CATHOLIC UNIVERSITY COLLEGE OF GHANA

EFFECTS OF RECORDS KEEPING ON FINANCIAL PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN THE SUNYANI MUNICIPALITY.

SISTER NGOZI IGWUDU. GLORIA (SND)

2020

CATHOLIC UNIVERSITY COLLEGE OF GHANA

EFFECTS OF RECORDS KEEPING ON FINANCIAL PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN THE SUNYANI MUNICIPALITY.

BY

SISTER NGOZI IGWUDU. GLORIA (SND)

Dissertation submitted to the Faculty of Economics and Business Administration, Catholic University college of Ghana, in partial fulfilment of the requirements for the award of Master in Business Administration degree in Finance

JULY 2020

DECLARATION

Candidate's Declaration

I hereby declare that this dissertation is the result of my own original research and that no part of it has been presented for another degree in this University or elsewhere.

Candidate's Signature: …………………………Date: ……………...............

Name: Sister Ngozi Gloria (SND)

Supervisor's Declaration

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on supervision of dissertation laid down by the Catholic University college of Ghana.

Supervisor's Signature: ………………………….Date: ……………………….

Name: William Awuma

ABSTRACT

The main goal of the study was to examine the effects of recording keepings on financial performance among SMEs in the Sunyani municipality. To achieve this goal, the descriptive research design was adopted. Population of the study was drawn from SMEs of which twenty (20) of them were sampled using the purposive and convenience sampling techniques. Data collection instruments employed include questionnaire and financial statements of the sampled SMEs covering 2015 to 2018 financial years. Both descriptive and inferential statistical analytical tools were employed to analysed the data. The study concluded that the SMEs had the desired experience to furnish the study with information on accounting systems, the manner in which accounting records are maintained by SMEs and their financial performance. Most SMEs in Sunyani Municipality started their business with credit as their source of starting capital. It further concluded that most SMEs in Sunyani Municipality keep the records of their businesses as it is the gateway to better financial performance. Based on the study's findings, the following recommendations were made on the effect of record keeping on the financial performance of SMEs in Sunyani Municipality. The study recommended creation of reforms that can promote effective performance of SMEs. Small business owner-managers should develop competencies to enhance the quality of record keeping, with specific focus on type, adequacy and updated-ness of records. It is through such records that the danger signals of poor performance can easily be detected to lead to corrective action being promptly taken, hence promoting the long-term liability of the business.

KEY WORDS

Financial control,

Financial performance,

Keeping record of transactions,

Knowledge of account,

Managerial skill,

Traceability.

ACKNOWLEDGEMENTS

I wish to express my heartfelt gratitude to God Almighty for endowing me with his grace, wisdom and strength and above all good health of mind and body.

I equally express my sincere gratitude to my congregation, the Sisters of Notre Dame de Namur, Nigerian province, for their prayers and support and more to the Leadership Team who always there for me.

I am again grateful to the Hilton Foundation, HESA/ASEC coordinators Rev Sr Francisca Damouh and Rev Sr Mather Attakruh for their warm, generous and kind-hearted, prayers and support.

My unalloyed thanks go to my amiable supervisor, Mr. William Awuma gentility in teaching and in correcting mistakes, More so for his availability, maximum support and guidance during the course of this work.

DEDICATION

To sisters of Notre Dame De Namur and Siblings.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

CHAPTER ONE

INTRODUCTION

Globally, the most successful companies use financial records as a basis for performance (Bowen, Schoppe, & Vassa, 2009). Indeed, according to Onaolapo and Adegbite (2014), the variation in financial performance of Small and Medium Enterprises (SMEs) can largely be explained by the level of accounting record keeping.

Regionally, studies indicate that in most African countries, record keeping has been embraced as a driving factor for firms' financial performance. A case in point is that of Okoli (2011) who links proper record keeping to profitability of small scale enterprises in Nigeria and argues that the lack of proper record keeping makes it impossible for owners of small business to do critical assessment of their performance, and he thus calls for the maintenance of proper record keeping in enhancing their profitability and performance. In a similar assessment conducted by Mairura (2011), the level of education, type of business ownership, number of employees, and age of business were drivers of record keeping in Nairobi, Kenya. However, Mairura (2011) failed to empirically establish the correlation between book keeping and business performance. Results from the above study show that possession of proper accounting skills by business owners significantly improves business performance.

In Uganda, research carried out on small and medium scale enterprises (SMEs) in Western Uganda found that SMEs are a driving force for the promotion of the country's economic development (Turyahebwa Sunday & Sekajugo, 2013). In another study, Muhindo et al. (2014) found out that the major problem facing SMEs is lack of or inadequate accounting information systems which results into continuous low performance levels.

A proper system of financial records keeping has become integral part of managing enterprises in today's competitive and challenging business environment. A good financial record keeping enables business organizations to plan properly and also check for misappropriations of resources

of the organization. Keeping proper books of accounts is essential to the growth and survival of a business. In order to ensure efficiency, effectiveness and the continuing survival of any business organization, management must seek for reliable, relevant, accurate and timely financial information for planning and decision making.

Poor records keeping or non-availability of financial records will lead to resources mismanagement and poor cash management and this can cause the business to fail. According to them, a well-qualified accountant should be employed to carry on this task. He or she should have proper knowledge to control cash as liquidity is the key to the success of any business. Qualified Accountants play major roles in decision making process of a business. Accountants with higher skills and experience have greater influence on the decision-making process of a business with their skills and experiences, they are in a good position to measure the financial performance and position of a business. This allows users, especially management, to plan and make economic decisions.

However, on record, many small scale businesses still collapse due to lack of proper financial record keeping among other problems. Record- keeping is the process of collecting and recording business transactions. It consists of maintaining a record of the money values of the transactions of a business. It was also observed that majority of SMEs do not keep complete accounting records because of lack of accounting knowledge and as a result there is inefficient use of accounting information in financial performance measurement. In view of the effect of SMEs to the development of a country, the researcher therefore, designed this study to assess the financial records keeping behaviour of Small Scale Businesses in the Sunyani municipality.

Background of the Study.

Globally, SMEs has been acclaimed to play vital role in the economy of both developed and developing countries. Small and medium scale enterprises are gaining wide spread acceptance as viable drivers of economic growth. They have tremendous impact on employment generation. About 70% of workforce in Ghana consists of SMEs (Rathnasiri, 2014). According to Agbemava, Ahiase, Sedzro, Adade, Bediako, Nyarko, and Kudo, (2016), the 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 & Ifedolapo, 2012). Record keeping consists 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, & Gyamfi, 2014). Users of Accounts include owners of business, government, creditors, potential investors, etc. However, several of these enterprises demise without fulfilling expectations due to poor management arising from weak accounting structure (Olatunji, 2013). A sound accounting and internal control system in any business irrespective of its scale is crucial. Audits of small scale enterprises have proven to be worrisome for professional accountants because of the inadequacy of the internal controls. Except for statutory demands, small and medium enterprises hardly give serious thoughts to the process of sound accounting yet the adequacy and ineffectiveness of accounting processes have been responsible for the ultimate collapse of a host of them (Mukaila & Adeyami, 2011). Theuniqueness of small and medium enterprises calls for a careful consideration in the design of an accounting system (Olantunji, 2013). Peacock (2012) argues that, failure by Small and Medium Enterprises (SMEs) to manage cash flows results in illiquidity and finally the demise of SMEs. He advocated for the engagement of a qualified accountant who can be instrumental in advising on strategic response to turbulent and competitive business environment. There is need to support these small enterprises so that they can grow to maturity and meet their intended purposes.

Accounting systems processes data and transactions to provide users with information they need to plan, control and operate their business. In this definition, accounting information systems are considered as tools that help management in planning and controlling processes by providing the relevant and reliable information for decision making. Record keeping is about the maintenance of a history of one's activities, as financial dealings, by entering data in ledgers or journals, putting documents into files. The importance of financial record keeping can therefore not be overemphasized both in our contemporary lives and particularly in our businesses. From properly kept financial record a person can at any time ascertain: what property he possesses, what amount he owes and to whom, what profit he has made or what loss he has sustained for any given period and the manner in which the profit and loss has risen, and the amount of his capital or deficiency. If no records are kept, it will be difficult to find accurate net profit which under such circumstances, tax authorities may overestimate the profits and thus a trader will suffer for not having kept the business records. In the absence of proper business records, traders will find it difficult to submit the true position to the court in case he becomes insolvent. Record keeping helps the trader to make future business plans and policies. Accounting system functions are not solely for purpose of producing financial reports rather the role goes beyond this traditional view and can also be used as a controlling mechanism such as budgeting. Full adoption of the system will essentially require attainment of all the benefits of the system. Evidence from a number of studies reveals that SMEs financial accounting has remained the principle source of information for their managers.

The problem of poor adoption of accounting systems can be attributed to the initial objective of adoption of information technology (IT) that was essentially to replace manual accounting process that has now hindered further usage and exploration on the system benefits (Mauldin & Ruchala, 1999). Marriot and Marriot (2012) argue that financial awareness amongst SMEs varies considerably and the use of computers for the preparation of management information is not fully utilized to its potential. This implies that Ghanaian SMEs are exposed to greater opportunities than ever for expansion and diversification. Notwithstanding, these opportunities, authors such as Marfo-Yiadom (2011); Bowen (2009); Oduro, Marfo, Gyabaah and Oduro (2014);

Amoako (2012); Anokyewaa (2015) and Muchira (2012), posit that SMEs still continue to battle with issues such as basic record keeping (this may be due to lack of accounting knowledge and the cost of hiring professional accountants and lack of record keeping skills by owners or managers of SMEs. Anokyewaa (2015) examines computerized record keeping among small and medium enterprises in Sunyani municipality. She reports that lack of keeping proper financial records is one of the most serious obstacles to the growth of small businesses. This study is relevant in Ghanaian context considering the vital role SMEs play in the economic development. This phenomenon has led to the failure of most SMEs in Ghana.

Statement of the 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 Ghana are still not aware of the importance and benefits of proper record keeping (Abayomi & Adegoke, (2016). In Ghana, 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); Igboke (2011) and Udoh and Jaja, (2011), supported the failure of SMEs to keep proper records are one of the reasons for their failure. In another study Muhindo et al. (2014), found out that the major problem facing SMEs is lack of or inadequate accounting information systems which result into continuous low performance levels. It is against this background that the researchers picked interest in carrying out a study about the effectiveness of record keeping and financial performance among small and medium scale enterprises in Sunyani Municipality Ghana.

Purpose of the Study

The main objective of this study was to examine the effects of record keeping on financial performance of small and medium scale enterprises in the Sunyani municipality of the Bono region. The specific objectives of the study are to:

1. Examine the financial records keeping practices of the small and medium scale enterprise.
2. Identify the problems associated with recordkeeping of small and medium scale enterprise.
3. Examine the effects of recordkeeping on financial performance of a small and medium scale enterprise.

