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MANAGERS' EXTENT OF UTILIZATION OF FINANCIAL RECORD KEEPING PRACTICES FOR SMALL AND MEDIUM SCALE ENTERPRISES SUCCESS IN DELTA STATE

By

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Abstract

The study sought to ascertain managers' extent of utilization of financial record keeping practices for small and medium scale enterprises success in Delta State. One research question was raised and one null hypothesis was tested at 0.05 level of significance using descriptive survey research design. Convenience sampling technique was used to select 600 out of 1347 SMEs managers in Delta State. A self-developed and validated questionnaire with a reliability co-efficient of 0.71 obtained with Cronbach alpha formula was used for data collection. The researcher administered the instrument with the help of three research assistants to the respondents. Mean and standard deviation were used to answer the research question and determine the homogeneity or otherwise of the respondents while t-test was used for testing the null hypothesis. Findings of the study revealed that managers highly utilize financial record keeping practices for SMEs success in Delta State. Managers do not differ significantly in their mean ratings on the extent they adopt financial record keeping practices for SMEs success based on their years of business experience in Delta State. The study concluded financial record keeping practices were highly adopted by managers for SMEs success in Delta State. It was recommended that SMEs managers should engage professional accountants and auditors on contractual basis to help them examine the financial health of their business enterprises with financial record keeping practices so as to enable them quickly identify financial distress that may affect the success of their enterprises in Delta State.

Keywords: Small and medium scale enterprises, Small and medium scale enterprises managers and Small and medium scale enterprises success, financial record keeping practices

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Introduction

Small and medium scale enterprises are found in virtually all thebusiness sectors of an economy. There is no single universal definition of SMEs around the globe. This is becausedifferent countries have different criteria depending on the developmental status of theireconomies and the size of their population (Berisha & Pula, 2015). According to the Organisation for Economic Co-operation andDevelopment (2021), the standard number of employees for SMEs is (a) micro-enterpriseswith less than 10 employees, (b) small enterprises with less than 50 employees, and (c)medium-sized enterprises with less than 250 employees.The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN, 2016) defined SMEs using dual criteria of number of employees and assets base with three classifications as follows: (a) Micro Enterprises: These are enterprises whose total assets (excluding land and buildings) are less than N5m with a workforce not exceeding 10 employees; (b) Small Enterprises: These are enterprises whose total assets (excluding land and building) are above N5m but not exceeding N50m with a total workforce above 10 but not exceeding 49 employees; (c) Medium Enterprises: These are enterprises whose total assets (excluding land and building) are above N50m, but not exceeding N500m with a total workforce of between 50 and 199 employees.

Small and medium scale enterprises are not expected to pass through the rigors of legal documentations before they can do business in rural, urban and semi-urban areas of a nation. They provide long period of business operations and are usually under the control of a manager. Staniewski and Awruk (2016) posited that SMEs managers are individuals with specialized managerial skills who are after the productivity and effective performance of enterprises under their control in the marketplace. SMEs manager is an individual who organises, manages and assumes business risks to make personal and business goals (Aslam & Hasnu, 2016). Small and medium scale enterprise managers are entrepreneurs in their own rights, who are sensitive to their environment to see opportunities or challenges and turn them around to make a difference towards economic and social benefits (Byungku, 2019). The end goal of every SMEs manager is to achieve success in the marketplace.

A small and medium scale is experiencing success when the enterprise is expanding its business activities and can compete with medium scale firms without collapsing in the business environment.SMEs success is more than just having financial success (Pitrus, 2015), it entails expanding into more markets and recruiting more customers (Lekovic & Maric, 2015), and constantly offering quality products and innovation services (Iversen, Malchow-Moller & Sorensen, 2016).Correspondingly, Burns (2016) viewed SMEs success from the firm's longevity, increased sales and profits, large market share, improved customer satisfaction and employee productivity. Similarly, Staniewsk and Awruk (2016) posited that SMEs success is the ability of entrepreneurs to create a strategic position by managing their resources to meet and satisfy the expectations of stakeholders. Alsaaty and Makhlouf (2020) defined SMEs success as the ability of an enterprise tosustain business activities and financial performance beyond five years and longer in the competitive business world.

