

# A CRITICAL STUDY OF BOOK-KEEPING PRACTICES AND INVENTORY DECISION-MAKING IN UNORGANISED GROCERY RETAIL

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## **Abstract :**

*The unorganised retailing groceries is critical in addressing the needs of consumers on a daily basis, but because of its rudimentary management styles, it has been largely unchanged with little alternative managed as stores. This report critically analyses the current trends in book keeping as well as its role in inventory decision making in unorganised grocery store. The analytical research design and descriptive research design were used in primary data collection conducted upon 120 grocery retailers using both the structured questionnaires and face to face interviews as sources of primary data. Most of the retailers use informal or semi-formal record-keeping systems, which lead to the analysis demonstrating that most retailers make inventory decisions based on their intuition, conduct stock review inconsistently and, in most cases, have inventory-related problems including stock-outs, overstocking, and spoilages losses. Compared to this, retailers who have well organized book-keeping are more efficient in inventory management. The results confirm that there is a definite link between the quality of book-keeping practices and efficient inventory decision-making. The research shows that the unorganised grocery retail needs simplified accounting systems, financial literacy programs, and slow transfer to digital tools to improve inventory control and increase sustainability.*

**Keywords :** Book-keeping practices, Inventory decision-making, Unorganised grocery retail, Financial records, Inventory management

## **Introduction :**

Small owner-managed kirana stores Unorganised grocery retail forms a large portion of the retail ecosystem of developing economies, especially India where kirana stores remain the major provider of daily household consumption. Although organised retail outlets and digital platforms have boomed at a very high rate, unorganised outlets also stand strong owing to one advantage, proximity, customer familiarity, flexible credit operations and low customer operations. Yet, there is informality in the management of this segment, particularly regarding book-keeping and career of control of inventory; which has its major contribution to the business sustainability and profitability.

Book-keeping forms the basis of financial management as it helps the retailers to



document the transactions, track their expenditure, cash flows, and the assessment of their businesses. Book-keeping in unorganised grocery retail is fairly informal, mostly experience-based and mainly manual with possible instances of using memory, scribble notebooks or plain registers. Lack of systematic accounting practice obstructs the financial transparency, access to formal credit, as well as the information-based decision-making. Inventory management in its turn is central because of the large rate of transactions, the perishable quality of goods, low margins and strong price rivalry which are involved in grocery retail. Ineffective inventory control causes stock-outs, overstocking, wastage, and capital limitation of working.

In the case of the unorganised retail environments, more especially, the interrelation between book-keeping practices and inventory decision-making is paramount. Proper production records on purchases, sales and stock levels allow retailers to predict based on demand, order levels and minimise losses. On the other hand, poor record keeping makes retailers rely on intuition and experience, a factor that risks operation. The use of managerial capabilities among informal retailers has attracted attention as the policy initiatives of promoting financial inclusion, digital payments, and formalisation of small businesses in recent years. However, uptake of planned book-keeping systems is still modest with regards to low financial literacy, perceived complexity and cost.

In this light, it is quite necessary to critically look at the current book-keeping practices in place and how they impact specific inventory-related decisions. The analysis of such dynamics may offer clues to designing special interventions, capacity-building programmes, and simplified accounting mechanisms that are adapted to unorganised grocery retailers. The paper aims at filling the knowledge gap by examining how book-keeping procedures influence inventory decision making in non-organised grocery retailing and what may limit the efficiency of operations.

### **Literature Review :**

The current literature emphasizes the fact of accounting practices as a key to promoting the performance of small businesses, especially in informal and micro-enterprise settings. The literature about small retail businesses always states that systematic book-keepings enhance financial control, planning, and decision-making (Abdul-Rahamon and Adejare, 2014). Record-keeping processes in unorganised retail, however, tend to be practised in a very primitive way, which means that financial information is not used properly by the managers (Mitchell et al., 2000).

Studies done on informal retail business in the developing economies reveal that majority of small shop owners keep partial or incomplete records largely to engage in tracking credit sales and supplier payments instead of proper financial analysis (Mwangi & Ouma, 2012). The unavailability of standardised accounting systems limits the capacity to measure the level of product profitability that plays a critical role in optimising inventories by the retailers. Formerly, Amoako (2013) discovered that bad book -keeping habits in small business have negative impacts on cost control and inventory management, which contributes to high liquidity issues.