Research Question

The study sought to find answers to the following questions:

1. What are the financial records keeping practices of small and medium scale enterprise?
2. What are the problems associated with recordkeeping and financial performance in a small and medium scale enterprises.?
3. What are the effects of recordkeeping on financial performance of the small and medium scale enterprise?

Research Hypotheses

H_0: There is no significant effect of record keeping on financial performance of the small and medium scale enterprise.

H_1: There is a significant effect of record keeping on financial performance of the small and medium scale enterprise.

Significance of the Study

The finding of this research can assist in identifying the grey areas if any in the way SMEs keep their business records in order to offer relevant advice and aid in decision making. It also can create an opportunity for SMEs to appreciate the role played by accountants in a business entity. The tax authority through this study can determine the extent of reliance of financial statements prepared from SMEs available records. Lenders can gain a general overview of the reliability of information made available from SMEs financial records.

The findings would be of great use to the academia, especially those who carried out further research on record keeping and financial performance in small business enterprises. It built on the existing body of literature and knowledge. The study provided information related to record keeping improvement in the small business enterprises which brought good performance of small business enterprises.

The study would contribute to the existing wealth of knowledge on financial performance and thus stimulates further research in both record keeping and financial performance in small business enterprises. Finally, this research will have established if SMEs financial performance is in any way linked to record keeping.

Delimitations

The study was restricted to examining the effects of record keeping on financial performance. Small and Medium Scale enterprises were the main focus in Sunyani Municipality Ghana. The study focused on twenty (20) selected SMEs that operate in various sectors of the economy of Sunyani. These theories including decision useful theory, resource based view theory and Positive Accounting Theory underpinned the study. Again, the financial statements of these SMEs from period 2015 to 2018 financial years were the focus.

Limitation

Insufficient fund tends to impede the efficiency of the researcher in sourcing for the relevant materials, literature or information and in the process of data collection (internet, questionnaire and interview).

The researcher will simultaneously engage in this study with other academic work. This consequently will cut down on the time devoted for the research work.

Definition of Terms

Financial performance: Is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period.

Record keeping is a systematic procedure, by which the records of an organization are created, captured, maintained, and disposed of. This system also ensures their preservation for evidential purposes, accurate and efficient updating, timely availability, and control of access to them only by authorized personnel.

Small and Medium Scale Enterprises: Small and medium-sized enterprises (SMEs) are non-subsidiary, independent firms which employ less than a given number of employees. This number varies across countries. The most frequent upper limit designating an SME is 250 employees, as in the European Union. However, some countries set the limit at 200 employees, while the United States considers SMEs to include firms with fewer than 500 employees.

Record management: the area of general administrative management concerned with achieving economy and efficiency in the creation, maintenance, use and disposal of the records of an organization throughout their entire life cycle and in making the information they contain available in support of the business of that organization.

Organization of the Study

The entire study is organized in five chapters as follows: Chapter one covers the general introduction, background to the study, problem statement, study objectives, research questions, significance of the study, delimitation of the study, limitations of the study definition of terms and organization of the study. Chapter two presents, literature review on record keeping. The literature review is already established facts relating to the research work from book, journals and other materials on effect of record keeping on financial performance, theoretical and conceptual framework. Chapter three discusses the methodological issues; this include study design, study area, population, sampling technique used, data collection instrument design and data collection methods and analysis. Chapter four covers data presentations and analysis of results findings. Chapter five discusses the major findings, summary, conclusions and recommendations.

CHAPTER TWO

LITERATURE REVIEW

Introduction

Literature review discusses or treats some ideas already in books, journals or websites that throw lights on the topic under research. This chapter highlights ideas from different authors, previous researches and other studies which are related to this study. It is categorized into three sections; theoretical review which provided the various theories that underpinned the study; conceptual base highlighted the various concepts including the concept of record keeping, financial performance and small and medium scale enterprises; empirical literature reviews included all relevant studies that relate to the current study, as well as conceptual framework which provided the diagrammatic explanation, measurement and operationalization of the study.

Theoretical Framework

The study was underpinned by a number of relevant theories including decision useful theory, resource based view theory and Positive Accounting Theory. The detail explanation and relevance to the study have been given below.

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 (2012) 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, and relevancy, materiality of the presented accounting data, understandability, comparability and verifiability (Ijiri & Jaedicke, 2011, Buys, 2008; Dzinkowski, 2010; 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.

Positive Accounting Theory

Positive Accounting Theory is an expression of neoclassical economic theory. Fundamental to it is a belief in rational choice theory. In Positive Accounting Theory, self-interest is the reason for the choice of accounting methods and techniques and policy decisions. In Positive Accounting Theory the firm (organization, company, etc) is described in terms of collection of contracts – a nexus of contracts between managers, suppliers of capital and employees who must cooperate to maximize the wealth of the business owner. Wall and Zimmerman (2013) claimed that Positive Accounting Theory sought to “explain the world in which we live’’. As such it attempts to provide answers as to why certain accounting methods are chosen over others and why regulation of accounting was left in the hands of accounting professionals rather than direct government involvement. Watts (2015) claimed that Positive Accounting Theory research was designed to explain (provide reasons for why accounting takes the form it does) and predict (how accounting changes across time and place). SMEs can therefore be able to keep books of accounts in a manner that is justified and based on the nature of their business.

Resource Based View

Pearce and Robinson (2011) defined the Resource Based View (RBV) as a method of analyzing and identifying a firm’s strategic advantage based on examining its distinct combination of assets, skills, capacities, and intangibles as an organization. This theory is concerned with internal firm specific factors and their effect on performance. It views the firm as a bundle of resources which are combined to create organizational capabilities which it can use to earn above average profitability (Grant, 2013). Each firm develops competencies from these resources and when theory is well developed, these become the source of the firm’s competitive advantage. SMEs accounting systems, staffs’ degree of qualification and organization of physical resources may have a bearing on their performance.

Penrose (1959) explains the importance of unique bundles of resources that are controlled by a firm and crucial for its performance. Such resources include all tangible and intangible assets, capabilities, organizational processes, firm’s attributes, information and knowledge controlled by a firm in order to improve efficiency and effectiveness that will lead to higher financial performance (Daft, 1985). This theory helps in explaining performance variations.

Concept of Record Keeping

According to Ademola et al (2012), record keeping is essential to business management. Record keeping involves identification, classification, storage and protection, receipt and transmission, retention and disposal of records for preparation of financial statements. He also included that in record keeping, policies, systems, procedures, operations and personnel are required to administer the records. Record keeping plays a key role in management of knowledge necessary for good business performance. Modern organizations are concerned with the capture, use and storage of knowledge. Laughlin and Gray, (1999) pointed out the following as the most important reasons to set up a good record management:

- to control the creation and growth of records to reduce operating costs
- improve efficiency and productivity
- to assimilate new records management technologies and
- to ensure regulatory compliance.

Accounting records include entries from day to day transactions of business for instance transactions in respect to receipts and expenditure. Records may include a list of organizational assets and liabilities. These help the enterprise to evaluate their performance in a particular period of time usually at the end of a financial period. Proper record keeping provides evidence of how the transaction was handled and substantiates the steps that were taken in order to comply with business standards. Record keeping is the foundation on which a compliance program should be built upon measures should be put in place to capture the documentation and events that take place throughout a transaction commencing from delivery and payment (Reed, 2010).

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 classified 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 and 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.

Manual Record Keeping

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

Single Entry book keeping: Single entry book keeping system is a "Casual" accounting framework where a client 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 & Gabriel, 2012).

Accounting records like check book, cash receipts, cash disbursement are just recorded once per transaction. Receipts are recorded as a deposit and a source of revenue, while checkes 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)

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, and 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.

Problems of Manual Record Keeping:

Manual accounting record keeping involves understanding of the double entry book keeping being 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 Ghana 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).

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

Record Keeping in Small Business Enterprises

Records are recorded information, regardless of physical form or characteristics, storage media or condition of use like cards, correspondence, disks, maps, memoranda, microfilm, papers, photographs, recordings, reports, tapes, writings and other data, information or documentary material (Kegie, 2010). According to the National Archives and Records Service of Sunyani Municipality (2010), records refer to recorded information, regardless of form, whether electronic or paper-based or medium, like cassette, disc and document. It can also be defined as a transaction preserved to be used as evidence in future due to the nature of information it contains (Adams, 2003). A record must meet several criteria that make it unique in relation to other types of information. Different researchers state the characteristics of a record as follows:

Records are evidence of actions and transactions (Reed, 2012), Records are physical, have content, a structure or form, and are created in a context (Hofman, 2013), Records should support accountability, a principle that individuals, organizations, and the community are responsible for their actions and may be required to explain them to others. Record keeping is clearly essential to: good administrative decision-making, consistency and fairness, impartiality, continuous learning and improvement, and effective risk management (Tacy, 2010). Quality record keeping is critical and important for any kind of enterprise (Premaratne, 2011).

The Blue Ribbon Committee (1999) in Gregory and Jeannot (2011) asserts that financial information should be acceptable and of quality. However, quality notion is relatively ambiguous and is potentially problematic (Krishnamoorthy, et al., 2011). Quality is often a subjective goal and its measurement is not an exact science but a continual process of discovery that emerges as a top competitive priority within the firms (Mangiameli and Reolthlein, 1999). The FASB (1980) deems that financial reporting, which covers the mechanism for providing information about the financial condition, performance and importantly, risk profile of firms to all potential users, portrays relevance and reliability.

Relevance is defined as the capacity of the information to make a difference in a decision by being predictive about the future and giving feedback values about the past performance (McDaniel et al., 2011). Reliability, on the other hand, is depicted when information is reasonably free from error and bias and faithfully represents what it purports to represent, thus embraces verifiability, neutrality, representational faithfulness as well as comprehensiveness of disclosure (FASB, 1980). It may be noted that financial reports, often the basis for quality measurement, are not prominent documents in SBEs.

Consequently, in this study, quality reporting in SBEs was based on accounting data of type of record maintained and adequacy and up datedness of record keeping. The Private Sector Foundation ed. (PSF, 2012) affirms that financial accounting in Sunyani Municipality is characterized by poor quality. The PAN (2014) studies in some countries indicate a very small percentage of SBs that practice quality record keeping: Bargadesh (6 percent), Egypt (6 percent), Honduras (14 percent), Jamaica (16 percent) and Sierra Leone (18 percent). Yet the key to quality record keeping is a commitment to a good accounting system that grows out of an Acknowledgement of its value.

Good record keeping, can greatly improve many of the management decisions a business owner should make, including decisions about borrowing, pricing and inventory. For many small business entrepreneurs, the biggest problem is that of not knowing where to start with business records, so none are kept (Syracuse, 1994). Keeping accurate and up-to-date financial records is for many' people the most difficult and uninteresting aspect of the business operations.

Most SMEs do not even keep the most basic cashbook and are thus contented with mental records about their costs, revenue and debt (Stover, 2014). Apparently, this is a phenomenon replete in many SMEs in Sunyani Municipality. International Monetary Fund Mission (IMF, 1999) being in agreement with the aforesaid statement affirms that many SB entrepreneurs in Sunyani Municipality appear ignorant about keeping books of accounts. Wabwire (2015) states that there is almost complete absence of record accounting in SMEs in Sunyani Municipality. On the ground, Sejjaaka (2015) being in consonant with the ensuing discourse notes that there is poor level of record keeping in the country.

