Report On

Challenges in Accounting Practices of Bangladeshi SMEs

By
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ID 21104067

An internship report submitted to the BRAC Business School in partial fulfilment of the requirements for the degree of Bachelor of Business Administration

BRAC Business School
BRAC University
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Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at BRAC University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

Student's Full Name & Signature:

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Dr. Md. Kausar Alam

Associate Professor

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Letter of Transmittal

Dr. Md. Kausar Alam

Associate Professor,

BRAC Business School

BRAC University

Kha-224 Merul Badda, Dhaka 1212. Bangladesh

Subject: Submission of Internship Report

Dear Sir,

With great pleasure, it is my duty to acknowledge that I have finished writing the report on "Challenges in Accounting Practices of Bangladeshi SMEs. During the preparation of this report, I interned at Shamolima Limited, where I had the opportunity to work in the Accounting department under the supervision of an honourable HR manager of the company.

I have invested a great deal trying to ensure that I collect the accurate data and present the recommended proposition as and when it is required in as concise and compact a manner as possible.

Sincerely yours,

____

Md. Ahsanur Rahman

21104067

BRAC Business School

BRAC University

Date: 5 Feb, 2026

Non-Disclosure Agreement

This agreement is made and entered into by and between Shamolima Limited and the undersigned student at BRAC University.

Md. Ahsanur Rahman

ID: 21104067

Acknowledgement

I would like to present my heartfelt gratitude to everyone who has helped in the production of this research paper; it is entitled; challenges in Accounting Practices of Bangladeshi SMEs. To begin with, I wish to profusely thank Almighty Allah who gave me the patience, strength and perseverance to accomplish this study professionally. I owe a deep degree of gratitude to my academic supervisor and the faculty members who have been instrumental in providing their priceless guidance, constructive criticism and continued support during the entire time of my research. They made their brilliant suggestions, and they have helped this paper to create direction and improve the quality. I also would like to express my profound thanks to the owners, managers and the accounting staff and personnel of Small and Medium Enterprises (SMEs) who volunteered to take part in the interviews and disclose their experiences. They were cooperative and open, which provided primary data that could not have been collected otherwise. In addition, I also give credit to the authors, researchers, and institutions whose published books, reports and scholarly articles acted as secondary sources and therefore greatly contributed to the theoretical foundation of this study. Lastly, I would want to acknowledge my family, friends, and well-wishers who offered moral support and encouragement to me all along the way during the process of conducting the research.

Executive Summary

Small and Medium Enterprises (SMEs) also feature prominently in the economic development of Bangladesh as they give back to the economy through employment creation, distribution of income, and the creation of entrepreneurs. Nevertheless, most SMEs, in spite of their significance, face long-term challenges of ensuring that their accounting practices are upheld, a factor that has adverse impacts on financial management, compliance, and sustainability. The research will undertake the investigation of the main problems related to accounting activities of the Bangladeshi SMEs and their effects on the business performance. A qualitative research design was applied in the study, where semi-structured interviews were used to collect data with 15 SME owners, managers, and accounting staff, and secondary data was used to obtain data on SME development and accounting practices using academic literature, reports and regulatory documents. The results show that most of the SME is using manual and informal accounting systems,which means handwritten records and simple spreadsheets, which is usually kept by a few people who have little information in accounting. Monetary limitations hinder the outsourcing of professional accountants and the use of accounting software, and the complicated tax laws, constant changes in compliance requirement and low accounting literacy further dilute sound financial reporting practices. As a result, poor accounting strategies cause poor financial decision-making, poor cash-flow management, poor evaluation of profitability, and restricted access to formal financing. The paper concludes that the increase in accounting literacy, the affordability of the digital accounting tool, and the creation of supportive regulatory frameworks are key strategies that could help to improve financial transparency, which would in turn result in the sustainability of the SMEs in Bangladesh.

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List of Acronyms

BBA – Bachelor of Business Administration

SMEs – Small and Medium Enterprises

VAT – Value Added Tax

IFRS – International Financial Reporting Standards

IAS – International Accounting Standards

GDP – Gross Domestic Product

MFS – Mobile Financial Services

ICT – Information and Communication Technology

HR – Human Resources

CEO – Chief Executive Officer

Chapter 1: Overview of Internship

1.1 Information of the Student

Name	Md. Ahsanur Rahman
ID	21104067
Program	Bachelor of Business Administration (BBA)
Major	Accounting

1.2 Internship Information

1.2.1 Company Name, Department/Division, Address

Company Name	Shamolima Limited
Duration	3 months (9 November -8 February)
Department	Accounts Department
Address	Branch Office, House #15, 5th Floor, Road #8, Gulshan-1, Dhaka-1212, Bangladesh

1.2.2 Internship Company Supervisor's Information

Name	Tanim Ahmed
Designation	Manager, Human Resources

1.2.3 Job Scope: Responsibilities

The internship experience at Shamolima Limited provided me with a diverse range of duties, most of which involved tasks related to the Accounts Department. However, on a limited number of occasions, cross-functional coordination work was also performed. This experience made it possible to observe and be actively involved in the daily work of a corporate accounting division, thus, it gave me the empirical background in the processes of corporate financial management.

1. Maintenance of Daily Accounting Records and Financial Documentation

One of the key tasks was assisting in the regular accounting as well as having commendable maintenance of the financial records, systematic grouping of supporting documents, proper vouchering, checking the accuracy of the invoices and ensuring the timely input of financial information. Those regular activities provided a level of respect to processes of gathering, storing, and using financial information within a corporate infrastructure.

2. Support in Documentation Management and Data Entry Activities

The data entry activities that I did during the internship included the recording of transactions in accounting spreadsheets and the internal software, drafting transaction logs and assistance in the classification of documents. Working in this position enhanced my ability to be precise and obsessive with details, which is very necessary in the field of a professional accountant.

3. Interdepartmental and Cross-Functional Coordination

Sometimes, I was requested to assist in supporting other departments at Human Resources' request. This involved coordinating with other pertinent departments to order documents, fact-checking or supporting the current administration processes. The experience enlightened me on the interdependencies inherent in the procedure to support the smooth flow of activity within an organisation.

4. Assistance in Bank Reconciliation, Accounts, and Petty Cash Management

I also participated in bank reconciliation by comparing the bank statements and company accounts to detect and rectify bank discrepancies. I also assisted with the receivables and payables operations, buying invoices, making payments and owed balances and keeping petty cash records, which was achieved by primarily record keeping and reconciliation of small amounts of cash payouts.

5. Support in the Preparation of Client Presentations and Business Proposals

I also assisted in preparing client presentations and business proposals by ensuring that the financial data was organised and the supporting documentation was prepared. This involved helping to organise data, putting together materials, and making presentation material. The task enabled me to comprehend the use of accounting data in the communication and decision-making of the client.

6. Coordination with Internal Departments for Operational Support

I was used to communicating with internal departments to gather the necessary information and check the documents when it came to accounting and administration. This included proper communication and following up to have the tasks completed on time. This accountability allowed me to have experience in cross-functional work in a company setting.

1.3 Internship Outcomes

The Shamolima Limited internship provided me with practical experience working in the field of professional accounting practices and company operations. My experience in the Accounts Department helped me understand how financial documentation works, the need to be accurate and the need to have sound internal controls. The other dimension of accounting that was salient in the internship and was shed light on by the theoretical knowledge gained in the academic program was relevance to the real business environment. This role improved my communication abilities, professional discipline, and knowledge of the culture of corporate offices. In addition, it gave me an experience on organisational structures and administration processes by working directly with Human Resources and gaining an intimate knowledge of internal reporting systems.

My Role at Shamolima Limiteds:

During the internship, I worked in the Accounts Department, where I maintained well-coordinated paperwork, helped with the day-to-day accounting entries, and made sure that financial records were processed in time. My ability to operate in various departments made the coordination of documentation easy. I also assisted in administrative functions and hence improved efficiencies. Supervisors praised my consistency, punctuality and initiative, which are qualities that had a positive effect on the work of the department.