Literature on inventory management suggests that inventory decision-making involves heavy reliance on precise and timely information on the sales pattern, stock turnover, and variability in demand (Silver et al., 2017). The situation in the grocery retail business where the margin is low, but volume is large makes the inefficiency of inventory to have a direct effect on profitability. Empirical literature indicates that informal retailers usually overstock fast-moving consumer goods and understock slow-moving but necessitate because they do not have data-based forecasting (Bala and Goyal, 2018).

A number of studies have observed the capability of the managers and the financial literacy in determining the inventory practices of the small retailers. As Lusimbo and Muturi (2016) noticed, retailers who had minimal knowledge in accounting showed more effective scores in planning their inventories as well as wastages than the ones who lean entirely on experience. On the same note, Eniola and Entebang (2015) also discovered that financial management competencies have a profound effect on the operations, such as inventory investment and replenishment cycles.

The slow adoption of digital tools to book-keeping and inventory monitoring by unorganised retailers has also been covered in recent literature. Although mobile-based accounting applications reveal a potential of enhancing accuracy of records and inventory visibility, their usage is still uneven as a result of resistance to change, mistrust, and lack of training (Sarmah et al., 2020). Research shows that even with technological interventions, there is no long term change in inventory decision without a build up of book-keeping discipline.

Although increasing amount of research has been made on small business accounting and inventory management, no studies have specifically involved the relationship between book-keeping practices and inventory decisions in unstructured grocery retail. The majority of the given research also disaggregates the accounting and inventory as two respective functional areas, failing to consider their reciprocal influence on the efficiency of operational activities. Moreover, local evidence especially of semi-urban and urban, Indian, informal retail clusters is meager. This research fills this research gap by critically examining the effect of book-keeping activities on inventory based decisions in unorganised grocery retail, and, as a result, contributes to the existing empirical studies on informal retail management.

### **Objectives :**

The research aims are to review current book-keeping management strategies adopted by unorganised grocery retail, test the inventory decision-making decisions, test the relationship between record keeping quality and inventory efficiency, and to test challenges in operations met due to informal practices, and proposed practical solutions to the challenges are how to enhance financial recording and inventory management to improve retail performance.

### **Methodology :**

The research design employed in the study is descriptive and analytical research design; the primary data to be used in this research will be obtained by use of a structured questionnaire tool as well as personal interview of owners of unorganised grocery retail stores. Purposive sampling is applied to choose a sample of 120 retailers. Data are discussed with the help of the



descriptive statistics and simple inferential means to discuss the relation between book-keeping practices and inventory decision-making.

**Result and Discussion :**

The current section reviews the data that is gathered through 120 unorganised grocery retailers to investigate the book-keeping practices and their impact on the inventory decision-making. The descriptive statistics are mostly used to comprehend the existing practices and although this is followed by mere comparison analysis to understand the relationships between variables.

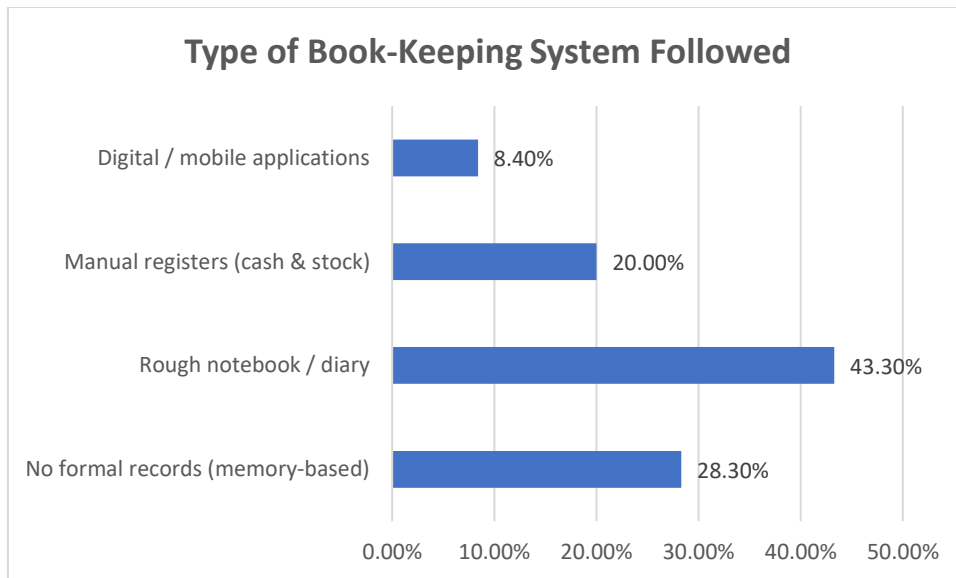


Fig. 1 Type of Book Keeping System

According to the table, there is a large proportion of retailers (71.6 percent) that use the informal or semi-formal book-keeping methods which include: using memory methods and scribbles. Only a quarter of them (28.4) have comparatively well-structured records (registers or digital). This explains the infiltration of systematic accounting practices in unorganised grocery stores, which could limit informed inventory choices.