Welford and Prescott (2015) state that record keeping supports the accounting function and enables the audit function. Financial record keeping provides the basis or foundation for accounting and introduces controls that protect essential audit trails. At the most practical level, if records are disorganized, it will take auditors an excessive amount of time to locate needed documents, if they can find them at all. Individuals guilty of embezzlement may deliberately allow financial records to become disorganized or to be stored in unsuitable conditions because this makes it harder for auditors to identify fraud.

Basic Records to be kept by Small and Medium Enterprises

Financial record keeping is influenced by so many factors including the type or nature of business, type of information required, and volume of activities and others. Many business owners choose to use software to keep track of various aspects of their business, and resources are provided here to help you institute computer automation. The key to taking full advantage of accounting software is to save time and give freedom to concentrate on running your business

Revenue and Expense

A business will use a revenue and expense journal or a ledger to keep track of records of how much money is going out, where it is going, what is coming in. A revenue and expense journal is used by most small businesses and is single entry accounting, recording receipts and expenditures only. Double entry accounting involves a ledger and necessitates that each activity be recorded as a debit and credit on your books. In the past it was thought all businesses need to use the more cumbersome method of double-entry, but the single entry system is now used by many business owners. Single entry accounting can be kept on paper or computer. A ledger is used to record every transaction twice based on the idea that each transaction has two halves that affect your business. For example, if you sell an item, your book will reflect decrease in inventory (debit) and inflow of payment (credit)

Cash Expenditures

Cash spent in an organization needs to be accounted for if you want to record all business expenses in a given year. There are at least two ways to do this: write yourself reimbursable check or keep a petty cash record. If you choose to pay yourself back with a check, simply keep track of all cash receipts and total them weekly, bi-weekly or monthly, depending on your volume of expenses. Keep a log of each category of expenses, for tax purposes; write yourself a check for the total. Write cash reimbursable in your check register to differentiate this from taxable income. Alternatively, you can keep a petty cash record by writing a check to petty cash and keeping a log of each expense paid out of petty cash

Inventory Records

Keeping your inventory records will enable business owners to prevent pilferage, keep inventory holdings to a minimum, and track buying trends among other things. The crucial inventory information needs to capture date purchased, stock number of items purchased, purchased price, date sold and sale price

Accounts Receivables

Products or services are paid for at time of delivery, an account receivable tracking system is needed. However, if services are provided or products for which people pay at a later date, the accounts receivable record keeps track of what is owed to you. Business owners can monitor accounts receivable by holding on to a copy of all invoices sent out or by keeping an account receivable record. Either of the ways, the information is needed to capture invoice date, invoice number, invoice amount, terms, date paid, amount paid, and the name of the entity being billed

Accounts Payable

Accounts payables are debts owed by an organization for goods and services. Keeping track of what is owed and when it is due will enable the organization to establish good credit and hold on to your money as long as possible. Business owners with few accounts payable items use accordion file folders labeled with dates to keep track. Larger companies use account payable paper records organized by creditor. Regardless of the system you choose, you should retain the following information about accounts payable: invoice date, invoice amount, invoice number, terms, date paid, amount paid, balance (if applicable), and clients' names and address

Reasons non-preparation of record keeping by SMEs

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 and 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 see their business as their private affairs therefore; there is no need to be accountable and transparent to anyone.

Benefits of Record Keeping

Since financial record keeping involves keeping accurate records of companies' spending and revenues. Some small business owners decide to do their own financial record to save on costs while others prefer to hire a trained accountant. Some of the benefits are as follows:

Financial Comparison:

A comprehensive record keeping system allows a business owner to analyze spending and revenue at any particular point in time. The data can be grouped by the week, month, quarter or year to be analyzed and compared to past years. This is one way that business owner can discover ways to cut back on company's spending and improve profitability. The books of accounts maintained correctly and in a proper manner helps a lot of making comparison of the current year profit with that of the previous year and tell significant factors as to why profit is more or less in comparison to that of the previous year.

Budget Monitoring

Companies require an accurate report of current spending and revenue to help compare actual results with projection in the annual budget. A record keeping system facilitates up- to- date company financial information that can be cross- checked with the budget to make sure that the company is not over spending. Financial record keeping also identifies instances of under –spending so the company may find new uses for the extra money to help productivity.

Tax Deduction

A financial record keeping system makes it easier to report revenue for tax filings at the end of the year, but a comprehensive spending profile can also help you find tax deduction that will lower your tax burden. If you do your own record keeping, you need to stay updated on tax laws and changes in the tax code that may allow you take deduction to help offset the costs of doing business. Without a record keeping system, you would have no documentation to back up your deduction. Properly prepared accounts help a business man in dealing with various tax regulating authorities like sales tax, central excise, income tax etc. These require filing of periodic returns and submitting proof of activities. The records maintained under the accounting system help in preparing such returns.

Payroll

Record keeping services include checking the accuracy of each payroll period to make sure that each employee receives the proper amount, an especially important function in organizations that pay bonuses, sales commission and supplemental payment based on a percentage of revenue. Confirming payroll numbers keeps employees satisfied with their pay and prevents the company from over or underpaying payroll taxes as well.

Information Regarding Performance and Position

The final account reveals how much profit has been gained or loss suffered during the period. The balance sheet or position statement also depicts the exact financial position of a business by showing assets and liabilities on a particular date.

Legal Obligation

One of the advantages to record keeping is that you are meeting a legal obligation to maintain financial reports for your company. You must track and document revenue and expenditure in order to pay appropriate taxes each year. Not maintaining company books can result in government penalties if you are audited and asked to produce evidence of your company's business transactions. Properly prepared books of accounts can be produced as a proof of matters. This is admitted by the courts as evidence in legal matters.

Helpful in raising loans

Every business needs additional funds for its growth. This requirement is met by commercial banks and other financial institutions in form of loans. These institutions before granting loans, screen various statements prepared under accounting information such as final accounts, fund flow statements, etc.

Accountability and Transparency

Another advantage of keeping financial records is accountability and transparency. It creates accountability with customers, since you are able to look at previous transactions to verify prices and payments made. It also creates accountability among business partners, since authorized partners may access the company's books to review revenues and expenditures, or to scan for signals that money is being used or reported inappropriately. It creates greater transparency; companies can open their books to potential investors interested in documentation of the business financial health.

Assistance to various parties

Accounting assists and guides the management or owners in planning business activities taking certain decision where choice of alternatives is involved and controlling the business operation to ensure the achievement of goals

Minimization of Errors and Frauds: Proper accounting system not only checks errors and frauds, but also minimizes them. As in double entry system of book keeping, business transactions are recorded at many places to minimize frauds

Concept of Financial Performance

Performance refers to an ongoing process that involves managing the criteria for which an institution, agency or project can be held accountable (Duranti & Thibodeau, 2001).

These criteria are represented as components parts of an internal system and cover the institutions ability to; control financial expenses, satisfy staff, deliver timely interventions and respond to target group reactions to interventions. Performance of a business refers to the ability of business to meet the required standards, increase market share, improve facilities, ensuring returns on profitability and total cost reduction and once this is achieved, a business is believed to be performing effectively (Fitzgerald, 2010).

The need for an effective accounting system in promoting good performance in small and medium enterprises cannot be overlooked. SMEs may not be able to adopt elaborate systems but should be encouraged to use customized adaptive systems for a profound impact on their corporate performance (Olatunji, 2013). Indeed, Lybaert (2013) asserts that the quality of accounting information utilized within the SMEs sector has a positive relationship with an entity's financial performance. The financial crisis Advisory Group (www:ifrs.org/news. press) identifies "Effective Financial Reporting'' as one of the key principles that "plays an integral role in the financial systems by striving to provide unbiased transparent and relevant information about economic performance and condition of business".

Performance measures are quantitative and qualitative ways that characterize and define performance. They provide a tool for organization to manage progress towards achieving pre-determined goals, defining key indicators of organizational performance and customer satisfaction. Guest, Michie and Conway (2003) defined performance as outcomes, end results and achievements (negatives and positives) arising out of organizational activities. They argued that it is essential to measure strategic practices in terms of outcomes. Those outcomes vary along a continuum of categories such as: financial measures (ROA, ROE, turnover, PBT); measures of output of goods and services such as number of units produced, number of clients attended to, number of errors in the process, customer satisfaction indexes or measure of employee satisfaction (Locke & Latham, 1990; Guest, 2003).

According to Kaplan and Norton (2011) consideration to traditional financial measure alone is inadequate; attention should be given to people, processes and customers. This is important because performance indicators (KPI) vary across firms. Evaluation of performance is a complex process that involves assessing interaction between environment, internal operations and external activities. Internal performance involves analyzing accounting data. Generally financial ratios are used to evaluate a firm's performance. The four basic categories of ratios include: liquidity ratios, debt ratios, activity ratios and profitability & investment ratios. Pandey (2009) notes that financial statements are important tools for diagnosis of a company's performance. Operating performance of a firm shapes its financial situation. Financial ratios are based on financial statements.

Determinants of Financial Performance

Performance can be defined as an approach determining the extent to which set objectives of an organization are achieved in a particular period of time. The objectives or goals can be in financial or non-financial terms. Performance may be determined by macro and micro-factors. According to Oliver (2012) macro-economic factors are those pertinent to a broad economy at the regional or national level and affect a large population rather than a few select individuals. Macro factors include GDP growth, inflation, unemployment, interest rates, exchange rate and level of competition. Micro factors include individual risk exposure, operating strategies and degree of management strategies.

According to cooper (2011) factors which influence business performance are experience, education, occupation of parents, gender, race, age and entrepreneurial goals. Lerner and Hisrich (2014) conducted a study on Israel women entrepreneurs and found that their performance was influenced by factors that he grouped in 5 perspectives: motivation and goals, social learning theory (entrepreneurial socialization), network affiliation (contacts and membership in organization); human capital (level of education and skills) and environmental influences (location, sectored participation and social political variables). Thibault, Wicock and Kanetkar (2011) attributed business performance to demographic variables and business factors such as amounts of financing, use of technology, age of business operating location, business structure and number of full time employees as important factors in examining performance of a small scale business.

A company financial performance is directly influenced by its market position. Profitability can be split into its main components; net turnover and net profit margin. Ross, Westerfield and Jatte (2015) argued that both components influence profitability. High turnover means better use of assets owned by the company and therefore better efficiency while a higher profit margin means that the entity has a substantial market power. Risk and growth influences a firm’s financial performance. Since market value is conditioned by company’s results, the level of risk exposure can cause changes in its market value.

High risk business should have high returns. Economic growth helps a firm to achieve a better position on the financial markets, because market value also takes into consideration expected future profits. According to reputation perspective, an organizations communication with external parties about its levels of corporate social responsibility may help build a positive image with customers, investors, bankers and suppliers for better business performance (Fombrun & Shanley, 1990).

