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ASSESSMENT OF SMALL BUSINESS OWNERS ATTITUDE TOWARDS BUSINESS RECORD KEEPING IN ZARIA METROPOLIS

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Abstract

The study assessed the attitude of SMEs owners towards keeping accounting record and also the benefit and need for professionals to their businesses so as to keep good and appropriate accounting record which will improve the performance of their businesses, the study adopts survey research method, whereby Two hundred and twenty (220) questionnaires were distributed. However, 197 were fully answered and returned, which are used for the analysis using frequencies and simple percentages. The study concludes that SME' s within Zaria metropolis failed due to mismanagement of funds which start from improper record keeping and in ability of business owners to employ the services of professionals to handle their business. Therefore, the study recommends that, there is need for business to employ the service of a professional accountant whom can help them in recording all their business transaction and prepare good financial report for documentation. In addition, commercial banks should make credit facilities easier to SMEs owners so as to be able to secure loans which they can use for business expansion and growth. Also, there should be periodic training among SME' s owner so as to equip them with the needed knowledge which will enable them achieve sustainability and growth.

Key Words: Small Business Owners, Record Keeping, Zaria Metropolis, Professional Accountant

Introduction

Small and medium business plays a vital role in reduction of poverty, unemployment rate, and improving the economic system in Nigeria. Prior researches on the growth and development of small business have acknowledged the importance of keeping proper account in order to promote their growth (Abor, & Biekpe, 2006). Keeping record which is referred to as book keeping in accounting is the first essential step that provides information as well as the sources of the information. It is also the act of recording business transaction in a methodical manner so that any piece of information related to it can easily be ascertained. Transactions such as amount of sales, purchases, cash receipts, cheques among others are first recorded in a journal before transferring the entries to a ledger which will be used to prepare financial statement at the end of the accounting period.

Lack of proper account is the most important constraint which affects the small business sector (Aryeetey, 1994; Steel & Webster, 1992 and Sowa, Baah-Nuakoh; Tutu & Ose, 1992). Documentation of all transactions of a business including its capital and

equity are part of keeping accounting records that solves some of the limitations encountered in our businesses such as unavailability of fund, inadequate managerial skills and training to improve the business and also weak institutional capacity. As asserted by (Goltz, 2011), Poor accounting is one of the top ten reason why small-scale businesses fail, the reason is that, the efficient control of business entity depends on the owners knowledge of happenings in the business.

Keeping accounting record involves documentation of all transactions made in the business which include asset and liabilities so as to solve the problems that SMEs are facing such as lack of fund, lack of managerial skills and weak institutional capacity, which are faced by majority of SMEs today, these leads to failure and collapse of such SMEs. According to Jones, Simmons, Packham, Beynon, Davies and Pickermell (2012) viewed accounting record as one of important aspect of accounting that allows businesses and organizations to understand their financial position at any given time which enhances the development of strategies to reposition the business for further expansion and growth. Therefore if SMEs are to

develop properly and to achieve sustainability in the business activity, there is need for adopting and developing proper and good accounting practices even if it means employing the service of a professional which will have a significant impact on the growth of the business which will lead to higher level of profit that will cover the charges of the professional assigned for the task and also minimize a lot of problems encountered by the business.

Finance and Accounting constitute one of the twelve competency areas for small business success Huck and McEwen (1991). The problem is that why do most small and medium scale businesses failed in Nigeria even though accounting system has been in existence for very long period. Also, why do many SMEs shy away from keeping proper accounting record despite its significant impact? It is expected that, the presence of small scale business will reduce the level of unemployment but the reverse is the case because unemployment is still increasing at a very high speed. The study aims at assessing the attitude of SMEs owners towards keeping accounting record and also the benefit and need for professionals in their businesses in order keep regular and appropriate accounting record thereby, increasing the performance and capabilities of the businesses.

