

BALANCING THE BOOKS: A GUIDE TO SME FINANCIAL FITNESS VIA THE ART OF EFFECTIVE RECORD KEEPING

¹Abimbola Olubunmi Adeyemi and Chinedu Emmanuel Nwosu²

¹The Great Business Clinic Ltd. (TGBCL), 4, Turton Street, Sabo Yaba Lagos, Nigeria,

²Department of Finance, University of Lagos,

Abstract: Small and Medium Enterprises (SMEs) are recognized as pivotal contributors to the economies of both developed and developing nations. Nevertheless, many SMEs, including those in Nigeria, grapple with the challenge of inadequate accounting records. This study delves into the critical role of effective record-keeping in SMEs and its far-reaching consequences, particularly in terms of financial access and overall business management. By examining the intricacies of record keeping, this research underscores the significance of structured accounting systems and highlights the multi-dimensional aspects of record management in SMEs. Moreover, it elucidates how these aspects influence various stakeholders, from business owners to government bodies, creditors, and prospective investors. Given the essential role of SMEs in Nigeria's economic landscape, this study carries significant implications for the country's economic development.

Keywords: SMEs, Record keeping, Financial management, Credit access, Business performance

1.0 Introduction

Globally, SMEs has been acclaimed to play vital role in the economy of both developed and developing countries. About 75% of workforce in Europe consists of SMEs (Rathnasiri, 2014). According to Agbemava, Ahiase, Sedzro, Adade, Bediako, Nyarko, & Kudo, (2016), majority of SMEs do not keep proper accounting records otherwise referred to as incomplete records. SME owners have failed to recognize the importance of well structured accounting system that would have enabled them keep accurate financial statement. Lack of accurate financial statement jeopardizes the chances of credit facility from banks. Record keeping is vital to business management (Ademola, Samuel and Ifedolapo, 2012). Record keeping consist of identification, classification, summarization, storage, protection, communication, retention and disposal of records for preparation of financial statements. Ademola et al. (2012) also noted that policies, systems, procedures, operations and personnel are important to keeping of records. An account is a record of financial inflows and outflows in relation to the respective asset, liability, income and expense (Williams, 2008). The importance of availability of accurate financial information to owners and managers for measuring of performance cannot be over emphasized (Amoako, Marfo, Gyabaah, and Gyamfi, 2014). Users of Accounts include owners of business, government, creditors, potential investors, et al. This study is relevant in Nigerian context considering the vital role SMEs play in the economic development.

2.0 Statement of Problem

Accounting and record keeping frightens some business owners (Abdul-Rahaman & Adejare, 2014). Keeping record of income and expenditure helps an owner of business to keep proper track of financial transactions (AbdulRahaman & Adejare, 2014). Dawuda and Azeko, (2015) noted that poor record keeping or non-availability of financial records have consequences of mismanagement of resources and poor cash management. These have led to the collapse of many SMEs. Application of accounting records seriously influences the achievement of a firm's objectives (Oladejo, 2008). Some business owners in Nigeria are still not aware of the importance and benefits of proper record keeping (Abayomi & Adegoke, (2016). In Nigeria, some SMEs are forced to prepare

their financial records because they want to obtain tax clearance certificate, without which they cannot bid for government contracts. Also, some SMEs prepare their accounts because they want to obtain bank loans. Poor record keeping makes it difficult to distinguish between business transactions and personal transactions of SME owners (Van Aardt et al. 2008; Rankhamise, 2010). Many business owners and managers use the assets of SMEs for their personal benefits. According to Aremu and Adeyemi (2011), studies have shown that it is difficult for SMEs to access loans from financial institutions because of lack of proper financial records as a requirement (Amoako, 2013). Except for statutory requirements, SMEs rarely consider sound accounting system, yet the poor and ineffective record keeping has led to the collapse of some of the SMEs. Ibrahim, 2015; Germain, 2010; Butler, 2009; Udoh, 2005; Udoh, 2003; Igboke 2002; and Udoh & Jaja, 2002, supported the failure of SMEs to keep proper records are one of the reasons for their failure.

3.0. Objectives of the Study

The main objective of this study is to analyse the extent to which accounting information is being used to measure financial performance of SMEs. However, the specific objectives include: Analysis of the degree to which accounting information is being adopted in measuring financial performance by SMEs in Nigeria, description of the restraint of SMEs to implementing accounting system, examination of the impact of accounting record keeping in Small scale form performance, method of keeping records, assessing the attitude of SMEs towards record keeping, and to ascertain if manual accounting record keeping are more popular to SMEs than computerized Accounting System (CAS).

The study will add to the literature on accounting practices of small business and to the global body of knowledge. This study will further be useful for SME bodies in Nigeria, business schools and government agencies.

