

## **Accounting Practices of Sari-Sari Stores in Brgy. Makiling, Calamba, Laguna: Basis for Community Extension Program of the College of Business and Accountancy**

Ma. Leonora V. Alusen/ Jayvee Neil T. Javier  
College of Business and Accountancy

### **ABSTRACT**

*A proper accounting system provides accounting information for any purpose. Sari-sari stores, although a small business should also keep accounting information. This study analyzed the accounting practices of 56 sari-sari store owners at Brgy, Makiling Calamba, Laguna. A descriptive quantitative survey method was used in this research. A self-made questionnaire was used as a primary tool. The results showed that majority of the respondents were keeping any form of accounting records. Most of the respondents were using manual type of accounting system. This implies that owners preferred to use manual accounting system compared to computerized system because of the lower incurring costs and it is relatively easy to use. In addition, manual accounting systems were most commonly used by small businesses because it only has a minimal number of transactions compared to larger businesses. An improvement of accounting practices of sari-sari stores through interactive seminar is needed to further improve the knowledge of business owners on the importance of keeping accounting records.*

**Keywords:** *Accounting Practices, Manual Accounting Practices, Computerized Accounting System, Accounting Information, Community Extension Program*

### **INTRODUCTION**

Relatively, most SMEs are not registered as corporate bodies but as a single proprietorship because the latter makes registration procedures quite simple and a bit easier than the other forms of business registration. However, SMEs find it difficult to access finances from the financial institutions, since they lack financial records as a requirement. The SME's weakness, many times to live beyond their first few months of existence

has been attributed partly to lack of finance. In order to become successful and be able to contribute significantly to the economy, SMEs must attract and secure finance all by themselves. Financial providers often rely on information before making the final decision to either invest or withdraw in certain businesses. For example, banks and lending institutions need to know whether the SMEs seeking finance will be able to payback before going ahead to loan. This can be perceived from financial accounting information about a firm's operations.

A proper accounting system provides financial accounting information for any purpose. In order to enable financial seekers and providers to make an informed economic decision, possession of reliable accounting information which has been generated through an adequate accounting system is needed. This requires keeping of proper book of accounts. An accounting system is one of the most effective decision making tools of management. It provides an orderly method of gathering and organizing information about various business transactions, so that it may be applied as an aid to management in operating the business. Zhou (2010) proposes that accounting software can improve accounting practices. Lalin and Sabir (2010) explain that the main motivation for SMEs to prepare financial statements is the pressure from regulatory authorities.

Maseko and Manyani's (2011) study on 100 SMEs in Zimbabwe concluded that SMEs do not keep complete records of accounts because of lack knowledge in accounting and the cost of engaging professional accountants. Consequently, the use of accounting information is not effective in order to support measurement of financial performance by SMEs. The study purposes that regulatory bodies should develop specific guidelines for SME accounting and organize accounting training programs for entrepreneurs in small businesses. Record keeping which will help the proprietors to keep track of the performance of these enterprises in order to enhance the profitability of small scale enterprises and their continuity should be maintained.

Maseko (2011) stipulated that micro and small business recordkeeping is the backbone of one's business. Keeping accurate accounting records actually creates a profitable business. (Germain, 2010) found that most business operators especially those in MSMEs perceived record keeping as a method of recovering initial investment in the form of cash at the end of the accounting period. If MSMEs do not maintain proper accounting records, long-term sustainability of the business is under question. Howard, (2013) emphasized that many small businesses failed

to keep adequate records. This leads to major problems and quite possibly the closing of the business. Evidence shows that keeping good records helps to increase the chances of business survival. In essence, the SME's owners or manager should be personally involved in record keeping (Sian, 2016). Proper record keeping ensures long-term sustainability of the business and anticipates long term prospects.

