



**ACCOUNTING PRACTICES & CHALLENGES: A STUDY OF
WHOLESALE & RETAIL BUSINESSES IN INDIA**

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ABSTRACT

Wholesale and retail businesses play a vital role in the Indian economy, particularly within the micro, small, and medium enterprise (MSME) sector. Despite their economic significance, these businesses continue to face numerous accounting-related challenges that affect their operational efficiency and financial sustainability. The study examines accounting practices and challenges among wholesale and retail businesses operating in Delhi. Using a descriptive and analytical research design, the study analyses primary data generated from a sample of 171 businesses. The analysis employs descriptive statistics, mean score analysis, independent sample t-tests, and correlation analysis to evaluate accounting systems, payment practices, and perceived accounting difficulties. The results indicate widespread adoption of computerized accounting systems and digital payment modes. However, businesses experience moderate to high levels of accounting challenges, particularly in GST compliance, working capital management, and cost inflation. Wholesale businesses report higher accounting complexity compared to retail firms, reflecting differences in transaction scale and operational structure. Correlation findings suggest that accounting challenges are interrelated, contributing collectively to overall accounting complexity. The study highlights the need for improved accounting support, compliance simplification, and enhanced financial literacy to strengthen accounting practices in the trade sector. The findings offer useful insights for policymakers, practitioners, and researchers concerned with accounting issues in emerging market economies.

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1. Introduction

Wholesale and retailing enterprises are a very essential part of Indian economy especially in the domain of micro, small, and medium enterprise (MSME). These companies play an important role in employment creation, domestic trade, and consumption driven growth. It was indicated by the Economic Survey of India (2023-2024) that the Indian economy has been showing stable growth, where MSMEs have been in the focal point in maintaining economic stability and balance on the market (Government of India, 2024). Nevertheless, even with all the significance, wholesale and retail industries have to deal with recurring accounting and financial management issues that impact on their sustainability in operations. Good accounting record keeping has been universally known to be one of the early pillars of the sustainability and informed decision making of small businesses. The empirical data of small-scale businesses confirms that poor accounting records harm business sustainability in the long-term and financial management (Hamid et al., 2023). On the same note, the understanding of financial information between SME owners and accountants brings out the importance of sound accounting data in managerial decision making especially in the emerging economies (Wijekoon et al., 2024). This results highlights the relevance of formatted accounting practices in the improvement of transparency and business performance.

MSMEs in India have been greatly affected in terms of accounting and compliance requirements with the introduction of the Goods and Services Tax (GST) in India. Although the GST is intended to simplify taxation, the research indicates that SMEs will have significant compliance costs such as a complex system of documentation and reporting (Hussain and Riyaz, 2025). The noted effect is further supported by empirical evidence that GST implementation has influenced the performance of MSMEs in both ways, as compliance costs have become a significant issue among small businesses (Bhalla et al., 2023). Strategic management accounting and organisational change are factors that trigger an evolving state of accounting environments other than through taxation. It has been demonstrated that alignment of accounting practices, business strategy, and organisational adaptation influence performance of firms and their resilience (Alsharari, 2024). Financial literacy is also important in deciding the performance of SMEs, especially when paired with access to financial resources (Abdallah et al., 2025). Poor financial literacy may worsen accounting complexities and undermine financial decision-making in firms in the trade-sector.

The high growth of online payments has also changed the accounting procedure of wholesale and retail corporations. The experience of the demonetisation in India indicates that the use of digital payment has dramatically affected the transaction behaviour and financial reporting

demands (Agarwal et al., 2024). The financial institutions including the Small Industries Development Bank of India (SIDBI) have been significant by offering MSMEs with financial support and developmental programs but the availability of finance is disproportional to the regions and the extent of business (Mishra and Shukla, 2022). The recent reports show that MSMEs in India are getting adjusted to the post-pandemic and post-reform realities by implementing new financial and operational approaches (Shekhar and Rai, 2025). Nonetheless, accounting is not the only organisational activity that affects the overall enterprise output since other business activities, including recruitment and human resource management, have impacts on the service based and trade based sectors (Lasker and Sabri, 2026). All these mutually sustained problems point to the necessity of a dedicated analysis of accounting practices and limitations that wholesale and retail business encounter. Although much on MSMEs has been conducted, there is a dearth of empirical research that refers to accounting practices and challenges in wholesale and retail firms at the firm level in urban India. The research aims at filling this gap by examining the accounting systems, payment habits, and perceived accounting issues among wholesale and retail businesses in Delhi, hence adding to the literature that is already available on the accounting practices in the trade sector of emerging markets.

