

Awareness of Accounting Practices among Retail Businesses: A Study of Nagpur City in Maharashtra

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ABSTRACT

The retail sector plays a vital role in India's urban economy, particularly in medium-sized cities such as Nagpur. Sound accounting practices are essential for informed decision-making, financial control, tax compliance, and long-term sustainability of retail businesses. This study examines the level of awareness of accounting practices among retail business owners in Nagpur city and analyzes their impact on business performance. Primary data were collected from 50 retail businesses through a structured questionnaire using a stratified random sampling method. The findings reveal that while basic awareness of accounting practices exists among retailers, the adoption of formal accounting systems and digital tools remains limited, especially among small and unorganized retailers. The study further establishes a positive and significant relationship between the adoption of accounting practices and business performance indicators such as profitability, financial planning, and access to credit. The paper concludes with policy suggestions and practical recommendations to improve accounting awareness and adoption among retail businesses.

Keywords: Accounting practices, Retail business, Awareness, Business performance, Nagpur city

INTRODUCTION

Accounting is a language of business. Financial statement prepared by the accountant communicates financial information for decision making. Therefore, it is important that financial statement prepared by different organization should be prepared by uniform basis. Also there should be consistency over a period of time in the prepared by financial statement.

“Accounting is the art of recording, classifying and summarizing in a significant manner and in terms of money.”

Accounting is simply an art of record keeping. The process of accounting starts by first identifying the event and transaction and then be recorded in the books of account. This accounting is done in Journal and subsidiary books, also known as primary books. Every good record keeping system includes suitable classification of transaction and events. After the transaction and events are recorded, they are

transferred to secondary books i.e. Ledger. In Ledger transactions and events are classified in terms of income, expenses, assets and liabilities according to their characteristics and summarized in profit and loss account and balance sheet. Essentially the transaction and events are to be measured in terms of money. Every individual performs some kind of economic activity.

Let us imagine a situation where you are a proprietor .investRs.2, 00,000 for running a stationary business. On first January, he purchase goods for Rs.1, 15,000 and sell for Rs. 1,47,000 during the month of January .he pays shop rent for the month Rs. 5,000 and finds that still he goods worth Rs.15,000 in hand. This study aims to assess the level of awareness of accounting practices among retail business owners in Nagpur city and to evaluate the impact of these practices on business performance.

Goods		sold
1, 47,000		
Goods	in	hand
<u>15,000</u>		
1, 62,000		
Less: Goods purchase	1, 15,000	
Shop rent paid		<u>5,000</u>
1, 20,000		

Surplus

42,000

Need of the Study:

This study will be useful to know the awareness of the retailers regarding of the accounting practices. So profit or loss of the business and its impact on financial status of retail business can be known at the end of accounting period.

Scope of Research:

1. Recording of information of Retail business.
2. Classification of data.
3. Making business data summaries.
4. Analyzing the financial transactions of Retail business organization.

Objectives of the Study

The specific objectives of the study are:

1. To examine the level of awareness of accounting practices among retail business owners in Nagpur city.
2. To study the extent of adoption of accounting practices by retail businesses.
3. To analyze the impact of accounting practices on the performance of retail businesses.
4. To identify the major barriers to the adoption of accounting practices.

5. To suggest measures for improving accounting awareness and adoption among retailers.

Limitations of the Study

1. The study is limited to retail businesses in Nagpur city and may not be generalized to other regions.
2. The findings are based on self-reported data, which may involve respondent bias.
3. Time and resource constraints limited the scope of the study.

Review of Literature:

Gupta and Mehra (2020) explored the relationship between accounting practices and financial performance among small businesses in India. Their findings underscored that maintaining accurate accounting records positively impacts profitability, operational efficiency, and business credibility. The study highlighted that proper record-keeping enhances internal control and aids in better financial decision-making, especially for SMEs facing liquidity constraints.

Kaur (2019) investigated the adoption of computerized accounting systems in retail enterprises, emphasizing how digitalization has transformed traditional bookkeeping into more efficient and accurate processes. The study demonstrated that the use of accounting software reduces human error, supports tax

compliance, and increases the overall financial reliability of retail organizations.