Technical and strategic human resource management is an important determinant of a firm's performance, it involves designing and implementing a set of internally consistent policies and practices that ensures a firm's human capital (employees' collective knowledge, skills and abilities) contributes to its business objectives (Mark & Susan, 2014). According to Costea (2011) another factor that influences financial performance is the size of the firm. Large firms have easier access to resources but SMEs have to struggle to win the trust of financial institutions.

Importance of Record keeping and Financial 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., 2010). Ekwere (2012) asserted that the success of a business depends to a reasonable extent on the accuracy of records keeping.

According to Maseko and 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 and 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 and 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. Credits 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 etc. Proper record keeping is Germaine 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).

Concept of 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, 2010; Iopev & Kwanum, 2012). Esuh and 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 Ghana 75% of the Private sector is dominated by entrepreneur of Micro, Small and Medium Enterprise (MSMEs).

Role of Small and Medium Enterprises (SMEs)

In order to highlight the significance of Small Business Enterprises in relation to the growth and development of a given economy Small Business Enterprises have been variously referred to as the “engine of growth” Hill (2011). This stems from the fact that almost all countries that have focused on Small Business Enterprises and ensures its vibrancy have ended up succeeding in the significant reduction and its attendant’s enhancement in the quality and standard of living, reduction in crime rate, increase in per capital income as well as rapid growth in GDP among others (Charmes, 2012). It has become increasingly apparent that small businesses are the engines that drive an integral part of a healthy national economy (Lynch & Giorgis, 1999).

They are a vital spark in the economy, playing a big role in forward and backward linkages to large-scale enterprises (Sunyani Municipality

Government, 2012). They (SBEs) account for 60 to 80 percent of the non-agricultural employment and contribute 20 to 50 percent of non-agricultural GDP (Charmes, 2012). They are a survival strategy for many African households, whose significance emerges out of economic crisis (Wabwire, 2015). The sector carries an immense potential of making an economy prosperous. Development of new markets and products can only be achieved by an SSME that has adequate capital to carry out activities like advertising so as to capture new customers and maintain the existing ones.

To achieve this, firms need funds of which borrowing is one of the most common sources of fund. When one borrows he or she has to pay back with an interest of which these interest rates as per now are high leading to low performance of SMEs. That is, minimal development of new markets and products (Lumpkin & Dess, 2015). Small business enterprises Increase employment, encourage a flexible decentralized economy and promote social inclusion (Konrad, 2013).

They substantially contribute to the supply of consumer goods and services by preserving and fostering the image of competitiveness, mobility and risk taking (Beteman, 1999; Tyson, 1994). For both start- up ventures and existing firms, SBEs are carried on in pursuit of business opportunities, business expansion, technological progress and wealth creation (Lumpkin & Dess, 2015). Many SBEs are started with the desire to make a living, be self-employed and independent, satisfy inventiveness and obtain higher income or become wealthy (Barkham, 1990; Elkan, 2013).

Challenges Faced by Small Scale Enterprises

Despite the nation's economic recovery, a number of serious constraints have hampered the role of small scale businesses to adjust towards globalization and this has restricted them to making low quality products for low returns in the markets. The following factors account for the poor performance of these businesses in the area of study.

Poor Infrastructure

The major barrier to business success is the lack of infrastructure and the high costs associated to its development for the administration and location of the business activities nevertheless the ones available are also expensive in terms of rent as some are not easily accessible especially for the case of roads in more remote areas (Barney, 2013; Peteraf, 1993). Minimal efforts are being undertaken as improvements for the potential to stimulate business development in Kampala, including a public transport system that would allow people to move more easily within the areas of operation for the businesses.

Financial Problems

Small enterprises make an important contribution to economic output and employment in developing economies. While estimates vary greatly depending on definitions, the World Bank suggests that almost 30% of employment in low-income countries is generated by the informal economy, while an additional 18% is provided by (formal) small and medium enterprises. Together these two groups contribute 63% of the GDP (Ayyagari, M., T. Beck and

A. Demirguc-Kunt, Small and medium enterprises across the globe: A new database, World Bank Policy Research Working Paper 2007). Finance is lifeblood of any enterprise irrespective of its size. Small businesses face more problems in raising finance, as the provider of finance may not find the return on investment interesting as compared to large enterprise, and also the entrepreneurs are skeptical about repayment. Chijoriga and Cassiman (2014) pointed to finance as a key constraint to the growth of small scale businesses. Ngobo (2015) further made analysis of finance as a constraining factor for lack of working capital, wrong choice of financiers, high interest payments, frauds, corruption, lack of financial control, an absent of costing systems and delay in release of funds by banks or financiers. Obviously, the professional approach is missing on the part of owners/managers and promoters, hence there are no concepts to monitor and control the financial affairs of these businesses with time.

Improper business Feasibility

This factor acts mainly at the initial stages of the project and is based on the decisions of the entrepreneurs. Many projects and businesses are affected at birth because of inadequate feasibility reports regarding the demand of product in various markets, wrong choice of technology, improper forecasting of financial requirements, delayed in supply of plant and machinery or in their installation or release of funds by financiers. No clear vision, goals and objectives. The root of all these problems may be traced to the lack of expertise in business Planning and management on behalf of entrepreneurs and promoters (Lockett & Thompson, 2001; Jacobides & Winter, 2007).

Lack of Managerial Knowledge

According to Harper (1994), the formation of small scale businesses the owners can easily run the business but as it grows and ages, managerial demands rise. These are in the form of operational managerial requirements like production, sales and finances and most importantly the ability to deal with them yet this is a hunch to them. Harper clarifies that entrepreneurship goes beyond management since entrepreneurial skills are part of managerial skills.

The majority of entrepreneurs are unaware about the knowledge of managerial field. Therefore, they are performing the non-managerial tasks rather than the tasks of managerial functions such as planning, organizing, leading and controlling (Barney, 2013). Indeed, in this dynamic world the informal sector needs qualified professionals to handle the various activities of business affairs more effectively and efficiently. It is clear that, the sound knowledge of managements is a key to success which is lacking in the small scale businesses (Sleuwaegen & Goedhuys, 2011).

Poor Educational Background or Lack of Education

The research study reveals that most of owners/managers have a very poor educational background, as majorities are un-educated. In this scenario, entrepreneurs of the small scale businesses in the region of study are never comfortable at their business units since they lack suitable training, and leadership skills to sustain their operations in the various areas of accounting, marketing, technological processes and development as well as administration and management. It should be noted that SMEs are never facilitated at the cost of development hence operational shortcomings (Fafchamps & Minten, 2011).

Out-Dated Technology

The methods of production which the small businesses use are old and inefficient. This results into low productivity, poor quality of products and high costs. The entrepreneurs lack information about modern technologies and training opportunities which concerns them. There is little research and development in the field yet the pace of change has developed new innovations and introduced new technology that is basically mechanized and requires less labor as a concern which is much faster today small scale business units cannot survive and withstand the global competition since they depend on cheap labor, adopt simple labor intensive technologies and keep the pace with changing situations because they cannot afford to purchase the highly expensive mechanized machines for their productive activities but rather sustain their competitive advantages(Lockett & Thompson, 2001).

Poor Marketing Strategy

The small-scale businesses also faced the acute problem of marketing their products (Barney, 2013). The problems arise from such factors as small stocks, lack of standardized products, inadequate market knowledge, competition from technically more efficient units, deficient demand, etc. Apart from the inadequacy of marketing facilities, the cost of promoting and selling their products too is high. The result is large and increasing subsidies which impose heavy burden on the government budgets.

Increasing Competition

Some businesses possess dynamic capabilities that give them a comparative advantage in innovations (Barney, 2013). Competition from large scale businesses gains them credibility with licensing and taxation and enhances their access to rationed resources; can easily out-price and out-sell the small businesses thus contributing to improved performance (Sleuwaegen 2011). SMEs can benefit from networking effects, better infrastructure and larger markets relative to their rural counterparts (Fafchamps & Minten, 2011). It is suggesting that business performance depends not only on the returns of specific strategies, but also on the cost of implementing those strategies. This explains, for example, behavior and decision making such as diversification, market entry and exit and innovation, among others. This is usually attributed to the formal enterprises since it is difficult for competitors to know the causes of other businesses' efficiency and they face costs associated with efforts that exhibit superior performance that retains their position over others for a given period (Barney, 2013).

Gender Inclusiveness in MSMEs Development

Women in Sunyani Municipality make up more than 50% of the labour force and are an important pool of potential talent to help the country meet its development goals, especially in the area of entrepreneurship and micro, small and medium enterprises, (Tushabomwe, 2010). However, it is generally known that women face more challenges than men in starting, managing and growing their enterprises as they are more likely to be impeded by a lack of the necessary capacities, skills and resources.

Although Sunyani Municipality has made some important advancement in women's entrepreneurship development since the early 2012s, the challenges facing women entrepreneurs have not changed much. Some studies reveal that over the last 10 years, the growth in the number of women-owned businesses has outpaced that of male-owned businesses by 1.5 times, majority of which are in self-employment. Women have also been more disadvantaged than men due to legal impediments, established cultural norms and attitudes about women's roles. Their limited mobility due to domestic responsibilities does not give many women time to concentrate on their enterprises.

Uncoordinated Structure of MSME Sector

Presently, the MSME sector is highly fragmented which undermines competitiveness, growth and sustainability of the sector. As a result, the MSMEs do not have a single common voice and forum for effective policy dialogue to and influencing policy in lobbying government support. This can be attributed to weak internal capacities of associations representing MSMEs and the liberal policies that lack industry to industry supplier linkages and development. A strong and coordinated apex body to strengthen and enable MSMEs to cope successfully within globalization for increased flows of Foreign Direct Investments (FDI) is needed including facilitation of linkages between larger enterprises and MSMEs.

Limited Access to Quality Assurance &Affordable Product Certification Services

MSMEs face the challenge of costly process for their product Certification and Standardizations. This puts MSMEs in a disadvantageous position within local, regional and export market access of their products and services. In reality, many of them cannot comply with the present minimum requirements due to limited capital.

The Dominant Informality of the Sector

The majority of enterprises within the micro, small and medium sector operate informally. This high incidence of the informal economy in all its aspects is a major challenge for the achievement of growth and expansion of the enterprises, enterprise productivity, and working conditions and has a negative impact on the development of sustainable enterprises, public revenues and government's scope of action, particularly with regard to economic, social and environmental policies, the soundness of institutions and fair competition in national and international markets.

Inadequate technical and Business Skills

Whereas the country has been blessed by the increasing number of academic and training institutions, there is still a gap in the entrepreneurship, technical and management skills. Developing these skills will engender enterprising persons who should be equipped to fulfill their potential and create their own businesses.

Record Keeping and Small and Medium Scale Enterprises Performance

Factors contributing to the unimpressive performance of Sunyani Municipality small scale businesses as mentioned in different studies are limited capital and limited access to finance (Tushabomwe, 2010). Given small businesses lack access to external finance, their decisions to upgrade their equipment and machinery by making new investments are further constrained by the limited internal sources of financing Sewanyana et al. (2007).