1.3.1 Benefits of the Internship Program

The internship provided a chance to gain hands-on experience and to see the accounting procedures, financial records and business communication in the corporate environment. I was taught how the corporate accounts departments operate and how accuracy, confidentiality, and adhering to the rules and regulations are vital in the financial operations. The experience also built on soft skills, which comprised time management, teamwork, adaptability, and problem resolution of problems. This experience made me more prepared to work in the field of accounting or finance in the future.

1.3.2 Challenges

At the initial stages of my internship, I had a hard time adjusting to the workplace and conducting myself according to the expectations of the organisation. The job required detail and quick learning, and that at first was pressure. Moreover, communication skills were needed at all times since the coordination of various departments was necessary. These difficulties were overcome with supervisor support, and through constant practice, I was able to score much higher on the performance.

1.3.3 Recommendations

To better the entire experience of the future interns within Shamolima Limited, the recommendations below can be of use:

- **The implementation of a Structured Orientation Program:** An elaborate orientation period may assist the interns in knowing how the company works, how it is organised, and how workflow systems operate.

- **Giving access to basic accounting tools or software training:** Training to use accounting applications used in the organisation would enhance accuracy and productivity within a short period.
- **Greater Distributed Task Division:** An organised task plan every week could help interns manage time better.
- **Regular Feedback Sessions:** Meeting with advisors and supervisors regularly can assist the interns in learning faster and match departmental expectations better.

Chapter 2: Profile of the Company Shamolima Limited

2.1 Company Background

Shamolima Limited is a project-support and logistics-based company, as well as a diversified company operating in Bangladesh since 1984 (*About Us – Shamolima Limited*, n.d.). Shamolima offers a wide range of services such as project consultancy, material supply, construction and erection facilities and heavy-equipment transportation, which are based in its headquarters in Dhaka (*Shamolima Limited Information*, n.d.). The company has, over the decade, served many customers in the oil and gas, power, infrastructure development, telecommunications and industrial projects. Shamolima has a large service portfolio. It also involves supplying project materials, construction and erection facilities, supplying oil and gas field-related equipment and transporting heavy equipment and machinery (e.g. power-plant engines, transformers) off mother ships to the project sites following shipping and customs clearance under its license. Other services provided by the company, in addition to the heavy-haulage and equipment moving business, include crew handling and sign-on/off at various ports, certified manpower, warehousing, catering and housekeeping, telecommunications equipment and services and meet and greet services to arrival/departure personnel in international or domestic terminals (Shamolima Limited Information, n.d.). Therefore, Shamolima Limited is a one-stop project support and logistics company that is ready to supply the entire project and logistics services, including material supply, transportation services, manpower and project support services all under a single roof.

Figure 1:

Source(s): Shamolima Limited Logo by Shamolima Limited, n.d.

2.2 Mission

Shamolima Limited is bound to provide professional and safe project supporting services using certified equipment and trained manpower to ensure that the project needs are accomplished at high standards of quality and safety. The company will pursue client satisfaction by offering quality and reliable services that meet the needs of its clients in all aspects, especially in areas that need heavy-haulage services, management of projects and handling of complex equipment (*Shamolima Ltd*, n.d.). Also, Shamolima emphasises that it cares about environmental protection, safety, health and compliance in all its activities. It aims at promoting a working environment where the health and safety of employees, contractors and stakeholders are put at the forefront, and the impact on the environment is reduced as much as possible.

2.3 Vision

Shamolima Limited envisions becoming a top integrated project support and logistics solutions provider in Bangladesh, by offering the best, innovation and continuous improvement in industrial, energy, infrastructure and development projects. (Based on its scope of service and its presence in the market over a long period). It seeks to achieve great standards of quality, safety, and reliability and develop with the industry needs, increase service provisions, and integrate the current technologies to meet the complex project needs of the clients (*Shamolima Ltd*, n.d.). Shamolima targets to establish long-term relationships with clients, such as multinational organisations, by always creating value, ensuring client satisfaction, and upholding the reputation of professionalism and integrity.

2.4 Services and Scope of Operation

Under its project support services and logistics operation, Shamolima Limited offers diverse services:

- **Equipment Rental and Heavy Haulage:** Certified cranes, flat-bed trailers, low-bed trailers with extensions and special types, multi-axle trailers, telescopic forklifts, self-propelled trailers, boom trucks and prime movers, dump trucks, and other heavy-duty transport and lifting equipment are provided by the company.
- **Heavy and Oversized Cargo:** It has extensive experience in transporting heavy engines, transformers, drilling rigs, and oil and gas field equipment, project materials of all sizes, including oversized and heavy ones; transportation between ports and project areas, rigging, loading/unloading, and logistics.
- **Shipping, Freight Forwarding and Customs Clearance:** Shamolima is involved in shipping and freight forwarding of international and local shipments, as well as clearing of imported equipment and materials.
- **Project Materials and Equipment Supplies:** The company offers a supply of project materials, oil and gas-related equipment, and other materials needed in construction, infrastructure, power and industrial projects.
- **Manpower and Support services:** It offers certified manpower services, crew handling (sign-on / sign-off at ports), housekeeping and catering, telecommunications equipment and services, warehousing, and meet and greet services in relation to personnel arrivals and departures.

Due to such a wide range of services, the operations of Shamolima cover a variety of industries: oil and gas, power production, infrastructure building, shipping and logistics, industrial construction, and telecommunication. Logistics, manpower services, and project support are some of the complex projects that Shamolima Limited can execute because of its diversified services and scope of operation, which makes it a complete solutions provider (*About Us – Shamolima Limited*, n.d.).

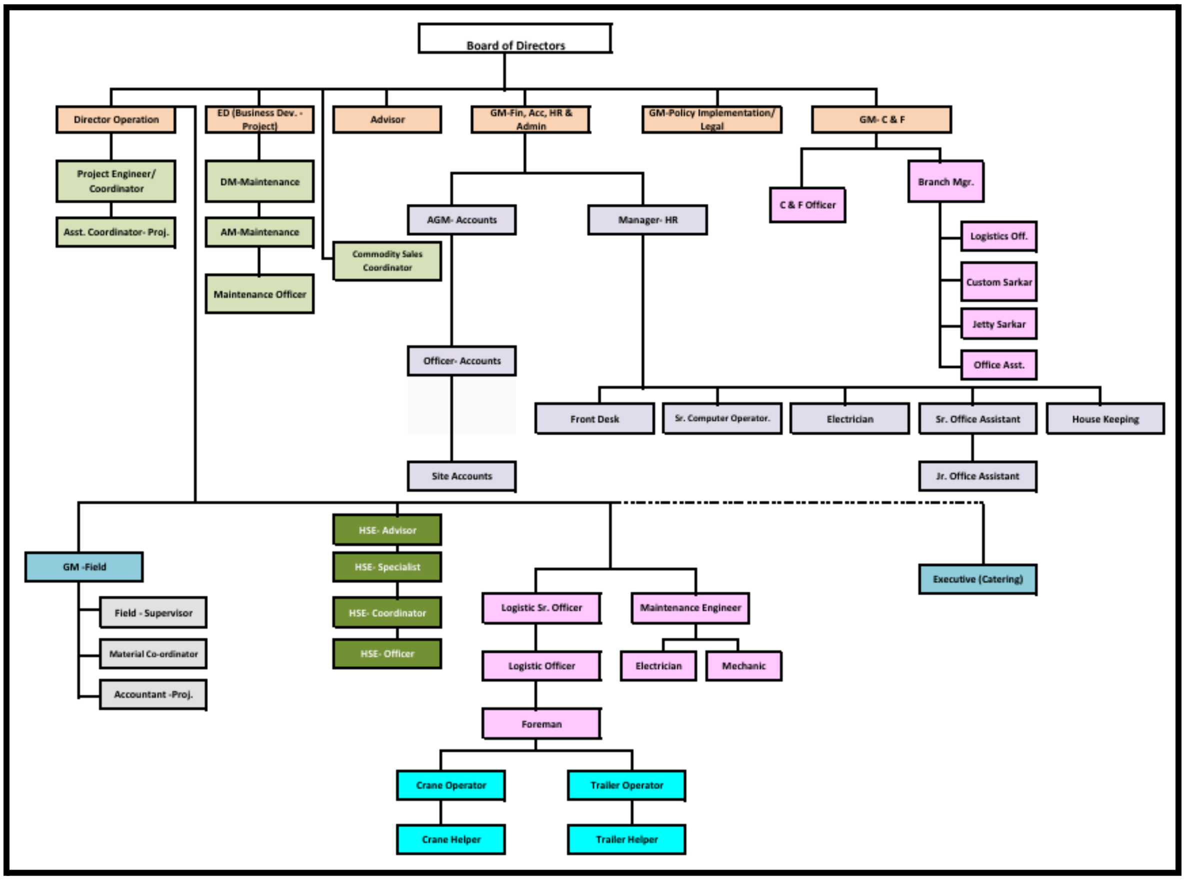
2.5 Organisational and Operational Structure

The organization of Shamolima Limited is managed in a strictly frameworked structural system which is meant to provide the effectiveness of the governance, operation efficiency, and responsibility in all departments. The Board of Directors are at the top of this structure that provides a strategic direction, develops policy guidelines, and provides all-encompassing control of the enterprise.