One quick way of ascertaining the success of SMEs can be found in their financial record keeping practices. Financial record keeping is the recording of business transactionsin the books of accounts of a business enterprise. According to Ademola, Samuel and Ifedolapo (2012), financial record keeping is essential to business management because if there are no financial records, it will be difficult for SMEs managers to determine accurate net profit. Adu (2016) claimed that financial record keeping is a management tool that enables SMEs managers to ascertain the types of properties possessed, total amount of moneyowed and to whom, what profit or loss sustained at a particular period of time.Financial record keeping involves the classification of accounting records for effective documentations of the daily transactions conducted by small and medium scale enterprises in the marketplace. Financial record keeping includes the use of sales daybook, purchases daybook, cash book, return inwards book, petty cashbook and sales ledger among others. Managers of small and medium scale enterprises use financial record keeping practices for making favourable business projections in their business environment.

According to Longe and Kazeem (2012) and Boame, Solace and Issaka (2014), the basic financial record keeping practices include the following;

Sales day book or sales journal:

Sales journal is a book of original entry used to record all goods sold and services rendered on credit to a third party in the order in which they occurred irrespective of the amount involved. The sales day book or sales journal is not an account because it does not have a debit or credit side, and neither can cash sales nor other cash and bank transactions be recorded in it. The value of credit sales which are first recorded in the sales journal will be transferred individually to the respective customer's account in the ledger while the total of all credit sales for the period as recorded in the sales day book is transferred to the credit side of the sales account in the ledger.

Purchases day book:

An invoice is exchanged between a buyer and seller of goods and those that render services. To the seller, the invoice is used to prepare the sales day book. But for the buyer, the same invoice serves as the source document for the preparation of purchases day book. Another name for purchases day book is purchases journal. Purchases day book is a subsidiary book of account used to record all goods bought and services received on credit from a third party in the order in which they occurred irrespective of the amount involved. The purchases journal is not an account because it does not have a debit or credit side, and neither can cash purchases nor other cash and bank transactions be recorded in it. The total of all credit purchases as recorded in the purchases journal for a particular period, usually a month, is transferred to the debit side of the purchases account in the ledger.

Return inwards journal:

Another name for return inwards journal is return inwards day book or sales return book. This is a book used to record goods previously sold to customers but were later returned by the buyer to the seller either in whole or in part probably as a result of wrong specification, model or colour, defect, disagreement between the buyer and seller that can be traced to either pricing, discount, payment terms, shortage in quantity, weight and other measuring discrepancies and government policy. When goods are returned by the buyer to the seller, it means that the buyer will not pay for the portion of goods returned to the seller. From the perspective of the seller, it is returns inwards because the good is coming back to the seller, so the seller received the goods. To show that a buyer has returned some good, the seller will record it in a good returns register or any other record created for goods return by buyers. Thereafter, the seller will record it in the returns inwards day book which is one of the accounting books of original entries. The creation and recording of goods returned in the returns inwards journal is an indication that the transaction has been brought into the seller's books of account.

Returns outwards day book:

Returns outwards is from the perspective of a buyer because it represents goods initially bought and later returned by the buyer to the seller. The good is leaving the buyer back to the seller hence it is called return outward. Returns outwards day book is also called returns outwards journal or purchases returns day book. Returns inwards journal is used to record goods previously bought for resale but later returned to the supplier due to one reason or the other. These reasons include shortage in quantity, weight and other measuring discrepancies, wrong specification, model, colour or defect, disagreement between the buyer and seller that can be traced to either pricing, discount and payment terms and government policy. The total of goods returned to supplier from the purchases returns day book is transferred to the credit side of the returns outwards account while the individual accounts of the supplier will be debited in the ledger.

Journal or journal proper:

Journal or journal proper is one of the books of original entry that is used to record any transaction which cannot be conveniently recorded or classified into any of the other subsidiary books. Transactions that cannot be recorded in the sales day book, purchases day book, returns inward day book, returns outwards day book, cash book and petty cash book due to their nature which must pass through the accounting books of original entries are recorded through the journal.

The cash book:

The cash book is a book of original entry used to record all cash transactions.

Petty cash book:

Petty cash book records petty cash payments in small payments given out for some small expenses that occur almost on daily basis in an organization. The cash provided for the petty cashier is called petty cash, while the book used to record the petty cash transactions is called petty cash book.

Ledger account:

Ledger is the book that contains the actual records of the trader's transactions in a suitably classified manner. The left-hand side of the ledger is known as the 'receiving side' and the right-hand side of the ledger is the 'giving side'. The technical terms for these are the Debit side (DR) and the Credit side (CR) respectively.

To this end, financial record keeping practices can facilitate SMEs success through the following means as outlined in Amoako, Marfo, Gyabaah and Gyamfi (2014) and Kutsaru (2014) as follows:

1. To provide an accurate, thorough picture of operating results.
2. To permit a quick comparison of current data with prior years' operating results and budgetary goals.
3. To offer financial statements for use by management, bankers and prospective creditors.
4. To facilitate the prompt filing or reports and tax returns to regulatory and tax collecting government agencies.
5. To reveal employees fraud, theft, waste and record keeping errors.