4.0 Literature Review

4.1 Theoretical Framework

4.1.2 Decision Usefulness Theory

The theoretical framework for this study is Decision Usefulness Theory. Decision – useful information is the fundamental objective of financial reporting. The Financial Accounting Standard Board's Conceptual framework states that the purpose of financial reporting is to provide information that is useful for business decisions (Concepts statement No. 1, FASB 1980, Paragraph 34). According to Wang (2012), decision usefulness is defined in terms of relevance, reliability, Comparability, and Understandability. Decision usefulness theory is adopted to satisfy the information needs of the users of Accounts namely: Investors and Creditors. Wild (2008) and Fellinghan (2005) observed that accounting is viewed as the measuring activity that makes available financial reports in support of decision makers and their business decisions. Financial statement plays an important role to various users, which mainly consist of the creditors, investor, employees, customers, government and their agencies, in taking vital financial decision (Shagari, 2013). The usefulness of accounting information is based on such factors as timeliness, reliability, relevancy, materiality of the presented accounting data, understandability, comparability and verifiability (Ijiri and Jaedicke, 1966, Buys, 2008; Dzinkowski, 2010; and Soyinka et al; 2017). Single –person decision theory, which is based on the view point of a person who must take a decision under conditions of uncertainty, is the vital part of this study. The theory gives room for additional information to be obtained by entities to revise a possible subjective assessment of a decision-maker of what might have happened after a decision is made. The theory is promoted by scholars that include Raifa (1968), Ijiri (1983), Solomons (1989); Staubus (1999); Cartney (2004); Godfrey et.al (2006); Scot (2009); and Dandogo & Hassan (2013).

4.2 Small and Medium Enterprises

Different countries, institutions and individuals have defined SMEs in different ways. The common parameters for defining SMEs includes number of employees, sales, volumes, financial strength, relative size, initial capital outlay and independent ownership (Ibrahim, 2015). Modugu and Eragbhe (2013) asserted that SMEs contribute

over 90% of the private sector production and they are the major sources of jobs in developing countries and play a vital role in income generation in developing countries. Researchers have revealed that the strength of great nations is predicated on SMEs that are pillars to individual giants (Arowomole & Oyedokun, 2006; Iopev and Kwanum, 2012). Esuh & Adebayo (2012) observed that SMEs and entrepreneurship activities are vital to the development of any economy. Etuk et. al; (2014) asserted that SMEs have the ability to contribute immensely to the economy of any nation because of enormous benefits associated with them. SMEs generally contribute to the job creation, wealth and general welfare of economies (Nwobu, Faboyede & Onwuelingo, 2015). According to Akande, (2016) in Nigeria 75% of the Private sector is dominated by entrepreneur of Micro, Small and Medium Enterprise (MSMEs).

4.3 Types of Record Keeping

Accounting plays a great role in the success or failure of contemporary business institutions (Uddin et al., 2017). There is no requirement that records should be kept in a particular way as long as it reflects the business income, expenses, assets and liabilities (Ademola, 2012). According to Olatunji (2013), an accounting system is an orderly, efficient scheme for providing accurate financial information and controls. Most literature classifies record keeping methods among SMEs as single entry book keeping system, Double entry book keeping system. In this study record keeping is classified as book keeping system (both single and double entry book keeping) and accounting software. This position is supported by Weber (2011) that said accounting can be classified into 2 basic categories: Manual accounting and Computerized Accounting System.

According to Abayomi & Adegoke, (2016), book keeping is the recording of business transaction in a systematic and orderly manner, while accounting is the classification, analysis and interpretation of the business record for decision making.

4.3.1 Manual Record Keeping

There are two types of manual Accounting records, namely single entry book keeping and double entry book keeping system.

4.3.1.1 Single Entry book keeping

Single entry book keeping system is a “Casual” accounting framework where a clients just makes single entries of transactions. Day to day of money received are just recorded culminating in a month and year. Receipts and Payments are recorded. The single entry book keeping system is an “informal” accounting system where a user of the system makes only one entry to enter business transaction (Eric and Gabriel, 2012). Accounting records like cheque book, cash receipts, cash disbursement are just recorded once per transaction. Receipts are recorded as a deposit and a source of revenue, while cheques and withdrawal are entered as expenses. It does not follow the double entry rule of Debit and Credit. Single entry book keeping does not give the full picture of the financial position of a firm (AbdulRahamon, 2014). There is need to convert accounting records to the double entry system for useful reporting

(Onaolapo et. al; 2011)

4.3.1.2 Double Entry Book keeping

The double entry system is the standard frame work utilized by organizations to record financial transactions (Senzu & Ndebugri, 2018). A well trained book keeper will record all transactions chronologically i.e. Cash receipts, Cash disbursements, Sales, Purchases and journalize others, then post them in general ledger accounts from the general ledger the book keeper can then draw up a trial balance. A trial balance is the summary of ledger balances as at a particular day. This trial balance with additional information can then be used to prepare profit and loss account and balance sheet (now called statement of comprehensive income and financial position under International Financial reporting standard. Zhou (2010) suggested the use of accounting software to improve accounting practices.

4.3.1.3 Problems of Manual Record Keeping

Manual Accounting record keeping involves understanding of the double entry book keeping to be accurate and usage of calculator. This manual record keeping times may be more prone to errors. Also, manual record keeping is subject to the likelihood of harm to manual records. The harm includes water, fire and other hazards (Amanamah et al., 2016). Also, the volume of paper to be kept may be much especially in Nigeria where six years records can be requested by the government agencies. These drawbacks in the manual Accounting system have led to the introduction of Computerized accounting system (CAS). CAS tends to reduce the problems in book record keeping practice (Akande, 2016).