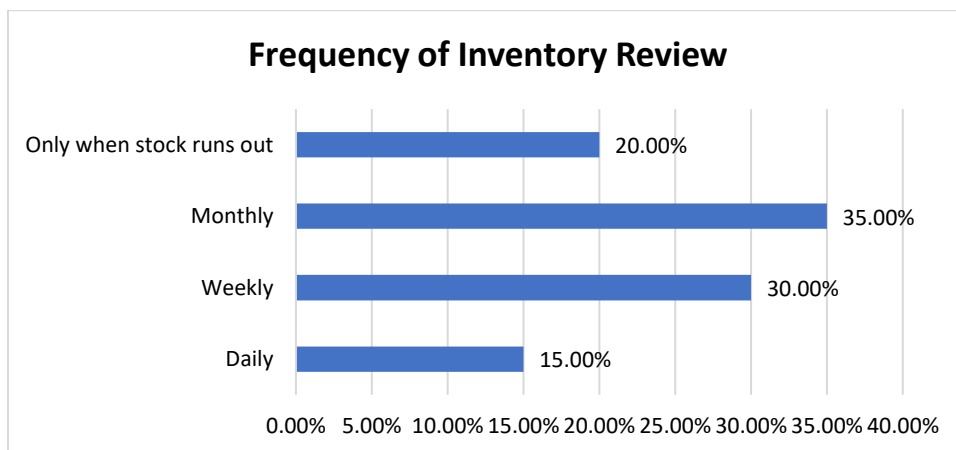


Fig. 2 Frequency of Inventory Review



Retailers that check inventory in a daily or weekly basis are only 45 percent whereas those that check monthly or after stock depleted is only 55 percent. Unregulated inventory control makes it more likely to have stock-outs and overstocking especially when dealing with fast-moving goods and perishable products. This represents a reactive and not proactive inventory management.

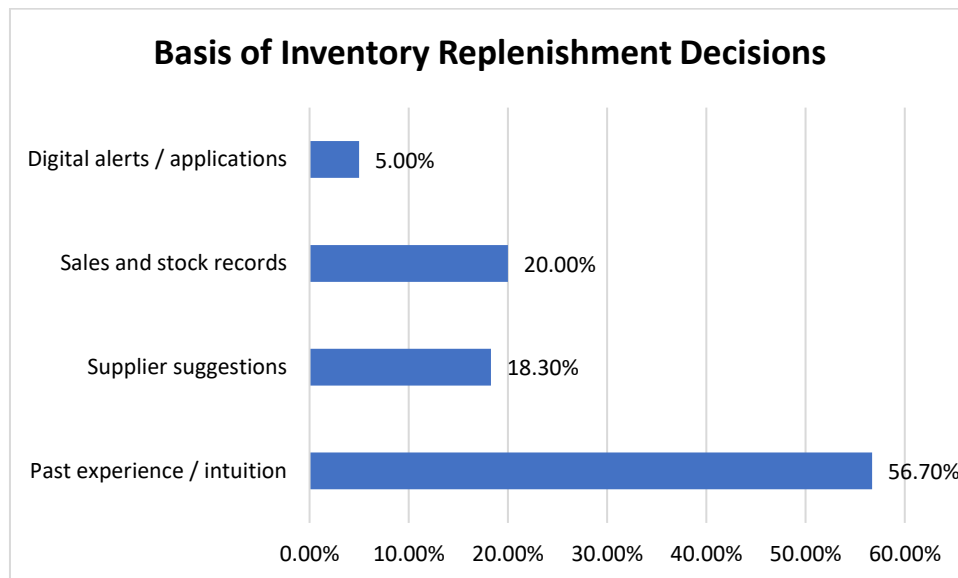


Fig. 3 Inventory Replenishment Decisions

An overwhelming majority (56.7) of respondents base their inventory decisions on primarily the use of intuition and experience when making decisions without written records or digital devices when consulting recorded information (25%). This alludes that a poor book-keeping hinders use of the input of analysis in the planning of inventory, which strengthens reliance on subjective decision.

