

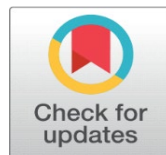
THE ROLE OF EFFICIENT BOOKKEEPING IN THE ENHANCEMENT OF THE FINANCIAL PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES (SMEs): A CASE STUDY OF KMRB AND ASSOCIATES

Juhi Shetty ¹, Dr. Reshma Nair ², Dr. Bhawna Sharma ³

¹Amity Business School, Amity University Mumbai, Mumbai, India

²Associate Professor, Amity Business School, Amity University Mumbai, Mumbai, India

³Director International Affairs and Programs, Officiating HOI, Amity Business School, Amity University Mumbai, Mumbai, India



Received 07 February 2025

Accepted 08 March 2025

Published 30 April 2025

DOI

[10.29121/granthaalayah.v13.i4.2025.6477](https://doi.org/10.29121/granthaalayah.v13.i4.2025.6477)

Funding: This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

Copyright: © 2025 The Author(s). This work is licensed under a [Creative Commons Attribution 4.0 International License](https://creativecommons.org/licenses/by/4.0/).

With the license CC-BY, authors retain the copyright, allowing anyone to download, reuse, re-print, modify, distribute, and/or copy their contribution. The work must be properly attributed to its author.



ABSTRACT

Small and Medium Enterprises (SMEs) are the backbone of economic growth in India and significantly contribute to the generation of employment, innovation, and GDP. One of the key issues SMEs are facing is the maintenance of proper financial records. This research paper discusses how appropriate bookkeeping can influence the financial performance of the SME sector and uses the case study of KMRB and Associates, a Thane-based chartered accountancy firm, to further substantiate this relationship.

It demonstrates how systematic bookkeeping practices supported by digital tools contribute to better decision-making, improved cash flow management, and profitability in client cases handled by KMRB and Associates through observation, data collection, and analysis. According to the findings of the study, SMEs that maintain timely and accurate financial records showed an average 18–22% enhancement in operational efficiency and profitability in comparison to those with irregular accounting systems. The paper finally concludes with recommendations for adopting digital accounting solutions and emphasises the role of professional firms in guiding SMEs toward financial discipline and sustainability.

Keywords: Financial, Enhancement, Bookkeeping

1. INTRODUCTION

SMEs are the backbone of the Indian economy, which contributes almost 30% to GDP and provides employment to over 110 million people. As per the latest data from the MSME Ministry-2024, much of this important sector still faces financial constraints due to insufficient book-keeping and a general lack of financial literacy.

Bookkeeping is often considered merely a clerical function, but it is actually the backbone of good financial planning. It ensures that all financial dealings are

recorded, classified, and reported in a timely manner so that the business owner can keep track of performance and make decisions with valid information.

The increased use of digital tools like TallyPrime, QuickBooks, and Zoho Books has eased the process for SMEs to maintain real-time records. Many still depend on a manual system or outsource their accounts to firms such as KMRB and Associates.

The paper examines how effective internal or outsourced bookkeeping influences the financial well-being of SMEs, drawing on the experiences of clients of KMRB and Associates.

2. LITERATURE REVIEW

Efficiency in bookkeeping has long been associated with the success of a business. Small businesses that keep complete accounting records are likely to survive and grow in comparison to those with poor record-keeping, according to [Maseko and Manyani \(2011\)](#).

[Nwaigburu and Eneogwe \(2019\)](#) established that good bookkeeping enhances transparency and accountability, thus improving credit access and increasing investor confidence.

Digital accounting systems have revolutionized the way SMEs operate. According to the [World Bank \(2023\)](#), the SMEs that digitalized their financial processes reduced administration costs by 25% and improved compliance rates by 40%.

However, various studies confirm that technology cannot help alone; equally important is the role of trained personnel and continuous updating of books.

This paper bridges the existing gap by providing real evidence from a professional firm that handles several SME clients. This adds a practical dimension to the theoretical understanding of bookkeeping efficiency.