Below the Board of Directors are a number of senior management posts. The operations director is under accountability to provide oversight on the execution of projects and the operational activities of the firm. The Project Engineer/Coordinator, under the supervision of this position, provides overall day-to-day administrative coordination and technical oversight of the project, and Project Assistant Coordinator assists in planning, implementation of the project, and reporting of the project.

The Executive Director (Business Development- Project) has the responsibilities of diversifying the business of the company and ensuring that the projects are developed and maintained successfully. Under this lie the Deputy Manager -Maintenance, the person in charge of the maintenance strategy development and execution, the Assistant Manager -Maintenance, the person in charge of the maintenance on operation and the Maintenance Officer, the person in charge of the on-site maintenance work and the technical support.

Figure 2



Source(s): Structure of Shamolima Limited by Shamolima Limited's HR department

An Advisor works together with senior management providing organizational strategic and market-based advice. The Commodity Sales Coordinator is reported to the Advisor and is in charge of commodity related sales, coordination and customer interaction in the market.

The General Manager is Finance, Accounts, HR and Administration who heads financial, human and administrative functions. The division comprises the Assistant General Manager accounts, who is in charge of the of the financial aspects of the company; the officer accounts, who is in charge of daily accounting operations of the company and the financial records; and in the next, the site accounts department which carries out accounting and financial reporting at the project sites. Further, the administrative support system includes Front Desk, where all the communications along with the basic administrative coordination is performed.

Lastly, the General Manager of Clearing and Forwarding is in charge of managing all the clearing, forwarding as well as logistics related activities in the organization. The post will ensure competent handling of import and export papers and co-ordination with the allowable authorities, ports, shipping agents, and providers of transportation services. The General Manager ensures that all regulations are adhered to, minimizes clearance time, contains operation expenses and has good time when delivering goods to project sites or warehouses. Having the Clearing and Forwarding team under its supervision and close co-operation with the finance, operations, and suppliers, the General Manager is imperative in ensuring that the efficiency of the supply-chain is maintained to serve the overall organisational purposes.

Overall, this organizational structure provides Shamolima Limited with a clear chain of reporting, an orderly operational control process of the organization, and an even distribution of both strategic and functional management elements at all levels of management decisions.

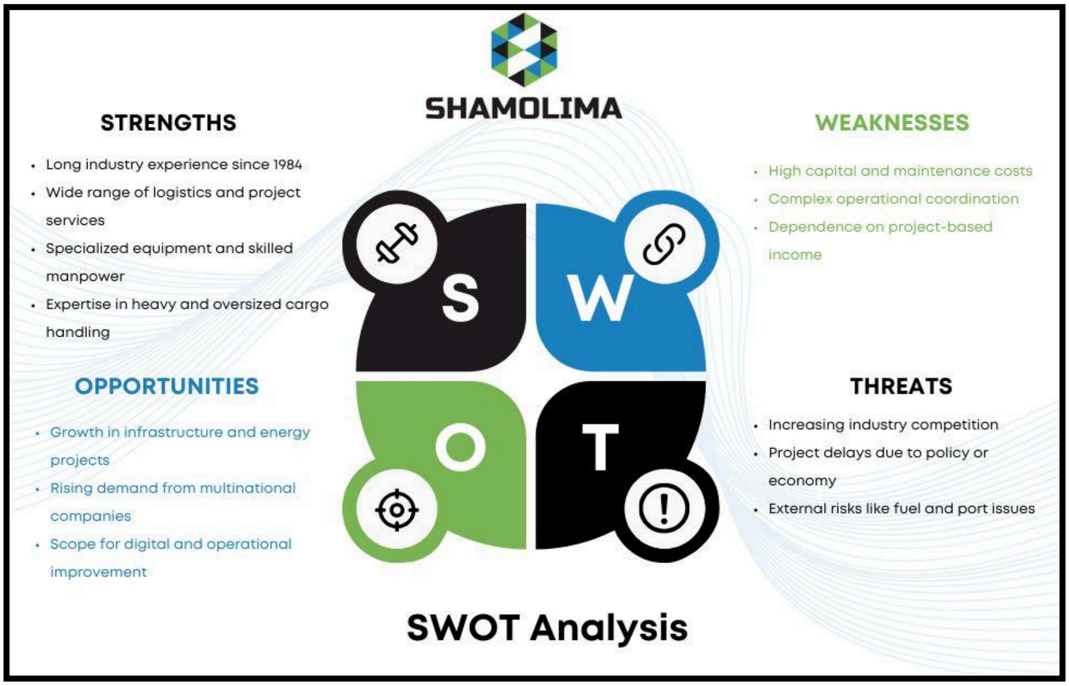
2.6 Shamolima Limited's Contribution to the National Development

Considering that it deals with heavy-haulage, transportation of industrial equipment, oil and gas field support, power-plant equipment logistics, Shamolima is a key supporting feature of the important infrastructure, energy and industrial projects in Bangladesh. Its services promote the efficient and safe transportation of heavy machines and project materials that cannot be done without in large-scale developments.Shamolima also plays a role by offering the success of the projects which are carried out by domestic and multinational firms in such sectors as power generation, oil and gas, telecom, and industrial infrastructure- thus influencing national economic development and industrial growth. Consequently, the corporation has been used as a support system to undertake the complicated project activities in Bangladesh, where transporting heavy equipment, clearing customs, and coordinating project logistics are normally a dilemma.

2.7 SWOT Analysis of Shamolima Limited

A SWOT analysis is a strategic analysis that helps to analyse the internal and external opportunities and threats of a company and its internal strengths and weaknesses. This framework aids in evaluating the position of Shamolima Limited in the logistics, project support and heavy-haulage business in Bangladesh.

Figure 3



Source(s): SWOT Analysis of Shamolima Limited developed by author

- ***Strengths***

Shamolima Limited has internal advantages that create its dominance in project logistics and project support services. One of the greatest assets that the company has is its long history of operation, as it started in 1984, indicating an extensive experience in business and the stability of the organisation. The longevity of the company has given it experience in operations and trust, especially in handling complicated logistics and project-related activities.

The other strength that can be considered is its diversified portfolio of services. Shamolima provides exclusive services related to heavy haulage, project logistics, shipping and freight forwarding, customs clearance, equipment rental and manpower services, as well as auxiliary support. The breadth allows the firm to act as a one-stop seller to mega-industrial, infrastructure, oil-and-gas, and power-sector projects. The company is also able to use specialised equipment and trained workforce- in terms of qualified cranes, trailers, rigging staff and technical staff as well, which will give it an edge in competition, particularly in cases where massive and heavy machinery require special technical skills, compliance with safety regulations, as well as close coordination.

- ***Weaknesses***

Shamolima Limited has internal limitations, although these are not detrimental to the company. It has a high capital-intensive nature of its operations, which is one of its greatest weaknesses. The cost of acquiring heavy equipment, its maintenance and the high training of skilled manpower costs a lot of money that may raise the fixed operation costs.

The other weakness is the complexity of operations, which will be the coordination of logistics, manpower, customs clearance, and the deployment of equipment at more than one project location at a time. This complexity may result in reliance on tight coordination and effective internal operations, where operational inefficiency can impact the delivery timelines of services.