Theoretical and Empirical Literature Review

Mambula, (2002) investigated factors that influence SMEs growth and constraint faced in Nigeria. The population comprises thirty- two (32) SMEs owners and the study adopted a multiple method strategy where both qualitative and quantitative data were used in a variety of ways including a detailed overview of survey result in-terms of general profile and a model of Nigerian small firms. The study found that there is need reforms in terms of required infrastructure and qualified personnel to implement and monitor policies effectively. In another study by Etumedu, Okekeke, and Kingsley (2009), they identified the problem associated with starting and running small business enterprises in Nigeria in comparison with Swedish small business enterprises and determine the ranking of the problem using a quantitative research method which data were sourced using primary and secondary sources the study employed the use of questionnaires, interviews and literatures from books, journals, and more. Purposive sampling techniques were used to select some of the top-ranking personnel in some selected business such as

premier bakeries, boom Nigeria and many more. It was found that, small business managers in developing countries like Nigeria are faced with problems of poor infrastructures, inappropriate legislation, lack of managerial skills and many more.

Olukotun, James and Ohere (2012) investigate the roles of record keeping in the survival and growth of small-scale enterprises in Kogi state. The study used primary and secondary data through the use of questionnaire and interviews. Chi-square was used to analyzed the data. Based on the analysis it was found that, majority of the respondents do not keep business record.

Similarly, Olatunji (2013) examined the impact of accounting system on the performance of small and medium scale enterprises in Oyo state of Nigeria. The study is an exploratory research and employed the use of questionnaire to collect the data for the study. ANOVA was used as the technique for analyzing the data collected and it was found that, adoption of sound accounting system enhanced performance of small and medium scale businesses.

Adisa, Abdulraheem and Mordi (2014) investigated the characteristics and challenges of small businesses in Nigeria using qualitative method where by 152 small businesses across the six geographical zone were selected and face to face interview which allows for flexibility in terms of data collection and analysis and Semi structured interview was adopted. The study found four factors which are; inability to distinguish business capital from personal money, lack of essential infrastructural facility, lack of proper business management skills and proper business knowledge to be the major challenges of small business in Nigeria, which are inadequate. Also, Mungal and Gabharran (2014) analyzed the perception of small businesses in the implementation of cash management techniques in South Africa; the study is based on quantitative and cross-sectional data. Likert type questionnaire was used in collecting the data. it was found that, there is poor cash management in small business

Danford, John and Lazaro (2014) assessed the attitude of SMEs owners on record keeping and the arising challenges, taking sample from Madukani Ward - Dodoma region in Tanzania. Using a cross sectional research design where primary and secondary data were used. The study used semi structured questionnaire and in-depth interview with SMEs owners and employees.

SPSS was used to analyze the data obtained from a sample of 242 business owners in the region. It was found that majority of SMEs owners have negative attitude towards keeping record in addition, the cost of maintaining accounting standard is expensive. Using a ward with few selected samples is not enough to draw conclusion and generalized in Tanzania. In the same vain ,Emmanuel and Olise (2014) examined the relevance of accounting record in small scale business looking at the Nigerian experience which aid at determining the contribution of accounting record in efficient performance of small scale business, survey method was adopted and data were collected through the use of questionnaire, two hypotheses were formulated and tested using Z-test statistical technique while the questionnaire was tested using mean, standard deviation and weighted value, the study found that, accountants by these institutions and various professional institutes should focus more on practical means of solving accounts reporting need of small and medium scale enterprises and that government should provide adequate financial assistance so as to enhance the quality of record keeping.

Nwobus, Faboyede, and Onwuelingo (2015) examined the role of accounting services in small and medium scale business in Nigeria. Even though the population of the study is towards the south west zone which comprises of six states (Lagos, Ekiti, Ondo, Oyo, Osun, and Ogun) but the sample size of the study was drawn from two states of Nigeria (Lagos and Ogun) due to proximity to the researcher with a total respondents figure of 120 from both states. Questionnaire was administered and used Cronchbach' s alpha to test the reliability which reveals a coefficient of 0.773 which made it to be reliable based on the resulted coefficient. The study employed the use of survey research design and found that SMEs employs accounting services for better accountability, correct determination of profit to help management reach set goals and objectives. Increased accountability of business operation and reduced fraud.