Research Objectives

1. To explore the accounting procedures, payment habits as well as digital uptake among wholesale and retail corporations within the city of Delhi.
2. To determine and evaluate the most critical accounting issues encountered by wholesale and retail businesses, such as the GST compliance, working capital management, cost inflation, and digital reconciliation concerns.
3. To compare the extent of accounting complexity of wholesale and retail business and examine the correlations of key variables in accounting challenges.

2. Methodology

2.1 Research Design

The research has used descriptive and Inferential analysis to analyze the accounting practices and difficulties of the wholesale and retail businesses in Delhi. This design is suitable because it facilitates the systematic description of the accounting practice of business-level and the quantitative measurement of accounting related problems without manipulation of variables. It is a cross-sectional research that aims at securing the present situation of accounting systems, payment practices, and perceived accounting challenges. There are both descriptive and comparative methods used to analyse differences between wholesale and retail firms. The design helps to utilize survey-type data and statistical analysis like frequency analysis, mean score analysis, group comparison, and correlation analysis that is popular in accounting and social sciences research.

2.2 Nature and Source of Data

The research is based on the primary data of wholesale and retail companies that are in operation in Delhi. The sample size is 171 business observations that include both wholesale and retail companies of various sizes of the business. The empirical basis of the analysis is based on the primary data that reports firm-level information on accounting practices, payment systems, and the perceived accounting challenges.

2.3 Sampling Design and Sample Size

The study target population will include wholesale and retail companies that are located in the area of Delhi. The number of businesses sampled was thought to be sufficient to give an analysis of 171 businesses. The dataset was created using a random sampling method, which made sure that wholesale and retail firms in various sizes of businesses were represented. The sample encompasses micro, small and medium enterprises which represents the overall form of the trade sector. The sampling is applicable in descriptive, comparative and correlation based analysis.

2.4 Variables and Measurement

The variables involved in the study are associated with business features, accounting, accounting challenges, and digitalisation. Business characteristics are business type (wholesale or retail), business size and years of operation. Some of the accounting practice variables include the accounting system associated, the main payment mode, acceptance of online payments, and the utilization of online lending options. Five-point Likert scale variables are used to measure accounting problems that include the difficulty of GST compliance, the effect of costs inflation, working capital management problems, and digital reconciliation problems. The high accounting complexity is also an indicator of cumulative accounting difficulty and is measured as a composite indicator. When the scores are higher, it is said to be more difficult.

2.5 Data Analysis Techniques

The data analysis involved a quantitative approach. Business profiles and accounting practices were summarised using descriptive statistics (frequency and percentages). The severity of accounting challenges was determined by the use of mean score analysis and ranking. The independent samples t -tests were used in the comparison of accounting difficulties of wholesale and retail companies. Correlation analysis was used to investigate the relationships between key variables of accounting challenges and accounting complexity in general.

3. Results

3.1 Profile of Sample Businesses

The sample contains retail businesses in a greater percentage than the wholesale business as retail trade is prevalent in the urban business environment. Regarding the size of the business, the sample

is predominantly micro enterprises, then small and medium enterprises, which represent the common business structure of the trade sector in metropolitan regions. The age of the sampled firms is between two decades old and businesses that are newly formed with the mean age of the firms being above ten years old. In terms of accounting systems, the percentage of businesses that operate computerised accounting systems such as accounting software and ERP solutions remains high, with a lower number still operating on manual accounting. Most of the sampled companies indicate that they accept digital payments, which makes it apparent that the level of penetration of digital transaction modes in the wholesale and retail companies in Delhi is massive. Table 1 shows the nature of the sample size included in the study.

Table 1: Business Profile and Accounting Practices of Sample Firms (n = 171)

Variable	Category	Frequency	Percentage (%)
Business Type	Retail	103	60.2
	Wholesale	68	39.8
Business Size	Micro	111	64.9
	Small	33	19.3
	Medium	27	15.8
Accounting System Used	Manual	43	25.1
	Accounting Software	85	49.7
	ERP	43	25.1
Digital Payment Acceptance	Yes	154	90.1
	No	17	9.9
Primary Payment Mode	Mobile/UPI	118	69.0
	Cash	26	15.2
	Bank Transfer	17	9.9
	Cheque	10	5.9

