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A Study On Accounting Practices And Financial Sustainability Of Small Enterprises With Respect To Ramanathapuram District.

H. Anis Fathima[1], Dr. C. Paramasivan[2]

[1] PhD Part-Time Research Scholar, PG & Research Department of Commerce, Thanthai Periyar Government Arts and Science College (Autonomous), Affiliated to Bharathidasan University, Tiruchirappalli – 24, Tamil Nadu, India.
Email: anisfathimam.com@gmail.com
[2] Associate Professor and Research Supervisor, PG & Research Department of Commerce, Thanthai Periyar Government Arts and Science College (Autonomous), Affiliated to Bharathidasan University, Tiruchirappalli – 24, Tamil Nadu, India.
Corresponding Author:
H. Anis Fathima
Email: anisfathimam.com@gmail.com

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KEYWORDS

Accounting Practices, Financial Sustainability, Digital Accounting, Small Enterprises, MSMEs Business Performance

ABSTRACT

The ability of SMEs to make better financial and managerial decisions depends on accounting practices. Financial reporting, accrual, and payment systems are widely used by SMEs. The following accounting processes are frequently used by SMEs: calculating bad debt, applying the depreciation technique, estimating net receivables, utilizing corporate documents, and making payments. They are crucial for promoting economic expansion, generating employment, and building economic power. Despite the challenges they face, small businesses continue to innovate and prosper, driving progress and economic expansion. This study looks at SMEs in the towns of Ramanathapuram's accounting knowledge, practices, and controls. Accounting practices are utilized to improve a business's profitability. They also act as a statement of the company's financial situation and operations. The study examines how well SMEs understand the rules guiding proper accounting procedures and accounting principles. Managerial skills do affect high-growth businesses when contrasted to low-growth businesses; otherwise, they have no influence. Numerous business endeavors have been established in the Ramanathapuram District as a result of this strategy. Through an analysis of their relationships with managerial skills, this study looks at how entrepreneurs in the Ramanathapuram District support the expansion and prosperity of SMEs. The questionnaire approach was used to collect data from DIC-registered organizations, and the appropriate statistical techniques and instruments were used for analysis......

1. INTRODUCTION

A small firm is one that has fewer working machinery, requires less capital investment, and employs fewer workers than larger companies. small-scale Industries or small businesses are producers of goods and services on a small scale. These industries have a significant role in the economic growth of a country. The owner may decide to lease or buy enterprises, plants, and equipment on a hire basis, or they may make a single investment. These industries receive investments of barely one crore. Compared to larger companies, a small business employs fewer workers, requires less capital investment, and has fewer operational machines. small-scale Sectors that produce goods and services on a small scale are known as small enterprises or industries. Small businesses are privately held corporations, partnerships, or sole proprietorships with fewer employees and smaller annual revenue than corporations or regular-sized businesses.According to SME information, accounting practices are crucial to SMEs' capacity to make wiser managerial and financial choices. They help prepare for the yearly tax payment as well as the company's next phase of development. SMEs must understand the possible repercussions of a review by a tax authority. It should be measured using the profitability-weight average quantity of all possible outcomes. It is also advantageous to measure the company's financial performance..

According to SME information, accounting practices are crucial to SMEs' capacity to make wiser managerial and financial choices. They aid with both the annual tax payment preparation and the planning of the company's future phase. SMEs must understand the possible repercussions of a review by tax authorities. It should be measured using the profitability-weighted average quantity of all possible outcomes. Assessing the business's financial performance is also advantageous. Financing is one of the best ways to secure one's financial future, create opportunity, and advance. With so many options, it's important to understand the benefits and characteristics of each before making a decision. The lack of thorough accounting records among the small and medium-sized enterprises surveyed indicates that their activities do not use enough accounting data to support financial performance measurement. According to the poll, there is still a very low level of knowledge among SMEs in Ramanathapuram about the significance of accounting information and financial management. Every business has to perform basic bookkeeping. Accurate accounting data is essential for efficient administration, regardless of a company's size. This study aims to ascertain the extent to which SMEs and accounting companies differ in terms of service quality characteristics. Accounting information systems were shown to be essential for both businesses and organizations. They facilitate commercial transactions, managerial decision-making, internal controls, and the accuracy of financial reports. Micro businesses may now monitor their financial data thanks to the development of Financial Record Management Systems. The process of analyzing, classifying, and recording financial transactions in books of accounts so that users can make educated decisions is known as accounting record keeping.The findings demonstrate that bookkeeping and accounting knowledge as well as financial management strategies The process of analyzing, classifying, and recording financial transactions in books of accounts so that users can make educated decisions is known as accounting record keeping.The findings indicate that MSE growth in Ramanathapuram Town is significantly influenced by bookkeeping and accounting skills as well as financial management strategies.