Several papers indicate additional constraining factors such as inadequate provision of infrastructure, and services that affect the private investment unfavorable taxation systems, and heavy regulatory burden and administrative bureaucracy. Other authors mention limited access to differentiated markets, which might be related to a lack of forward linkages, the concentration of small scale businesses in low-quality production, high transport and transaction costs; corruption, low trust and minimalist entrepreneurs strategies, education and poor managerial and skill competence, weak support institutions, a lack of sector competitiveness, and an overall neglect a of small businesses in Sunyani Municipality, Tushabomwe (2010), Ssewanyana et al. (2007). Tushabomwe (2010) says that Furthermore, when small scale businesses experience limited access to the market, their growth potential is likely to decrease.

Thus, access to market is an important factor for small scale businesses to perform better and grow. Keeping quality records is critical in determining the survival or failure of business (Mulurge, 2001). Stover (2014) observes that, "bluntly, a small business that fails to keep complete and accurate record keeping places its long term success and continuance in grave, grave doubt." Moreover, many small businesses view accounting as an overhead that does not contribute to the bottom line (Mulurge, 2001). Inadequate record keeping has caused operational losses in many SBEs and has contributed to failure of duties between physical control of assets and liabilities.

In the same vein, McMahon (2013) asserts that accounting of any sort horrifies many SB owners because it rarely seems to tell them very much and hardly ever seems to have much relevancy to current operations. McCannon (2011) asserts that many small businesses fail because managers did not keep adequate records and could not make timely and important management decisions.

Empirical studies by Gibson (2011), Gibson and Wallsschutzky (2011), and McMahon (2013) show that many SBE owners use financial information rather to determine whether their capacity to generate future profits has been impaired, than to run their businesses more efficiently and cost-effectively. Flusche et al. (2001) assert that without quality record keeping, the firm's

Competitiveness can be jeopardized. USAID (2015) affirms that weaknesses in improving the quality of record keeping and internal management of resources impede enterprise performance.

Empirical Literature

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 and 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, Melborne 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 financier's 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 at al. (2016) in 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. Karunananda and Jayamaha (2011) researched on the financial practices among small & medium enterprises (SMEs) in Sri-Lanka and their impact upon business performance. A total of 100 firms were used to determine the extent of their compliance to five identified reporting practice. Data was collected through structured questionnaires. In their research an attempt was made to ascertain the comprehensiveness of financial practices of SMEs.

In their review they considered the SMEs financial systems, financial audits, historical and future oriented financial reporting practices and analysis of historical financial statements. Through using correlation coefficients, they were able to establish that there exists a significant connection between the comprehensiveness of financial practices adopted by SMEs and their performance. SMEs with appropriate financial systems were found to be performing better than those with inferior systems. Their findings revealed poor record keeping by SMEs, inefficient use of accounting information to support their financial decisions, low quality and unreliable financial data. They recommended that SMEs should engage proper financial practices for better performance. Sri Lanka recognizes the need to accelerate the growth of SMEs for sustainable development. Amoako (2013) investigated the record keeping strategies utilized by SMES in Kumasi (Ghana). Data was based on responses to a structured questionnaire from 210 SMES in Kumasi that were conveniently selected.

This was done on wide range of retail businesses including pharmaceuticals, hard wares, hotels, general merchants, printing and stationary enterprises, workshops (motor and furniture) amongst others. The questionnaire had three parts that covered business demographic profile, categorization of business that keep and those that do not keep proper records and finally categorization of responses based on reasons why a business maintains or do not maintain accounting records. Data was analyzed through descriptive statistics. This study revealed that SMEs in Ghana do not keep proper records due to lack of necessary accounting knowledge and high cost of hiring accounting professionals.

Application of financial information to support assessment of financial performance by SMEs in Ghana was found to be inefficient. He recommended accounting training programs for SMEs in order to formalize their operations and to tell the state of affairs of their business. He also recommended that authorities design specific guidelines for SMEs accounting and provision of templates for accounting practices by SMEs. This should be done in effort to simplify technicalities involved in maintaining accounting records. Kurniawati (2013) carried a study on the impact of accounting information for business decision making and performance assessment of SMEs in Indonesia. A sample of seventy-five SMEs was conveniently selected from Central Java, Indonesia.

Data was gathered through interviews and questionnaires then analyzed through quantitative technique. The results showed that SMEs only kept records of cash inflows and outflows. However scanty records were kept to assist in decision making. She recommended that SMEs be motivated to keep accounting records. Onaolapo (2014) investigated the effect of keeping accounting records on the performance of small scale enterprises in Oyo state in Ghana.

A combination of descriptive and cross sectional research design was used. He used a stratified method of sampling and had 113 respondents in his sample who were then grouped on the basis of type of their business. Data was collected through personal interview and questionnaires and then analyzed through descriptive statistics. The independent variables incorporated in his model showed that 86% of an enterprise's performance depended on accounting records.

His findings revealed that majority of respondents did not keep comprehensive accounting records. However, these enterprises measured their profitability vaguely but lacked budgets and failed to prepare annual financial statements. He recommended that owners and managers of small scale enterprises should embrace proper accounting practices in record keeping for effective financial performance. Okwena (2011) assessed the effects of proper book keeping practices on financial performance of SMEs in Kisii Municipality.

His study employed a cross-sectional survey research design. The target population consisted of 3528 owners/managers of SMEs. Stratified and simple random sampling techniques were used in the study to select a sample of 97 SMEs. Structured questionnaire was used to collect quantitative data from the primary sources. Descriptive statistics such as frequency distribution and percentages were used to facilitate the change of raw data into a form that is easy to understand and interpret.

Pearson correlation coefficient and simple linear regression model were used to analyze quantitative data. He found that about 63.9% of SMEs in Kisii practice single entry book keeping. Pearson correlation analysis showed that financial performance has a very strong positive relationship to effective book keeping at a coefficient of 0.944. He however found little knowledge of book keeping among SMEs and this highly contributed to SMEs failure.

He recommended for sensitization programs to equip SMEs owners with book keeping knowledge Muchira (2012) investigated the relationship between record keeping and growth of micro and small enterprises in Thika Municipality. The study used an exploratory approach and the target population included owners and managers of micro and small enterprises in Thika Municipality. The sample was purposively selected and data was collected through questionnaires. Quantitative and qualitative techniques were used to obtain required data from a sample of eighty-four selected micro and small enterprises.

This study revealed that most micro and small enterprises do not keep complete accounting records and as a result, there is insufficient accounting information to support firms ‘performance. She recommended training programs for entrepreneurs and suggested that record keeping be made mandatory to improve the survival chances of micro and small enterprises. Waweru (2012) investigated the challenges of financial management that affect performance of SMEs. A descriptive research design on a target population of six hundred SMEs in Nairobi Central Business District was used.

A sample was selected by simple random method from a stratified population. Questionnaires were used to collect required data. Data was then analyzed using descriptive statistics to establish the correlation between the variables. According to this study, SMEs in Nairobi Central Business District keep accounting records and prepare simple financial statements. She however recommended training for SMEs and integration of information technology in keeping of accounting records. Muiru (2013), researched on the influence of innovativeness on the growth of SMEs in Kenya. He adopted descriptive survey in his research.

The study targeted 4560 SMEs in Nairobi County who were registered by the ministry by the year 2013. A sample of 456 respondents was randomly selected. Data was collected from the primary source by questionnaire and by interview. Analyses were done with the help of SSPS software program.

A regression model was also developed and the results indicated that innovativeness influence the growth of SMEs in Kenya. The tendency by owner/manager to engage in and support new ideas, novelty, experimentation and creative processes results in new products, services or technological processes which has a great influence on the performance of SMEs. He recommended that managers should be time efficient and should use appropriate systems of control in management and provide a working schedule, set competitive prices and meet clients' costs. Lesirma (2014) investigated the relationship between accounting functions and financial performance of SACCOs in Nairobi County.

Nairobi County has twenty-six deposit taking SACCOs out of the total ninety-six that are registered with Sacco Societies Regulatory Authority (SASRA) in the country. The target population was the twenty-six deposit taking SACCOs in Nairobi. The study was based on both primary and secondary data. Questionnaires were used as data collection instrument and analyses were done using both qualitative and quantitative techniques.

A regression model was used to establish the relationship between accounting functions and performance. The study found a positive relationship between return on assets and budgeting, balance sheet review, working capital management and credit management functions of accounting. The study however found that a negative relationship exists between return on assets and all the accounting functions under study. He recommended that managers of deposit taking SACCOs in Nairobi need to review their emphasis on expenditures in strengthening accounting functions since they do not influence financial performance of SACCO's significantly.

Conceptual Framework

The research model of this paper was shaped from two comprehensive variables including record keeping and financial performance. Based on theoretical background and review of the previous literature, a conceptual model is developed to examine the effects of record keeping on financial performance of SMEs. Figure 1 presents the research model.

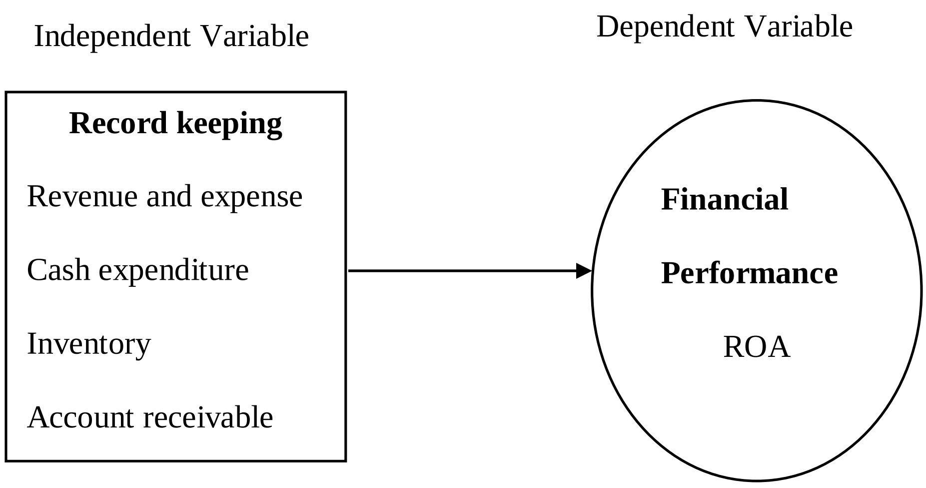

Figure 1: Conceptual framework

Source: Author's construct (2020)

Chapter Summary

Financial statements are most meaningful if they reflect the true position of a business. These statements are a reference to the owners of the business and other third parties provided they are not manipulated towards impressing a targeted person or group. Above reviews indicates that most SMEs keep records of accounts but incomprehensively. The question that lingers is how reliable are such statements to users who may base their decisions on them. Adopting an appropriate accounting system and in-depth scrutiny by users of financial statements may compel SMEs owners to be more thorough in keeping of accounting records. This study shall look into recordkeeping systems adopted by SMEs and their influence on financial performance.

