EXTENT OWNERS OF SMALL AND MEDIUM-SCALE ENTERPRISES ADOPT FINANCIAL RECORDS KEEPING MANAGEMENT PRACTICES FOR BUSINESS SUCCESS IN IMO STATE

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Abstract

The study determined the extent to which owners of Small and medium-scale Enterprises adopt financial records-keeping management practices for business success in Imo State. One research question was raised to guide to study, and one null hypothesis was tested at 0.05 level of significance. The study adopted a descriptive survey research design. The population of the study consisted of 1886 owners of small and medium-scale enterprises that were registered in Imo State. The sample for the study consisted of 320 owners of SMEs drawn from the population. This number was arrived at using the sample size determination from the Table of Krejcie and Morgan (1970). A structured questionnaire containing 10 items, which was validated by three experts was used for data collection. Cronbach alpha formula was used to determine the internal consistency of the questionnaire, which yielded an overall reliability coefficient of 0.76. The researchers administered the instrument with the help of four research assistants to the respondents. Mean and standard deviation were used to answer the research question and determine the homogeneity of the respondents' opinions, while a t-test was used to test the null hypothesis. The study's findings revealed that SMEs' owners highly adopted financial record-keeping management practices for business success in Imo State. Owners of SMEs do not differ significantly in their mean ratings on the extent they adopt financial records keeping management practices for business success based on years of business existence in Imo State. The study concluded that SME owners in Imo State have solid knowledge of different financial record-keeping practices and are making efforts to gather accounting information that can promote the success of their enterprises. It was recommended among others that owners of SMEs should be trained through seminars and workshops to make more realistic evaluations of their business capabilities and incorporate advanced financial records keeping management practices management practices in their accrued expenses and advanced income operations.

Keywords: Small and medium scale enterprises, owners of SMEs, business success, and financial records keeping management practices

Introduction

The term, small and medium scale enterprises have a wide range of perceptions and definition, varying from country to country and between the sources based on certain measures and statistics. In Nigeria, the Small and medium scale enterprises Development Agency of Nigeria (2016) defined SMEs using dual criteria of number of employees and assets base with three classifications as follows: (a) Micro Enterprises: These are enterprises whose total assets (excluding land and buildings) are less than N5m with a workforce not exceeding 10 employees; (b) Small Enterprises: These are enterprises whose total assets (excluding land and building) are above N5m but not exceeding N50m with a total workforce above 10 but not exceeding 49 employees; (c) Medium Enterprises: These are enterprises whose total assets (excluding land and building) are above N50m, but not exceeding N500m with a total workforce of between 50 and 199 employees.

In the context of this study, small and medium scale enterprises are business organizations that take part in boosting the economy of any country by providing value to big industries of the economy. The business activities of SMEs are managed by individuals or group of individuals known as owners. Owners of small and medium scale enterprises are charged with the chief responsibility of designing methods to increase efficiency in the operations of their enterprises in the business environment (Calopa, 2017). Owners of SMEs take the managerial roles of their enterprises by drawing up business plans with strategic and operational plans for the growth of the enterprises. According to Okoli and Okeke (2018), owners of SMEs are business operators who have the ability of not only seeing and evaluating economic opportunities, but also make efforts to put the necessary resources together to ensure success in the business environment.

In the context of this study, SMEs owners are individuals who invest personal efforts, time and financial resources into the growth of their business enterprises. SME owners ensure that their enterprise's profitability and financial performance does not nose-dive in order to achieve business success in the competitive business environment. In business studies, business success is often used to refer to a firm's ability to maintain favourable financial performance (Yeoh & Popovic, 2016). Business success of SMEs has been classified into financial and non-financial components (Zakaria, Ahmad, Arifin, Rosnidah & Zakaria, 2021). Financial success of SMEs encompasses a broad range of indicators such as profit, sales and returns on investment among others (Albu, Suciu & Mandru, 2017) while non-financial success of SMEs include sustained business operations for at least three years, personal involvement and autonomy, work-life balance (Dahari, Abu-Bakar & Al-Gosaibi, 2019). Okoli and Okeke (2019) submitted that business success of SMEs is associated with effectiveness, efficiency and sustainability.

In this study, business success is the attainment of operational efficiency and improvement of productivity that ensure the betterment of SMEs owners in the business landscape. The business success of an SME is generally linked to the period that it actively trades in the market. Some measurements of business success of SMEs are viewed in the line of profitability (Lazanyi, 2015), growth (Yeboah, 2015) and survival (Fatoki, 2018). If small and medium scale enterprises are to become successful in the competitive private sector (Karadag, 2015), SMEs owners must pay attention to financial records keeping management practices that can help them address the key obstacles of business success. Financial record keeping management practices are procedures put in place by SMEs for recording transactions and events in monetary terms.