4.3.2 Computerized Accounting System

According to Gupta (2008) a computer is a programmable machine that responds to a specific set of instructions in a well-defined manner and can execute a pre-recorded list of instructions. The introduction of CAS has led to simplicity, speed and precision in the way in which accounting information are captured for the running of business organizations. The use of CAS has revolution a rised the practice of Accounting and has led to the creation of new types of accounting applications for business (Burdick, 2010). Many SMEs now like to track their financial transactions with computerized software rather than to rely on a manual system of book keeping recording entries in large books. One of the benefits of computerized accounting software is that firms can now use it to coordinate all business operations including creditors and debtors to the firm. It also enhances decision making. CAS is quick in carrying out routine transactions, in analysis, accuracy, and reporting (Amanamah et al., 2016).

According to Machera & Machera, (2017), the benefits of using accounting software include:

- Stock reconciliation becomes easy
- Maintenance of Assets register will be easy
- Financial ratios and graphs are made possible
- Provision of financial intelligence for the business
- Cloud accounting is possible
- Speedy processing of transactions
- Enhances completeness and accuracy

Sam, Hoshino & Tahir, (2012), observed that small business tend to suffer resource poverty in terms of financial capacity, available time and IT skilled staff to facilitate the adoption of CAS.

4.4 Objectives/ Importance of Record Keeping and Business Performance

A good accounting system should give an accurate and comprehensive results of operations, which allow quick comparison between current and previous data, offers the financial statements to be used by prospective creditors, bankers, and management, facilitate filing reports and tax returns to government regulatory agencies and tax collecting, and disclosing record keeping error, waste, theft, and employee misconduct (Longenecker et. al; 2006). Ekwere (2005) asserted that the success of a business depends to a reasonable extent on the accuracy of records keeping.

According to Maseko &, Manyani (2011), accounting systems grant a basis of information to SMEs owners and managers operating in any industry for the use in measurement of financial performance. Good record keeping enables business firms to plan properly and also to curtail misappropriations of resources (Mwebesa et al., 2018), Muchira, (2012) observed that keeping good financial records can positively influence management decisions of business owners or managers. The most important information to an entrepreneur comes from the accounting information. The accounting information is like the score card of an enterprise. They are indicators of growth potentials, earning ability, liquidity and stability (Ibrahim, 2015). According to Nkwor & Nkwor (2015), an efficient and effective record keeping is important to any organization, as it affords a measurement and

communication mechanism which can help in improving the quality of decisions and actions which affect the way the scarce resources of an organization is put into use. According to Onaolapo and Adegbite (2014), the difference in financial performance of SMEs can to a reasonable extent be explained by the level of accounting record keeping.

William et al., 2008 noted that the objective of record keeping includes:

- Provision of accurate picture of operating results
- To prepare actual records with budgeted figures
- To compare operating results of years of operations
- Preparation of financial position useful to owners of business, creditors, prospective investors, bankers □

For filing of tax returns to various tax offices and usage by other government agencies.

- To reveal employees fraud, theft waste and errors.
- To preserve vital accounting records and destruction of obsolete records.
- To support loan applications to financial institutions.

Ademola et al.; 2012 also alluded to the benefits of record keeping as follows:

- It helps to prevent business failure
- Useful for sound financial planning and control
- Aids in decision making
- Critical to business survival and success
- Reveals the background picture which helps organizational change.

Record keeping shows the health status of a business (Waari et al., 2016). A publication by Australian Government titled Record Keeping for Small Business in 2012 has reasons why small business should keep records.

i. Record keeping helps entrepreneurs to fulfill their tax obligations. ii. Record keeping helps entrepreneurs know how their business is performing

iii. Record keeping helps entrepreneur to have facts available for good business decisions.

According to Okoh & Uzoka,(2012), the roles of accounting information on the improvement of the performance of SMEs include:

- Usage as a control tool. It helps to detect fraud carried out by employees of an organization. It helps in maintaining good accountability over the assets of a company like cash, stock of goods, furniture and fittings and other movable assets of the company. Proper accounting system should be set up in order to minimize opportunity for misappropriation and theft of assets.
- It helps in credit transactions. Credit are being offered today by SMEs in order to stay afloat. Improper record keeping can lead to loss of income, when credit transactions are not well monitored.
- Helps in Taxation issues. There are various forms of taxes by government e.g. Pay as you earn (PAYE), withholding taxes, value added tax et. al. Proper record keeping is germane to determine accurate taxes to be paid by a firm, thereby avoiding over taxation or under payment of taxes as the case may be.
- Helps in profit determination. The primary motive of running a business is to make profit. It may be difficult to find out whether a firm is making profit or not without adequate record keeping.
- According to Akande (2016), the use of accounting information could be linked to the success or failure of an Entrepreneur. According to Bowen (2009), there is a strong relationship between business performance and the level of training in the business management especially in business finance record keeping. Knowledge and skills in book keeping is essential as it impacts positively on the sustainability and growth of SMEs. Ogundana (2012) stated that the concept of performance is used to determine the success of a business entity whether small or big.