CHAPTER THREE

RESEARCH METHODS

Introduction

This chapter covers the description and discussion on the various techniques and procedures used in the study to collect and analyze the data as it is deemed appropriate. This included the research design, study area, population, sample and sampling procedures, data collection instruments and data collection procedures. Others include the data analysis plan, ethical considerations and summary of the chapter.

Study Design

A research design is the researcher's overall plan or outline for obtaining answers to the research questions (Donaldson et al., 2013). A descriptive research design was employed through survey approach by way of generating numerical data which can be transformed into usable statistics. A descriptive design method involves seeking to obtain information which attempts to describe existing phenomenon by asking respondents about their perceptions about an event. Phenomenon or activates. This method was appropriate for obtaining factual and attituditional information research questions about self-report., beliefs, and perceptions, options about an event or phenomenon such as SMEs services.

Study Area

Sunyani Municipality was one of the twenty-seven districts in the Brong-Ahafo region. The municipality was established on 10th March, 1989 by a legislative instrument (LI) 1473. This was the period Ghana adopted the District Assembly concept. The Sunyani West district was carved from this

Municipality on November 2007.The Sunyani Municipal Assembly covers a total land area of 506.7 Km2.It is located at the heart of Brong-Ahafo Region lying between Latitudes 70 20’Nand 70 05’N and Longitude 30’Wand 2010’W. It is bordered on the North by Sunyani West District, Dormaa District to the West, Asutifi District to the South and Tano North District to the East. There are effective economic and social interactions with the neighboring districts which promote resources flow among these districts.

Population

According to Zikmud (2013), one of the challenges of any type of research is the definition of the target population from which the sample is selected. Population for the study refers to the small business owners in Sunyani Municipality. The target SMEs population of a study as constitutes the group of persons, objects or institutions that defines the objects of the investigation (Patton, 2002). The Sunyani Municipal Assembly puts the total number of SMEs in the municipality at 1236. This translated into 1236 owners.

Sample and Sampling Procedure

As a result of the inability of the researcher to effectively study the whole enterprises under study, a representative number was chosen as the sample size population. The study selected twenty (20) SMEs and 60 management and workers of the SMEs to participate in the study. Thus, each firm provided three (3) participants for the study.

Researchers may use either probabilistic or non-probabilistic sampling techniques depending on the research method, design, and questions. The study therefore used the non-probability sampling methods to sample the firms and the years. The judgmental, selective or purposive sampling technique was adopted in choosing the study's sample. According to Crossman (2018), purposive sampling is a non-probability sampling technique in which a sample is selected based on the characteristics of a population and the objective of the study. This technique was employed because it was flexible and met multiple needs and interests of the researcher (Black, 2010; and Saunders, Lewis & Thornhill, 2012).

The study therefore employed the following selection criteria for the SMEs. First, the firms' number of workers should not be less than five (5). Second, such firms should have prepared financial statements for the study period. Third, the firms file regular annual tax returns with the Ghana Revenue Authority. Fourth, the firms' balance sheet and income statement contain all the information needed to measure firm profitability from 2015 to 2018.

Once the number of SMEs was determined and chosen, the study proceeded to select the management and key staff of these SMEs. The study again adopted the purposive sampling technique in gathering information from the sampled population. The purposive sampling was applied because these people in the SMEs have the requisite knowledge in keeping the records.

Data collection Instruments

All quantitative studies require careful attention to the development and measurement of constructs (Turner et al., 2012). The study relied on both primary and the secondary sources of data to achieve the study goal. The secondary data also came from other people's work in the form of literature through the review of articles; journals; books; published and unpublished dissertations

In this study, questionnaire is research instrument used. Questionnaire is the main research instrument used for the study to gather necessary data from the sample respondents. The questionnaire is structured in such a way that it provides answers to the research questions. The questionnaire consisted of set of positive statements relating to each construct within closely defined alternatives on a three-point Likert Scale ranging from 1-4 alternative numerical values, which required that the respondent tick the most appropriate alternative related to their perception indexes. The questionnaires were used because during the pre-testing of the instruments, it was realized that majority of the respondents can read and write and better placed to handle the instrument and its items during the field experiment without encountering any difficulties since instructions regarding how the instrument can complete and follow. This instrument is divided and limited into two sections; Section A and B. Section A deals with the personal data of the respondents while Section B contains research statement postulated in line with the research questions and hypotheses in chapter one. Options or alternatives are provided for each respondent to pick or tick one of the options.

Financial Statement

The data collection instruments for this study also include audited annual financial reports of sampled SMEs. The annual reports covered four (4) year period (2015-2018) and comprised of the comprehensive income statement, statement of financial position, statement of cash flows, statement of changes in equity and notes to the accounts. The period 2015 to 2018 was considered for the study because, it was the period with the latest data and therefore very relevant to the topic understudy.

Pilot Study

Pilot studies are used in two different ways in social science research. The term can refer to so-called feasibility studies which are "small scale version(s), or trial run(s), done in preparation for the major study" (Polit et al., 2001, p. 467). One of the advantages of a pilot study is that it can give identify weakness in the main research project. A sample of twenty (20) SMEs from the Berekum municipality was used to pilot test the drafted questionnaires to ascertain the readiness and suitability of the instruments. A Cronbach coefficient alpha test was used.

Validity and Reliability

Onwumere (2005) defines validity as “the extent to which a measuring instrument on application performs the function for which it was designed.” Validity is determined by the degree of provision of correct response from sample objects by the relevant research design or research instrument. To ascertain the validity of the instrument, content validity was adopted, in which the researcher subjected the instrument to face validity by giving it to two experts of NBSSI and the supervisor, Sunyani municipality Ghana who examined the items and made sure they were in line with the objectives of the study. The structure and language of the questionnaire were modified in the light of their corrections. The instrument was structured in such a way as to minimize the effect of errors like inconsistency and ambiguity.

Reliability and validity of measurement instruments are critical indicators of research quality. In traditional data collection tools such as survey questionnaire, researchers have a clear explanation of the data collection process. Reliability involves consistent and dependable measurement of variables (Du & Zhou, 2012). To achieve reliability of the instruments, pilot test was conducted during the design process of the instruments. Based on the results of the pilot study, all relevant corrections were made to ensure that the items measure what they intend to measure.

Data Collection Procedure

The data collection procedure in this study involved a simple process whereby the questionnaire was administered to the owners of SMEs. This procedure was repeated on daily bases until the sample target of SMEs was collected. Relevant approval and consents were sought from owners of the SMEs before administration of the questionnaires. Two days was used to gather the data with the help of three research assistants.

Method of Data Analysis

Based on the quantitative approach chosen for this study, both descriptive and inferential statistical analysis was adopted. In order to analyze the data collected effectively and efficiently for easy management and accuracy, the descriptive statistical analysis was used. Descriptive statistics allow researchers to present important statistics such as measures of central tendency and spread to serve as a foundation for further analysis. First in the descriptive analysis, the study used frequency tables, mean, and standard deviation. Second, a correlation coefficient (r) will be used to measure and establish the linear relationship between record keeping and financial performance. The regression analysis was finally adopted to examine the effects of record keeping on the firms' financial performance. All the data analyses were conducted through SPSS version 20.

Ethical Considerations

Ethics is a critical aspect of a research (Snowden, 2014). Snowden (2014) stated that ethical research is free from unfair discrimination, harming individuals, violating individual's privacy and confidentiality. Kaczynski et al. (2013) stated that a researcher must treat participants ethically, gain informed consent, maintain privacy, and avoid any form of deception. To mitigate potential ethical challenges, the study (a) used random sampling technique, (b) included the approval number in the research report, (c) provided a statement on the absence of conflict of interest with the sample firms, and (d) maintained the confidentiality of any sensitive information.

Chapter Summary

This chapter presents the methodology adopted for the study in carrying out the study. The chapter basically answers the two main questions of how the data was collected and analyzed. The chapter dealt with various sources of data, population size, sample size data collection methods or instruments, tools for data analysis and data presentation. Research approaches are also discussed. Qualitative approach was used for this study. Also the chapter explains which sources were used to collect the data and what procedure is applied to analyzed the data.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter deals with the presentation of results and the discussions of the results. The chapter is divided into two main parts: first part presents the results of the data analysed which have been done in relation with the study objectives. The second part presents the discussion of the results which has been done in relation with the study objectives and with reference to literature.

Data Presentation

The data gathered were presented according to the study objectives in the order in which they were arranged in the research questions. In all, thirty (60) questionnaires were personally administered to SMEs owners and other workers within the Sunyani Municipality.

Demographic Characteristics of Respondents

The respondents were asking to indicate their gender; the results are displayed below.

Table 1: Sex of Respondents

Sex	Freq.	Percent (%)
Male	37	61.7
Female	23	38.3
Total	60	100

Source: Field data (2020)

From Table 1 above it indicates that there were more male respondents representing 37(61.7%) of the total sample compared with their female counterparts which represents 23(38.3%).

Age Category

The participants of this study were asked to indicate their age category group, in order to have a full picture of the description of the sample, the results are presented in table 2 below.

Table 2: Age of Respondents

Age	Frequency	Percent (%)
20 – 30yrs	3	5.0
31 – 40yrs	10	16.7
41 – 50yrs	29	48.3
51 – 60yrs	13	21.7
Above 60yrs	5	8.3
Total	60	100

Source: Field data (2020)

Table 2 shows that most of the SMEs owners and workers (48.3%) were within the age brackets of 41 to 50 years. A little above one-fifth of the respondents (21.7%) were within the age bracket 51 to 60 years. Ten of the respondents (16.7%) were aged between 31 to 40 years. While 8.3% of the respondents were above the age 60 years, 5% of the respondents were within the age bracket 20 to 30 years.

Table 3: Educational Levels of Respondents

Educational level	Frequency	Percentage%
Primary school	6	10.0
Secondary school	16	26.7
Tertiary level	38	63.3
None	0	0.0
TOTAL	60	100

Source: Field data (2020)

The result in table 3 revealed that all the respondents have attained various levels of education. The result suggests that majority of the respondents (38) representing 63.3% have attained tertiary level of education. Sixteen of the respondents representing 26.7% have attained secondary education. Respondents with primary school level represent 10%.

Business Profile

Table 4: Profile of Businesses

Item/Descriptions	Frequency No	Percentages %
Sole proprietorship	14	70.0
Limited liability firm	6	30.0
Total	20	100.0
0-5 years	5	25.0
6 -10 years	11	55.0
Above 10 years	4	20.0
Total	20	100.0
5-10 employees	14	70.0
11-15 employees	6	30.0
Total	20	100.0

Source: Field data (2020)

The profile of the firms that participated in study show that majority of the firms (70%) were sole proprietorship, while the rests (30%) were limited liability companies. Most of the businesses (55%) have been in operation for 6-10 years, 25% of the firms have worked between 0-5 years and the rests (20%) have been in business more than 10 years. Most of the business (70%) are small with 5-10 employees, and 30% are medium with 11-15 workers.

