THE IMPORTANCE OF BASIC ACCOUNTING KNOWLEDGE TO RURAL-BASED MICRO-ENTREPRENEURS
(Case of Bangladesh)

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Abstract: The rural-based micro-entrepreneurs play a predominant role in generating job opportunities and solving unemployment in both least developed and developing nations of the world. In spite of its enormous contributions unfortunately, this sector of economy is found as a neglected sector in almost all developing nations. It is observed from the present research that besides financial needs the rural-based micro entrepreneurs requires knowing the basic knowledge in accounting so that they are capable of organizing their financial activities properly and maintaining records of their day to day monetary transactions. The paper reflects the results of an empirical study relating to the basic knowledge of different aspects of accounting among rural-based micro entrepreneurs in Bangladesh. The study also aimed at finding whether the rural-based micro entrepreneurs are conversant with recording their day to day transactions in the books of accounts and determine profit or loss of the firm accordingly. An Institutional Network's (Alam, 2002) theoretical approach and a qualitative research methodology are used to study this particular phenomenon.

Keywords: basic accounting knowledge, rural based micro entrepreneur
1. Problems of Micro Entrepreneurs: A Literature Review

With a population of over 150 million (The World Face Book 2009), Bangladesh provides a large consumer market for potential industries. It does, moreover, hold one of the lowest wage structures in the world. In spite of its major contributions towards economic development, the rural-based micro entrepreneurs (MEs) in Bangladesh suffer from lack in working capital, institutional credit facilities and poor management. Apart from the above, the micro-entrepreneurs are not well trained in maintaining basic accounts of their business related activities, so that they may organize their funds that they receive from different sources. Almost all micro entrepreneurs are found family based and the management is strong in nature. However, it is argued by Hoskin et al (2005) that in addition to strong management, accounting is of huge importance to business success. Financing organizations lend funds to this sector of economy but seldom takes of this specific aspect of the rural-based micro entrepreneurs. There are many formal and informal financing organizations that are functioning in the money market. Formal financing institutions like government and privately owned commercial banks normally give loans to large and medium scale industries. Cooperative banks in the country although gives loans to the rural-based micro enterprises, they confine their credit giving activities mainly to the members of the bank (BIDS 1981, 1988, 1989, 1990). One of the specialized and well known micro-credit giving organizations in Bangladesh called 'Grameen Bank' (Yunus, 1993, Nabi, 1996) also gives micro credit to the rural-based micro entrepreneurs especially the rural poor women. Besides many NGOs, moneylenders in rural Bangladesh are also an important source of lending funds to the rural-based micro entrepreneurs. Having a little fund from lending organizations in many cases it is observed that (Alam 2002) due to the lack of basic accounting knowledge and accountancy practices in day to day life, many borrowers failed to organize their funds properly. It may be noted that under the auspices of the United Nations Economic Commission for Asia and the Far East (ECAFE), UNIDO and Asian Development Bank (ADB) many studies were conducted on small-scale industry in the ECAFE region. Almost all studies carried out by various researchers discussed about different problems face by rural-based micro entrepreneurs and their possible solutions. Even though a number of studies highlight the root causes of the impediments to the development of micro entrepreneurs and also make suggestions for solving these problems, no one of the above mentioned research highlighted on the need for basic accounting knowledge to rural-based micro entrepreneurs in any developing and least developed nations. This particular issue thus, raised the research question in present study as 'How significance is the knowledge of basic accounting to the rural-based micro-entrepreneurs?'
2. Theoretical and Methodological Approach

The concept of an 'Institutional-Network' theoretical frame of reference is developed in the study based on Whitley's (1992a) 'Business System' institutional approach and Jansson's (2002) 'Network Institutional Model'. Whitley (1992b) in his comparative study of Business Systems in East Asian countries, e.g. Chinese family business units (CFB) in Taiwan and Hong Kong, Japanese Kaisha and Korean chaebol, the author tried to find how firms' are constituted as relatively distinct economic actors in different market societies and how they organize economic activities in the form of dominant hierarchy-market configurations. To study the depth of the basic accounting knowledge among the rural based MEs based on Whitley's 'Business System (BS)' model, I developed the concept of four components of different Micro Enterprise (ME) Systems and Financing Systems. These are, for example; market based financing system (MBFS) such as conventional banks, cooperative financing system (CFS), and traditional money lending system (TMLS) viewed as particular arrangements of hierarchy-market relations that become institutionalized and relatively successful in a particular context. A similar arrangement is also done to institutionalize different rural-based micro enterprises. Various micro enterprises of similar nature are thus, grouped into three different ME Systems, such as grass-root level (GL), season-based (SB) and semi-mechanized (SM) ME Systems. Financing organizations and micro enterprises under different Financing Systems and ME Systems are regarded as economic actors acting within these organizational fields.