Financial record keeping management practices provide evidence of how transactions of SMEs in the marketplace are handled. The main objective of financial record keeping management practices is to create financial reports which provide information useful to managers and owners of business organization (Kihamaiso, Kansiime, Asiimwe and Paddy, 2018). This implies that if financial record keeping management practices are accurately and properly implemented, it will inform business decision making for SMEs owners. Financial records keeping management practices, according to Bismark, Kofi, Kofi and Eric (2018) include: (i) a record of all business sales, with copies of any invoices owner managers has issued, (ii) a record of all of the owner managers business purchases and expenses, (iii) invoices for all business purchases and expenses, (iv) details of any amounts one personally pay into or take from the business and (v) copies of business bank statements. The researchers are therefore worried about how SME owners in Imo State are maintaining robust financial records keeping management practices to ascertain the accurate financial performance and position of their businesses.

The fact that SME owners control the affairs of SMEs, their decisions to adopt financial management practices may be affected by years of business existence. In this study, years of business existence are categorized within two brackets; 0-9 years and above 9 years). 0-9 years business existence of SME owners are regarded as less experienced and those 9 years and above as more experienced SME owners. This categorization is based on the premise that most SMEs fall within the first nine years of existence and it takes 10 years and more to build successful business firms in Nigeria (Lagos Business School, 2021). It appears that SME owners with less than 10 years of business existence do not have the industrial experience to adopt financial records keeping management practices unlike their counterparts with 10 years and more of business existence in the business environment. Upon this fulcrum, the study determined the extent owners of small and medium scale enterprises adopt financial records keeping management practices for business success in Imo State.

Statement of the Problem

Small and medium scale enterprises are the backbone of Nigeria's economy. They play a crucial role in job creation, innovation and economic diversification. Despite government supports for SMEs in Nigeria and Imo State in particular, SMEs owners are finding it quite difficult to sustain their business in the competitive business environment. It is believed that the fragile and poor capital structure of SMEs in Nigeria inhibit their capacity to compete favourably with big business establishments in the business landscape. This reality demands that SME owners have to adopt financial records keeping management practices to support their operations in order to maximize profit. Consequently, when financial records keeping management practices are not adopted by SMEs owners, it will not only lead to increase in bad debts and increase in debt collection but will also affect the sustainability of their enterprises. The end result of this outcome is partial shut-down or total closure of business. This research work, therefore, seeks empirical evidence on the extent owners of small and medium scale enterprises adopt financial records keeping management practices for business success in Imo State.

Purpose of the Study

The purpose of this study was to determine the extent owners of small and medium scale enterprises adopt financial records keeping management practices for business success in Imo State.

Research Question

This research question guided the study:

1. To what extent do owners of SMEs adopt financial records keeping management practices for business success in Imo State?

Hypothesis

1. There is no significant difference in the mean ratings of SME owners in Imo State on the extent they adopt financial records keeping management practices for business success based on years of business existence (0-9 years and 10 years and above)

Method

The study adopted descriptive survey research design. Descriptive survey research design was used for this study in order to understand the opinions of SME owners on financial management practices using questionnaire. The population of the study consisted of 1886 owners of small and medium scale enterprises that were registered in Imo State as at April 2024. This information was obtained at the Ministry of Commerce and Industry, Imo State. The sample for the study consisted of 320 owners of SMEs drawn from the population. This number was arrived at using the sample size determination from the Table of Krejcie and Morgan (1970). A structured and validated questionnaire containing 10 items on a five-point rating scale of Very Highly Adopted (VHA), Highly Adopted (HA), Moderately Adopted (MA), Slightly Adopted (SA) and Not Adopted (NA).

The reliability of the instrument was determined through a pilot test. Copies of the instrument were administered to 15 owners of SMEs in Anambra State who were not part of the research population. Cronbach alpha was used to measure the internal consistency which yielded reliability co-efficient of 0.76. Copies of the questionnaire were administered to the respondents by the researchers and four research assistants. Out of the 320 copies of the questionnaire administered, only 291 copies (representing 91 percent) were successfully retrieved and used for data analysis. Mean and standard deviation were used to answer the research questions and determine the homogeneity or otherwise of the respondents' views. Decisions on the research question were based on the grand mean in relations to the real limits of numbers. Therefore, items with mean ratings of 1.00 - 1.49 are rated Not Adopted, those with 1.50 - 2.49 are Slightly Adopted, items with mean ratings of 2.50 - 3.49 are rated Moderately Adopted, those with 3.50 - 4.49 are rated Highly Adopted and items with mean ratings of 4.50 - 5.00 are rated Very Highly Adopted. Inferential statistics of t-test was used to test the null hypothesis at 0.05 level of significance. The null hypothesis was accepted where the p-value is greater than the alpha level of 0.05 ($p > 0.05$), at an appropriate degree of freedom; otherwise, the null hypothesis was rejected. Data collected was analysed using SPSS version 23.0.

Results

Research Question 1

To what extent do owners of SMEs adopt financial records keeping management practices for business success in Imo State?