Adaane, (2016) examined the perception of business owners about the effect of bookkeeping on the growth of small and medium scale enterprises (SMEs) in the cape coast metropolis, quantitative research method and survey design was employed, a sample of 100 were randomly selected from a population of 135 registered SMEs from the Cape Coast chamber of commerce, primary data were sourced using a

questionnaire for the analysis, the study found that, most of the SMEs did not keep complete written record even though 74%of them perceived book-keeping as an important tool for business growth but due to lack of knowledge of book keeping, record keepers and resources constraint are among the challenges. Although the study made an effort to take a great number of the population but census approach would have been the best, where all the registered SMEs would have been studied since those left out were not many.

Madurapperuma, Thilakerathne and Manawadu (2016) investigates the impact of accounting information on financial performance in SMEs of Gampaha district of Srilanka using survey research design method and used primary sources of data with a targeted population of 100 SMEs operating retail shops, manufacturing firms and suppliers of various services. The findings of the study revealed that, most of the businesses do not keep complete accounting information due to lack of knowledge which made it difficult for them to calculate their real profit, also most SMEs owners and managers are willing to learn the accounting knowledge so as to be able to enhance and calculate their profit in an effective and efficient manner.

Akanbi, Fashina, and Aruwaji (2017) examine owners' perception on accounting information system adoption looking at the small and medium scale enterprises in Nigeria taking it sample from Kwara state. Primary source of data collection was used whereby structured questionnaire with 60 SMEs as sample size of the study. Regression and correlation analysis were used to analyze the relationship between accounting information system and competitive strength, longer term strategic goals and market expansion. The findings revealed that, accounting information system have a positive correlation with longer term strategic goals, competitive strength and market expansion and the result is significant.

Pavtar, (2017) examined accounting practice of SMEs with emphasis on the Challenges and effects in Makurdi, Benue State. The study is a survey design, using likert scale typed questionnaire as instrument for data collection with a population of all the registered small businesses in Makurdi where 323 questionnaires were distributed but collected only 300 which was used as the sample size. SPSS and Microsoft excel was used to analyzed the data obtained and found that, significant number of SMEs in Makurdi adopt different kinds of

accounting practice which therefore made them to faced challenges of accounting practice which have a significant effect on their operations. The study should have used census approach where all the population would have been studied so as to be able to have a clearer picture of the findings.

Tefera (2018) investigated the perception of financial record keeping in reporting practices among micro and small enterprises taking 5,145 medium scale enterprises (MSE) as targeted population and used sampling formula to arrive at a sample size of 194 which the study used about 91% of the required data which were collected through the use of questionnaire. SPSS and STATA were used in analyzing the data using descriptive and multi nominal regression model which found that, the SMEs are willing to keep financial records. Also, Aladejebi and Oladimeji (2019) investigated the impact of record keeping on the performance of some selected small and medium enterprises in Lagos metropolis using questionnaire to collect data. 200 likert scale questionnaire were distributed to SMEs owners out of which 197 were valid which was the sample size of the study, expost factor research design was used. In addition, Reliability and validity test was carried out with Alpha > 0.7. It was found that, majority of the SMEs owners lack the basic accounting knowledge and shy away from the cost involved as a result failed to keep proper accounting record.

Demographical figure of the respondent was looked into where it revealed 197 as total of the respondent 81 are male which is 41.12% and 116 are female which represent 58.88% which therefore shows that majority of the respondent are female.

The study also look at the age of the respondent in five(5) categories where those on 1st category are those of 20 years and below where we have eleven (11) respondents which is just 5.58%, the second category is 21 -30 years of age where we have twenty-one (21) which is 10.65%, the third category is 31-40 years of age where we have eighty-nine(89)which is 45.18%, the forth category is 41- 50 years of age where we have forty-five (45) which is 22.84%, and fifth category is 51 and above category where we have thirty-one 31 which is 15.74%, so therefore majority of our respondents are within the third category which is 31-40 years with 45.18%.

Educational level of the respondents was also looked into, where thirty (30) of the respondents which represent 15.74% have no any formal education, forty-one (41) of the respondents representing 20.81% have primary certificate, eighty-six (86) of the respondents representing 43.65% have secondary school certificate, nineteen (19) respondents representing 9.64% have diploma certificate while twenty-one (21) of the respondents representing 10.66% are graduates. Therefore majority of our respondents who runs SME' s are secondary school certificate holders.