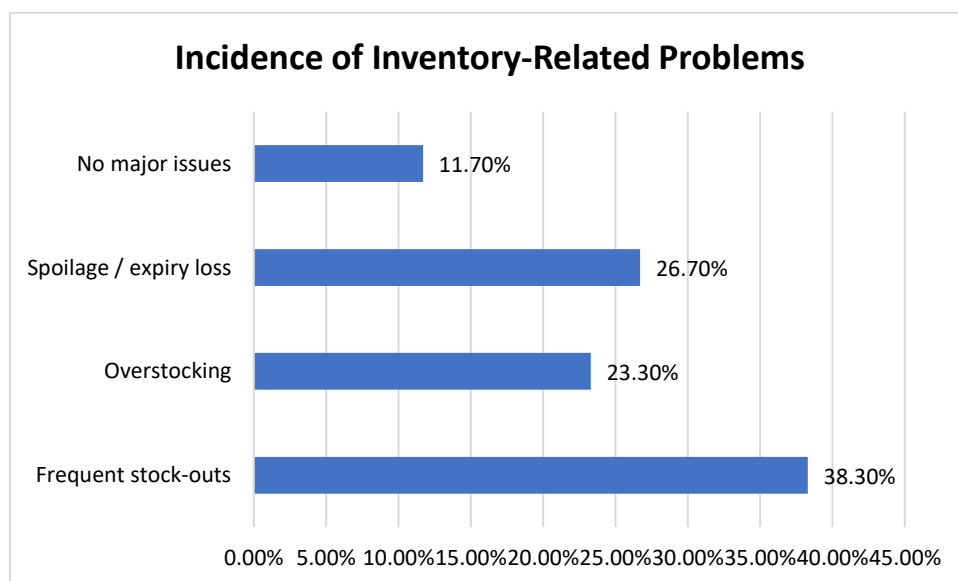


Fig. 4 Inventory Related Problems

The retailers encounter a high percentage of inventory issues as the most common are



stock-outs caused by the high issues (38.3) and spoils (26.7). Only in 11.7% there are no significant problems with inventories which is also the sign of the inefficiency in managing inventories at most of unorganised grocery stores.

**Table 1 Relationship Between Book-Keeping Practice and Inventory Efficiency**

| Type of Book-Keeping | Retailers Reporting Inventory Problems | Retailers Reporting Efficient Inventory |
|----------------------|--|---|
| Informal / none (86) | 68 (79.1%)                             | 18 (20.9%)                              |
| Structured (34)      | 14 (41.2%)                             | 20 (58.8%)                              |

It is evident in the table that retailers who use organized book-keeping procedures record very few problems regarding inventory than their counterparts who use unstructured approaches. Identical quantities of approximately 59 percent of the retailers possessing orderly records have got effective inventory administration, and around 80 percent of retailers possessing informal systems report consistent inventory problems. This puts a high relationship between the quality of book-keeping and good inventory decision-making.

The discussion shows that the unorganised grocery retailers largely use informal book-keeping system, which restricts the systematic monitoring of the inventory and making decisions based on the data to decide on replenishment. The results show that poor record-keeping is directly linked to high incidences of stock-outs, excess stock and wastage. Retailers with organized books on the other hand are more efficient in the control of their inventory. The conclusions underscore the importance of basic book-keeping discipline in intensifying the inventory decision-making in unresponsive grocery retail.

**Conclusions :**

The paper concludes that the book-keeping in unorganised grocery retailing is predominantly informal and experience-based and is the major limitation to making sound decisions in inventory management. Results indicate that poor financial records will result in inconsistent inventory examination, intuitive replenishing, frequent stock-outs, overstocking and spoilages. Retailers who have a well-organized book-keeping system are characterized by a comparatively superior inventory control and operation efficiency. The review confirms that systematic record-keeping is a very crucial enabler of data-driven inventory decisions and business sustainability in general in unorganised grocery retail.

**Recommendations :**

Going by the findings, the study suggests the promotion of simplified and low cost book-keeping system based on the needs of small scale grocery retailers with the focus on simple sales, purchase, and stock prices. Trade associations and local agencies should be involved in conducting capacity-building measures on financial literacy and inventory planning. Bringing at a slow pace, user-friendly digital accounting tools that are backed by training and trust-building actions may also help increase efficiency of the inventory and lessen operational risks.



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