Since one of the objectives of the research relates to the finding of basic accounting knowledge of micro entrepreneurs, apart from Whitley's (1992a, 1992b) institutional concept in the Institutional-Network theoretical framework, I also used the network concepts of Jansson's (2002) 'Networks Institutions' model, where the author integrated network with institutions and viewed the network from an institutional perspective. According to Jansson (2002) institutions also concern different types of habitual or recognized behaviour, such as habits, rules, and procedures, implying that institutions are characterized by a rule-like or governing nature, an ability to facilitate and constrain inter-human and inter-social relations, and by predictive behaviour. Veblen (1919, p.239) observed that, institutions

themselves are comprised of settled habits of thought common to generality of men. In order to study the network relationships between and within organizations belonging to the two focused institutions, for example, Micro-Enterprise Systems (MES) and Major Financing Systems (MFS) and their relationships with other economic actors in the organizational fields, I used the concept of Jansson's (2002) Trans-organizational Network theory while developing my analytical framework. As the networks are looked upon from different angles, the study also used the network concepts as defined by different authors like Rasmussen (1988), Kuklinski & Knoke, (1988), Anderson and Carlos (1976), Easton & Araujo (1991), Elg & Johansson (1992), Easton (1992), Håkansson (1993), Aldrich & Whetten (1981), and Emerson & Cook (1984).

3. Research Methodology
As a part of research activities, during my field studies, I interviewed 260 different rural-based micro entrepreneurs; clientele of two leading Islamic banks and a few traditional banks and others informal money lending organizations. While conducting interviews, it was tried to know about the basic knowledge that the respondents have in different aspects of basic accounting. It is observed from the study that family members jointly run MEs in rural Bangladesh. Due to the availability of cheap labour and lack of hard cash, rural-based MEs are characterized by the use of more manpower than capital. A micro enterprise in the present study is defined from the viewpoint of the number of workers (minimum 2 and maximum 5) employed. It is due to the fact that, in rural areas, micro enterprises are mostly run by a few people who are either the members of the family or hired workers.

With regards to the research process, the data collection was done by conducting direct interviews with customers. Different micro-entrepreneurs are taken as a different individual case while interviewing respondents. An exploratory case study (Yin 1994) method is used as a research process. The interviews and the follow up visits were conducted in four different periods in 1999, 2003, 2005 and 2007 respectively. In total it took about six months to accomplish the data collection activities. The respondents interviewed consist of micro entrepreneurs from different ME Systems and belongs of different localities in Bangladesh like Khulna, Barisal, Dhaka, Chittagong and Cox's Bazar. An average of 1 to 2 hours was for each respondent while conducting interviews. Almost all respondents interviewed were the clientele of Islamic banks. These banks provide interest-free micro-credit to rural-based micro entrepreneurs on 'Cost plus Sale under Deferred Payments' mode of Islamic Banking Financing Systems (Ahmad 1981, 1994; Alam 2008, 2006, 2005, 2003).
• In order to collect required data owners of different micro-entrepreneurs in different MES System (Whitely 1992a, 1992b; Alam, 2002, 2003, ) were grouped together
• Both formal and informal way of interview methods were used
• Structured and semi structured questionnaires (Merriam 1998) were prepared and questions asked to respondents based on questionnaires depending on the circumstances and the qualifications of the respondents.
• Used tap recorder used to record respondents answers
• Questions were asked regarding the accounting records and its practice in daily transactions.
• Subsequent to the interview recorded tap is replayed and data recorded in the spread sheet
• The interview period for each respondents ranged to an average of 3 to 4 hours,
• While arranging questionnaires for interviews questions are designed in a way that the end results of the findings reveal about the basic knowledge of respondents regarding different accounting terms and also the accounting practices. While analysing data the following formats are used to demonstrate the degree of basic accountancy knowledge that the rural-based micro entrepreneurs have: (i). Knowledgeable; (ii). A little know how to identify and record transactions; (iii). Have a rough idea; and (v). No knowledge at all