6. To allow for fast, accurate, and reliable access to financial records, ensuring the timely destructions of redundant information and the identification and protection of vital and historically important records.
7. It is necessary when a firm is seeking fund from a bank for expansion.
8. To avoid business failure.

From the aforementioned, the extent at which SMEs managers utilize appropriate financial record keeping practices can determine the success or failure of their businesses in the competitive business environment. SMEs managers'decisions to utilize financial record keeping practices may be affected by their years of business experience.Years of business experience refers to the business intelligence and competencies acquired by SMEs managers over the years in the business environment. Here, the researcher views more experienced SMEs manager as one with 10 years and more business experience and less experienced SMEs manager just have one to nine years of business experience. The assumption is that it takes 10 years and more to build a successful SME in today's competitive business environment. Again this assertion needs to be supported by empirical evidence. It is against this backdrop, the study sought to ascertain managers' extent of utilization of financial record keeping practices for small and medium scale enterprises success in Delta State.

Statement of the Problem

It is universally accepted that accounting is the fundamental language of the business world. This means that whenfinancial record keeping practices that can show the financial status of SMEs are not kept, SMEs managers will be operating their enterprises to operational collapse. Therefore, the problem of the study is that SMEs managers will not be able to ascertain the level of profitability and susceptibility to fraud, if they failed to utilize appropriate financial record keeping practices in running their business enterprises in business environment of Delta State. From literature gathered, there seems to be paucity of research works on managers' extent of utilization of financial record keeping practices for SMEs success in Delta State. This gap in literature motivated the researcher to undertake an empirical investigation on managers' extent of utilization of financial record keeping practices for SMEs success in Delta State.

Purpose of the Study

The purpose of this study was to determine managers' extent of utilization of financial record keeping practices for small and medium scale enterprises success in Delta State. Specifically, the study sought to ascertain:

1. Managers' extent of utilization of financial record keeping practices for small and medium scale enterprises success in Delta State.

Research Question

The following research question guided the study:

1. To what extent do managers utilize financial record keeping practices for small and medium scale enterprises success in Delta State?

Hypothesis

1. Experienced and less experienced managers do not differ significantly in their mean ratings on the extent they utilize financial record keeping practices for small and medium scale enterprises success in Delta State

Method

The study adopted descriptive survey research design. Descriptive survey research design makes it possible for the researcher to sample SMEs managers' opinionson financial record keeping practices utilize for SMEs success.The population of the study comprised1347 managers of the small and medium enterprises in Delta State that were registered with the Small and Medium Enterprises Agency of Nigeria (SMEDAN) as at December 2023. Convenience sampling technique was used to select 200 SMEs managers from each of the three senatorial districts in Delta State. A structured and validated questionnaire containing 11 items on a five-point rating scale of Very Highly Utilized (VHU), Highly Utilized (HU), Moderately Utilized (MU), Lowly Utilized (LU) and Very Lowly Utilized (VLU) was used for data collection.

The reliability of the instrument was determined through a pilot test. Copies of the instrument were administered to 15SMEs managers in Edo State who were not part of the research population. Cronbach alpha was used to measure the internal consistency which yielded an overall reliability co-efficient of 0.71.Copies of the questionnaire were administered to the respondents in their offices personally by the researcher with three research assistants. Out of the 600 copies of the questionnaire administered, only 578 copies (representing 96percent) were successfully retrieved and used for data analysis.Mean and standard deviation were used to answer the research question and determine the homogeneity or otherwise of the respondents' views. Decisions on the research question were based on the grand mean in relations to the real limits of numbers. Therefore, items with mean ratings of 1.00 - 1.49 are rated Very Lowly Utilized, those with 1.50 - 2.49 are Lowly Utilized, items with mean ratings of 2.50 - 3.49 are rated Moderately Utilized, those with 3.50 - 4.49 are rated Highly Utilizedand items with mean ratings of 4.50 - 5.00 are rated Very Highly Utilized. T-test was used to test the null hypothesis at 0.05 level of significance. A hypothesis was accepted where the p-value is greater than the alpha level of 0.05 ($p > 0.05$), at an appropriate degree of freedom; otherwise, the null hypothesis was rejected. Data collected were analysed using SPSS version 23.0

Results

Research Question 1

To what extent do managers utilize financial record keeping practices for small and medium scale enterprises success in Delta State?