3.2 Accounting and Payment Practices Adopted

The findings demonstrate that much difference exists in accounting and payment methods across the sampled businesses. The most common primary payment mode, mobile and UPI-based payment, is followed by the cash-based transaction, whereas bank transfers and cheque payments take the smaller part. The results indicate that digital payments have become part of the daily activities of most businesses, yet the level of their utilization differs. In terms of accounting systems, the accounting software is most commonly used, and the next in line are the Enterprise Resource Planning (ERP) based accounting systems, with the still significant percentage of firms still using manual accounting. The implementation of digital lending platforms is not very widespread, and only a little share of the businesses have reported using such services. The outcomes of cross tabulations show that there are variations between wholesale and retail firms with a slight higher dependence on formal accounting system by the wholesale firms. On the whole, the findings demonstrate the progressive transition to the digital and software-based accounting practices in the trade industry.

3.3 Accounting Challenges Faced by Businesses

The accounting challenges to wholesale and retail businesses were analyzed using the mean score. GST compliance difficulty has the highest mean score of the challenges identified and this shows that accounting-related tax requirements are still a significant issue to businesses. The mean score on working capital management issues is also rather high, which indicates the accounting difficulties with liquidity. Next in influence is the cost inflation impact which is a result of the accounting pressure created due to the increase in input and operating costs. Digital reconciliation issues, although existing, have a relative difficulty in matching digital transactions with accounting records, showing a moderate score on means. The accounting complexity score is an average to high accounting difficulty that businesses have in dealing with accounting processes. The values of standard deviation indicate that there is a reasonable range of variability of responses, which implies that the scope of challenges do not vary equally across firms. The prioritization of challenges gives a good idea of the relative significance of different accounting problems of trade-sector business. In order to determine the intensity of the accounting issue experienced by wholesale and retail businesses, mean scores were developed on the major issues arising around accounting. The scores show that the difficulty levels in all dimensions of challenges are moderate to high as presented in figure 1.

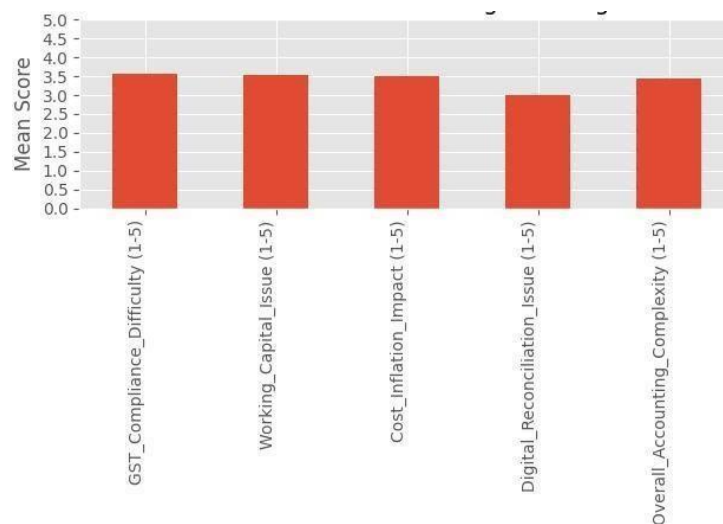


Figure 1: Mean Scores of Accounting Challenges Faced by Wholesale and Retail Businesses

3.4 Comparison of Accounting Challenges between Wholesale and Retail Businesses

A comparative evaluation was performed to identify variations in accounting issues in wholesale and retail business. The average scores indicate that wholesale firms tend to record higher rates of working capital management problems than the retail firms. The complexity of GST compliance is also slightly elevated in businesses in the wholesale category meaning that more accounting is

required in tax related matters in firms operating in bulk and credit based business. Although the mean scores are a little lower, retail business report having lower difficulties in most of the measures of accounting difficulty. Wholesale firms have a higher score in the overall accounting complexity than the retail firms indicating there is more accounting pressure in a wholesale operation. Independent sample tests show that not all these differences can be statistically observed, whereas others are comparatively small. These findings indicate that the accounting issues affecting both the segments are similar, but the degree and type of difficulties are different in wholesale and retail operations. Table 2 shows the outcomes of the independent sample t -tests on the comparison of accounting issues in wholesale and retail-based business.