Table 1, below shows number of respondents interviewed under three different ME Systems (for example; Grass-root level micro-entrepreneurs (GLMEs), Season-Based micro-entrepreneurs (SBME), and Semi-Mechanized micro-entrepreneurs (SMMEs), are from different rural areas in Bangladesh.

<table>
<thead>
<tr>
<th>MICRO SYSTEMS</th>
<th>ENTREPRENEUR</th>
<th>NUMBER OF RESPONDENTS INTERVIEWED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grass-root level MES System</td>
<td>140</td>
<td></td>
</tr>
<tr>
<td>Season-Based MES System</td>
<td>90</td>
<td></td>
</tr>
<tr>
<td>Semi Mechanized MES System</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>260</td>
<td></td>
</tr>
</tbody>
</table>

Micro entrepreneurs under Grass-root level MES System consists of owners of poultry farm, diary farm and handloom industries. The Season-Based MES System includes fish farm like shrimp and other seasonal fish. Semi-Mechanized MES system includes respondents from different manufacturing concerns like furniture, tin can products and salt crushing. Almost 50% of the respondents under the GLMEs and SBME Systems did up to their primary level of education. Among others there were respondents who finished primary schools and some did their high
school studies before they started the business. Almost all respondents under SMME System studied up to high school level and some of them did their post secondary education too.

4. **Accounting Knowledge of Micro Entrepreneurs: An Empirical Review**
The results of the interviews to the respondents; the rural based micro-entrepreneurs in different parts of Bangladesh is reviewed in the following section. It includes a summary of the interviews conducted to different MEs under three Micro-Entrepreneur Systems such as, the Grass-root Level (GL), the Season-based (SB) and the Semi-mechanized (SM). The knowledge on certain basic aspects of accounting assists entrepreneurs to manage borrowed funds properly and to determine business incomes and expenses and also to budget for future business activities. Since the knowledge of basic accounting assists an entrepreneur to gain understanding on different aspects of business life such as 1) separation of business income from personal income, 2) identification of variable costs and fixed costs, 3) capital and revenue expenditure and income, 4) cash flow statement 5) maintenance of books of accounts and 6) Finding of end income or losses, while interviewing attention were given to gather information about the knowledge of respondents on these particular issues. The study was also aimed at finding as to how and to what extent micro entrepreneurs in Bangladesh maintain their accounting records of day to day business activities.

a. **Separation of income from business and income from other sources**
The knowledge of basic accounting helps a micro-entrepreneur to differentiate between his/her business and other financial transactions. Due to the lack of proper accounting knowledge and the lack of proper accounting records many MEs generally merged their business expenses with incomes from other sources. At a later date it became quite impossible for them to find out actual expenses incurred for the business. This ultimately made them frustrated as they failed to find the real profit or losses of the business after the end of the business period. The knowledge for differentiation of business expenses from personal expenses reveals the true profit or loss of the business. Expenses incurred for the business are deducted from the income earned to find out the business position. If the expenses are minimised the business might show a good profit figure. On the other hand with more expenses a business shows less profit, which might slowdown, the business progress. It might even affect the owner psychologically. If business owner lacks knowledge in differentiation business expenses from personal expenses it might not show the real result of the business. The basic accounting knowledge helps a business owner to have an idea of different allowable expenditures relating to a business and facilitates to differentiate these expenses from the personal expense. The following table
shows the result of the respondents' reply with regards to their knowledge in differentiating the personal expenses from business expenses.