2. REVIEW OF THE LITERATURE

Accounting practices play a significant role in enhancing the financial sustainability and long-term growth of Micro, Small, and Medium Enterprises (MSMEs). Recent studies have emphasized the importance of effective accounting systems, financial literacy, digital accounting tools, and sustainability-oriented accounting practices in improving business performance.

Novelidhawaty, Dewi, and Syaipudin (2023) investigated the factors influencing the digitalization of accounting among MSMEs. Their findings revealed that management support, technical competence, digital literacy, and financial resources significantly affect the successful adoption of digital accounting systems. The study further indicated that digital accounting improves financial control and access to external financing.

Ayem et al. (2023) examined the relationship between accounting information systems and MSME financial performance. The study found that accounting information systems enhance financial record accuracy, facilitate tax compliance, and support strategic decision-making, thereby contributing positively to profitability and financial sustainability.

Agustina and Augustine (2024) conducted a comprehensive analysis of accounting and financial sustainability among MSMEs. Their findings highlighted that efficient accounting systems, internal controls, and financial planning are crucial determinants of sustainable business growth. The study emphasized the necessity of quality accounting information for informed managerial decisions.

Pargmann and Berding (2024) reviewed the integration of sustainability within accounting and controlling systems. The authors concluded that sustainability-oriented accounting practices strengthen strategic competitiveness and support long-term organizational success.

Indriati et al. (2025) explored management accounting practices in MSMEs and reported that modern accounting techniques significantly contribute to strategic decision-making and organizational sustainability. The study emphasized the need for advanced accounting methods to improve competitiveness and long-term viability.

Lestari, Meutia, and Sari (2025) reviewed the modernization of accounting practices in developing-country MSMEs. Their study revealed that digital accounting tools, accounting information systems, and financial literacy improve financial reporting quality, transparency, accountability, and business sustainability.

Pratama et al. (2025) examined the impact of cloud accounting on MSME financial reporting efficiency. The results indicated that cloud-based accounting systems enhance transparency, improve reporting accuracy, and reduce operational costs, thereby strengthening business sustainability and competitiveness.

Edward and Mukti (2025) investigated the relationship between accounting practices and risk management among MSMEs. Their findings demonstrated that enterprises integrating accounting information with risk management strategies exhibit greater resilience and financial stability.

Ardiyansah et al. (2025) emphasized the importance of financial literacy in achieving financial sustainability. The study concluded that accounting knowledge and financial education significantly improve profitability and business continuity among MSMEs.

Wahyuni et al. (2025) examined sustainability accounting practices in SMEs and found that social and environmental accounting enhances stakeholder confidence and supports long-term organizational growth.

Judijanto (2026) analyzed emerging research trends in digital accounting for MSMEs. The study revealed that digital accounting technologies transform traditional accounting processes by improving financial management, operational efficiency, and decision-making capabilities, ultimately contributing to business sustainability.

Hermawan and Huda (2026) explored the effects of digital transformation in accounting and management on MSME performance. Their findings indicated that digital accounting systems improve managerial effectiveness and financial reporting quality. However, challenges such as inadequate digital skills, infrastructure limitations, and resistance to change continue to hinder adoption.

Sandi et al. (2026) reviewed the contribution of accounting information systems to MSME performance in the post-pandemic era. The study concluded that accounting information systems improve financial transparency, operational efficiency, and organizational resilience, thereby supporting sustainable growth in competitive business environments.

Research Gap

The reviewed studies predominantly focus on accounting information systems, digital accounting adoption, financial literacy, sustainability accounting, and financial performance among MSMEs. However, limited empirical research has specifically examined the relationship between accounting practices and financial sustainability among small enterprises at the district level in Tamil Nadu, particularly in Ramanathapuram District. Therefore, the present study seeks to bridge this gap by investigating how accounting practices influence the financial sustainability of small enterprises in Ramanathapuram District.