Germain (2010) asserted that small businesses must consider maintaining a positive cash flow as one of the important elements. By taking into consideration reviewed literature it is important to what extent do the owners and managers of SME' in Sri Lanka accounting records of their businesses. Chand and Dahiya (2010) who explored MAPs in Indian small and medium hospitality enterprises suggested that management accounting techniques have a great impact on different firm's aspects especially on cost reduction and quality improvement. The main obstacles for application of management accounting techniques relate to ownership. Moreover, Halabi et al. (2010) who examined MAPs among owners of small enterprises in Australia found that the accounting reports were not primarily used as tool for measuring business performance. The literature in MAPs in SMEs suggest that SMEs adopt simple and traditional MAPs in the organizations which is easy to use, understand, and maintain as Halabi et al. (2010) argued that owners of small enterprises possess a relatively basic understanding of accounting reports. This is supported by Lucas et al. (2013) who suggested that there is a tendency among small firms to make decisions without adequate, or additional financial information or analysis. The empirical evidences in this area primarily relate to developed countries and little information can be found in SMEs from developing countries. Furthermore, MAPs research in SMEs has long been overlooked and the findings are still fragmented and unconnected (Lo'pez and Hiebl, 2015).

Sari-sari store is one form of a Filipino family run retail business This kind of stores are the urban and rural convenience stores that Filipinos are used to and are existing ever since prior to the arrival of the Spaniards in the 1500's. The word *sari-sari* means "various kinds" in English translation, which is real in the idea of the sari-sari store because there are really "various kinds" of items for sale. One distinct idea about a *sari sari* store is that it allows people to purchase their needs on "tingi" or singular item basis (The Philippine Travel Guide, 2016). Nowadays, sari-sari stores remain the most significant outlet in our country, with almost 99% of Filipinos buying from this channel, says a study from Kantar World panel. It accounts for 47% of household spending on fast moving consumer goods

(Adobo Magazine Online, 2012). Given how a sari-sari store works, these retail stores are patronized by people, since it provides convenience to all, and in today's generation, a sari-sari store is almost in every corner of the community. More Filipinos are fascinated to the sari-sari store community, which is part of the retail industry, since it is one of the fastest and easiest business ventures they can get into, thus continuously improve the economy (Lacamiento, 2013).

## **Objectives**

This study looked into whether or not the SMEs particularly the sari-sari stores have in place proper books of accounts to generate the needed accounting information that financial providers and other partners require. Further, this study aimed to describe the demographic profile of the respondents in terms of age, gender, number of owner, level of education, number of year in business operation, nature and type of business, legal ownership, and number of employees; to determine the relationship between respondents demographic profile and the availability of their accounting records; to determine the existence of accounting system and practices of different sari-sari stores in Brgy. Makiling, Calamba City, Laguna; to assess the purpose of keeping accounting records; to determine the reason why sari-sari stores in Brgy. Makiling are not keeping accounting records and to propose an action plan for the improvement of accounting practices of the different SMEs at Brgy. Makiling, Calamba City, Laguna. This study is relevant because the College of Business and Accountancy can explore the accounting practices of SMEs in Brgy Makiling and can verify whether they are able to meet the expectations of financial providers and further make recommendations and action plan for the SMEs in terms of the improvement of their current accounting practices.

## **METHODOLOGY**

Descriptive quantitative survey method was used in this research. This method includes gathering data from primary sources aimed at achieving the objectives of the research. The research study was conducted at Brgy. Makiling, Calamba City, Laguna. Brgy. Makiling has a total of fifty-six (56) registered sari-sari stores, specifically 14 in Purok I, 11 in Purok II, three (3) in Purok III, 11 in Purok IV and 7 in Purok V. The researchers used the population of the 56 registered sari-sari stores.

The researcher used the self-made questionnaire as the primary tool of the study. The first part focused on the demographic profile of the respondents and the store which shows the basic variables such as age, sex, civil status, and educational attainment, year of business operation, nature and type of business, legal ownership, and number of employees. The second part is composed of close ended survey questions. It has six (6) aspects that focus on the keeping accounting records and other strategies that may be used. The instrument underwent internal consistency and reliability test using Cronbach's Alpha. The survey questionnaire got a Cronbach's Alpha Value of 0.70 which showed that the questionnaire is reliable. Frequency and percentage was used to define the demographic profile of the sari-sari store owners. Weighted mean was used to know the level of accounting needs of the sari-sari store in Brgy. Makiling in terms of keeping accounting records, using manual or computerized system, and if they have a background on accounting.