Table 2

<table>
<thead>
<tr>
<th>RESPONDENTS' KNOWLEDGE</th>
<th>GLME</th>
<th>SBME</th>
<th>SMME</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledgeable</td>
<td>02</td>
<td>05</td>
<td>06</td>
<td>13</td>
</tr>
<tr>
<td>A little knowledge</td>
<td>07</td>
<td>12</td>
<td>10</td>
<td>29</td>
</tr>
<tr>
<td>Rough idea</td>
<td>10</td>
<td>20</td>
<td>14</td>
<td>44</td>
</tr>
<tr>
<td>No knowledge at all</td>
<td>121</td>
<td>53</td>
<td>00</td>
<td>174</td>
</tr>
<tr>
<td>TOTAL</td>
<td>140</td>
<td>90</td>
<td>30</td>
<td>260</td>
</tr>
</tbody>
</table>

Source: Interviews with respondents under different ME Systems  
Note: GLME: Grass Root Level Micro Entrepreneurs; SBME: Season-Based Micro Entrepreneurs; SMME: Semi Mechanized Micro Entrepreneurs

The views of respondents as shown in the above table are demonstrated in percentage by the following diagram.

Diagram 1

[Diagram showing the distribution of knowledge levels among respondents]

As indicated by the above figure, more than 60% all respondents interviewed are not aware of the procedures of differentiating business expenses from their personal expenses, which in turn brings miseries in their business life. The basic accounting knowledge in this respect may help them to keep a separate account for their business transactions at a regular basis.

b. Knowledge in differentiating costs from behavioural point of views:

   Variable and Fixed costs

Like merchandising, micro-entrepreneurs of manufacturing type incur both fixed and variable costs for their production. There are certain fixed expenditures for example, rent for factory building, which an entrepreneur must pay irrespective of whether manufacturing activities continuous or not. Variable costs, on the other hand vary with productions and sales. Fixed costs are incurred at a certain time in
the business life, while variable expenses are incurred in running day-to-day business activities. Variable costs are more visible than the fixed costs. Many MEs, due to the lack of proper knowledge in basic accounting, fail to distinguish between these two types of costs. It was observed that, many respondents did not take fixed costs into consideration while determining the selling price of products. Since a large amount of fixed cost expensed is not taken into consideration, the difference between sales figure and variable costs does not disclose the real profit or loss. In accounting terms this difference is known as “Contribution Margin” rather than a profit. The contribution thus arrived represents a contribution towards fixed costs and profits. Where the amount of the contribution margin equals the fixed costs it is called a Break Even Point (BEP). Once a business owner is able to determine the BEP even in a rough form, he or she may easily determine the selling price including expected profit. A sound basic accounting knowledge in this respect may assist micro-entrepreneurs to gain knowledge on different types of costs and their treatment in accounting, which in turn may enable them to determine sale price and prepare his or her budgeted income from statement (Noreen et. al. 2003, Horngren et. al. 2006, Atkinson et. el 2001, Jiambalvo 2007). While conducting interviews it was found that out of 260 respondents 190 micro entrepreneurs are not aware of how to differentiate between fixed costs and variable costs for accounting purposes. The following table shows respondents view on their knowledge about identifying variable costs and fixed costs.

Table : 3
KNOWLEDGE IN IDENTIFYING FIXED AND VARIABLE COSTS
(260 RESPONDENTS)

<table>
<thead>
<tr>
<th>RESPONDENTS' KNOWLEDGE</th>
<th>GLME</th>
<th>SBME</th>
<th>SMME</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledgeable</td>
<td>10</td>
<td>04</td>
<td>15</td>
<td>29</td>
</tr>
<tr>
<td>A little knowledge</td>
<td>15</td>
<td>06</td>
<td>09</td>
<td>30</td>
</tr>
<tr>
<td>Rough idea</td>
<td>21</td>
<td>20</td>
<td>04</td>
<td>45</td>
</tr>
<tr>
<td>No knowledge at all</td>
<td>94</td>
<td>60</td>
<td>02</td>
<td>156</td>
</tr>
<tr>
<td>TOTAL</td>
<td>140</td>
<td>90</td>
<td>30</td>
<td>260</td>
</tr>
</tbody>
</table>

Source: Interviews with respondents under different ME Systems
Note: GLME: Grass Root Level Micro Entrepreneurs; SBME: Season -Based Micro Entrepreneurs; SMME: Semi Mechanized Micro Entrepreneurs

