

# **“An Empirical Analysis upon Electronic Proceduring for Maintain an Account of Smes in India”**

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***Abstract – The Accounting Act of 1997 and further guidelines issued by the Accounting Board in 2000 provide an institutional setting for the use of electronic data media in financial accounting for registering, transferring and storing data as well as reporting information electronically. Thus, source documents and accounting records exist in digital form instead of on paper in an electronic accounting system.***

***E-Accounting is new development in field of accounting. E-Accounting might just be the beginning of a new era where world would be extending its arms to India with perspective that "India is the place which can deliver the best". So e-Accounting has visited India with a rainbow of opportunities. Online accounting through a web application is typically based on a simple monthly charge and zero-administration approach to help businesses concentrate on core activities and avoid the hidden costs associated with traditional accounting software such as installation, upgrades, exchanging data files, backup and disaster recovery.***

***The original research model developed by Iacovou et al. (1995:467) was based on extensive review of the literature on EDI (Electronic Data Interchange) adoption and small business IT. This exploratory research will try to further the understanding of the factors influencing small and medium-sized accounting agencies to adopt e-accounting as well as study the impact of e-accounting in agencies that have adopted e-accounting. The research model includes four factors as determinants of adoption: perceived benefits, organizational readiness, trust, and external pressure. The results will be analyzed statistically. Case studies among adopters will be conducted in order to further identify and analyze the actual benefits received, and the impact e-accounting seems to have on accounting procedures and practices.***

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## **INTRODUCTION**

Accounting assumes a discriminating role in the achievement or disappointment of contemporary business establishments. Accounting systems are in charge of recording, dissecting, checking and assessing the monetary state of organizations, readiness of records fundamental for assessment purposes, giving information backing to numerous other organizational functions, etc. Before the approach of personal computers, businesses were constrained to manual systems for staying informed regarding monetary data. As per Tavakolian (1995), the manual accounting systems comprised of paper records, typewriters and number crunchers. Typewriters were utilized to sort invoices and checks, and all figurings were performed utilizing adding machines. Be that as it may, with this system it was feasible for lapses to be brought

into the data since they could go undetected for a long while. In the same way as other different commercial ventures, the accounting business changed with the entry of personal computers. A computerized accounting system can deal with monetary data effectively, yet the genuine estimation of an accounting system was that it could produce immediate reports in regards to the organization. What is accordingly e- accounting practice? E-Accounting alludes to Electronic Accounting, a term used to portray an accounting system that depends on workstation technology for catching and transforming budgetary data in associations. In the literature, two more terms have been utilized to portray E- accounting: workstation based Accounting System and Accounting Information System (AIS). Stefanou (2006) watched that albeit accounting information system does not oblige a workstation to capacity, the computerization of the accounting capacity,

the term AIS is utilized essential to indicate the machine based AIS. In this study the terms E Accounting and fiscal information system are utilized to allude to any accounting system that relies on upon Information and Communication Technology (ICT) for performing its information system functions. Not at all like other information systems, Accounting was one of the first useful ranges to profit from computerization when computers were at first acquainted with associations (Doost, 1999). Whatever remains of the paper is organized as takes after: Section two talks about the surviving literature. Area three depicts the philosophy utilized. Area four examines the aftereffects of the study lastly segment five closes the study.

## FEATURES OF E ACCOUNTING

E-accounting can be recognized by the following characteristics which all make for a much more efficient accounting process.

1. Multi-user access
2. Multi-site access
3. A single / multiple, shared database(s)
4. Zero system administration for end-users
5. Very economical to provide service to large number of clients
6. Enhancements and fixes continuously developed and installed by service provider

## LITERATURE REVIEW

Difficulties confronting the budgetary accounting and the accounting calling have been talked about among analysts (see for instance Alles et al. 2000; Olivier 2000; Sutton 2000; Vasarhelyi & Greenstein 2003). There appears to be, notwithstanding, to be various ideas utilized within the literature identifying with the utilization of technology in budgetary accounting. Rezaee et al. (2000 and 2001) compose:

"Numerous monetary occasions are presently being caught, measured, perceived, and reported electronically, without any paper documentation; and online, real-time accounting (RTA) is rising as the system of decision."

"Under real-time accounting (RTA) systems, a significant part of the money related information and review proof are accessible just in electronic structure. Conventional source records, for example, buy requests, invoices, and checks are supplanted with electronic messages, and underlying

accounting data (e.g. diaries, records, and calendars) are in electronic structures or documents."