- The International Accounting Standard Board (IASB) conceptual framework specifies that frequently, profit is used as a measure of performance. Business performance can be measured in term of Business size, employment capacity, turnover, capital base and profitability (Akande, 2016).

4.5 Reasons why Some SMEs do not Prepare/ Poor Record Keeping

Despite the importance of record keeping in monitoring of businesses, some SMEs do not give needed attention to record keeping. Some of the reasons adduced to lack of record keeping include time, cost, lack of knowledge by business owners, employment of unskilled accounting staff. Musah & Ibrahim (2014) observed that some business owners have the tendency to rely on their memory rather than keep proper books of accounts, while some business owners believe that keeping proper business records will expose them to pay more tax (Amoako, 2013).

Onalapo and Adegbite (2014) observed that most SME owners recruit unskilled account clerks who cannot prepare accurate financial statements. This has made some small business to stagnate, not knowing how business is performing, and some eventually fold up. In a research carried out by Amoako, 2013 respondents gave the following reasons for not keeping accounting records: It is time consuming, expensive, requires technical skills and knowledge, additional staff, exposure of financial position, payment of more taxes, no need to keep accounting records and difficulty in maintaining an accounting system. Recruitment of Incompetent Accountant can lead to inaccurate record keeping (Ibrahim, 2015). Okafor (2012) observed that most owner managers in Nigeria sees their business as their private affairs therefore, there is no need to be accountable and transparent to anyone.

4.6 Results of Similar Studies

The empirical review is centered on similar research conducted by other researchers on this same subject. In a study conducted by Okoli (2011), he asserted that due to inability of SME owners not keeping proper records they were not able to assess their performances effectively. Okoli (2011), further argued that there is need for SME to keep proper records in order to enhance their profitability and continuity. In a research conducted by Abayomi & Adegoke, (2016) in 2015, out of 94 respondents, 76 agreed that manual record is more useful and popular among SMEs than electronic methods, while 18 agreed otherwise. A study conducted by Maseko and Manyani (2011) in Zimbabwe on 100 SMEs revealed that SMEs do not keep complete records as a result of lack of knowledge in accounting and the cost of engaging professional accountants. Mbroh and Atom (2011) in a study conducted in Ghana reports that 59% do not put into use formal accounting at all due to low levels of education, and insufficient knowledge in accounting.

In a research conducted by Williams (2010) on accounting information requirements of 928 SMEs operating in Sydney, Melbourne and Brisbane, it was discovered that 57% of the respondents used the double entry book keeping systems. This finding did not agree with Peacock's (2008) findings 2.1% of types of records kept by enterprises, where only 2.1% of respondents were found to be using double entry systems. In a study conducted by Bwana and Mwakujonga (2013) in Tanzania most respondents were ignorant of the fact that financial information can be used to measure performance, growth, financial position and usage for decision making. The respondents rather had the believe that the great number revealed that the purpose of preparing accounting information is to meet requirement of financiers revenue authorities and business registration. In a study conducted by Abdul Rahamon in 2013, only 19% of the respondents strongly agree that record keeping is important for decision making and business adjustments, 41% agree while 11% were not sure, 21% disagree and 8% strongly disagree. In a study conducted by Agbemva et al; (2016) at Ho municipality, Ghana 54.9% of respondents maintained single entry book keeping while 45.1% adopted double entry book keeping system of record keeping. Also, majority of the respondent revealed that preparation of financial statements for their businesses have contributed greatly to the growth of their businesses. This position is corroborated by the findings

of Abdul Rahamon and Adejare (2014) who noted, that there is a strong positive relationship between accounting records keeping and growth of SMEs.

5.0 Methodology

The data was collected from the survey of 197 respondents out of 200 questionnaires given out to SME owners/managers. The study used a quantitative technique. The steps followed were: study design, data collection, and quantitative analysis using SPSS. The SPSS was used to present and analyze the data. 5 point Likert was used in the design of questionnaires: strongly agree (5) to strongly disagree (1).

6.0 Results

Data was collected from two hundred (200) SME owners, however only 197 questionnaires were viable. The questionnaire was formulated using a Likert scale ranging from Strongly Agree (5) to Strongly Disagree (1) to provide information on SME record keeping.