	Agreed		Disagreed	
	Freq	%	Freq	%
1. SME' s in Zaria have sound accounting system	83	42.13	114	57.87
2. Qualified accountant are employed to take care of accounting aspect of businesses	67	34.01	130	65.99
3. Financial reports are prepared by professionals for SME' s in Zaria metropolis	62	31.47	135	68.53
4. Maintaining accounting system improves the Profit amount of SME' s	102	51.78	95	48.22
5. SME' s in Zaria get assess to loans easily from Commercial banks	56	28.43	141	71.57
6. Maintaining accounting record is an added work which reduce the profit of a business	120	60.91	77	39.09
7. Business only keep record of credit and debit Sales only	126	63.96	71	36.04
8. Business owners need to be trained on keeping Good accounting record	156	79.19	41	20.81
9. Keeping accounting record increase the amount of tax to be paid by SME' s	103	52.28	94	47.72
10. There is need for periodic training in Zaria Metropolis for SME' s owners to understand System of accounting better	147	74.62	50	25.38

From the above result shown we can see that eighty-three (83) respondents which represent 42.13% agreed to have sound accounting system while one hundred and fourteen (114) respondents representing 57.87% disagreed to having good accounting system which may lead to set back in the business since good record keeping is part of what strengthen business activities. Sixty seven (67) of the respondents representing 34.01% agreed that they employed qualified accountant to take care of their business while one hundred and thirty (130) of them representing 65.99% did not agreed to employing qualified accountant because they assumed it is expensive and will incurred additional expenses, sixty-two (62) of the respondents representing 31.47% agreed that their financial report are prepared by professionals while 135 respondents representing 68.53 disagreed meaning that they are not preparing financial statement for their businesses, 102 respondents representing 51.78% agreed that maintaining accounting system improves their profit while ninety five (95) of them representing 48.22% did not agree to such. Therefore, those that agreed seem to be more successful in the business while those that did not agree are struggling to cope.

Fifty- six (56) of the respondents representing 28.43% agreed to have access to commercial banks loans while one hundred and forty-one (141) representing 71.57% disagreed and testify that getting commercial bank loans is not easy. One hundred and twenty (120) of the respondents representing 60.91% agreed that maintaining accounting record is an added work which reduces the profit amount of the businesses while seventy- seven (77) representing 39.09% did not agree it is one of the possible reasons why they are not employing professionals to take care of their accounts. One hundred and twenty (126) of the respondents representing 63.96% agreed that business only keep record of credit and debit sales while seventy-one (71) representing 36.04% disagreed and it is among the possible reasons for the collapse of their businesses. One hundred and fifty-six (156) of the respondents

representing 79.19% agreed to the need of training them on proper keeping of accounting record while forty-one (41) of the respondents representing only 20.81 % disagreed so this implies that they are willing to participate in accounting record training. One hundred and three (103) of the respondents representing 52.28% agreed to the statement that keeping accounting record increased the amount of tax while ninety four (94) of them representing 47.72% did not agree so therefore it is another possible reason that they are avoiding keeping accounting record. One hundred and forty-seven (147) of the respondents representing 74.62% agreed to the need for periodic training for SME' s owners in Zaria metropolis to make them understand system of accounting better while fifty (50) of the respondents representing 25.38% disagreed.

Conclusion and Recommendations

The study concludes that SME' s within Zaria metropolis failed due to mismanagement which starts from improper record keeping and in ability of business owners to employ the right person to handle their business rather they prepare to be doing it themselves without showing competency and professionalism all in the search of cheap labour. In line with the findings the study recommends that, SMEs need to employ the service of a professional accountant whom can help them in recording all their business transaction and prepare good financial report monthly, quarterly half yearly or at the end of every financial year which will reveal the financial strength and weakness as well as the direction and position of the business to enable better business growth. In addition, commercial banks should make credit facilities easier to SMEs owners so as to be able to secure loans for business expansion and to cover the expenses of engaging the service of professionals that will help them in keeping proper accounting record. Also, there should be periodic training among SME' s owner so as to equip them with the required knowledge will enable them to achieve sustainability and business growth.

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