Table 5: Knowledge of Daily Transaction Record of SMEs

Daily record	Frequency	Percentage (%)
Yes	60	100.0
No	0	0.0
TOTAL	60	100

Source: Field data (2020)

Table 5 shows respondents' knowledge about recording of daily transactions in their establishments. The results show that all the selected firms (100%) said they are aware the firms keep daily financial records.

Effect of Record Keeping on Financial Performance

The objective was to analysis how recording keeping affect financial performance of the SMEs in the Sunyani municipality. To achieve this objective, regression analysis was performed using the various indicators for recording keeping and financial performance.

As stated, recording was measured using revenue and expenses, cash expenditures, account receivables and account payables, while financial performance was measured using return on asset (ROA) in the SMEs.

*ROA is a function of recording keeping (*revenue and expenses (RE), cash expenditures (CE), inventory records, (IR) account receivables (AR) and account payables (AP*). It is mathematically expressed as follows:*

$$ROA_t = \beta_0 + \beta_1 RE_t + \beta_2 CE_t + \beta_3 IR_t + \beta_4 AR_t + \beta_5 AP_t + \mu_t$$

Table 6: Regression Results: Model Summary for Return on Asset

					Change Statistics				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.470[a]	0.248	.227	.3407	.227	33.870	6	12	.005

a. Predictors: (Constant), RE, CE, IR, AR, AP

Source Field data (2020)

Table 6 shows an “R” (correlation coefficient) of 0.470 indicating that the relationship between recording keeping and financial performance is weak. The “R Square” of 0.248 shows that every component of the independent variable (record keeping) explains the dependent variable (financial performance as measured by ROA) by 24.8%. That is every component of recording keeping accounts for only 24.8% variations in the dependent variable (financial performance as measured by ROA). Other factors accounts for the remaining 75.2% variations in the financial performance. The Adjusted R Square which gives the percentage of variation explained by only those independent variables that in reality affect the dependent variable shows a figure of 0.227 or 22.7%. This means that per the adjusted R square, recording keeping accounts for 22.7% variations in the financial performance. The remaining 75.2% is due to other factors. This means that other factors rather than recording keeping accounts for greater variations in financial performance.

Table 7: Regression Results for ROA: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	31.5883945	6	5.26473242	13.67	.000[b]
	Residual	95.8764493	249	.385045981		
	Total	127.464844	255	.499862132		

a. Dependent Variable: ROA

b. Predictors: (Constant), RE, CE, IR, AR, AP

Source Field data (2020)

Table 7 shows that there is a strong relationship between recording keeping and financial performance as measured by ROA, the relationship is statistically significant as evidenced by a significance figure of 0.000.

Table 8: Coefficient of Regression for Return on Asset

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-.091	.228		-.399	.690
	RE	.150	.085	.127	1.774	.077
	CE	.417	.056	.416	7.431	.001
	IR	.145	.085	.118	1.707	.089
	AR	.073	.083	.060	.879	.380
	AP	-.054	.082	-.049	.659	.511

a. Dependent Variable: ROA

Source Field data (2020)

Table 8 shows that Unstandardized "B" coefficient of the constant variable is -0.091 with the standard error of 0.228. The standardized coefficient Beta of the independent variable of revenue and expenses (RE) was 0.127, cash expenditures (CE) was 0.416, inventory records (IR) was 0.118, account receivables (AR) was 0.060 and account payable (AP) was -0.049. The results show that there is a relationship between record keeping variables and financial performance. However, this relationship is very weak.

In summary, Table 8 shows that there is no significant relationship between revenue and expenses, inventory records, account receivables and account payables and the firms' performance (Return on asset). This is because the p-values 0.077, 0.089, 0.380 and 0.511 respectively. Thus, as the significant level is greater than 0.05. However, the results show that there is a significant relationship between cash expenditures and the firms' performance (Return on asset). This is because the p value is significant at 0.001. Thus, as the significant level is lesser than 0.05.

Discussion of the Results

In this section, the researcher discusses the result of the study. This section is subdividing into four parties, representing the four research questions that this study aimed to answer.

The problem associated with recordkeeping of small and medium scale enterprises

The small scale business is most of the time facing different challenges, some are structural, internal operational management effectiveness and functional. This study aimed to identify the problem associated to bookkeeping in the small scale enterprises in Sunyani, doing so, the respondents were asking to state the challenges they face when it comes to financial records in their daily management operations (confer table 10). The study found that most of the problem faced by small enterprise in Sunyani when it comes to bookkeeping are related to expertise and Knowledge. 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. Furthermore, Thibault, Wicock and Kanetkar (2011), working on a group entrepreneur in Israel found that small business in most of the time challenged by lack of working experience and expertise knowledge. Later Lerner and Hisrich (2014), confirmed that expertise knowledge is very important factor in determining a business and financial success.

The effect of recordkeeping on financial performance of small and medium scale enterprise

The study tried to establish a relation between bookkeeping and financial performance of a small medium enterprise in Sunyani. In addition, if the relation does exist, what will be effect the nature of this relationship. The researcher access this question with Ordinary Least Square regression analysis (confer regression table). The findings show a significant and positive relationship between bookkeeping and financial performance at every level of significance. For instance, the results show that there is a relationship between recording keeping and financial performance as measured by ROA, the relationship is statistically significant as evidenced by a significance figure of 0.000.

To address the question of which independent variables most influence the financial performance of the bank as measured by ROE, the results show that except cash expenditures that influenced financial performance of the study firms, all the other variables including revenue and expenses, inventory records, account receivables and account payables had no significant relationship with the firms' performance (Return on asset). This is because the p-values 0.077, 0.089, 0.380 and 0.511 respectively. Thus, as the significant level is greater than 0.05.

The International Accounting Standard Board (IASB) conceptual framework specifies that frequently, profit is used as a measure of performance and Akande confirmed that business performance can be access only through and effective recordkeeping system. Financial performance is measured through financial records, accounting books are used to trace of financial performance and can also be use as benchmark and forecasting tools.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMANDATIONS

Introduction

This chapter presents the summary of the key findings that emerged from the results and discussions upon which conclusions were made. Based on the findings and conclusions, recommendations were put forward for policy and theoretical implications.

Summary

The main goal of the study was to examine the effects of recording keepings on financial performance among SMEs in the Sunyani municipality. Other objectives of the study were to find out the financial recording practices in Sunyani, identify the problem associated to recordkeeping for the small medium enterprises and study the relationship between bookkeeping and financial performances of the small medium enterprise in Sunyani Municipality. To achieve this goal, the descriptive research design was adopted. Population of the study was drawn from SMEs of which twenty (20) of them were sampled using the purposive and convenience sampling techniques. Data collection instruments employed include questionnaire and financial statements of the sampled SMEs covering 2015 to 2018 financial years. Both descriptive and inferential statistical analytical tools were employed to analysed the data. From the results and discussion of the results, the following findings were observed:

First the study found that majority of small medium enterprises in Sunyani uses rather journal or ledger, few uses software or both method of record. This result is closely linked to the size of the business and the capabilities (education, experience and managerial skills), of the business manager. For example, the size of the pharmacy will influence the type of method of record the traditional pharmacy uses manual entry while the biggest pharmacy will use a software (electronic method of transactions record).

Secondly the study found that the majority of the problem related to bookkeeping for the small medium business in Sunyani are object to expertise knowledge. This finding is understandable because financial record can be technical and require a certain knowledge and experience to be carried out efficiently. Looking at the sample studied, the result are not surprising. However, the size of the business plays an important role in the determining the problem faced. Small business are subject, most of the time, lack of knowledge and experience meanwhile the medium size business are more concern with the working experience that sometime can create confusion.

Finally, talking about the relationship between financial record and business performance, the study finds a positive a meaningful correlation. From the regression table, we find that a business that keep an effective financial record are more like to increase their performance by .3306 point than those which does not keep record effectively. This result is in line with empirical evidence of the impact of effectively record keeping on a business performance (Akande 2010). Financial record can be used as control measure, profit assessment method and forecasting method, The International Accounting Standard Board (IASB) conceptual framework specifies that frequently, profit is used as a measure of performance (2011).

Conclusions

The study concluded that the SMEs had the desired experience to furnish the study with information on accounting systems, the manner in which accounting records are maintained by SMEs and their financial performance. Most SMEs in Sunyani Municipality started their business with credit as their source of starting capital. It further concluded that most SMEs in Sunyani Municipality keep the records of their businesses as it is the gateway to better financial performance.

Record keeping plays a key role in management for good business performance. Record keeping also provides evidence of how the transaction was handled and substantiates the steps that were taken in order to comply with business standards. The study concluded that SMEs in Sunyani Municipality keep purchases and sales control records. The study further revealed that most SMEs have cash books that can help in providing evidence of how the transaction is handled thus substantiating financial performance. It determines that cash payments posted to correct payable accounts and to the general ledger and cash payments are recorded in the correct accounting period.

Furthermore, it concluded that most SMEs keep their revenues and expenditure accounts as they help in improved financial performance. Most SMEs neutrally agreed that all expenditures are recorded in this accounts and all revenues are recorded in this account thus leading to improve financial performance.

Majority of SMEs in Sunyani Municipality were in agreement with the statement that all expenditures are presented in the statement of income.

Recommendations

Based on the study's findings, the following recommendations were made on the effect of record keeping on the financial performance of SMEs in Sunyani Municipality.

1. The study recommended creation of reforms that can promote effective performance of SMEs. Managers should work together with professionals like Institute of Certified Public Accountants of Ghana among others in encouraging good accounting practices.
2. Small business owner-managers should develop competencies to enhance the quality of record keeping, with specific focus on type, adequacy and updated-ness of records. It is through such records that the danger signals of poor performance can easily be detected to lead to corrective action being promptly taken, hence promoting the long-term liability of the business

Suggestions for Future Studies

To address the short comings such as the scope and design inherent in this study, future studies should consider expanding the scope of the study by including more SMEs and other towns and cities to the current study area which was Sunyani municipality. Again, future studies should adopt or combine descriptive and exploratory designs to avert the short comings embedded in the descriptive designs.

REFERENCES

Abayomi, K. S., & Adegoke, A. J. (2016). The imperatives of accounting and financial records in the development of small scale enterprises in Ghana. *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

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

Akande O.O. (2016). Computerized accounting system effect onperformance of entrepreneurs in south western Ghana. *Proceedings of ISER International Conference, Birmingham*, UK, 18th-19th

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), 16- 29.retrieved www.iiste.org

Amoako IO (2012). *Trust in exporting relationships: The case of SMEs in Ghana*. D Prof. Thesis, Middlesex University

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

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

Anokyewaa, C. (2015). *Computerized record keeping among Small and Medium Enterprises- a case study in Sunyani municipality.* Unpublished master's thesis, Kwame Nkrumah University of Science and Technology, Kumasi.