Table 1: Characteristics of Entrepreneurs

Characteristic	Frequency	Percentage
Industry		
Agriculture	3	1.5%
Art	9	4.6%
Beauty & Grooming	16	8.1%
Consulting	3	105%
Education	5	2.5%
Engineering	6	3.0%
Event	7	3.6%
Fashion	8	4.1%
Finance	3	1.5%
Healthcare	11	5.6%
Hospitality	14	7.1%
IT	11	5.6%
Manufacturing	13	6.6%
Power	2	1.0%
Telecom	5	2.5%
Trading	77	39.1%
Others	4	2.0%
Number of Distinct Products		
1 – 5	132	67.0%
6 – 10	34	17.3%
>10	31	15.7%
Number of Employees		
1 – 5	184	93.4%
6 – 10	7	3.6%
>10	6	3.0%
Legal Status		
Enterprise	115	58.4%
Limited	82	41.6%
Date of Commencement		

Before 2004	3	1.5%
2004 – 2008	23	11.7%
2009 – 2013	87	44.2%
2014 – 2018	84	42.6%
Total	197	100%

The table above shows the characteristics of the SME owners. The entrepreneurs were seen to operate in various sectors of the economy with Trading taking the lead at 39.1%, followed by the Beauty and Grooming industry (8.1%), Hospitality industry (7.1%), Manufacturing industry (6.6%), Information Technology (5.6%), Health (5.6%),

Art (4.6%), Fashion (4.1%), Events industry (3.6%), Education (2.5%), Telecommunication (2.5%), Finance (1.5%), Consulting (1.5%), Agriculture (1.5%), Power (1.0%) and others (2.0%). Majority of the entrepreneurs (67%) had one to five distinct products or services, 17.3% had six to ten products or services while 15.7% had more than ten distinct products or services. Majority of the entrepreneurs (93.4%) also had between one to five employees, while 3.6% had between six to ten employees and only 3% had more than ten employees. More than half of the SMEs (58.4%) were registered as business names while 41.6% were limited liability companies. When asked the year they commenced their businesses, only 1.5% started before 2004, 11.7% started within the years 2004 to 2008, 44.2% started within the years 2009 to 2013 and 42.6% started within the years 2014 and 2018.

Table 2: The Impact of Accounting Records Keeping in Small Scale Firm Performance

S/N	VARIABLE	MEAN	STD DEVIATION
1	Record keeping is essential for decision making and business adjustments	3.65	1.56
2	Record keeping reduces operating costs, improves efficiency and productivity	3.72	1.16
3	Accounting records support business audit and research	3.79	1.17
4	Complete accounting records are essential for preparation of financial statements	3.50	1.50
5	Accounting records assist in resource allocation and performance planning	3.79	1.17
6	Accounting records keeping increase the chances of the business operating and achieving success	3.75	1.015
7	Records keeping provide information to enable the control of cash in the business	3.85	1.16
8	Records keeping help in detecting thefts within the business itself	3.99	0.91

The respondents were asked to rank their level of agreement to statements on the impact of accounting records keeping in small scale firm performance. Results from analysis of their responses showed positive means ranging from 3.50 to 3.99 with standard deviation between 0.91 and 1.56. The statement “Records keeping help in detecting thefts within the business itself” had the highest mean (3.99) followed by “Records keeping provide information to enable the control of cash in the business” (3.85); while the statement “Complete accounting records are essential for preparation of financial statements” had the least mean (3.50).

Table 3: Book Record Keeping

Kept By:	Frequency Percentage
-----------------	-----------------------------

Account Officer	23	11.7%
Sales Officer	52	26.4%
Self (owner)	97	49.2%
Consultant	13	6.6%
Others	12	6.1%

The respondents were asked to identify who is responsible for book record keeping. Results from analysis of their responses showed that majority of the SME owners (49.2%) kept the records themselves followed by Sales Officers (26.4%), Account Officer (11.7%) and Consultant (6.6%).

Table 4: Method of Record Keeping

Using:	Frequency	Percentage
Manual Records	142	72.1%
Microsoft Excel	23	11.7%
Software	6	3.0%
Others	26	13.2%

The respondents were asked to identify their record keeping method. Results from analysis of their responses showed that majority of the SME owners (72.1%) kept their records manually; use of Microsoft excel was 11.7% while software were only used by 3% of the population.

Table 5: The Benefits of Keeping Proper Records

S/N	VARIABLE	MEAN	STD DEVIATION
1	For business decision making	3.69	1.36
2	To have access to credit	3.40	1.35
3	To be able to discharge accurate tax payments	3.62	1.30
4	To determine financial position of the business	3.79	1.02
5	To facilitate the managements of debtors and creditors	3.66	0.77
6	To know the performance of the business	3.93	0.82

The respondents were asked to rank their level of agreement to statements on the benefits of keeping proper records. Results from analysis of their responses showed positive means ranging from 3.40 to 3.93 with standard deviation between 0.77 and 1.36. The statement “To know the performance of the business” had the highest mean (3.93) followed by “To determine financial position of the business” (3.79); while the statement “To have access to credit” had the least mean (3.40).