Statement of the Problem

The majority of Ramanathapuram's economic growth depends on small businesses, many of whom find it difficult to maintain sound accounting procedures. Poor recordkeeping, reliance on outside accounting services, and a lack of accounting and financial literacy are some of the main issues that SMEs face. These issues make it more challenging for them to manage their finances, develop, and follow the law. Inadequate access to financing and financial services also affects SMEs' ability to survive. Many SMEs find it difficult to get loans and other financial instruments because they lack access to credit rating data. Technological advancements have changed accounting practices, but many SMEs are not embracing these developments fast enough. Modern accounting methods and software can be costly and complex, which can reduce a company's competitiveness and make financial reporting ineffective. Regulatory compliance is another problem that SMEs face since they often ignore administrative accounting procedures that are essential to regulatory compliance. Penalties, legal problems, and damage to the company's reputation could arise from this. Finally, small businesses' disdain for environmental management accounting (EMA) procedures might have a significant impact on Ramanathapuram's environmental performance. Accounting procedures can be improved by resolving these issues, which would improve business performance and sustainability.

3. OBJECTIVE OF THE STUDY

To research small business accounting practices in relation to the Ramanathapuram District

4. METHODOLOGY

A survey that used the identical questionnaire that one of the researchers from a previous study had used was used to record the respondents' opinions. The questionnaire is divided into three sections: Performance of Industrial Growth, Microenterprise Accounting Practices, and Awareness of Accounting Practices. This study used quantitative approaches and data collected through questionnaires given to respondents to investigate the adoption of basic accounting practices among small firms. The event was attended by 395 qualified microenterprise owners. The data was analyzed using the

Statistical Package for Social Science (SPSS) version 21 to get descriptive statistics like frequency and percentage.

5. RESULTS AND DISCUSSIONS

Table No - 1

Demographic Profile of the Respondents

Sl.No	Profile	Variables	Frequency	Percentage
1	**Gender**	Male	226	57.2
		Female	169	42.8
		Total	**395**	**100.0**
2	**Age**	Up to 30 years	129	32.7
		31 to 50 years	212	53.7
		Above 50 years	54	13.7
		Total	**395**	**100.0**
3	**Community**	SC	135	34.2
		BC	223	56.5
		FC	37	9.4
		Total	**395**	**100.0**
4	**Religion**	Hindu	244	61.8
		Muslim	91	23.0
		Christian	60	15.2
		Total	**395**	**100.0**
5	**Marital Status**	Married	274	69.4
		Unmarried	121	30.6
		Total	**395**	**100.0**
6	**Year of Experience**	Less than 5 years	216	54.7
		6 to 10 years	132	33.4
		More than 10 years	47	11.9
		Total	**395**	**100.0**
7	**Annual Income**	Below 10 lakhs	239	60.5
		10 to 25 lakhs	121	30.6
		Above 25 lakhs	35	8.9

		Total	**395**	**100.0**
8	**Nature of Concern**	Sole Trading	91	23.0
		Partnership	148	37.5
		Company	83	21.0
		Others	73	18.5
		Total	**395**	**100.0**
9	**Location**	Rural	165	41.8
		Urban	142	35.9
		Semi-urban	88	22.3
		Total	**395**	**100.0**
10	**Nature of Activities**	Service	165	41.8
		Manufacturing	145	36.7
		Repair and Maintenance	85	21.5
		Total	**395**	**100.0**

Source: Primary Data

The demographic profile of 395 respondents provides a comprehensive overview of their characteristics. There are 57.2% males and 42.8% females in the sample. The age distribution shows that 53.7% of people are between the ages of 31 and 50, 32.7% are between the ages of 30 and 30, and 13.7% are above 50. The BC (56.5%), SC (34.2%), and FC (9.4%) comprise the majority of the community. The majority of responders (61.8%) are Hindus, followed by Muslims (23.0%) and Christians (15.2%). A substantial majority, 69.4%, are married. 11.9% of workers have more than ten years of experience, 33.4% have six to ten years, and 54.7% have less than five years. Within References 30.6% earn between 10 and 25 lakhs annually, 8.9% earn over 25 lakhs, and 60.5% earn less than 10 lakhs. A partnership is the most common type of business structure (37.5%), followed by companies (21.0%), sole proprietorships (23.0%), and other company structures (18.5%). Geographically, rural areas account for 41.8% of respondents, followed by urban areas (34.9%) and semi-urban areas (22.3%). The categories of operations include manufacturing (36.7%), services (41.8%), and repair and maintenance (21.5%).