Moreover, the services offered by the company are project-intensive, i.e. the revenues may be uneven and reliant on major contracts that can introduce variability in the workload and cash flow regulation, especially when the activity in the projects is low.

- ***Opportunities***

Shamolima Limited is in an environment with a number of opportunities for external growth. Bangladesh has been witnessing a rise in infrastructure development, power generation, power exploration and expansion of industries; and all these depend greatly on logistics, project support and transport services using heavy equipment. These changes ensure continued pressure to use the main business products of Shamolima.

The growing involvement of multinational firms in the Bangladesh energy, power, and infrastructure industry also provides potential openings for lifelong logistic providers that can adhere to global demands of safety and quality of service provision. The experience and variety of services that Shamolima provides put it in a better position to cooperate with such organisations.

Additionally, a new logistics management system and project coordination tools present the possibilities of process optimisation, its digitalisation, and higher efficiency that, in case of strategic implementation, might increase the performance of operations and client satisfaction.

- ***Threats***

Shamolima Limited also has a number of external threats that may influence its performance. Among the threats that are quite evident is increasing competition in the logistics and project support sector, with both local and foreign companies vying to join or increase their business operations in Bangladesh.

Another major threat is economic uncertainty, shifts in government policies, regulatory demands or holdups in major projects carried out by the public or privately. As the business heavily depends on the major industrial and infrastructure projects, the business continuity can be directly affected by the delay or cancellation of projects.

Also, the external forces include fuel volatility, congestion in ports, delays at customs, bottlenecks in logistics, and operational risks. These forces are also not usually controlled by the company but usually have a profound impact on the project schedules, budgets and the efficiency of the entire service.

2.8 PESTLE Analysis of Shamolima Limited

PESTLE analysis is a strategic model that is developed to analyse the external macro-environmental factors which have an influence on corporate activity. It is under the premise of this investigation that the PESTLE analysis is useful in making sense of the impact of the political, economic, social, technological, legal and environmental factors on the accounting practices of SMEs in Bangladesh.

- ***Political Factor***

The political stability and government policy represent some of the key factors defining the business and accounting environment of the small and medium enterprises (SMEs) in Bangladesh. Policies and programmes by the government, such as SME development programmes, tax reforms, the Digital Bangladesh agenda, and policies to promote entrepreneurship, have a considerable impact on accounting behaviour. However, the regularly changing tax laws, fluctuating rates of value-added taxes, and changing reporting requirements create confusion among the owners of the SMEs.

The accounting transparency is viewed as a threat to many SMEs, which anticipate increased taxation or an increase in control checks. Furthermore, the formality of adopting accounting systems is not encouraged by the inconsistency of enforcement and bureaucratic complexity. Theoretical support of the political support is argued to be acceptable, but the implementation in reality and awareness creation among the SMEs is limited, thus limiting compliance and integrity of record-keeping.

- ***Economic Factors***

The economic environment significantly influences the ability of SMEs to have healthy accounting practices. Most of the Bangladeshi SMEs have limited capital, haphazard cash flows, and profit margins. Following financial constraints, professional accountants or accounting software engagement is most of the time considered a low-priority.

Inflation, increased costs of operation and fluctuation of the interest rate also force SMEs to focus on short-term survival instead of management of their finances in a structured manner. The sector is dominated by informal business practices that strengthen cash-based transactions, which are difficult to capture with accuracy. These are economic realities that have a direct impact on the accounting practices and reduced financial transparency.

- ***Social Factors***

The social attitudes and cultural practices have a very strong influence on accounting behaviour among SMEs. There are a lot of SME owners in Bangladesh who are running businesses on their personal experiences rather than on a formal basis, and thus, they view accounting only as an administrative tool and not a management tool.

Families generally have personal and corporate finances in a mix, which leads to poor records and skewed financial statements. The motivation to use structured accounting systems is put at a tether with low accounting literacy and a lack of awareness about the advantages of financial reporting. The need to adopt formal accounting practices is further slowed by the type of social resistance to change, of basing any practice in the traditional way.

- ***Technological Factors***

The technological development has the potential to revolutionise accounting practice; it is limited by its usage amongst SMEs. Even though digital tools, accounting software, mobile banking, and fintech services are available, SMEs face challenges related to high prices of the software, insufficient technical skills, insufficient training, and fear of the complexity of the system.

Although mobile financial services (e.g., bKash, Nagad) are heavily used to make transactions, they are rarely integrated into automated accounting systems. Lack of good digital infrastructure in some areas and the issue of cybersecurity are other limiting factors to the uptake of digital accounting. As a result, SMEs continue to depend on manual or semi-manual systems and thus increase errors and inefficiencies.

- ***Legal Factors***

Implying a significant impact on the accounting practices in Bangladesh are the legal and regulatory frameworks. The SMEs are required to adhere to the law of paying income tax, VAT and financial reporting guidelines. However, the complicated process of documentation, constant changes of the regulations, and lack of guidelines make the process of compliance tedious.

Most SMEs do not understand accounting standards and legal requirements, which increases their reliance on external tax consultancy. Transparent record-keeping is discouraged by the fear of penalties, audits and legal consequences. The enforcement is weak, which, in conjunction with the complexity of regulations, leads to a lack of full compliance as opposed to systematic accounting practices.

- ***Environmental Factors***

Even though environmental factors play a comparatively indirect role in accounting practices, their role is gradually growing. Environmental policy, regulations on waste management, sustainability reporting and the use of energy in business are imposing more and more impacts to businesses, especially those dealing with manufacturing and logistics-based SMEs.

Nevertheless, the majority of SMEs lack the practice of environmental cost accounting and sustainability reporting due to a lack of awareness and resources. Financial planning may be threatened by climate risks, supply chain disruptions, and costs of environmental compliance, but a lack of adequate accounting systems may hamper the ability of SMEs to properly assess such risks and costs.

Chapter 3: Project Part

Challenges in Accounting Practices of Bangladeshi SMEs

3.1 Introduction

Small and Medium Enterprises (SMEs) take a strategic place in the economic structure of Bangladesh. They play a major role in the creation of employment, distribution of income, creation of entrepreneurs and stabilisation of the economy (Rahman & Khondkar, 2020). SMEs either operate in the formal or informal sector, which includes manufacturing units, trade businesses or service-oriented businesses. The SMEs contribute towards inclusive economic growth, especially in the developing world, such as Bangladesh, due to their flexibility and the comparatively lower capital requirement (Manir et al., 2023). In spite of their significance, the internal management issue has been a cross-cutting problem in many SMEs in Bangladesh, with issues based on accounting being the most outstanding. Accounting is the support of financial management as it offers the correct record of transactions, helps in the preparation of the financial statements, helps in compliance with the taxation regulations, and helps in decision-making by the managers (Fransiscus & Hasibuan, 2025). Nevertheless, in most of the Bangladeshi SMEs, accounting is either done informally or poorly, which results in poor application of financial control and transparency (Asaduzzaman, 2017). This paper will involve an examination of the problems that the SMEs in Bangladesh encounter regarding their accounting practices not being up to standard. A closer look into these issues will help the study look into the root causes of the issues of poor accounting systems and also bring to the fore the consequences of these issues on the performance and sustainability of businesses.

This study is confined to small and medium enterprises located in Bangladesh. The research mainly addresses the general accounting standards like bookkeeping, financial statements preparation, the financial records, adherence to tax regulations, and the elementary operation of accounting tools or software.

3.1.1 Objectives

The main aim of this research is to define and examine the key issues related to accounting practice in the SMEs of Bangladesh. The study will be aimed at investigating the current situation in the maintenance of the accounting records of SMEs and the level of adherence to standardised accounting practices in their daily practices.

The other significant aim is to study how accounting practices can cause weakness, which can impact financial decision making, profitability evaluation and compliance with regulations. The research aspect attempts to clarify the perception of the owners of SMEs on accounting, i. e., whether they treat accounting as an aspect of strategic management or as a mandatory requirement. The research also intends to create a platform where the accounting practices that can be applied to SMEs in the Bangladeshi setting have been recommended.