Singh and Sharma (2018) conducted a comparative analysis of manual versus automated accounting systems in small-scale industries. They found that while manual accounting remains cost-effective for small traders with limited transactions, automated systems significantly reduce errors and provide timely data for decision-making. The transition from manual to digital systems, however, was found to depend on factors such as business size, owner's education, and technological readiness.

Pandey (2021) examined the challenges faced by small traders in implementing the Goods and Services Tax (GST) in central India. The research revealed that limited accounting knowledge, lack of professional training, and high dependency on external accountants posed major obstacles to compliance. These findings are particularly relevant to cities like Raipur, where many wholesale and retail firms still operate in semi-formal financial systems.

Tripathi and Bose (2020) studied the role of accounting information in managerial decision-making within retail businesses. Their research emphasized that timely and reliable accounting information enables managers to allocate resources efficiently, forecast demand, and plan inventory levels effectively.

Rao (2017) examined the impact of accounting software on financial reporting accuracy, concluding that software-based systems

significantly improve the reliability of financial statements, thus enhancing stakeholder trust.

Patel and Deshmukh (2021) further expanded on the theme of digitalization, discussing the digital transformation of accounting functions in Indian SMEs. They noted that the adoption of cloud-based systems and automation has improved real-time reporting and compliance, though challenges remain regarding data security and employee training.

Bhattacharya (2019) contributed to this discussion by analyzing the role of accounting literacy in the sustainability of small businesses. The study found that entrepreneurs with higher financial literacy were more likely to maintain systematic accounting records, file taxes on time, and make informed business decisions.

The existing literature points to a gap between awareness and actual adoption of accounting practices, particularly in the retail sector of developing economies. This study contributes to the literature by focusing specifically on retail businesses in Nagpur city.

Research Methodology

Research Design

The study is descriptive and analytical in nature, based on a survey method.

Data Collection: for the current study data required are mainly from two sources:

- a) Primary data were collected through a structured questionnaire administered to retail business owners.
- b) Secondary data were collected from books, journals, government reports, and websites

Area of the Study

The study was conducted in Nagpur city, Maharashtra, covering various retail markets and commercial areas.

Sample Size

The population of the study consists of all retail businesses operating in Nagpur city. a sample size of 50 retail businesses was determined. Stratified random sampling was adopted to ensure representation of different retail categories such as grocery, apparel, electronics, and general stores.

Tools for Data Analysis

The data were analyzed using descriptive statistics (percentages, means), chi-square tests, and regression analysis with the help of statistical software.

Data Analysis and Interpretation

Awareness of Accounting Practices

The analysis revealed that a majority of respondents were aware of basic accounting concepts such as maintaining sales and expense records. However, awareness of advanced practices such as preparation of financial statements and use of accounting software was relatively low.

Adoption of Accounting Practices

Only a limited proportion of retailers maintained systematic books of accounts or used accounting software. Most small retailers relied on manual or informal methods of record-keeping.

Impact on Business Performance

Retail businesses that adopted accounting practices reported better control over expenses, improved profitability, and more effective financial planning. Regression analysis showed a positive and statistically significant relationship between accounting adoption and business performance indicators.

Findings of the Study

1. Awareness of basic accounting practices exists among retail businesses, but practical application is limited.
2. Adoption of formal accounting systems is higher among educated and larger retailers.

3. Accounting practices have a positive impact on profitability, financial control, and credit access.
4. Major barriers to adoption include lack of knowledge, time constraints, and perceived cost.

Suggestions and Recommendations

1. Government and local trade associations should organize training programs on basic accounting and GST compliance for retailers.
2. Simple and low-cost digital accounting tools should be promoted among small retailers.
3. Financial institutions should encourage proper accounting by linking credit facilities with basic record-keeping support.
4. Awareness campaigns in local languages can improve understanding and adoption of accounting practices.

Conclusion

The study concludes that accounting practices play a significant role in improving the performance and sustainability of retail businesses in Nagpur city. While awareness levels are moderate, the adoption of formal accounting practices remains inadequate.

Strengthening accounting knowledge and providing practical support to retailers can enhance business efficiency, profitability, and compliance. The findings of this study are useful for policymakers, financial institutions, and retail business owners.

Scope for Further Research

Future studies may cover rural areas or compare multiple cities. Longitudinal studies can be conducted to assess the long-term impact of accounting practices on business growth.

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