## **RESULTS AND DISCUSSION**

Table 1 shows that there is a total of 56 respondents, with 35 (62.50%) female and 21 males (37.50%). This resultit shows that the owners of the sari-sari stores in Brgy. Makiling, Calamba City is mostly female. Many of the females are housewives who chose to run the sari-sari store, since they are the ones who were left at their homes. This result was supported by the organization Works of Hearts, which claimed that sari-sari stores are usually operated and owned by women micro entrepreneurs or housewives to support the financial needs of the family (Works of heart [WOH], 2017). Actually, a greater number of women lead family businesses compared to non-family businesses. In fact, 24% of family-owned businesses are run by women (Pickard-Whitehead, 2017).

**Table 1: Demographic profile according to gender**

<u>Gender</u>	<u>Frequency</u>	<u>Percentage</u>
Female	35	62.50%
Male	21	37.50%
Total	56	100%

Table 2 shows that the most significant age group is 38 to 43 years old while the least age group is 19 to 25 years old. It can be observed on Table 2 that most of the respondents who participated in the study were from 38-43 years old (30.36%) while the age groups 19-25 and 44-49 years old participated the least, each with a frequency of 3. This only means that most of the sari-sari store owners' age was between 38 to 43 years old, the later young adulthood stage shows that most of the sari sari store owners are usually comfortable at home that's why it suggests that a considerable number of sari-sari store owners prefer staying at home while managing their own businesses that will make their lives easy. Likewise, this is an indication that they refrain from finding more stable jobs, as they enjoy the company of their family while having their own business and agendas at home.

Table 2: Age of the respondents

Age	Frequency	Percent
19 to 25	3	5.36
26 to 31	13	23.21
32 to 37	14	25.00
38 to 43	17	30.36
44 to 49	3	5.36
50 and above	6	10.71
Total	56	100.00%

Table 3 shows that majority of the sari-sari store owners are married which constitutes 76.79% of the respondents. Only 13 out of 56 respondents are single having a 23.21%. This result is similar to the study of Walker and Brown (2004) who stated that the majority of the total population was married. This suggests that single individuals prefer having their own businesses in the comfort of their own homes. It also suggests that having a sari-sari store while married can help to have an extra income for the family.

Table 3. Civil status of the respondents

Civil Status	Frequency	Percent
single	13	23.21

married	43	76.79
Total	56	100.00%

---

Table 4 shows that majority of the sari-sari store owners are college graduates while minority are high school graduates. College graduates constitutes 71.43% of the respondents while high school graduate constitutes 28.57%. Bates, Timothy (1990) stated that the owner's educational background is a major determinant of the financial capital structure of small business start-ups. Highly educated entrepreneurs are most likely to create a firm that still remained in operations.

Table 4: Educational attainment of respondents

Level of Education    Frequency    Percentage

College	40	71.43
High School	16	28.57
Total	56	100.00

---

Table 5 shows that majority of the respondents which is 46.43% of the registered sari-sari stores are operating their business between the period of 2-4 years. A considerable number of businesses have been operating for quite some time now, which indicates that their business are growing and developing as time passed by.

Table 5: Number of years of business operation

Years of Business    Frequency    Percentage  
 Operation

1 year and below	1	1.79
2-4	26	46.43
5-7	14	25.00
8-10	9	16.07
11-13	1	1.79
14-16	3	5.36
17-19	2	3.57
Total	56	100.00

---

Table 6 shows that majority of the sari-sari store owners have only less than five employees which represents 91.07%. Only five out of 56 respondents have 6-15 employees. This shows that most of the respondents do not need many employees to operate their sari-sari store. This is a mere representation that only a small number of businesses have a lot of employees. It can be an indication that they chose to consider having a small number of employees as it creates a greater amount of expenses on their part.

Table 6. Number of employees

<u>No. of Employees</u>	<u>Frequency</u>	<u>Percentage</u>
Less than 5	51	91.07
6 to 15	5	8.93
Total	56	100.00

As shown in Table 7, majority of the respondents are keeping any form of accounting records which is 43 out of 56 respondents. Accounting records are all of the documentation and books involved in the preparation of financial statements or records relevant to audits and financial reviews. Accounting records include records of assets and liabilities, monetary transactions, ledgers, journals, and any supporting documents such as checks and invoices.