3.1.2 Significance

The importance of this research is that it highlighted one of the most important areas of operation that has a direct influence on the development and business sustainability of SMEs. Accounting practices will help businesses to track performance, cash flow, risks and future expansion. On the contrary, poor accounting can lead to financial misuse, government fines and difficulties when seeking to raise external capital.

The results have specific implications for SME owners, investors, financial institutions, and policy-makers. The research will enable policy makers to develop policies and programmes in the accounting field that enable SMEs hence tackling real accounting issues. Such challenges can also be enlightening to the financial institutions since proper accounting records are central to correct credit assessment. In general, the study will be beneficial in promoting the financial integrity and sustainability of SMEs in Bangladesh.

3.2 Literature Review

Small and Medium Enterprises (SMEs) are often described as the support backbone of the Bangladeshi economy, which has a significant impact on the gross domestic product and employment rates (Ahmmed et al., 2024). Usually, SMEs are described as the support of the Bangladeshi economy with a significant impact on gross domestic product and the level of employment. It is estimated that today Bangladesh hosts around 7.9 million SMEs, or more than 90% of all industrial units in the state (Ahmmed et al., 2024). Despite their very important role, one constant barrier to their growth and sustainability is the lack of formal accounting practices. This review outlines the complex barriers, such as a lack of human capital, high costs, regulatory difficulties and inadequacies of digital infrastructure that enable the adoption of standardised accounting data in this sector.

According to Hussain et al. (2018), accounting information serves not only as a compliance tool but also as a vital input in the decision-making processes of small and medium-sized enterprises (SMEs). Proper and timely financial statements help the owners of firms determine their performance in terms of efficiency, cost base, and areas where they can make a profit. However, in developing economies, the problem is that SMEs often do not strategize the use of accounting data due to limited financial literacy and the lack of properly developed internal systems. Also, UK-based research indicates that, in the event of inadequate utilization of accounting information, the management decision-making process turns to rely more on intuition as opposed to evidence, there is a high possibility of poor allocation of resources and financial distress (Hussain et al., 2018). This highlights the significance of incorporating accounting practices in day-to-day managerial operations and not to perceive them as part-time reporting duties.
The institutional theory is based on the idea that the external influences of the regulatory agencies, financial institutions, and market participants are important in influencing accounting practices in the SMEs (Thakur, 2023). On the other hand, Adeosun and Alabi (2025) points towards the ability of sound accounting practices to be related to the long-term sustainability of SMEs. Sustainability in business performance must have the correct accounting of profitability, liquidity, and financial risk, which are based on systematization in accounting operations. The SMEs with ill-structured accounting systems cannot generally check their financial soundness.

The paper indicates that the presence of the knowledge gap between the SME proprietors and managers is the challenge that is most widespread. Many of the entrepreneurs in Bangladesh run their businesses without any formal management training, often spending personal funds and business funds together. According to Ali (2017), only 20% of SMEs in some areas, including Rangpur, use a formal accounting system directly, and 80 percent uses informal and one-entry system only, or no records at all. This lack of awareness creates a vicious cycle wherein companies are unable to determine their financial well-being, and this creates poor budgeting practices and poor management of costs (Amin, 2024).

Formal accounting systems, e.g. international financial reporting standards (IFRS), to be adopted in SMEs require significant financial commitment (*The Impact of Implementing International Financial Reporting Standards (IFRS) on Local Institutions*, n.d.). The Bangladeshi SMEs are generally running on a tight margin of profit, and often they do not have funds to hire professional accountants or to buy expensive accounting programs (Mazumder, 2025). More so, the perceived cost of compliance, in most cases tend to include a high tax bill; most SME owners fear that operation of open records will lead to a higher tax rating or soliciting of informal payments (bribes) to be paid by the company during audits (Amin, 2024).

The lack of believable financial reports creates a credit gap. According to the World Bank, there is a total of 2.8 billion US dollars of funding shortfall in the SME segment in Bangladesh (S. Rahman, 2022). According to Rehman et al. (2023), traditional banks require financial statements that are audited to assess creditworthiness, but since most SMEs only have manual records that are informal, such as notebooks or ledgers, they fall under excessively risky loan issuers. This accounting paradox situation, in which SMEs need formal accounting to access finance to sustain their growth but have nothing as a resource to enact formal systems, requires many of them to turn to high-interest informal lenders or microfinance institutions, which does nothing to stabilise their financial situation further.

Regulations in Bangladesh are often described as being cumbersome and fragmented. According to Ashik Iqbal (2025), the requirement to comply with IFRS and IAS is established in the Income Tax Act 2023; however, compliance is not achieved effectively, and support given to SMEs is not provided. According to Khaled Shaifullah and Hossain (2025), as the global economy is shifting to digital accounting, the Bangladeshi SMEs face a strong digital divide. The adoption of modern accounting tools is hampered by concerns such as unreliable power supply, expensive costs of ICT infrastructure and security of digital systems (Colson, 2025).

Mobile financial services (MFS), as was the case with bKash and Nagad, have become popular in terms of transactions, but are still not seen in the automation of accounting systems of most of the SMEs (Future Startup, 2025). Therefore, suppresses the automatic monitoring of revenues and costs, and the sector appeals to manual and error-inducing record-keeping.

3.3 Methodology

For the paper, qualitative research will be used. Qualitative research can be referred to as a methodological paradigm that tries to understand phenomena in detail by questioning the experience, perceptions, behavior, and practice of people in real settings (*What Is Qualitative Research? | Overview, Types, Pros & Cons*, 2025). Rather than prioritizing quantitative indicators, qualitative inquiry puts in focus descriptive data gathered using approaches like interviews, observations, and document analysis. The paradigm best fits the research purpose when the researcher wants to incite rich, contextualized, and elaborative understandings of more complex social or organizational phenomena (Sutton & Austin, 2015).

The current research is based on the qualitative approach as the main method of research to explore accounting practices in the Small and Medium Enterprises (SMEs) in Bangladesh. Such a methodological choice is justified by the exploratory nature of the study that will focus on explaining the real-world accounting practice as well as the practice experiences of practitioners, and the challenges faced by SME owners and accountants. Since accounting in small-scale businesses is usually informal, experience-oriented, and situated, a qualitative research design gives the researcher the ability to discern fine perspectives, which may otherwise be concealed in the case of quantitative methodologies. To have a complete picture, the research will be based on both primary data gathered in the form of interviews and secondary data gathered in terms of existing literature and reports.

3.3.1 Research Design

The study design is a qualitative and descriptive research design. A descriptive research design will be appropriate because the researcher will be able to describe the current accounting practices systematically, and problems that exist without controlling for variables. The qualitative method is useful in terms of documenting the in-depth insights, opinions and experience of the respondents on accounting systems and financial management practices in SMEs. Such a design is especially suitable in comprehending behavioural elements, perceptions and operational reality regarding accounting practice in Bangladeshi SMEs.

3.3.2 Data Collection Methods

In order to come up with a balanced analysis, primary and secondary data collection techniques were employed.

- ***Primary Data***

Semi-structured interviews were used to obtain primary data by interviewing 15 people who were involved directly in the activities of SMEs. The sample consisted of the owners, managers, and accounting staff of various businesses. All the respondents information are mentioned in the Appendix A section. The interviews aimed at knowing the current accounting practices, difficulties in record keeping, financial reporting, tax compliance and accounting tools or software usage. The semi-structured format of the interview was selected because it provides the flexibility in responses, while at the same time achieving consistency in the interviews. The strategy allowed the respondents to express themselves freely and, at the same time, address important areas of the research.

- ***Secondary Data***

The secondary data were gathered in the form of different academic and institutional materials, textbooks, peer-reviewed journals, governmental publications, reports of SME development, and research articles found online. These sources were used to inform the theoretical understanding and contextual details in reference to accounting practice and SME issues.

The primary findings were also supported by secondary data in order to isolate common trends and compare the study findings with the past studies done in Bangladesh and other developing countries.

3.3.3 Data Analysis

Qualitative thematic analysis was used to analyse the data obtained during primary interviews (Christou, 2022). Transcription and close examination of the interview responses were done to establish common themes and patterns. The thematic categories consisted of common problems like accounting illiteracy, manual bookkeeping, resource limitations, tax-related challenges, and underutilization of technology.