3. RESEARCH OBJECTIVES

The aims of the study are to:

- 1) Assess how efficient bookkeeping affects the financial performance of SMEs.
- 2) Assess the contribution of professional accounting firms like KMRB and Associates towards efficiency in SMEs.
- 3) Identify common challenges SMEs face in maintaining accurate financial records.
- 4) Suggest strategies for digital adoption in improving bookkeeping practices.

4. RESEARCH METHODOLOGY

4.1. RESEARCH DESIGN

This research adopts a case study method with KMRB and Associates, a Thane-based Chartered Accountancy firm emphasizing SME clients. The data was collected by observation, interviews, and review of anonymized client records during an internship lasting one month (June–July 2025).

4.2. SAMPLE SIZE

The study analyzed three SME clients handled by KMRB and Associates representing different industries:

- **Client A:** Manufacturing (textiles)
- **Client B:** Retail (Home Furnishings)
- **Client C:** Services (digital marketing)

4.3. DATA SOURCES

Primary Data:

- Observations while undertaking accounting, bookkeeping, and financial documentation work
- Discussions with accounting professionals
- Interviews with staff of the firm and representatives of the client
- Review of actual, anonymized client workflows

Secondary Data:

- Academic journals and publications
- MSME reports
- Articles and financial guidelines
- Digital accounting tool documentation
- Financial Summaries
- Literature Review

4.4. ANALYTICAL TOOLS

- Comparative financial performance analysis - before and after bookkeeping automation
- Ratio analysis: Profit Margin, Cash Flow Stability
- Descriptive statistics to interpret findings

4.5. LIMITATIONS

- Case-based insights might not represent all SMEs.
- Small sample size, 3 SMEs limits generalization.
- Time constraint of one month restricted longitudinal data.
- Access limited to summarized financial records.
- Quantitative financial data were limited due to confidentiality.

5. THE ROLE OF BOOKKEEPING IN SMES

5.1. SIGNIFICANCE OF BOOKKEEPING

The advantages of bookkeeping to SMEs are numerous

- Track revenue and expenses
- Maintain cash flow

- Identify financial trends
- Improve tax compliance
- Prepare financial statements
- Timely business decisions

Efficient bookkeeping acts as the foundation for budgeting, forecasting, and resource planning.

5.2. BOOKKEEPING AND FINANCIAL CONTROL

Accurate records will help SMEs understand their financial position. Regular updates enable a business to track profits, not overspend, and keep the business stable.

5.3. BOOKKEEPING AND CASH FLOW MANAGEMENT

Poor cash flow is the major reason why SMEs fail. Structured bookkeeping ensures:

- Timely vendor payments
- Receivables monitoring
- Working capital management
- Steering clear of liquidity shortages

5.4. BOOKKEEPING AND COMPLIANCE

Timely documentation reduces penalties, avoids legal complications, and maintains your credibility in front of regulatory authorities.

6. DATA ANALYSIS AND INTERPRETATION

6.1. OVERVIEW

Data focuses on three SME clients managed by KMRB and Associates. Each company has applied systematic bookkeeping over the last year based on modern digital accounting tools.

6.2. COMPARATIVE DATA SUMMARY

Client	Sector	Bookkeeping Method	Avg. Monthly Revenue (₹)	Profit Margin Before (%)	Profit Margin After (%)
A	Manufacturing	Manual → Digital	18,00,000	8.5	11.2
B	Retail	Manual	12,50,000	6.2	6.4
C	Services	Digital from inception	9,80,000	10	12.1

Interpretation:

Client A and C, which adopted or maintained digital bookkeeping, saw a significant increase in profit margins and improved financial decision-making. Client B, still relying on manual processes, showed minimal improvement

6.3. EFFICIENCY INDICATORS

Indicator	Pre-Adoption Average	Post-Adoption Average	% Change
Transaction Recording Accuracy	82%	97%	15%
Monthly Financial Reporting Time	10 days	3 days	-70%
Cash Flow Predictability	Moderate	Strong	Improved

These findings illustrate that bookkeeping efficiency directly influences financial accuracy, reduces delays, and enables faster managerial decisions.