Table 6: Attitude towards record keeping

S/N	VARIABLE	MEAN	STD DEVIATION
1	High profit margin to offset any cost	3.56	1.10
2	Record keeping is key to the success of a business	3.85	0.92
3	Record keeping is a tedious activity	3.80	1.15
4	Some business for example micro and small businesses do not require record keeping	3.70	1.22

5	It is always good to keep record of all transactions in my business	3.64	1.18
6	One should not keep records of transactions that did not go well for his business because the records will discourage	3.08	1.56
7	It is waste of money to employ an accountant to help in record keeping	3.52	1.21
8	My business has been very successful even if I don't practice record keeping	3.60	1.15
9	I would really appreciate if given a chance to learn more about record keeping	3.71	0.89

The respondents were asked to rank their level of agreement to statements that can depict their attitude towards record keeping. Results from analysis of their responses showed positive means ranging from 3.08 to 3.85 with standard deviation between 0.89 and 1.56. The statement "Record keeping is key to the success of a business" had the highest mean (3.85) followed by "Record keeping is a tedious activity" (3.80) and "I would really appreciate if given a chance to learn more about record keeping" (3.71); while the statement "One should not keep records of transactions that did not go well for his business because the records will discourage" had the least mean (3.08).

Table 7: Overall Attitude towards Record Keeping

Rank	Frequency	Percentage
Positive	145	73.6%
Negative	52	26.4%

An overall scoring and ranking of the entrepreneurs' responses on their attitude towards record keeping revealed that majority of the SME owners (73.6%) had positive attitude towards record keeping while 26.4% had negative attitude towards it.

Table 8: Reasons for not keeping Financial Records

S/N	VARIABLE	MEAN	STD DEVIATION
1	The cost involved in preparing financial statements is too high	3.47	1.38
2	It takes too much time to prepare	3.32	1.32
3	Lack of accounting knowledge	3.71	0.80
4	It requires more staff	3.38	1.21
5	It makes your business pay more tax	3.42	1.35

The respondents were asked to rank their level of agreement to statements relating to reasons for not keeping financial records. Results from analysis of their responses showed positive means ranging from 3.32 to 3.71 with standard deviation between 0.80 and 1.38. The statement "Lack of accounting knowledge" had the highest mean (3.71) followed by "The cost involved in preparing financial statements is too high" (3.47)); while the statement "It takes too much time to prepare" had the least mean (3.32).

Discussion & Conclusion

The population consists of a diverse group of entrepreneurs operating in various sectors of the economy. Most of the SME owns at least ten distinct products and less than ten employees which is typical of small scale enterprises. More than half of the SMEs were registered as a business names which is a growing trend in among SMEs in

Nigeria due to the cheaper cost of operating and registering business names. Majority of the businesses are relatively recent and started between 2009 and 2018.

The respondents were seen to understand the importance of record keeping and its positive impact on business. While respondents agree that the major benefits of keeping proper record is to know the performance of the business and that record keeping is key to the success of the business, majority of the SMEs operators lack basic accounting knowledge and decry the cost involved in preparing financial statement and hence resort into keeping the records themselves and in most cases manually. The cost involved in business failure as a result of lack of proper record keeping (e.g mismanagement of resources and poor cash management) far outweigh the cost of preparing proper record for any business concern. The study recommends that SMEs operators should seek for basic accounting knowledge to enable them maintain some records properly and where possible engage the services of SMEs Professionals who will be able to keep proper record and prepare relevant financial report at a minimal cost for the business, banks and for other third party usage.

References

- Abayomi, K. S. & Adegoke, A. J. (2016). The imperatives of accounting and financial records in the development of small scale enterprises in Nigeria. *Research Journal of Finance and Accounting*, 7(14), 43-52. Retrieved from www.iiste.org
- Abdul-Rahamon, O. A. & Adejare, A. T. (2014). The Analysis of the impact of Accounting Records Keeping on the Performance of the Small Scale Enterprises *International Journal of Academic Research in Business and Social Sciences* 4, 1-17, doi:10.6007/IJARBSS/v4-i1/506
- Ademola, G. O., Samuel O. J. & Ifedolapo O. (2012). The roles of record keeping in the survival and growth of small scale enterprises in Ijumu local government area of Kogi State. *Global Journal of Management and Business Research*, 12(13), 56-66. Retrieved from www.journalofbusiness.org
- Akande O.O. (2016). Computerized accounting system effect on performance of entrepreneurs in south western Nigeria. *Proceedings of ISER International Conference*, Birmingham, UK, 18th-19th
- Agbemava, E., Ahiase, G., Sedzro, E., Adade, T.C., Bediako, A.K., Nyarko, I.K., & Kudo, M.A. (2016). Assessing the effects of sound financial statement preparation on the growth of small and medium-scale enterprises. *The International Journal Of Business & Management*, 4(3), 104-111. Retrieved from www.theijbm.com
- Amanamah, R.B., Morrison, A. & Asiedu, K. (2016). Computerized Accounting Systems Usage by Small and Medium Scale Enterprises in Kumasi Metropolis, Ghana. *Research Journal of Finance and Accounting*, 7(16), 1629. retrieved www.iiste.org
- Amoako, K.O., Marfo, E. O., Gyabaah, E. N., & Gyamfi, O. (2014). Accounting records keeping practices of SMEs in Ghana: Evidence from Sunyani Municipality. *British Journal of Economics, Finance and Management Sciences*, 9(1). Retrieved from www.ajournal.co.uk
- Amoako, G.K (2013). Accounting Practices of SMEs: a case study of Kumasi metropolis in Ghana. *International Journal of Business and Management*, 8(24), 73-83. doi:10.5539/ijbm.v8n24p73