The findings as above may be demonstrated by the following diagram in the percentage form.
It is apparent from the above diagram that only 11% of the total respondents interviewed are having knowledge of differentiating between fixed and variable costs. 60% of the participants are ignorant of these concepts. It was observed that due to the lack of basic knowledge in this regard, the majority of the respondents interviewed could not determine the profits or losses in the beginning of their business. It is due to the fact that they mixed up both fixed costs and variable costs. It is normal in any manufacturing concern to spend higher percentage of fixed costs while production starts. In order to determine selling prices both fixed and variable costs are to be taken into consideration. It is observed from the study that, majority of the micro entrepreneurs are not aware this specific issue for which, they suffer losses in their business having a good demand of their products. A proper knowledge in accounting may be of a great help to them to determine the selling price and also quantity to be sold to cross the bar of the break even point and to earn profit. (Noreen et. al 2003, Horngren et. al. 2006).

c. Knowledge in identifying capital and revenue expenditures
From accounting viewpoint expenses of a business concern may be classified as capital expenses and revenue expenses. For example, a retail business owner buys furniture and merchandise. Although these are expenses for the business the nature of expenses are not the same. The merchandise is an expense of revenue nature like rent, telephone bill, salaries etc., while the expenses incurred for furniture is an expense of capital nature. Capital expenses are characterized by depreciation at a certain rate. Revenue expenses are the operating expenses of the business. Basic knowledge in accounting assists a business owner to differentiate between different kinds of expenses and incomes in the business. The identification of expenses of different nature helps to reveal a true financial result at the end of the business periods. It was found from the study that like fixed costs and variable costs many micro entrepreneurs were not aware of the differences between expenses of capital nature and of revenue nature. Due to that they were not able to calculate their profits in the business. Moreover, no records of such sorts of expenses were done in any
Table 4

KNOWLEDGE IN IDENTIFYING CAPITAL AND REVENUE EXPENSES (260 RESPONDENTS)

<table>
<thead>
<tr>
<th>RESPONDENTS’ KNOWLEDGE</th>
<th>GLME</th>
<th>SBME</th>
<th>SMME</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledgeable</td>
<td>04</td>
<td>05</td>
<td>10</td>
<td>19</td>
</tr>
<tr>
<td>A little knowledge</td>
<td>10</td>
<td>10</td>
<td>04</td>
<td>24</td>
</tr>
<tr>
<td>Rough idea</td>
<td>15</td>
<td>20</td>
<td>03</td>
<td>38</td>
</tr>
<tr>
<td>No knowledge at all</td>
<td>111</td>
<td>55</td>
<td>13</td>
<td>179</td>
</tr>
<tr>
<td>TOTAL</td>
<td>140</td>
<td>90</td>
<td>30</td>
<td>260</td>
</tr>
</tbody>
</table>

Source: Interviews with respondents under different ME Systems
Note: GLME: Grass Root Level Micro Entrepreneurs; SBME: Season-Based Micro Entrepreneurs;
SMME: Semi Mechanized Micro Entrepreneurs

The figure in the above table is shown in a percentage form by the following diagram.
Diagram 3

KNOWLEDGE IN IDENTIFYING CAPITAL AND REVENUE EXPENSES in % (260 RESPONDENTS)

As shown in the above diagram the study shows that almost 70% of the respondents do not have any knowledge in differentiating between the capital and the revenue expenses.

d. **Knowledge in maintaining books of accounts**

Basic accounting knowledge also assists a business owner to identify different accounts like personal account (accounts relate to persons or firm), real account (accounts relates to assets or property) and nominal account (accounts relates to income or expenditures of nominal nature). Knowledge regarding various accounts helps business owners to record transaction in a particular account concerned. Every financial transaction is characterized by two parties and these two parties are designated as two different accounts. The double entry bookkeeping principle denotes that every receiver must have its corresponding giver. The receiving account is called 'Debtor' and the giver of the benefit is called 'Creditor'. The basic
accounting knowledge teaches the rules regarding the determination of debit and credit in each account. Based on this basic bookkeeping idea, small business owner might be able to roughly record his business transactions in the books of accounts. The preliminary bookkeeping knowledge might also help to maintain ledger for each accounts. This process ultimately assists them to prepare a trial balance extracting balances form the ledger accounts. Thus the business owner will be able to know the position of the balances of various expenses and income assets and liabilities of the business after a certain period of time. (Hoskin et. al 2005, Kothari et. al. 2006, Needles et. al 2001).