Table No - 2

Demographic Profile Vs Accounting Practices of small enterprisesAccounting Method- Cross Tabulation

Age					
		Low	**Moderately**	**High**	**Total**
Up to 30 years	Count	38	42	49	129
	% within Age	29.5%	32.6%	38.0%	100.0%
31 to 50 years	Count	70	87	55	212
	% within Age	33.0%	41.0%	25.9%	100.0%

Above 50 years	Count	18	17	19	54
	% within Age	33.3%	31.5%	35.2%	100.0%
Total	Count	126	146	123	395
	% within Age	31.9%	37.0%	31.1%	100.0%
Community					
		Low	**Moderately**	**High**	**Total**
SC	Count	37	45	53	135
	% within Community	27.4%	33.3%	39.3%	100.0%
BC	Count	79	85	59	223
	% within Community	35.4%	38.1%	26.5%	100.0%
FC	Count	10	16	11	37
	% within Community	27.0%	43.2%	29.7%	100.0%
Total	Count	126	146	123	395
	% within Community	31.9%	37.0%	31.1%	100.0%

Source: Primary data

In Table No. 2, the use of accounting procedures is cross-tabulated against age and community demographics. 38.0% of people under 30 report using accounting techniques at a high level, 32.6% at a moderate level, and 29.5% at a low level. Between the ages of 31 and 50, 25.9% have heavy usage and 41.0% have moderate usage. There is a fairly even distribution of respondents over 50, with 35.2% reporting considerable usage. SC responders dominate the community with a high usage percentage of 39.3%, followed by BC at 26.5% and FC at 29.7%. BC had the highest proportion of responders with moderate consumption (38.1%). In all, 37.0% of the sample reports moderate consumption, 31.1% reports high usage, and 31.9% reports low usage. This suggests that while younger respondents are likely to utilize accounting techniques more frequently, middle-aged respondents typically use them moderately. There are also clear differences by community, with SC respondents employing accounting methods more frequently than BC and FC respondents.

Table No - 3

Demographic Profile Vs Accounting Practices of small enterprises Payment Method- Cross Tabulation

Age					
		Low	**Moderately**	**High**	**Total**
Up to 30 years	Count	32	46	51	129
	% within Age	24.8%	35.7%	39.5%	100.0%
31 to 50 years	Count	74	76	62	212
	% within Age	34.9%	35.8%	29.2%	100.0%
Above 50 years	Count	11	16	27	54

	% within Age	20.4%	29.6%	50.0%	100.0%
Total	Count	117	138	140	395
	% within Age	29.6%	34.9%	35.4%	100.0%
Community					
		Low	**Moderately**	**High**	**Total**
SC	Count	33	46	56	135
	% within Community	24.4%	34.1%	41.5%	100.0%
BC	Count	75	79	69	223
	% within Community	33.6%	35.4%	30.9%	100.0%
FC	Count	9	13	15	37
	% within Community	24.3%	35.1%	40.5%	100.0%
Total	Count	117	138	140	395
	% within Community	29.6%	34.9%	35.4%	100.0%

Source: Primary data

Table No. 3 examines payment options for different regions and age groups. There are three different percentages of individuals under 30 who use payment methods: low (24.8%), moderate (35.7%), and high (39.5%). The distribution of usage among those aged 31 to 50 is quite even, with 29.2% high, 34.9% low, and 35.8% moderate. Respondents over 50 show the highest usage, at 50.0%. Respondents from BC exhibit a balanced distribution, while those from SC had the highest rate (41.5%) in terms of community usage. High consumption was stated by 40.5% of FC respondents. With 35.4% being high, 34.9% being intermediate, and 29.6% being low, the distribution is very equitable overall. This implies a propensity to use more structured payment methods. This indicates that older responders and SC community members have a propensity to choose more structured payment methods.