Accounting systems are in charge of investigating and observing the budgetary state of firms, planning of records essential for expense purposes, giving information to backing the numerous other organizational functions, for example, generation, showcasing, human asset administration, and vital arranging. Without such a system it will be exceptionally troublesome for SMEs to focus execution, recognize client and supplier record adjusts and estimate future execution of the association. The main role of an accounting information system (AIS) is the accumulation and recording of data and information in regards to occasions that have a monetary impact upon associations and the support, handling and correspondence of such information to interior and external stakeholders (Stefanou, 2006). At the point when associations embrace e-accounting, they typically find that despite the fact that computerized accounting systems handle budgetary data effectively, their actual worth is that they can create immediate reports in regards to the association (Hotch, 1992). Preceding the coming of personal computers, businesses were constrained to two strategies for staying informed regarding monetary data (Tavakolian, 1995). One technique was to introduce a centralized computer machine and set up a data handling division. This methodology had its challenges: the centralized server workstation was lavish and numerous qualified ICT faculty were obliged to handle the different errands included in transforming the accounting data. Much of the time, expansive partnerships were the main associations that could bear the cost of such an extravagant system. The other alternative was to have a manual accounting system. Such a system comprised of paper records, typewriters and mini-computers. Every client or seller was on a different record card which held all the transactions for that organization. Typewriters were utilized to sort invoices and checks, and all estimations were performed utilizing mini-computers. The key hindrance of the manual system was that it was feasible for mistakes to be brought into the system and that the blunder could go undetected for quite some time.

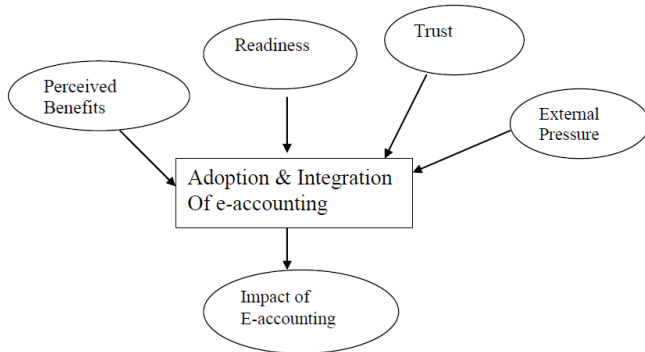
## RESEARCH METHODOLOGY

This study relied on a sample of systematically selected SMEs throughout the country. We sampled 100 SMEs from the NBSSI database. SMEs in India are defined as firms employing less than 100 workers. Out of the 100 questionnaire sent out, 56 were received, representing 56%. The resulting response rate was expected for a survey of this type considering that empirical studies involving SMEs have been known to generate far lesser percentage response rates. The sample included both

users and non-users of e-accounting systems. The survey instruments included open ended and closed ended questionnaires. We also followed up with personal or telephone interviews with managers of these firms. In order to ascertain the benefits of e-accounting, we focused on SMEs that adopt accounting software in their operations. Users of accounting software were selected from the client lists of some accounting software application providers.

## RESEARCH MODEL

An examination of prior research on the adoption of EDI was taken as a starting point for this study. The examination reveals that the original research model developed by Iacovou et al. (1995:467) was based on extensive review of the literature on EDI (Electronic Data Interchange) adoption and small business IT. The Iacovou et al. (1995) model has also been empirically tested and the determinants were found to be significant predictors of intent to adopt EDI (Chwelos et al. 2001). The researchers identified three factors - perceived benefits of EDI, organizational readiness, and external pressures - as the main reasons that could explain the EDI adoption behavior of small firms and the expected impact of the technology. Of these factors external pressure and readiness were considerably more important than perceived benefits.



**Figure-1 : E-accounting Adoption Model.**

1. Perceived benefits refer to the level of recognition of the relative advantage that EDI technology can provide the Organisation (Iacovou et al. 1995:468). These benefits can, according to the researchers, be grouped into *direct benefits*, for example reduced transaction costs and higher information quality, and *indirect benefits or opportunities*, which refer to the impact on business processes and relationships, for example increased operational efficiency, better customer service, and increased ability to compete.