- Aremu, M. A. & Adeyemi, S. L (2011) Small and medium scale enterprises as a survival strategy for employment generation in Nigeria in *Journal of Sustainable Development*. doi: 10.5539/jsd.v4n1p200
- Arowomole, M. A & Oyedokun T. A (2006) *Entrepreneurship: Structure and Practices in Nigeria* Ibadan: Aseda Publishing.
- Bowen, M., Morara, M., Mureithi, S. (2009). Management of business challenges among small and micro enterprises in Nairobi Kenya. *KCA Journal of Business Management*, 2, 16-31. doi: 10.4314/kjbm.v2i1.44408
- Burdick, C. (2010), *Information systems and software applications*. University of Phoenix.
- Butler, A. (2009). *Importance of bookkeeping in business*. Darby: Butler and Company
- Buyis, P.W. (2008). In pursuit of a foundational accountancy philosophy. *Koers*, 73(3): 489-509. Retrieved from www.scielo.org.za
- Cartney, S. M., 2004. The use of usefulness: An examination of the user needs approach to the financial reporting conceptual framework. *The Journal of Applied Accounting Research* 7(2): 15-21.
doi: 10.1108/96754260480001037
- Dandago, K.I & Hassan, N.I. B. (2013). Decision usefulness approach to financial reporting: a case for Malaysian inland revenue board. *Asian Economic And Financial Review*, 3(6):772-784. Retrieved from www.aessweb.com
- Dawuda A. & Azeko I. (2015). An assessment of financial records keeping behavior of small scale businesses in Ghana: A Case Study of Bolgatanga Municipality. *International Journal of Finance and Accounting*, 4(3): 187-194 doi:10.5923/j.ijfa.20150403.06
- Dzinkowski, R. (2010). More financial transparency, please: An interview with James Kroeker, SEC chief accountant. *Strategic Finance*, 44-47. Retrieved from maaw.info
- Ekwere, A.B. (2005) *Contemporary Accounting*. AFLON Limited Abuja.
- Esuh, O. L. & Adebayo, I. O. (2012). Is small and medium enterprises (SMEs) an entrepreneurship? *International Journal of Academic Research in Business & Social Sciences*, 2 (1), 487-496. Retrieved from www.hrmars.com
- Etuk, R., Etuk, G. R., & Baghebo, M. (2014). Small and medium scale enterprises (SMEs) and Nigeria's economic development. *Mediterranean Journal of Social Sciences*, 5 (7), 656- 661. doi: 10.5901/mjss.2014.v5n7p656
- Fellingham, G.A., 2005. Information economics and management accounting: A brief personal perspective. *Journal of Management Accounting Research*, 17,145-152. doi: 10.2308/jmar.2005.17.1.143
- Germain, P, J. (2010). *Small Business Bookkeeping*. retrieved from Ezinearticles.com

- Godfrey, J., A. Hodgson, S. Holme and A. Tarca, 2006. Accounting theory 6th Edn., Australia (GHHT): John Wiley & Sons.
- Gupta, V. (2008). Comdex 14-In-1 Computer Course Kit,. 2008 Edition ed. New Delhi: Dreamtech Press
- Ibrahim, M. (2015). Impact assessment of accounting system on the performance of small and medium enterprises (SMEs) in Bauchi metropolis, Nigeria. proceedings of 32nd the iier International Conference, Dubai, UAE, 8th
- Ijiri, Y. and R.K. Jaedicke, 1966. Reliability and objectivity of accounting measurements. The Accounting Review, 41(3): 474-483. Retrieved from www.researchgate.net
- Iopev, Luper and Kwanum, I. M (2012) An Assessment of Risk Management of Small and Medium Scale Enterprises in Nigeria in Research Journal of Finance and Accounting, 3(5). Retrieved from www.iiste.org
- Longenecker, J., Moore, C., Petty, J., & Palich L. (2006). Small Business Management: An Entrepreneurial Emphasis (13th ed.). Mason, OH: Thomson/South-Western
- Machera, R.P. & Machera, P. C. (2017). Computerised accounting software; A curriculum that enhances an accounting programme. Universal Journal of Educational Research 5(3): 372-385. doi: 10.13189/ujer.2017.050310
- Maseko N, & Manyani O (2011) Accounting practices of SMEs in Zimbabwe: An investigative study of record keeping for performance measurement (A case study of Bindura). Journal of Accounting and Taxation, 3. 171-181. doi: 10.5897/JAT11.031
- Modugu. K.P. & Eragbhe, E. (2013). Implications of IFRS adoption for SMEs in Nigeria. Fountain Journal of Management and Social Sciences, 2, 36-46. Retrieved from www.researchgate.net
- Muchira, B. W. (2012). Record Keeping and Growth of Micro and Small Enterprises. A Case Study Municipally in Kenya. Masters of Business Administration (thesis) of Kenyatta University.
- Musah, A., & Ibrahim, M. (2014). Record Keeping and the Bottom Line: Exploring the Relationship between Record Keeping and Business Performance among Small and Medium Enterprises (SMEs) in the Tamale Metropolis of Ghana. Research Journal of Finance and Accounting, 5(2). Retrieved from www.researchgate.net
- Mwebesa, L.C.K., Kansiime, C., Asiimwe, B., Mugambe, P. & Rwego, I. B. (2018). The effect of financial record keeping on financial performance of development groups in rural areas of Western Uganda. International Journal of Economics and Finance, 10(4), 136-145. doi:10.5539/ijef.v10n4p136
- Ogundana M. O. (2012). The impact of budget on organizational financial performance (a case study of the Nigerian bottling company plc Ilorin plant), 6-20 retrieved from www.iosrjournals.org