Table 7. Assessment of respondents' use of accounting records

<u>Keep any form of accounting record</u>	<u>Frequency</u>	<u>Percentage</u>
No	13	23.21
Yes	43	76.79
Total	56	100.00

The researchers gathered data about the type of accounting systems that the respondents were using. Survey showed that majority of the respondents were using manual accounting while minority were using computerized accounting while some of the respondents neither used computerized nor manual accounting system. Manual accounting systems are most commonly used by small businesses, as these systems have



lower upfront cost less than complex accounting software and are relatively easy to use. New or small businesses may not have many financial entries to make and, therefore, their accounting needs are simple. As long as the person-in-charge of manually keeping the financial records knows what he or she is doing, it can be just as accurate as a computerized accounting system.

**Table 8. Assessment of respondents' use of accounting records**

Record keeping system	Frequency	Percentage
Computerized	7	12.50
Manual	39	69.64
None	13	23.21
Total	56	100.00

Table 9 shows the respondents' purpose for keeping accounting records. Data shows that the main reasons are to track their receivables and payables and for performance evaluation purposes. Meanwhile, the least reasons why they keep accounting records are for taxation purposes and for determining the size of the business. Record keeping is the design of a proper accounting system, which involves recording daily business transactions, and keeping the relevant bills, receipts to validate all expenses claimed. Good records allow business individuals to identify all of assets, expenses, income, and liabilities. It helps to identify the strengths and weaknesses of the business, which will enable to make better financial decisions. Accurate accounts give real-time data for better reporting and forecasting. Goals and objectives that are created with accurate information are more easily measurable.

**Table 8. Assessment and Ranking of Respondents' Purpose of Keeping Accounting Records**

Purpose	Weighted Mean	Rank
Tracking of Receivables and Payables	2.82	1
Performance Evaluation	2.96	2
Income Distribution	3.02	3
Support in Accessing Credit and Finance	3.61	4
Taxation	3.80	5
Determine Size of Business	4.73	6

As can be gleaned on Table 10, some of the respondents said that they were not keeping their accounting records. The main reasons was because it requires technical skills and knowledge and it is time consuming. Likewise, it constitutes to a greater loads of work on their part. Requiring them to put an effort to make accounting records might give them stress and more pressure as their business only caters to a small number of people.

Table 10: Assessment and ranking of respondents' reasons for not keeping accounting records

Reasons	Weighted Mean	Rank
It requires technical skills and knowledge	2.87	1
It is time consuming	3.27	2
There is no need to keep accounting records	3.33	3
It is expensive	4.13	4
It requires more staff	4.33	5
It is difficult to maintain the system	4.47	6
It makes the enterprise pay more taxes	4.53	7

As to suggestions of the sari-sari store owners on how to improve accounting practices, majority of the respondents suggested that there should be training for managers and owners. Also, the managers or owners should be educated on the need to keep accounting records. One thing that is needed also is to make the accounting records mandatory to monitor the in and out of the money in their business.

Table 11: Suggestions on how to improve the accounting practices

Suggestions	Frequency	Percentage
Oganize Training for Owners	43	76.79
Hire consultant for financial statement analysis	18	32.14

Make use of accounting records mandatory	29	51.79
Offer accountancy services	13	23.21
Motivate owners to adopt accounting records	25	44.64
Strengthen monitoring And supervision	29	51.79
Educate owners on the need to keep accounting records	37	66.07

---

## **CONCLUSION**

Majority of the respondents were keeping any form of accounting records. Most of the sari-sari store owners in Brgy. Makiling were married, female, and 38-43 years old. The researchers also conclude that most of the respondents were using manual type of accounting system. This implies that the sari-sari store owners prefer to use manual accounting compared to computerized accounting system because of its lower incurring costs and it is relatively easy to use. In addition, manual accounting systems were most commonly used by small businesses because it only has minimal number of transactions compared to larger businesses.

The researchers also assessed the respondents' purpose of accounting records. The main reasons were to track their receivables and payables and for performance evaluation purposes. The researchers further conclude that it is important for the sari-sari store owners to keep accounting records to identify the strengths and weaknesses of the business, which will enable to make better financial decisions. It allows business individuals to identify the assets, expenses, income and liabilities of their business, which can be used for evaluation purposes. On the other hand, some of the respondents were not keeping accounting records because it requires technical skills and knowledge and it is time consuming.