The content analysis of the secondary data was conducted with the aim of determining the similarities and differences between the existing literature and the obtained results of primary interviews. This comparative study served to confirm the validity of the research and make the study more credible.

3.4 Findings and Analysis

The study findings indicate that accounting practices by Bangladeshi SMEs are informal and inconsistent to a great extent. Most enterprises rely on manual record-keeping systems, limited accounting knowledge, and irregular financial reporting. This reduces the reliability of financial information. Here, Table 1 is showing all the interviewer background information. Also to support the analysis, a respondent from a Multinational company also has bee used (R2), to understand how they operate in their specific fields.

Table 1 : Interviewee Background Table

Respondent No.	Company	Position	Gender	Education	Experience (Years)
R1	ACNABIN	Finance & Accounting Professional	M	Graduation	2
R2	Nestle Bangladesh	Executive- Internal Control ACA(Expert)	M	Associate Chartered Accountant	2
R3	Paragon International	General Manager	M	Post-Graduation	10+
R4	Shampa Printing and Packaging	Owner	M	Diploma Engineer	30+
R5	Madchef	Owner	M	Bachelor of Science	12
R6	Truck Lagbe	Assistant Manager	M	Post-Graduation	3.5
R7	ACNABIN	Articled Student/Audit Associate	M	Graduation	1
R8	Aleef Corporation	Owner	M	B.A	25+
R9	Woosh	Owner	M	Post-Graduation	1
R10	Glowence	Owner	F	Post-Graduation	1.5
R11	Halda Valley Food & Beverage Ltd	Executive - Finance & Accounts	M	Post-Graduation	2
R12	Apple Gadget	Accounts Officer & Finance Executive	M	Graduation, CA(CC)	3
R13	NextLab – IT Services	Finance & Accounts - Executive	M	Graduation	5
R14	Cha & Culinary Enterprise	Accounts Supervisor	M	Graduation	3
R15	K. Nasif Photography	Accounts & Finance Officer	M	Graduation	7

One of the key challenges that were established during interviews is the ignorance of SME owners in terms of accounting. Numerous respondents reported that non-professional personnel are usually concerned with accounting tasks, or the owners themselves, which results in transaction recording errors. The lack of cost was also given as a critical challenge since most SMEs are not able to afford professional accountants or even invest in accounting software.

Another major issue was tax compliance, where twelve respondents indicated that they had a problem with following the changing tax regulations and maintaining the right documentation. The secondary data results also corroborate these notes, that weak accounting activities prevent SMEs from financial planning, credit availability and sustainability. All the respondents' information are attached in the Appendix A section.

3.4.1. Nature of Maintenance of Accounting Records

Bangladeshi SMEs, a high percentage of the enterprises have no formal accounting records or have simple financial records, mainly because of the idea of complexity and the fear of higher taxes, which ultimately translates into poor financial records (Asaduzzaman, 2017). The maintenance of accounting records amongst the SMEs in Bangladesh is mainly informal. The majority of the respondents said that they used hand written khata books, notebooks or simple Microsoft excel spreadsheets to list down transactions. It happens that in most instances, owners, family members, or junior employees who have not received training in accounting deal with the accounting responsibilities.

Because of pressure in operations transactions are usually captured later and hence there are high chances of missing or incorrect information. Documents like bills, vouchers and invoices are often lost or recorded at a later date especially in cash-based firms. Consequently, it is frequent that there are differences in the cash, bank, and ledger accounts, which restricts the accuracy of the financial information. Nine respondents (R3, R4, R5, R6, R7, R10, R12, R13, R14) acknowledged that real-time transactions are not invariably written down due to the high pressure involved in the operations. Rather, the records are often corrected several days or weeks later, which makes it more likely to miss some information and have errors.

> The biggest part of our accounting records is kept in khata books and basic Excel sheets. [R4] I do most of the transactions by myself rather than an accountant who has been trained. [R9] Sometimes the supporting documents such as bills and vouchers are lost or documented at a later stage. [R7]

These results suggest that manual and disjointed record-keeping systems are major causes of financial discipline, higher rates of human error and diminished accounting information reliability. As a result, accounting records are created with minimal tracking purposes and not with performance and strategic planning.

3.4.2 Accounting Knowledge and Skill Limitations

A crucial problem that was found throughout the interviews is the lack of accounting knowledge and technical skills of SME owners and employees who deal with accounting procedures. The majority of the respondents acknowledged that their knowledge about accounting is limited to simple cash collection and payments. The low financial and accounting literacy of the Bangladeshi SME owners and managers leads to poor budgeting, poor financial reporting, and poor decision-making, and thus, limits business expansion and sustainability (Md. R. Amin, 2024). This is mostly experiential knowledge gained in the day-to-day operation of business, as opposed to formal and professional training.

Accounting intelligence deficiency poses grave consequences for the accuracy of records and financial transparency. Seven respondents (R3, R4, R5, R6, R12, R14, R15) reported challenges that were experienced by the respondents included dealing with technical aspects of accounting that included depreciation, accruals, expense classification, revenue recognition, and bank reconciliation. Such components are misplaced or omitted, which leads to incompleteness and misleading financial records.

> We are not well trained on accounting standards or technical accounting problems. [R14]. Our perception of complex accounting fields such as depreciation or accruals is not easy. [R6] It is due to this reason that we usually rely on external accountants when need be. [R3]

The results indicate that accounting illiteracy is among the root causes of poor financial management in SMEs, which restricts the position of accounting to functions of compliance and not as a decision-support mechanism. Due to this, the owners of SMEs tend not to interpret financial data in the same way as they can make business strategy projections.

3.4.3 Preparation of Financial Statements

The research concludes that the frequency and routine preparation of financial reports is very low amongst the SMEs in Bangladesh. Nine of the respondents (R1, R2, R4, R7, R11, R12, R13, R14, R15) only prepared income statements, balance sheets or cash flow statements once a year, primarily to file their taxes, borrow or lend applications at the bank, or to meet regulatory requirements. Financial reporting on a monthly or quarterly basis is not common, especially among smaller businesses and those that are newly established.

> We are making the financial statements primarily to submit them to the tax. [R12] Our business does not prepare monthly or quarterly financial reports. [R7] We are not accustomed to the analysis of profit or loss based on official financial statements. [R11]

SME owners would rather use bank balances, access to cash or informal estimates to gauge business performance instead of using formal financial statements. This habit cripples their chances of assessing profitability, cost behavior and cost efficiency measures. Some of the respondents acknowledged that they cannot determine which products, services, or projects are profitable and the ones that are making losses.

3.4.4 Financial Resource Constraints

The accounting practice in SMEs is influenced by the financial resource constraints in a significant way. Most of the respondents (R1, R3, R4, R5, R6, R7, R12, R13, R14, R15) said that employing professional qualified accountants or investing in the latest accounting software was believed to be a costly affair. With the limited funds, SMEs will focus on urgent operational demands of acquiring inventory, labour expenses, rent, utilities, and marketing as opposed to investments relating to accounting.

> To employ an accountant is costly to a small business such as us. [R3] We are focusing on operational costs management as opposed to investments in accounting systems. [R6]

> There are the licensing and training expenses of accounting software that we cannot afford. [R13]. Accounting upgrades are usually delayed due to lack of funds. [R14]

Although the owners of the business are aware of the long term advantages of better accounting systems, there are fears about the cost of licensing software, the cost of training, and maintenance costs of the system that prevent the adoption of the new systems. This leaves it in the same position of relying on manual or semi-manual accounting, although this is inefficient.

The results note a vicious circle: the lack of resources causes poor investment in accounting systems, which further causes financial inaccuracies, inefficiencies, penalties, and opportunity losses. Although four respondents (R1, R3, R4, R6) acknowledged that in the long run, these costs in the shadow can be even more than the initial investment needed to install an adequate accounting infrastructure, SMEs are forced to survive in the mode of short-term cost-cutting.