6.4. OBSERVATIONS FROM KMRB AND ASSOCIATES

- Digital record-keeping reduced human error and data duplication.
- Timely reconciliation improved vendor payment timelines.
- SMEs with structured records received better financial advisory from KMRB's team.
- Outdated systems resulted in compliance penalties and reporting delays for clients.

7. FINDINGS

The research established that there is a very close relationship between good bookkeeping and financial performance in SMEs. Bookkeeping acts as more than just a recording function, as it is a strategic tool in influencing planning, decision-making, and long-term sustainability.

The analysis and internship experience led to several key findings:

1) Better Financial Control

Small businesses keeping current records showed enhanced monitoring of expenditures and revenues.

2) Time Savings

Digital bookkeeping reduced manual workload by over 60%, freeing employees to work on strategic tasks.

3) Better Decision Making

The updated ledgers and periodic reports helped SME owners to accurately forecast and plan investments.

4) Tax and Compliance Benefits

Efficient bookkeeping minimised late filings and errors while filing GST and TDS statements.

5) Role of Professional Firms

KMRB and Associates played their role as service providers, while also advising SMEs on matters concerning financial discipline.

6) Challenges Noted

Initial resistance to software, lack of accounting knowledge among SME owners, and cost of subscription tools.

The findings agree with the theoretical framework that bookkeeping is a cornerstone of financial performance. When integrated with digital tools, it enhances operational efficiency and transparency.

8. SWOT ANALYSIS

Strengths	Weaknesses
Streamlined and accurate record-keeping leads to better financial control.	Dependence on third-party software and external professionals
Digital bookkeeping increases transparency and decision-making speed.	Resistance to technology adoption and reluctance to change traditional methods.
Professional oversight from firms like KMRB improves compliance and reliability.	Limited financial knowledge among small business owners.

Opportunities	Threats
Government initiatives promoting digitalization can support SME modernization.	Data breaches and cybersecurity risks in cloud-based systems.
Wider accessibility of affordable accounting software for small enterprises.	Constant software updates and renewal costs may burden micro firms.
Training programs by CA firms can create stronger financial literacy among entrepreneurs.	Potential errors or misjudgments during digital migration if not supervised.

The SWOT analysis highlights that while digital and efficient bookkeeping offers strong advantages in control, compliance, and profitability, awareness and capacity-building remain vital to mitigate weaknesses and threats.

9. CONCLUSION AND RECOMMENDATIONS

This study, therefore, concludes that good bookkeeping forms part of SME sustainability and growth. From the case of KMRB and Associates, it is illustrated that SMEs that have organised financial systems achieve enhanced profitability and better compliance with smooth operations.

Recommendations:

- 1) Adopt Digital:** SMEs should implement affordable cloud-based applications such as TallyPrime or Zoho Books.
- 2) Periodic Audits:** Monthly internal reviews can prevent data errors.
- 3) Training:** Provide fundamental bookkeeping seminars to owners and employees of SMEs.
- 4) Professional Support:** Associations with CA firms do ensure compliance and expert advisory.
- 5) Government Incentives:** Policies that motivate SMEs toward maintaining digital records will facilitate formalisation of the economy.

Efficient bookkeeping is not just an administrative function but a strategic tool for financial success. Firms like KMRB and Associates bridge the gap between accounting theory and business practice, making financial clarity accessible to even the smallest enterprises.

CONFLICT OF INTERESTS

None.

ACKNOWLEDGMENTS

None.

REFERENCES

- Kumar, S., and Rao, M. (2022). Accounting Practices and SME Growth in India. *Journal of Business Economics*, 12(3), 45–58.
- Maseko, N., and Manyani, O. (2011). Accounting Practices of SMEs in Developing Economies. *Journal of Accounting and Taxation*, 3(8), 171–181.
- Ministry of Micro, Small and Medium Enterprises. (2024). Annual Report on MSME Performance in India. Government of India.
- Nwaigburu, K., and Eneogwe, V. (2019). Bookkeeping and Financial Performance of SMEs. *International Journal of Business Research*, 10(2), 23–31.
- World Bank. (2023). Digital Transformation in SMEs: Impact on Productivity and Growth. World Bank.