## **RECOMMENDATION**

For the improvement of accounting practices of sari-sari store owners at Brgy, Makiling, the researchers recommend to conduct an interactive seminar about the importance of accounting systems in every business whether small or large. This seminar aims to convince the sari-sari store owners that it is very important to keep accounting records. In addition, the seminar aims to talk about suggestions on how to improve accounting practices and procedures on how to keep proper accounting records. For manual accounting, there should be separate folder or envelope for each type of transaction. For example, the documents for receivables and payables should be separated. It also should be arranged from oldest to current date in order to find the transaction quickly. Next, it is important to keep track of the inventory to know which of the items best seller are and to know when to re-stock the inventory. It can also help to assess which of the items the owners will buy more based on the sales. It is also very important to store the accounting records in a safe place in case of fortuitous events.

For computerized accounting, it is recommended that the files be kept in a separate folder per year, so that the information is highly organized and it would be easier to find the information that the owner would need. The receivables and payables should also be separated. For the software to use, it is recommended to use Microsoft Excel since it is not complicated to use. There are also useful formulas that the owners could use such as the auto sum feature. The sari-sari store owners can use one sheet for one month in Excel to keep the accounting records organized. It is also very important to have a backup of the accounting records in case virus affects the computer or if it malfunctions. It is up to the sari-sari store owners whether they prefer to use manual or computerized accounting system. They can choose what suits their needs the most and what they find most convenient to use. Whether manual or computerized, it is equally important in every business.

## **REFERENCES**

Adobo Magazine Online (2012) Sari-sari stores are still the most important outlet in the Philippines. Retrieved from <http://adobomagazine.com/sari-sari-stores-are-still-most-important-outlet-philippines>

- Bates, T. (1990). Entrepreneur human capital inputs and small business longevity. *The review of Economics and Statistics*, 551-559.
- Chand, M., & Dahiya, A. (2010). Application of management accounting techniques in Indian small and medium hospitality enterprises: an empirical study. *International Journal of Entrepreneurship and Small Business*, 11(1), 25-41.
- Germain, P. J. (2010). Top 10 Small business book keeping Tips. <http://ezinearticles.com>
- Howard, P. (2009). Good Recording Important for Successful Business: Angelo State University
- Goldberg L (2013). Some early Australian accounting records. *Accounting in Australia (RLE Accounting): Historical Essays*, 58, 18.
- Lacamiento, Grace Melanie I. (2013). Sari-sari store community fuels retail sector growth. Retrieved from <http://www.philstar.com/cebu-business/2013/06/10/952327/sari-sari-store-community-fuels-retail-sector-growth>
- Lalin, H., & Sabir, R. I. (2010). Research on Usage and Usefulness Perception of Financial Accounting Practices in a Less Developing Country: A Case of SMEs in Cambodia. In *Proceedings of 7th International Conference on Innovation & Management*.
- Lavia López, O., & Hiebl, M. R. (2014). Management accounting in small and medium-sized enterprises: current knowledge and avenues for further research. *Journal of Management Accounting Research*, 27(1), 81-119
- Maseko, N., & Manyani, O. (2011). Accounting practices of SMEs in Zimbabwe: An investigative study of record keeping for performance measurement (A case study of Bindura). *Journal of accounting and taxation*, 3(8), 158.
- Pickard-Whitehead, Gabrielle (2017). Debunking Myths About Mom and Pop Shops. Retrieved from <https://smallbiztrends.com/2017/03/family-business-statistics.html>
- Sian S, Roberts C (2006). Micro-entity Financial Reporting: Some Empirical Evidence on the Perspectives of Preparers and Users. Infor. Paper prepared for Small and Medium-sized Practices Committee. IFAC. NY
- The Filipino Sari-Sari Store. (2017). Action for Economic Reforms (AER). Retrieved 10 November 2017, from <http://aer.ph/the-filipino-sari-sari-store/>
- OPPORTUNITIES, S. (2014). Sari-sari stores: Maximizing

distribution opportunities . Nielsen.com. Retrieved 10 November 2017.  
<http://www.nielsen.com/ph/en/insights/news/2014/sari-sari-storesmaximizing-distribution-opportunities.html>

Works of heart [WOH] (2017). The hapinoy sari-sari store program, from  
<http://hapinoy.com/about/the-hapinoy-sari-sari-store-program>

Zhou, L. (2010). The research on issue and countermeasures of accounting information of SMES. *International Journal of Business and Management*, 5(3), 223