3.4.5 Tax Compliance Challenges

Tax compliance was found to be one of the most complicated and pressure-related issues among SMEs. The most frequent issues that were reported by twelve respondents (R1, R2, R3, R4, R5, R6, R9, R10, R12, R13, R14, R15) were the inconvenience of constant alteration of the VAT and income tax laws, the uncertainties about the compliance processes, and massive paperwork. The problem is particularly sharp when it comes to businesses that are cash-based or informal suppliers, whose invoices and receipts may be missing and invalid.

> We are confused by frequent fluctuations in VAT laws and income tax laws. [R1] It involves too much paperwork in the maintenance of good tax records. [R10] One wrong move on filing of tax can lead to penalties and stress. [R6]. We primarily use external tax advisors to be compliant. [R12].

The findings validate the existence of poor accounting systems, which increases the risk regarding taxation activities, making them uncertain, inefficient, and developing poor relations with tax authorities. This environment does not encourage active compliance but instead enhances the belief that taxation is a burden and not a well-organised business requirement.

3.4.6 Accounting Software and Digital Tools

The indicators provided by the empirical data are that the adoption of accounting software and digital tools by the Bangladeshi SMEs is highly limited, uneven, and shallow in nature. Only five respondents (R2, R7, R11, R13, R15) noted using either primitive accounting programs or custom digital solutions, the enormous percentage of them still resorted to Microsoft Excel sheets or complete manual accounting procedures. In many cases, Excel was not used as a strictly organised accounting device, but only as a digital substitute for the ledger, written by hand.

> Excel is mostly used by us rather than an actual accounting software. [R13]. Accounting software appears to be complicated and hard to use. [R7]. Digital accounting tools have been lacking trained manpower. [R1]. These problems are the reason why manual accounting is still preferred. [R12]

A group of respondents (R1, R7, R12, R13) expressed that electronic accounting devices are mostly seen to be complex, expensive and difficult to adopt. High software licensing costs, shortage of skilled manpower, fears of technological dependence, and apprehensions with regard to maintenance of the system were among the frequently mentioned key setbacks. One of the reasons that SME owners usually raise concerns about the use of accounting software is that it would require them to spend more on training and technical assistance, which they perceive to be risky, considering that they are limited by their financial means.

The findings emphasise that the lack of affordable, user-friendly accounting software to fit the needs of SMEs is a key detrimental obstacle to the adoption of digital. Without favourable training programmes and context-specific online technologies, SME owners are unwilling to disregard the manual accounting processes. This lack of digitalisation makes it impossible to have real-time reports on financial issues, increases the number of errors, and impairs the ability of SME businesses to easily scale up their businesses.

3.4.7 Impact of Weak Accounting Practices on Business Performance

The research has clearly confirmed that poor accounting practices have a severe and multiple-dimensional negative effect on SME performance. Problems associated with cost tracing, profitability analysis, cash-flow organisation, as well as general financial performance, were repeatedly mentioned by the respondents (R3, R4, R6, R7, R8, R13, R15). In the absence of strong accounting records, management usually makes decisions based on guessing, hunching, or short-term cash flows as opposed to financial information, hence undermining the determination of activities that are profitable and those that are not.

> Everything that is not well accounted for becomes hard to quantify to actual profitability. [R8]. We tend to make judgment out of assumptions as opposed to financial information. [R4] Lack of proper financial planning is what leads to cash flow problems. [R6] Banks are reluctant to lend us money since we have not recorded our financial statements well. [R15].

Moreover, the respondents also reported that weak accounting activities increase the threat of tax fines and regulatory infraction, which subsequently have even more impactful negative effects on financial performance. The perpetual use of old and short-term financial practices, and the low usage of structured and sustainable financial systems, undermines the ability of Bangladeshi SMEs to use digital accounting tools to improve efficiency, resilience, and performance in the long-term (Mazumder, 2025). Some of the respondents admitted that they cannot accurately establish which products, services, or projects make a profit and which make losses. Such a cloud creates ineffective pricing choices, unrestrained cost systems and optimisation chances are overlooked. In the long run, these inefficiencies decrease competitiveness and cause a reduction in profit margins.

3.5 Discussions

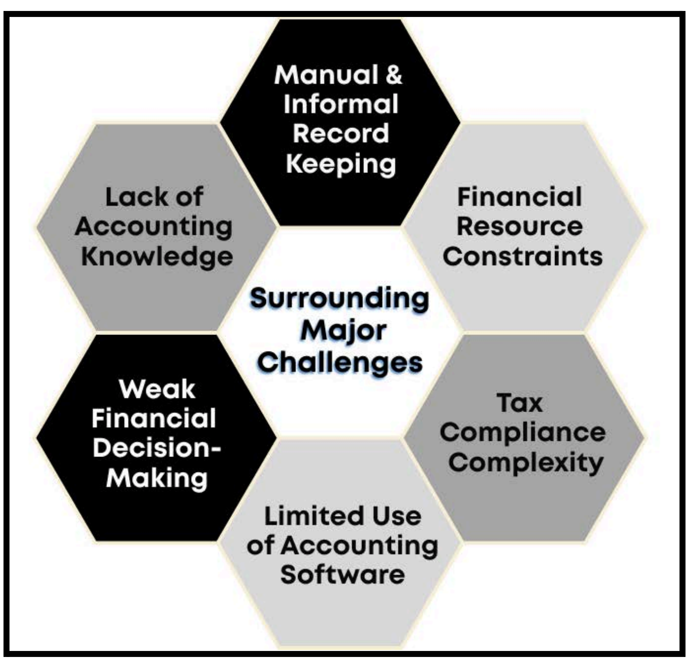
The results of the research respond to the main aim of the investigation of the current accounting practices of the Bangladeshi SMEs and disclose that the majority of the businesses still use informal, manual, and uneven record-keeping systems. The SMEs of developing economies, which emphasize the high dependence on hand written documents and simple spreadsheet programs with a lack of technological capacity and cost limitations (Khalily et al., 2019). The records of accounting are usually recorded by hand in written records or simple spreadsheet applications and are usually manipulated by either the owners or people untrained in accounting, hence creating mistakes in record keeping, delays in recording, and inaccurate financial data. The owner-managed accounting systems tend to be inaccurate and timely to reduce the effectiveness of financial information in making decisions (Akter & Alam, 2024). This has been mostly caused by the lack of accounting knowledge, scarcity of financial resources and the view accounting as a necessary evil instead of a strategic management activity. The research also outlines some of the fundamental issues in the accounting practice which are poor technical skills, inability to afford the services of professional accountants or accounting software, and poor adoption of digital tools. These difficulties limit preparation of financial statements regularly and compromise the internal financial controls hence reducing effective utilization of the accounting information in budgeting, cost control and performance assessment.

When comparing the objective of examining the effects of weak accounting practices on financial decisions and business sustainability, the results reveal the occurrence of poor accounting systems that severely deter business performance of SMEs. False or unfinished financial documents decrease the likelihood of formal access to financing, risk tax charges, and force owners to make decisions on the fly instead of basing decisions on available data. Poor accounting is a major barrier to external financing because financial statements are heavily depended upon by financial institutions as a measure of SME creditworthiness (Moulick, 2020). Also, the constant shifts in tax and VAT rules, along with the complicated documentation needs, only contribute to the demoralization of the transparent accounting practice and encourage informality. On the whole, the discussion reveals that the accounting issues that the Bangladeshi SMEs have to deal with can be considered systemic and interdependent, as they impact the compliance, financial planning, and long-term growth. Thus, to enhance the accounting practices, it is important to not only adopt appropriate accounting instruments but also increase the accounting literacy, facilitate regulatory environments, and change the mindset of the owners of SMEs to view accounting as a tool of strategic financial survival and business growth. SME management that focuses on accounting capability as a key resource towards competitiveness and sustainable development (Ahmmed et al., 2024).

3.6 Study Implications

A diagrammatic representation has been given below in order to give an overall picture of the main challenges outlined by the findings and analysis. Figure 4 compiles the fundamental accounting-related issues that the Bangladeshi SMEs experience, such as accounting knowledge deficiency, use of manual records, financial constraints, tax compliance, use of accounting software, and poor usage of financial decisions. This graphic representation shows clearly how these mutually reinforcing issues are all playing a part in weak accounting practice in SMEs.