Table 2: Independent Sample t-Test Results for Accounting Challenges (Retail vs Wholesale)

Accounting Challenge	Retail Mean	Wholesale Mean	t-value	p-value
GST Compliance Difficulty	3.71	3.89	-1.42	0.158
Working Capital Issue	3.58	3.78	-1.67	0.097
Cost Inflation Impact	3.48	3.63	-1.21	0.229
Digital Reconciliation Issue	3.22	3.40	-1.39	0.167
Overall Accounting Complexity	3.49	3.69	-1.81	0.072

The independent samples t-tests were used to explore the difference in accounting challenge between the wholesale and retail businesses. The mean scores of the challenge variables were better in wholesale firms especially in the working capital problems and the general accounting complexity. Nonetheless, the differences that were observed were moderate and p-values showed a marginal statistical significance of selected variables.

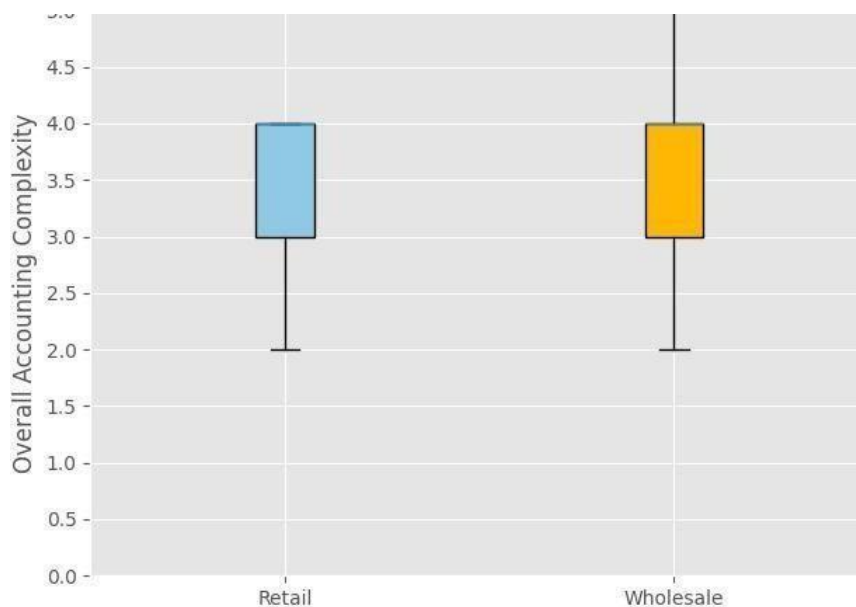


Figure 2: Comparison of Overall Accounting Complexity between Retail and Wholesale Businesses

The overall accounting complexity in comparison between the wholesale business and the retail business reveals that the complexity of the wholesale firms is higher. A box plot was used to visually depict the evidence of the distribution and variability of the complexity of accounting by type of business as shown in Figure 2.

3.5 Digital Payment Adoption and Accounting Complexity

The correlation between the complexity of accounting and adoption of digital payment was tested through comparing results between businesses that accept and those that do not accept digital payments. The data demonstrates that the mean scores of digital reconciliation problems in firms that accept digital payments are a bit higher than those of non-adopters. It means that, digital payments enhance efficiency of transactions, but they can also make the accounting reconciliation processes more complicated. The complexity score based on the overall accounting is slightly more elevated in digital-payment-adopting companies due to other reporting and compliance costs that digital transactions represent. The results of the correlation analysis indicate that there is a positive correlation between the digital reconciliation issues and the overall accounting complexity, and that problems with the control over digital records of the transactions are the causes of other accounting problems. In spite of those difficulties, the popularity of digital payments highlights the increased significance of digital payments in business. The findings expose the necessity to develop better accounting systems and procedures to handle the complexity that comes with digital financial transactions. The Pearson correlation coefficients between key variables of accounting challenges are shown in Table 3.

Table 3: Correlation Matrix of Accounting Challenge Variables

Variable	GST Difficulty	Working Capital Issue	Cost Inflation Impact	Digital Reconciliation Issue	Overall Accounting Complexity
GST Compliance Difficulty	1.000				
Working Capital Issue	0.41	1.000			
Cost Inflation Impact	0.36	0.38	1.000		
Digital Reconciliation Issue	0.29	0.34	0.31	1.000	
Overall Accounting Complexity	0.54	0.57	0.49	0.46	1.000

The correlation analysis indicates positive correlations among the accounting challenge variables. General accounting complexity exhibits moderate correlations with the GST compliance difficulty, working capital issues, cost inflation effect, and digital reconciliation issues, which means that

these difficulties are likely to be experienced together in the course of business operations.