It was found that among 260 respondents 228 did not have any accounting record and they calculate their profit on their own way, which is really tough to guess even. 9 respondents among 260 reported that they know a little bit about accounts but did not feel necessary to maintain any records. Those who showed a rough record was not sufficient enough to find profit or loss easily. The respondents' view on keeping accounting records are shown by the following table.

Table 5

KNOWLEDGE OF RECORDING PROPER BOOKS OF ACCOUNTS (260 RESPONDENTS)

<table>
<thead>
<tr>
<th>RESPONDENTS' KNOWLEDGE</th>
<th>GLME</th>
<th>SBME</th>
<th>SMME</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledgeable</td>
<td>00</td>
<td>02</td>
<td>03</td>
<td>05</td>
</tr>
<tr>
<td>A little knowledge</td>
<td>05</td>
<td>03</td>
<td>04</td>
<td>09</td>
</tr>
<tr>
<td>Rough idea</td>
<td>07</td>
<td>05</td>
<td>03</td>
<td>15</td>
</tr>
<tr>
<td>No knowledge at all</td>
<td>128</td>
<td>80</td>
<td>20</td>
<td>228</td>
</tr>
<tr>
<td>TOTAL</td>
<td>140</td>
<td>90</td>
<td>30</td>
<td>260</td>
</tr>
</tbody>
</table>

Source: Interviews with respondents under different ME Systems
Note: GLME: Grass Root Level Micro Entrepreneurs; SBME: Season-Based Micro Entrepreneurs; SMME: Semi Mechanized Micro Entrepreneurs

The above result is shown in percentage by the following diagram

Diagram 4

It is apparent from the above figure that more than 80% respondents are not knowledgeable about the double entry systems of book keeping and thus unable to maintain books of accounts in a systematic way.
e. Knowledge about expected cash requirement (Cash Flow Statement)
Cash may be termed as lifeblood for a business concern. A business owner regulates his or her daily business expenses by cash in hand. Cash is also known as the working capital of a business organization. A business may cease to operate if there is not sufficient cash to run necessary expenses. An entrepreneur normally prepares a periodical cash flow statement to know the expected cash in and cash out of the business. Basic accounting knowledge assists a business owner to learn about the art of preparing a periodical cash flow statement. Cash flow statements work as a guideline to business owners so they know how much cash they require for payments, how much they currently have to pay due bills; making sure that they don't "bounce" cheques and how much cash they might get from different sources.
It is revealed from the study that the majority of rural-based micro entrepreneurs interviewed are not aware of cash flow statement. However, they have their own way of determining the budgeted cash figure that they may need for their business. The following table shows the respondents' view on having knowledge about cash flow statement.

<table>
<thead>
<tr>
<th>KNOWNLEDGE ON CASH FLOW STATEMENT (260 RESPONDENTS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>RESPONDENTS' KNOWLEDGE</td>
</tr>
<tr>
<td>-------------------------</td>
</tr>
<tr>
<td>Knowledgeable</td>
</tr>
<tr>
<td>A little knowledge</td>
</tr>
<tr>
<td>Rough idea</td>
</tr>
<tr>
<td>No knowledge at all</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
</tbody>
</table>

The following diagram demonstrates the figures in the above table in percentage.

![Diagram: 5

KNOWLEDGE ON BUDGETED CASH FLOW (260 RESPONDENTS)](image)

It is known from the above figure that more than 70% respondents interviewed do not have knowledge about cash flow chart, which may help them in determining future cash needs.

f. Knowledge to know about the end income or losses
Business owners are interested in
knowing the position of their business at certain periods of time. Basic accounting knowledge helps business owners to prepare books of accounts in such a way that business owners may know the balances of expenses and income after certain period of time. Once books of accounts are maintained and balances of various accounts are ascertained an income statement may easily be prepared. This ultimately informs a business owner about the results of their business activities. Without the knowledge of basic accounting, small business owners must wait for a professional accountant who might help them in preparing their accounts. The study showed that many respondents determine profit in an informal way. Only a few of the respondents maintained proper books of accounts from where they determine year end profits or loss of the business. The following table shows respondents' views regarding the maintenance of books of accounts to determine profit or loss at the fiscal year end.