Figure 4



Source(s): Challenges in Accounting Practices of Bangladeshi SMEs developed by author

The study has substantive implications for the owners of SMEs, policymakers, financial institutions, and accountants/teachers in Bangladesh. The paper emphasises the fact that the practice of poor accounting is not merely a technical lack of quality, but also has extensive implications on business survival, financial inclusion, and macroeconomic development. The implications of the research for SME owners and managers are that inadequate accounting systems significantly limit their decision-making ability. The owners will not have information that is pertinent and current on finances, and thus they will have little recourse to data analysis; having to depend more on intuition at the expense of cost control, profitability analysis and long-term planning.

Policy-wise, the study presents the necessity to introduce SME-specific accounting support programs. The fact that manual accounting is still in use and the digital adoption rate remains low suggests the existence of current regulatory and supporting frameworks that might be inadequate to respond to the practical reality that SMEs face. The policymakers should not ignore the fact that the accounting issues are due to limited resources, lack of knowledge and the complexity of the regulations, instead of reluctance to comply. The compliance and transparency could be significantly enhanced with the simplified reporting requirements and supportive training programmes.

In the case of financial institutions, the study explains the reason as to why many SMEs cannot access formal finance. Poor accounting records reduce the financial credibility, which makes it difficult to evaluate risk for banks. Therefore, enhancements in the accounting practices by SMEs would strengthen the notion of financial inclusion by allowing more SMEs to satisfy the documentation and reporting requirements of loans and credit facilities.

The findings fill a gap in the accounting education and practice by revealing a gap between the theory taught in learning institutions and the needs of the SMEs. Several SMEs are not receiving affordable professional accounting services, which can be an opportunity for accounting professionals to build on the advisory models that are of an SME-specific nature. Moreover, by introducing basic accounting literacy into general business training, financial management skills at the grassroots level might be enhanced.

On the whole, it is suggested in the study that the enhancement of accounting practice among the SMEs can have a multiplier effect and, as a result, an impact on individual business performance, an increase in tax compliance, the ability to access finance, and an increase in the overall economic stability in Bangladesh.

3.7 Conclusion

This report has discussed the issue surrounding the accounting practices of Small and Medium Enterprises (SMEs) in Bangladesh through the use of qualitative information collected through the interviews of 15 respondents in a range of industries. The results show that accounting among the SMEs is largely informal, haphazard, and restricted, with little knowledge, financial means, and technological adoption.

The study indicates that most SMEs are using either manual or semi-manual accounting systems, and the accounting roles are often assigned to unskilled individuals. The deficiencies in the formal accounting knowledge lead to the inaccuracy of record-keeping, disorganised preparation of financial statements, and insufficient internal financial control mechanisms. These shortcomings are also worsened by the lack of funding, which discourages investing in professional accountants and online accounting software.

Artificial changes in regulations, complexity in the documentation process, and poor accounting systems all became determining factors in tax compliance (Ndlovu & Schutte, 2024). Moreover, the paper concluded that poor accounting practices negatively contribute to the performance of the business by preventing the analysis of profitability, cash-flow management, and formal financing. This means that SMEs face challenges in growth planning, risk management, and sustainability of growth in the long run.

The research finds that accounting issues faced by the Bangladeshi SMEs are more systemic/interrelated, as opposed to single problems. These challenges have to be dealt with in a comprehensive manner that includes education, technological facilitation, easing of regulations, and collaboration between institutions. Without effective intervention, there will always be a limitation to the growth and economic role of SMEs due to poor accounting practices.

The study has a number of limitations, even though it was planned and executed carefully. Although 15 participants of the sample of interviews are sufficient for qualitative research, this sample might not be representative of the entire population of SME in Bangladesh. Respondents found this very difficult, as some of them did not want their cash flow to be exposed because of confidentiality and the sensitivity of the business. Also, the use of qualitative data implies that the results are grounded in perceptions and experiences, which can be subjective. Time limitation also restricted the data collection and did not allow inclusion of more data in terms of sample size and analysis sector by sector.

3.8 Recommendations

According to the results and analytical conclusions of the current research, it can be theorised that the following recommendations can be offered as ways of improving accounting practices in Bangladeshi SMEs:

1. **For SME Owners and Managers**

The proprietors of the SMEs must recognise accounting as a strategic management instrument as opposed to an obligatory need. Basic accounting training given to the owners and other key staff members must be considered as a priority to enhance their understanding of financial statements, cost management and cash flow management. As SMEs grow and expand, they must eventually upgrade their manual accounting processes to the use of simple digital accounting tools relative to the size and complexity of the business.

2. **For SME Foundation Bangladesh**

SME Foundation Bangladesh is a state-based statutory institution that is run under the Ministry of industries, established by the government to facilitate the growth, competitiveness, and survival of small and medium-sized enterprises in Bangladesh (Hossen & Uddin, 2024). Since inception, the Foundation has been taking part in policy advocacy, SME training and capacity building programmes, entrepreneurship development, cluster based development efforts and access facilitation of finance, especially among women entrepreneurs and underserved SMEs ("SME Policy 2019," 2019). By conducting training workshops, awareness programmes and liaising with the banks, development partners and business associations, the SME Foundation Bangladesh has played a part in enhancing the level of managerial awareness and business practices among the SMEs. But its intervention has been primarily on general entrepreneurship development and not systematic improvement of the accounting system. In the future, SME Foundation Bangladesh can play a decisive role in enhancing SME accounting activities by ensuring basic accounting literacy as part of its training programmes, simplified accounting guidelines that accommodate SMEs, and access to inexpensive digital accounting systems by establishing partnerships between the government and the business. The Foundation can also contribute to a more sustainable SME development in Bangladesh by collaborating with professional accounting bodies, tax authorities, and financial institutions in terms of transparent financial reporting, better SME compliance, and access to formal finance.

3. For Policymakers and Government Agencies

This has to be implemented through the establishment of simplified accounting and reporting systems that are specifically designed to be used by SMEs, to be introduced by the government and the SME development authorities. Fully sponsored or free accounting training courses, especially to owners of small businesses, would greatly increase the level of accounting literacy. Besides, initiatives to promote low-cost, SME-friendly accounting software via incentives or joint ventures may hasten the adoption of digital.

4. For Financial Institutions

Financial institutions and banks must consider coming up with other credit judgment models that take into consideration the constraints faced by the SMEs. Advisory support or reduction of the requirement of small businesses to prepare simplified financial documentation would enhance access to finance and would lead to higher-quality accounting practices.

5. **For Accounting Professionals and Institutions**

Professional accounting organisations and practitioners must expand SME-based services in the form of affordable advisory services, simplified bookkeeping systems, and periodic financial health assessments. The knowledge gap may be addressed through collaboration between professional firms and SMEs, which will promote the quality of accounting in the sector.

6. **For Education and Training Providers**

Accounting and financial literacy are to be included in general business and entrepreneurship education. Tailored online learning modules, workshops and short-term certification programmes, which are based on the needs of SMEs, can be critical in developing long-term accounting capacity.

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Appendix A

Structure of Shamolima Limited

Resource Plan & Resource Allocation Plan.xlsx

Summary of Interviewee Background Table

Interviewee Background Table

Interview Question

1. How are accounting records currently maintained in your business, and who is responsible for managing them?
2. What difficulties do you face in keeping accurate and complete accounting records on a regular basis?
3. To what extent do you or your staff have formal accounting knowledge or training, and how does this affect accounting accuracy?
4. Do you prepare formal financial statements (such as income statements or balance sheets)? If not, what prevents you from doing so?
5. How do financial resource constraints (such as cost of hiring accountants or purchasing software) affect your accounting practices?
6. What challenges do you face in complying with tax regulations and maintaining proper tax-related documentation?
7. Do you use any accounting software or digital tools? If not, what barriers prevent adoption of such tools?
8. In your experience, how do weak accounting practices affect financial decision-making, profitability, or business growth?
9. Have accounting-related issues ever affected your ability to obtain bank loans, credit facilities, or external financing? Please explain.
10. What measures or support do you believe could improve accounting practices in small and medium enterprises in Bangladesh?