3 Discussion

The research has significant policy implications to policy makers, practitioners and owners of small businesses in the wholesale and retail sector. The prevalence of accounting issues seen, including the complexity of GST compliance, the limitation of working capital, and the weakness of digital reconciliation, show that the selected policy interventions are to be simplify the compliance process and enhance financial support of MSMEs. The implications of the results to practitioners and business owners are that proper accounting systems should be adopted and financial literacy should be enhanced in order to support operational efficiency and decision-making. The popularity of digital payments indicates a benefit to financial digitalization. nevertheless, reconciliation issues that came along with them indicate that training and system integration should be improved. In general, the paper contains practical recommendations that may be utilized to enhance the establishment of more resilient accounting practices in the trade sector.

The findings suggest that wholesale and retail-based enterprises experience moderate to high degree of accounting related problems with compliance with GST and working capital management being the major problems. The accounting complexity is always higher in wholesale firms than in retail firms because of the high volume of their transactions and the complexity of their supply chain. The positive associations that can be made between accounting challenge variables indicate that they are not independent problems but more complex paperwork is the result of the combined pressures on the business. Although the use of digital payment is a common practice, the fact that reconciliation problems still persist, implies that technological adoption will not remove accounting challenges. In general, the results imply that accounting issues of trade-sector companies can be considered multi-dimensional and need combined financial and managerial solutions to.

The overall results of the current research are widely in line with previous studies, which indicate the significance of structured accounting and performance management practices in enhancing the productivity and operational effectiveness of SME. Previous literature underscores that performance management and accounting system development is essential in boosting productivity among small and medium enterprises especially in cases where specific interventions and managerial enhancements are involved (Jones et al., 2024). On the same note, the accounting problems reported in the wholesale and retail businesses are in line with the previous findings that indicated that the presence of professional advice and external support played a significant role in determining the performance and financial discipline of the SMEs (Berry et al., 2006).

The findings are also in line with the research on the connection between accounting practices and organisational structures, which have shown that poor alignment between accounting systems and

business activities may heighten managerial complexity and decision-making challenges (Pasolo, 2024). Moreover, the accounting and compliance issues revealed during this research are also largely similar to the sector-specific results that establish the technological, regulatory, and compliance-related pressures that wholesale and retail companies are being subjected to in the recent past (Nagarajan and Tabasum, 2024). Besides that, the previous research related to retail management highlights the operational and financial complications of the retail sphere, which confirms the applicability of the findings of the current research to the wider literature in the field of trade (Vaja, 2015). This study has limitations in the relatively small sample size which could limit the generalizability of the results to the larger population of the wholesale and retail businesses.

The study can be expanded in future by introducing large field based sample of wholesale and retail business proprietors to supplement the results. A comparative analysis of various factors in the Indian cities or regions would be useful in determining geographic disparities in accounting practices and problems. Longitudinal research designs would be used to analyse how accounting practices change with time in reaction to the changes in regulations, technological change, and economic environment. As well, future research can examine how accounting issues affect performance indicators of firms such as profitability, growth and survival. The qualitative methods, such as interviews and case studies, might also give more in-depth information about the accounting behaviour and contextual elements of the accounting of the firms in the trade industry.

4. Conclusion

The research analyzed accounting behaviors and difficulties of wholesale and retail enterprises operating in the city of Delhi, with a special concentration on accounting systems, payment methods, and perceived accounting complexity. The results demonstrate that most of the business organisations have already embraced the use of computerised accounts and online payment methods and this is a rising trend towards the trend towards financial digitalisation of the business sector. Although this has been achieved, companies still have moderate to high rates of accounting related difficulties, especially with regards to GST compliance, working capital management and cost inflation. These issues suggest that regulatory demands and financial limitations still will be great contributors of accounting complexity among trade- sector firms. The comparative analysis demonstrates the effect of scale of operation and volume of transactions on the accounting practices, with the general accounting complexity in the wholesale businesses being higher as compared to the retail businesses. Correlation outcomes also indicate an interdependence of accounting issues, as regulatory, finance and technological problems seem to act together as a contributing factor to the general complexity of accounting. Although the use of digital payments

has enhanced the efficiency of transactions, it has not removed the reconciliation and reporting issues, which highlights the necessity to improve system integration and accounting skills. Comprehensively, the research study adds to the available body of literature by offering firm-level information on the accounting issues in wholesale and retail sector in an urban Indian setting. The results highlight the need to enhance accounting capacities, enhance compliance support, and financial literacy of small and medium trade businesses to ensure sustainable and efficient operating businesses.

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