- Olatunji, T.E. (2013). The impact of accounting system on the performance of small and medium scale enterprises In Nigeria- A survey of SME's in Oyo State-Nigeria. *International Journal of Business and Management Invention*, 2(9), 13-17. Retrieved from www.ijbmi.org
- Okafor, R. G. (2012). Financial management practices of small firms in Nigeria: Emerging tasks for the accountant. *European Journal of Business & Management*, 4 (19), 159-169. Retrieved from www.iiste.org
- Okoh, L. O. & Uzoka, P. (2012). The Role of Accounting Information in the Survival of Small Scale Businesses in Warri, Delta State, Nigeria. *International Journal of Economic Development Research and Investment*, 3. 40-44. Retrieved from www.icidr.org
- Onaolapo A. A., & Adegbite, T. A. (2014). The analysis of the impact of accounting records keeping on the performance of the small scale enterprises. *International Journal of Academic Research in Business and Social Sciences*, 4, 1-17 doi :10.6007/IJARBS/V4-i1/506.
- Onaolapo, A.A, Fasina, H.T, Opoola, N.A and Olatunji, A. (2011) *Basic Accounting One* Ogbomosho: Johnny Printing Works
- Oladejo M. (2008). *Essentials of management and accounting* (2nd Ed.). Ikeja, Peace Concept, 32-93
- Raiffa, H., 1968. *Decision analysis: Introductory lecture on choices under uncertainty*. Reading MA: Addison-Wisley
- Rankhumise, E. M. (2010). Lessons and Challenges faced by Small business owners in running their businesses. In: proceedings of the IAMB conference, 25-27 January 2010. Las Vegas: USA.
- Rathnasiri U.A.H.A. (2014). Financial reporting practices of small and medium enterprises (SMES) In Sri Lanka. *South East Asia Journal of Contemporary Business, Economics and Law*, 4, 15- 23. Retrieved from www.seajbel.com
- Sam, M.F.M., Hoshino, Y. & Tahir, M.N.H (2012). The Adoption of computerized accounting system in small medium enterprises in Melaka, Malaysia. *International Journal of Business and Management*, 7(18).12-25 doi:10.5539/ijbm.v7n18p12
- Scott, W.R., 2009. *Financial accounting theory*. 5th Edn., Toronto: Toronto (SWR): Pearson Prentice Hall International Inc.
- Senzu, E.T & Ndebugri, H. (2018.) Examining business performance of micro, small and medium scale enterprise through accounting records keeping; case study in Ghana. Munich Personal RePEc Archive Retrieved from www.mpra.ub
- Shagari, S. L. (2013). Decision usefulness approach to financial reporting: A case for the general public conference paper. Retrieved from www.hrmar.com

- Soyinka, K. A.M., Fagbayimu, M.O., Adegoroye, E. & Ogunmola, J.O. (2017). Decision usefulness and financial reporting: the general public perspective. *International Journal Of Academic Research In Accounting, Finance And Management Sciences*, 7(4),160-168. doi: 10.6007/Ijarafms/V7- I4/3470
- Udoh, C. M. (2005). Causes and Effect of Poor Accounting Records Management in Vegetable Oil and Associated Industries, South-Eastern Nigeria. *Bayero International Journal of Accounting Research*, 2, 240-150.retrieved from www.unn.edu.ng
- Waari, N. D., Angaine, F., Kamaku, D.K. & Mathenge, E.K. (Financing Small Enterprises: Is Record keeping a Challenge? (Survey of Micro and Small Enterprises in Meru County - Kenya) *Journal of Business and Management*, 18(2), 62-66. doi: 10.9790/487X-18236266
- Wang, H. (2012). The decision usefulness of fair value accounting in the debt market. Being a Thesis submitted to Post Graduate School, University of Concordia, Canada.
- Weber, M. (2011), Manual Versus Computerized Accounting Experience_com.mht. Retrieved from www.experience.com
- Williams, Jan, R., Susan, F., Haila, Mark, S., Bettriel, Joseph, V. & Carcello. (2008): *Financial & Managerial Accounting*, Mc Graw-Hill Irwin- New York.
- Van Aardt, I., Van Aardt, C., Bezuidenhout, S., & Mumba, M. (2008). *Entrepreneurship and New Venture Management* (3rd Ed.). Southern Africa: Oxford University Press.
- Zhou, L. (2010). The Research on Issues and Countermeasures of Accounting Information of SMEs. *International Journal of Business Management*, 5(3), 223-225.retrived from www.ccsenet.org