Table 1
Respondents' mean ratings on extent of utilization of financial record keeping practices for small and medium scale enterprises success in Delta State

S/N	extent of utilization of financial record keeping practices	$\overline{X}$	SD	Remarks
1	Daily sales day book (records all sales to customers on credit)	4.96	.61	Very Highly Utilized
2	Daily purchases day book (records all goods purchased on credit for sales)	4.84	.45	Very Highly Utilized
3	Creditors note (records all account payables for returned goods sold on credit)	3.71	.73	Highly Utilized
4	Debtors note (records all account receivables for returned goods bought on credit)	4.09	.58	Highly Utilized
5	Petty cash book (records daily office small expenses like stationaries, fuel, foods)	4.68	.89	Very Highly Utilized
6	General journal (records all accrued expenses and advanced incomes)	3.93	.65	Highly Utilized
7	Returns inwards journal (records all returned goods sold on credit)	3.99	.47	Highly Utilized
8	Returns outward journal (records all returned goods bought on credit)	3.54	.72	Highly Utilized
9	Cash book (records all cash receipts, cash payments, including bank deposits and withdrawal)	3.76	.51	Highly Utilized
10	Ledger (records the total balance from all transactions)	4.11	.84	Highly Adopted
11	Trial balance (records the balance of all credit and debit transactions)	1.82	.69	Lowly Utilized

Data in Table 1 show that three out of the 11 listed financial record keeping practices with mean ratings ranging from 4.68 to 4.96 were very highly utilized by respondents while seven practices were highly utilized with mean ratings ranging from 3.54 to 4.11 but one practice was lowly utilized with mean rating of 1.82. The cluster mean of 3.95 indicates thatmanagershighly utilize financial record keeping practices for SMEs success in Delta State. The standard deviations for the items are within the same range which shows that the respondents are homogeneous in their opinions.

Tests of Null Hypothesis

Hypothesis 1

Experienced and less experienced managers do not differ significantly in their mean ratings on the extent they utilize financial record keeping practices for small and medium scale enterprises success in Delta State

Table 2: Summary of t-test analysis of mean ratings of managerson the extent they adopt financial record keeping practices for SMEs success based on years of business experience

Variable	N	$\bar{x}$	SD	df	t-value	p-value	Decision
0 – 9 years	308	86.01	8.22	576	0.11	0.53	Not Significant
10 years and above	270	70.64	7.01				

Table 2 shows that managers do not differ significantly in their mean ratings on the extent they adopt financial record keeping practices for SMEs success based on their years of business experience in Delta State. This is shown by the p-value of 0.53, which is greater than the significance level of 0.05. The null hypothesis of no significant difference between the two groups is therefore accepted.

Discussion of findings

Financial Record Keeping Practices Utilizefor SMEs Success

Findings of study disclosed that managers highly utilized financial record keeping practices for SMEs success in Delta State. This means that financial record keeping practices such as daily sales day book, daily purchases day book, petty cash book, cash book and ledger among others were utilized by owners of small-scale businesses in Anambra State. This finding is in agreement with the study of Okoli (2011) who reported that purchase invoice, sales invoice, sales daybook, cash receipts, general ledger and purchases ledger are utilized by managers of SMEs. This finding is validated by the assertion of Adu (2016) that financial record keeping practices serve as means of assessing business financial performance and making corrective measures in order to make up for past business losses. The high extent of utilization of financial record keeping practices among SMEs managers in Delta State could be attributedto the fact that keeping of financial records help them to make informed business plans and policies in the marketplace.

In addition, the study revealed that managersdo not differ significantly in their mean ratings on the extent they adopt financial record keeping practices for SMEs success based on their years of business experience in Delta State. This finding means that SMEs managers irrespective of their years of business experience share the same position regarding the extent of utilization of financial record keeping practices in Delta State. This finding supports, Katisme (2016) who revealed that SMEs managers highly utilized financial record keeping practices because they promote transparency for the day-to-day management of their financial operations in the competitive business environment.

Conclusion

From the findings of the study, SMEs managers in Delta State have solid understanding of financial record keeping practices and are efficient in using daily sales day book, daily purchases day book, petty cash book, cash book, ledger, creditors note and debtors note in their business enterprises. In this light, the study concluded financial record keeping practices were highly adopted by managers for SMEs success in Delta State.

Recommendations

Based on the findings of the study and conclusion drawn, the following recommendations are made:

1. SMEs managers should regularly utilize relevant financial record keeping documents that can improve the success of their enterprises in Delta State.
2. SMEs managers should engage professional accountants and auditors on contractual basis to help them examine the financial health of their business enterprises with financial record keeping practices so as to enable them quickly identify financial distress that may affect the success of their enterprises in Delta State.

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