<table>
<thead>
<tr>
<th>RESPONDENTS' KNOWLEDGE</th>
<th>GLME</th>
<th>SBME</th>
<th>SMME</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledgeable</td>
<td>05</td>
<td>10</td>
<td>20</td>
<td>35</td>
</tr>
<tr>
<td>A little knowledge</td>
<td>20</td>
<td>15</td>
<td>05</td>
<td>40</td>
</tr>
<tr>
<td>Rough idea</td>
<td>35</td>
<td>25</td>
<td>03</td>
<td>63</td>
</tr>
<tr>
<td>No knowledge at all</td>
<td>80</td>
<td>40</td>
<td>02</td>
<td>122</td>
</tr>
<tr>
<td>TOTAL</td>
<td>140</td>
<td>90</td>
<td>30</td>
<td>260</td>
</tr>
</tbody>
</table>

The above figures in the table are shown in percentage by the following diagram

**Diagram 6**

Determining incomes (losses) of business (260 respondents)

- Knowledgeable: 48%
- A little knowledge: 15%
- Rough idea: 13%
- No knowledge at all: 24%

It is known from the above diagram that more than 50% respondents determine the year end profits or losses by informal means. This might not reveal the real picture of the profits or losses. Moreover, profits or losses determined in such a means is not acceptable for tax purpose.

It is mentioned earlier that almost all of the respondents interviewed are clienteles of Islamic banks. These banks give interest-free micro credit commonly known as a supervisory credit to micro entrepreneurs. In order to attain the success in the proper utilization of their borrowed funds interest-free banks may take initiatives to educate their micro level clienteles with basic accounting knowledge. Based on the empirical studies, the following may be suggested as certain means by which lending organizations may develop an idea of basic accounting knowledge among their clienteles.

1) A network may be established between micro entrepreneurs with basic accounting knowledge and micro entrepreneurs having a little idea of rough ideas of certain aspects of accounting.

2) Bank officials in charge of micro credit may voluntarily teach their clienteles as to how to write down their business transactions. Since grass-root and season-based micro entrepreneurs are given loans on a group basis (Alam 2008, 2006, 2005) the bank officials may arrange to train the group leader through the team leaders and knowledgeable customers, who may later train up the group member.

3) Sometimes the bank officials may take part in helping their clienteles to prepare accounting records in a simple form. Such sort of arrangement was found in Sudan where Sudanese Islamic banks gives interest-free micro credit to micro entrepreneurs on 'Partnership mode of Islamic Banking Finance' (Alam, 2008).

4) Micro entrepreneurs those who have rough idea on different aspects of accounting should be encouraged to learn basic accounting and the teaching to them should be in a very simple form.

5) A simple and easy format to be introduced to the clienteles to keep records of day to day transaction.

6) Micro entrepreneurs need to be encouraged to learn and if possible time to time some lectures may be arranged by different bank officials where the art of recording transactions to be taught in a simple manner.

7) The bank officials may supply certain simple forms to their clienteles where they may record different transactions like purchase, sales, expenses etc.

8) Bank officials or their representatives may at a regular interval check the record keeping activities of some of their clienteles. The bank may engage some of their clienteles who are having knowledge on basic accounting for such sorts of activities.

9) Time to time seminars and discourse on basic accounting practice may be organized by the bank. The venue should be the rural areas where micro
entrepreneurs live. Such sorts of activities motivate the rural people and create incentives and also encourage them to learn.

10) The last but not the least, record keeping procedures and accounting practices should be simplified in such a way that the rural-based micro entrepreneurs may easily understand the basic concepts and also may practice it easily in their day to day business activities.

6. Conclusion

It was noted from the empirical review that the majority of the respondents under the grass-root level Micro Entrepreneurs System are not aware of the knowledge of basic accounting, while they are the major borrowers of fund. Due to the absence of proper knowledge in the management of funds, many of them failed to realize their ultimate goals. It finally resulted in mental stress and worries. Besides the lending of funds, financial organizations need to think of how micro level borrowers may be given simple knowledge about basic accounting. Financial management through basic accounting knowledge might help micro entrepreneurs not only to save time and money but also to get rid of any mental anxieties and worries.

References