Table 1

Respondents' mean ratings on extent they adopt financial records keeping management practices for business success in Imo State

S/N	To what extent do you adopt the following;	$\overline{X}$	SD	Remarks
1	Daily sales day book for recording of sales to customers on credit.	4.73	.60	Very Highly Adopted
2	Daily purchases day book for recording of goods purchased on credit for sales.	4.69	.44	Very Highly Adopted
3	Creditors note for records account payables for returned goods sold on credit.	3.83	.72	Highly Adopted
4	Debtors note for records account receivables for returned goods bought on credit.	3.91	.57	Highly Adopted
5	Petty cash book for recording of daily office small expenses like paper, fuel, foods.	4.02	.81	Highly Adopted
6	General journal for recording of accrued expenses and advanced incomes.	3.56	.63	Highly Adopted
7	Returns inwards journal for recording of returned goods sold on credit.	3.67	.49	Highly Adopted
8	Returns outward journal for recording of returned goods bought on credit.	3.70	.88	Highly Adopted
9	Cash book for records all cash receipts, cash payments, including bank deposits and withdrawal.	4.15	.54	Highly Adopted
10	Ledger for records the total balance from all transactions.	3.82	.75	Highly Adopted
	Cluster Mean	**4.01**		**Highly adopted**

Data in Table 1 show that eight out of the 10 listed financial records keeping management practices with mean ratings ranging from 3.56 to 4.15 were highly adopted by respondents while the remaining two practices were very highly adopted with mean ratings of 4.69 and 4.73. The cluster mean of 4.01 indicates that owners of SMEs highly adopted financial records keeping management practices for business success in Imo State. The standard deviations for the items are within the same range which shows that the respondents are homogeneous in their opinions.

Hypothesis 1

There is no significant difference in the mean ratings of SME owners in Imo State on the extent they adopt financial records keeping management practices for business success based on years of business existence (0-9 years and 10 years and above)

Table 2

Summary of t-test analysis of respondents' mean ratings on the extent they adopt financial records keeping management practices for business success in Imo State based on years of business existence

Years of business existence	N	$\overline{x}$	SD	df	t-value	p-value	Decision
0 – 9 years	203	69.41	5.04	289	.295	.116	Not Significant
10 years and above	88	56.95	4.76				

Table 2 shows that SME owners do not differ significantly in their mean ratings on the extent they adopt financial records keeping management practices for business success based on years of business existence in Imo State. This is shown by the p-value of 0.116, which is greater than the significance level of 0.05. The null hypothesis of no significant difference between the two groups is therefore accepted.

Discussion of findings

The finding of the study showed that owners of SMEs highly adopted financial records keeping management practices for business success in Imo State. This study revealed that financial records keeping management practices such as daily sales day book and daily purchases day book were very highly adopted by owners of SMEs for business success in Imo State. The finding of this study agrees Nketsiah (2015) which found out that daily sales day book and daily purchases day book were frequently used by owners of SMEs in their business activities. This result means that owners of SMEs in Imo State are constantly using daily sales day book and daily purchases day book because these books give them substantial information about the financial strength of their enterprises. Also, the study revealed that financial records keeping management practices such as creditors note, debtors note, petty cash book, general journal, returns inwards journal, returns outward journal, cash book and ledger were highly adopted by owners of SMEs for business success in Imo State. This finding is in consonance with the study of Okello (2022) who reported that majority of the SME owners are frequently keeping financial records practices to know the financial performance of the businesses operations. This means that owners of SMEs in Imo State see the relevance of adopting adequate financial records keeping management practices.

Furthermore, SME owners do not differ significantly in their mean ratings on the extent they adopt financial records keeping management practices for business success based on years of business existence in Imo State. This finding show that the years of business existence of SME owners did not results in significant differences regarding their response on the extent of adoption of financial records keeping management practices in Imo State. This finding is in agreement with the studies of Nketsiah (2018) and Ewur and Koduah (2020) that financial records keeping management practices were highly adopted by businesses owners irrespective of their years of business existence in the business world. The researchers are of the opinion that the years of business existence of SMEs owners did not have significant differences on the adoption of financial records keeping management practices because these practices are significantly useful in helping them make financial decisions for the growth and success of their enterprises.

Conclusion

The study revealed that financial records keeping management practices are highly adopted by SME owners for business success in Imo State. Therefore, the study concluded that SME owners in Imo State have solid knowledge of different financial records keeping management practices and are making efforts in gathering accounting information that can promote the success of their enterprises.

Recommendations

Based on the findings of the study, the following recommendations are made.

1. Owners of SMEs can be trained to make more realistic evaluations of their business capabilities and incorporate advanced financial records keeping management practices management practices in their operations.
2. Imo State government and other regulatory bodies should create favourable policies that will provide incentives for owners of SMEs to not only adopt financial records keeping management practices but also constantly monitor and evaluate their efficiency in keeping businesses safe from liquidation.

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