Table No - 4

Demographic Profile Vs Accounting Practices of small enterprises Accounting Knowledge- Cross Tabulation

Age					
		Low	**Moderately**	**High**	**Total**
Up to 30 years	Count	29	65	35	129
	% within Age	22.5%	50.4%	27.1%	100.0%
31 to 50 years	Count	46	91	75	212
	% within Age	21.7%	42.9%	35.4%	100.0%
Above 50 years	Count	13	19	22	54
	% within Age	24.1%	35.2%	40.7%	100.0%
Total	Count	88	175	132	395

	% within Age	22.3%	44.3%	33.4%	100.0%
Community					
		Low	**Moderately**	**High**	**Total**
SC	Count	33	60	42	135
	% within Community	24.4%	44.4%	31.1%	100.0%
BC	Count	51	95	77	223
	% within Community	22.9%	42.6%	34.5%	100.0%
FC	Count	4	20	13	37
	% within Community	10.8%	54.1%	35.1%	100.0%
Total	Count	88	175	132	395
	% within Community	22.3%	44.3%	33.4%	100.0%

Source: Primary data

The relationship between accounting expertise and demographic traits is examined in Table No. 4. 27.1% of respondents under the age of thirty had excellent knowledge, while 50.4% have intermediate knowledge. Of those aged 31 to 50, 42.9% had moderate knowledge and 35.4% have excellent knowledge. The proportion of people over 50 with high knowledge is significantly higher (40.7%). Respondents from SC, BC, and FC showed 44.4% moderate and 31.1% high community knowledge, 42.6% moderate and 34.5% high knowledge, and 54.1% moderate and 35.1% high knowledge. Overall, 44.3% of the respondents possessed moderate accounting skills, indicating a generally well-informed group. However, younger responders and FC community members may have slightly greater knowledge levels because of more recent education or better access to information sources.

6. FINDINGS

The demographic profile shows that the majority of respondents are British Columbian (56.5%), male (57.2%), and between the ages of 31 and 50 (53.7%). Most have fewer than five years of experience (54.7%), are married (69.4%), and make less than 10 lakhs (60.5%) a year. People under 30 had a higher rate of high accounting method utilization (38.0%), according to the cross-tabulation of accounting techniques and age. Communities with FC responders have a greater percentage of intermediate accounting technique adoption (43.2%).

Younger respondents (those under 30) exhibit a greater predisposition toward high payment method utilization (39.5%). FC respondents show a notable tendency toward a high percentage of payment method utilization (40.5%) in communities, suggesting a rigorous adherence to structured payment protocols. The largest percentage of respondents with accounting competence (40.7%) were over 50. Members of the SC community are distributed fairly, with 44.4% possessing moderate understanding. Most BC respondents have moderate to high accounting expertise (42.6% and 34.5%, respectively).

7. SUGGESTIONS

To increase diversity and representation, the primary objective should be to promote female involvement in small enterprises. Implementing training programs targeted at both younger and older age groups can help diversify skills. By promoting higher education and skill development within the SC and FC groupings, gaps can be filled. Financial literacy programs can improve money management and growth opportunities for people of lower-income groups and new business owners. Younger age groups should be encouraged to maintain their high use of accounting procedures through ongoing training and support. The BC community may further enhance its accounting practices with the use of resources and targeted training. Promoting the use of state-of-the-art accounting tools and software can benefit communities of all ages and boost output.

The growing usage across different age groups can be balanced by providing better training on payment options for people over 50. Communities in South Carolina and British Columbia may benefit from workshops on structured payment methods. All demographic groups' adoption rates can be raised by providing training and easy-to-use digital payment systems.

Particularly created accounting education programs can help people in their younger or middle years become more proficient. For communities in SC and BC, educational initiatives tailored to their needs can be developed. An atmosphere that emphasizes lifelong learning can be fostered by supporting mentorship programs where seasoned professionals teach others with less expertise.

8. CONCLUSION

The demographic analysis of small business respondents provides important insights into the distribution and behaviors of various demographic groupings. Enhancing women's involvement and representation in small enterprises is essential. This can be accomplished through training and empowerment programs that prioritize financial literacy and business management. Both younger and older age groups would greatly benefit from customized training programs that guarantee a balanced understanding across various age groups. It is determined that a comprehensive approach that considers the many needs of small business responders will be put into practice. Adoption of advanced technologies, focused training, and community-specific efforts will all be part of this strategy. These programs will enhance their accounting and financial processes and foster a more informed, diverse, and successful small company community.

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