2. Organizational readiness refers to the level of financial and technological resources of the firm. Further, financial readiness refers to financial resources available to pay for installation costs, implementation of any subsequent enhancements, and ongoing expenses during usage whereas technological readiness is concerned with the level of sophistication of IT usage and IT management in an organization (Iacovou et al. 1995:468-469).
3. External pressure to adopt refers to influences from the organizational environment. The two main sources of external pressure to adopt are *competitive pressure* and *the imposition by trading partners*. As more competitors and trading partners become EDI-capable, small firms are more inclined to adopt EDI in order to maintain their own competitive position (Iacovou et al. 1995:470).
4. Trust between the small and medium-sized accounting agency and the client is considered to be an important factor for the adoption of an e-accounting system, and for the further integration of the system as well as information sharing. Continuity with the same clients increases the likelihood of building a trustful relationship

EDI Adoption is the process during which the small business becomes capable of transacting via EDI. EDI integration is the phase during which a firm alters its business practices and applications so that they interface with its EDI applications internally with other applications and externally with other trading partners. Adoption and integration can also be undertaken at the same time (Iacovou et al. 1995:468).

The adoption of EDI requires coordination between at least two organizations, the relationship between the Organisation and its prospective trading partner(s). A similar cooperation is assumed to be needed in an interorganisational e-accounting system between the accounting agency and its client(s). E-accounting is, as such, an example of a technology with network effects. Thus, the actions of one firm will depend on other firms. This kind of collective actions and technology have been studied within a number of disciplines, for example the study of Bouchard (1993) about "critical mass theory". The positive benefits of having a critical mass of firms adopting the same technology is however only one aspect. Another significant factor is enacted power, such as when one firm "encourages" the other one to adopt e-accounting

As indicated by the Accounting Board (2000) the utilization of computerization will prompt a more productive and

dependable accounting and also lessen the expenses of accounting. These are, notwithstanding, just seen profits and the got profits may vary. As the profits of an e-accounting system are not generally known or obvious, it feels helpful and intriguing to make a further examination on this subject. Likewise, the apparent profits of non-adopters and adopters of e-accounting may vary, as the non-adopters are required to depict what they think will be the future, potential profits, however the adopters are thought to be more exact about the actual profits.

## PROBLEMS IN E-ACCOUNTING

1. Data security —All the data of the company resides on a remote server: however, a backup can be taken regularly.
2. Speed — Most of the currently available online office suites require a high broadband Internet connection.
3. Lacks some features available on the offline office suites: but this is progressively becoming available (MS LIVE, Google online-Suite, Think free, Zoho Office, internet Office. Biz and eDesk Online)
4. A network connections (usually Internet access) is required to send and receive changes. That is, internet dependence makes it more difficult to work offline. From above criticisms, it can be said that today, where information can be compromised and distributed, global firms need to be cent-percent assured that their information is safe and are being safeguarded from identity theft. Being professionals, Indian Chartered Accountants should be absolutely confident about the work process, ensure service integrity, observe professional ethics and generate trust and Confidence in the client for striking a lasting business relationship.

## CONCLUSION

The commitment of this study lies in the observational investigation of the determinants of e-accounting appropriation. The aftereffects of the study may provide for some confirmation on the chiefs' aims of small and medium-sized accounting orgs towards e-accounting and subsequently foresee future utilization of e-accounting systems.

The study analyzed the e-accounting practices among Indian Smes. The study uncovered that very nearly all the Smes tested connect a ton of vitality to budgetary information by utilizing in any event degree holders and

Chartered Accountants to handle their accounting information. The study likewise demonstrated that lion's share of the organizations put set up accounting virtual products to produce their money related information. This tends to decrease expense, improve administrative lives up to expectations, and give sufficient space to store data and procedure information for administration choice in a timely way. As far as usefulness, the consequences of the study demonstrated that just about all the Smes utilize the product for records receivables functions and records payables, stock administration, payroll, altered possessions administration, bank compromise and money administration. The aftereffects of the study additionally uncovered that greater part of the Smes experience issues in supply of power with the incessant breakdown of their accounting system. We found that very nearly all the Smes are for the most part fulfilled by the execution of their accounting programming. It is proposed that Smes in India stick to great and standard accounting standards in their operations. The appropriation of e-accounting would guarantee fitting accounting practices as great accounting practices have a few ramifications for business visionaries and SME chiefs. Great accounting and control systems could aid in assessing the execution of the association and its administrators. Smes with fitting books of records are frequently fit for attracting external financing effectively. Smes that keep up great accounting and administration information have a tendency to be seen positively by fund suppliers.

This study is restricted to small and medium-sized accounting offices for which some reception factors, thought to be significant in this connection, are tried. There is a threat that extra noteworthy factors have not been incorporated in the study, and any remarks and recommendations for further changes on this continuous exploration undertaking are exceptionally welcome.

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