Aremu, M. A., & Adeyemi, S. L (2011) Small and medium scale enterprises as a survival strategy for employment generation in Ghana. *Journal of Sustainable Development*. doi: 10.5539/jsd.v4n1p200

Arowomole, M. A., & Oyedokun T. A. (2010). *Entrepreneurship: Structure and Practices in Ghana.* 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

Buys, P.W. (2008). In pursuit of a foundational accountancy philosophy. *Koers*, 73(3), 489-509. Retrieved from www.scielo.org.za

Cartney, S. M. (2010). 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

Daft, R, L. (2015). *Organization theory and design.* Minneapolis, St. Paul: MN West Publishing Company.

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 wwwaessweb.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

Elkan, W. (2015). *Innovation and entrepreneurship in Africa: Research observe*. Washington DC: World Bank.

Ekwere, A.B. (2012) *Contemporary Accounting*. Abuja AFLON Limited

Gibson, W (2011). *The Alternative to Assuming Rational' use of Financial Information in Small Firms*. Paper presented to the 4th Annual International Research Symposium on Small Firm Finance, Baylor University, Waco, Texas

Godfrey, J., A. Hodgson, S. Holme A., & Tarca, 2010. *Accounting theory (6th ed*.). Australia (GHHT): John Wiley & Sons.

Grant, R. M. (2013). The resource based Theory of Competitive Advantage: Implications for *s*trategy formulation. *California Management* Review, 33, 144 – 135.

Gupta, V. (2008). *Comdex 14-In-1 Computer Course Kit*,.(2008 ed). New Delhi: Dreamtech Press

Hill, T (2011) *Small business production/operations management*. Macmillan Education Limited

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., & Jaedicke, R. K. (2011). Reliability and objectivity of accounting measurements. *The Accounting Review, 41*(3), 474-483. Retrieved from www.researchgate.net

Iopev, L., & Kwanum, I. M. (2012). An assessment of risk management of Small and Medium Scale Enterprises in Ghana in *Research Journal of Finance and Accounting*, 3(5).

Karunananda, A., &Jayamaha, A. (2011), *Financial Practices and Performance of Small and Medium Sized Enterprises Sri - lanka*.

Kurniawati, E. P. (2013). Accounting information for business decision paking and performance assessment in Small and Medium Enterprises. *The Journal of Social Science*, 76, 67-95.

Lesirma, D. L. (2014). *The relationship between effectiveness of the accounting functions and financial performance of SACCOS in Nairobi County*. Unpublished master's, University of Nairobi.

Longenecker, J., Moore, C., Petty, J., & Palich L. (2010). *Small Business Management: An Entrepreneurial Emphasis* (13^{th} 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

Marfo-Yiadom, E. (2011). *A survey of cash* management practices of selected firms in Accra. Tema Area. *The Oguaa Journal of Social Science*, 165-182

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

McCannon, J. C. (2011) *Keeping your business on* truck. home-based business act sheet records. University of Maine *Cooperative Extension Bulletin*

Modugu. K.P., & Eragbhe, E. (2013). Implications of IFRS adoption for SMEs in Ghana. *Fountain Journal of Management and Social Sciences*, 2, 36-46. Retrieved from www.researchgate.net

McMahon, R. G. P. (2013). *Putting Small and Medium Enterprise Financial Reporting into theoretical and practical perspective.* Research Paper Series 98-10.

Muchira, B. W. (2012). *Record keeping and growth of micro and small enterprises. A case study Municipally in Kenya.* Unpublished master's thesis, Kenyatta University.

Muiru, J. M. (2013).*The influence of innovativeness on the Growth of SMES in Kenya*. Unpublished master's thesis, Jomo Kenyatta University of Science and Agriculture, *Kenya International Journal of Business And Social Research* (IJBSR), 3.

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,* 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 Sunyani Municipality. *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 Ghanan bottling company plc Ilorin plant)*. Retrieved from www.iosrjournals.org

Oduro, A.K., Marfo, O.E., Gyabaah. E.N., & Oduro, G. (2014) accounting records keeping practices of SMEs in Ghana: Evidence from Sunyani Municipality. B*ritish Journal of Economics, Finance and Management Sciences*, 9, 120.

Olatunji, T.E. (2013). The impact of accounting system on the performance of small and medium scale enterprises In Ghana- A survey of SME's in Oyo State-Ghana. *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 Ghana: 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, Ghana. *International Journal of Economic Development Research And Investment,* 3. 40- 44. Retrieved from www.icidr.org

Okwena, D.K. (2011). *An assessment of proper book keeping practices on the financial performance Perspectives from SMEs in Kisii Municipality*. Unpublished master's thesis, Egerton University.

Oladejo M. (2008). *Essentials of management and accounting* (2nd ed.). Ikeja: Peace Concept.

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/IJARBSS/V4-i1/506.

Onaolapo, A.A., Fasina, H.T., Opoola, N.A., & Olatunji, A. (2011). B*asic accounting one.* Ogbomosho: Johnny Printing Works

Pearce, T. A., & Robinson, R. B. (2011). *Strategic managements: formulation,implementation and control* (12th ed.). New York. McGraw Till/ Irwin.

Penrose, E.T. (1959). *The theory of growth of the firm*. Oxford: Basil Blackwell.

Raiffa, H. (2012). *Decision analysis: introductory lecture on choices under uncertainty*. Reading, MA: Addison-Wisley

Rankhumise, E. M. (2010).l*essons 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., Hoshino1, 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* (5the ed.). 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.hrmars.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

Stover, M. (2014). *why do i need record keeping. small business development centre*. UW-Madison School of Business. University of Wincons in Extension. Board of Reagents, University of Wisconsin System

Tushabomwe-Kazooba, C. (2006). *Causes of small business failure in uganda: a case study from bushenyi and mbarara towns 1*. Retrieved from ir.must.ac.ug

Udoh, C. M. (2012). Causes and effect of poor accounting records management in vegetable oil and associated industries, South-Eastern Ghana. *Bayero International Journal of Accounting Research*, 2, 240-150. Retrieved from www.unn.edu.ng

Van Aardt, I., Van Aardt, C., Bezuidenhout, S., & Mumba, M. (2008). *Entrepreneurship and New Venture Management (3rd Ed.).* Southern Africa: Oxford University Press.

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

Wabwire, A. (2015). *Small Scale Manufacturing Enterprises in Uganda: Politics and Problems*. Small Enterprises Flexibility and Networking in an African Context

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.

Watts, R., & Zimmerman, J. (2013). *Towards a Positive Theory of the Determination of Accounting Standards,* the Accounting Review , 53, 112 – 134

Waweru E. W. (2012), *Challenges of Financial Management Affecting Performance of Small and Medium Enterprises in Nairobi*. Unpublished master's thesis, Kenya College of Accounting.

Weber, M. (2011). *Manual versus computerized accounting experience*. Retrieved from www.experience.com

Williams, Jan, R., Susan, F., Haila, Mark, S., Bettriel, Joseph, V., & Carcello. (2008): *Financial & managerial accounting.* New York: McGraw-Hill Irwin-

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

APPENDIX A

Personal and Business Information

1. Sex of respondents: Male [ ] Female [ ]
2. Age of respondents: 20-30yrs [ ] 31-40yrs [ ] 41-50yrs [ ] 51-60yrs [ ] Above 60yrs [ ]
3. Educational level of respondents: None [ ] Primary [ ] Secondary [ ] Tertiary [ ]
4. Business type: Sole proprietorship [ ] Limited liability [ ]
5. Number of workers: 5-10 workers [ ] 11-15 workers [ ] More than 15 workers [ ]
6. Number of years in operation:
7. Financial records keeping practices of small and medium scale enterprise
8. Do you keep records of all transactions related to the business? Yes [ ] No [ ]
9. Which form of record keeping of accounting do you use? Manual [ ] Account Software [ ] Both [ ]
10. Do your firm prepare annual financial statements? Yes [ ] No [ ]
11. If yes, what motivates your firm to prepare financial statements?

    For tax assessment purpose [ ]

    To know the financial position of the firm [ ]

    To understand the growth and performance of the firm [ ]

    To keep track of the activities of the working staff [ ]
12. Do you prepare a statement of income? Yes [ ] No [ ]

13. Do you prepare a balance sheet? Yes [ ] No [ ]

Use the scale of: 1= Strongly Agree, 2= Agree, 3= Neutral, 4= Disagree and 5= Strongly Disagree

	Financial record keeping	**1**	**2**	**3**	**4**	**5**
	Revenues and expenses					
26	The firm practices such accounts to record receipts and expenditures only					
27	All revenues are recorded in this account					
28	All expenditures are recorded in this accounts					
29	The firm practices this ledger at all times					
	Cash expenditures					
30	The firm keeps and practices cash expenditures to account for record of all business expenses in a given year.					
31	The firm keeps track of all cash receipts daily, weekly or monthly					
32	Keep a log of each category of expenses, for tax purposes					
	Inventory records					
33	The firm practices inventory management at all times					
34	The firm’s inventory contains all the relevant information relating to date purchased, stock number of items purchased, purchased price, date sold and sale price					
35	The firm practices inventory records to track of buying trends for the period					
	Account payables					
	The firm practices account payable to keep track of what is owed and when it is due					
	The firm does so to avoid unnecessary accumulation of debt and interests on debts to be settled					

	The firm has file for such purposes					
	The file contains all the relevant information about accounts payable: invoice date, invoice amount, invoice number, terms, date paid, amount paid, balance (if applicable), and clients' names and address					
	Account receivables					
	The firm practices account receivables to keeps track of what is owed to the firm					
	The owners can monitor accounts receivable by holding on to a copy of all invoices sent out					
	The firm keep information that captures invoice date, invoice number, invoice amount, terms, date paid, amount paid, and the name of the entity being billed					

SECTION C: Problems associated with recordkeeping by small and medium scale enterprises.

Use the scale of: 1= Strongly Agree, 2= Agree, 3= Neutral, 4= Disagree and 5= Strongly Disagree to indicate your level of agreement with the problems associated with the practice of financial record keeping by SMEs.

	Problems associated with financial record keeping	**1**	**2**	**3**	**4**	**5**
26	Unwillingness of business owners due to exposure of financial position of the firm to tax collectors					
27	It is time consuming and requires some appreciable level of financial and accounting knowledge					
28	Business owners perceived that every transactions are known already through personal involvement					
29	Perception of bad faith or collusion held by business owners					
	Non use of the financial records anyway so no need to prepare financial records					

SECTION D: Effects of recordkeeping on financial performance of a small and medium scale enterprise.

Use the scale of: 1= Strongly Agree, 2= Agree, 3= Neutral, 4= Disagree and 5= Strongly Disagree to indicate your level of agreement with the effects of financial record keeping on the financial performance of the firm.

	Effects of financial record keeping on financial performance	**1**	**2**	**3**	**4**	**5**
26	Using financial records of the firm can collect its debts in time and no bad debts					
27	Using the financial records the firm collects debts within time specified					
28	Using the financial records of the firm can avoid credit burden by paying creditors in time					
29	Financial records help in monitoring the firm's transactions					
	Financial records help in petty cash determination					