant relationship between accounting record keeping status and size of the business & accounting record keeping status with duration of the business but a significant relationship was observed between the accounting record keeping status and Ownership structure of the business. It also

revealed that most of the SMEs face some challenges while keeping accounting records due to a lack of proper accounting knowledge. SMEs face moderate challenges in financial management, particularly in maintaining accurate accounting records. There is a strong consensus among respondents that ongoing professional development through workshops and training is essential to overcome these challenges. The observed relationships among variables underline the complexity of the issues surrounding accounting practices in SMEs, suggesting that different organizational contexts may significantly influence record-keeping capabilities. The statistical analyses reveal important trends that can guide further research and policy interventions aimed at enhancing the financial management of SMEs.

8. Recommendations

The significant differences in accounting practices across Upazilas, tailor interventions that consider localized challenges and resource availability. Launching campaigns to increase awareness among SMEs about the importance of proper accounting practices and the availability of resources will help with accounting practices. Providing free or subsidized accounting services, especially targeting SMEs in regions that lack such resources, will help them maintain accurate financial records and develop specialized training workshops aimed at helping SMEs improve financial literacy, particularly in areas highlighted as challenges, encouraging collaboration with educational institutions and financial experts. Conducting further studies to understand how different ownership structures influence financial practices among SMEs and use this data to develop targeted support mechanisms based on ownership type. If the SME sectors are nurtured properly, then this sector may largely contribute to the economy in the upcoming future. Such a type of research can be performed in any other region and sector of Bangladesh. This research is mostly qualitative nature. That's why quantitative research can also be performed in this field.

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