UNIVERSITY OF CAPE COAST

# EFFECTS OF FINANCIAL RECORD KEEPING ON THE FINANCIAL PERFORMANCE OF SMALL ENTERPRISES IN THE SEKONDI TAKORADI METROPOLIS

ERNEST AKOMPEH DWAMENA

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BY

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Dissertation submitted to the Department of Accounting of the School of Business, College of Humanities and Legal Studies, University of Cape Coast, in partial fulfilment of the requirements for the award of Master of Business Administration degree in Accounting.

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# DECLARATION

## Candidate's Declaration

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

Candidate's signature: ................................ Date: ...............................

Candidate's Name: Ernest Akompeh Dwamena

## 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 University of Cape Coast.

Supervisor's signature: ................................... Date: ............................

Supervisor's Name: Prof. Edward Marfo-Yiadom

## ABSTRACT

The study examined the effect of financial record-keeping on the financial performance of small enterprises in the Sekondi-Takoradi metropolis. The study employed the quantitative research approach. A total of 288 small enterprises who have registered with the Ghana Enterprises Agency in the Sekondi-Takoradi Metropolitan Assembly office formed the population. The Statistical Product and Service Solutions software and SMART Partial Least Square softwares were employed for the data analysis given the techniques embedded in these applications. Out of the number, 165 small enterprises were selected as the sample. The study revealed that small enterprises in the Sekondi-Takoradi metropolis are challenged greatly with mixing up records in relevant books, high cost of employing accountants, failure to predict income and expenditure for budgeting purposes, inability to keep up to date financial records in a realistic manner, and lack of knowledge on how to keep financial records. The level of performance of small enterprises is best described as being moderately improved especially when it comes to receiving money from clients/customers on time, effective allocation of resources, and receiving goods from suppliers on time. Only storage and retrieval practices made statistically significant positive contributions to predicting the positive moderate improvement in the performance of small enterprises in the metropolis. It was recommended that training programs should be organized by accounting firms operating in Ghana for owners and managers of small enterprises so that such enterprises could ingrain in their operations, proper record-keeping practices, systems, and protocols to better position them.

## KEY WORDS

Financial record

Record keeping

Performance

Financial performance

Small enterprises

Sekondi Takoradi Metropolitan Assembly

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# DEDICATION

To my father, Mr. Stephen Ohene Akompeh, my mother, Mrs. Mercy Ohene, my siblings, and my wife, Lisa.

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| | |
|---|---|
| AAA | American Accounting Association |
| CSV | Comma-Separated Values |
| GDP | Gross Domestic Product |
| GEA | Ghana Enterprises Agency |
| GRA | Ghana Revenue Authority |
| GSS | Ghana Statistical Services |
| ICT | Information Communication Technology |
| MRS | Manufacturing Related Services |
| NBSSI | National Board for Small Scale Industries |
| NSDC | National SME Development Council |
| SMART PLS | SMART Partial Least Square |
| SMEs | Small and Medium Enterprises |
| SPSS | Statistical Product and Service Solutions |
| STMA | Sekondi Takoradi Metropolitan Assembly |

# CHAPTER ONE

# INTRODUCTION

This study sought to investigate the financial record keeping practices used by small enterprises and how these practices affect the financial performance of their businesses. Husin and Ibrahim (2014) noted that every business entity needs to ensure that proper records of its financial transactions are kept to aid keeping track of their performance. Business owners would be able to assess the returns on monies invested or the resources employed.

Enterprises that keep financial records may do so either manually or using a computerized system. Meanwhile, record keeping has been a challenge for many enterprises and this has led to the collapse of a host of them (Husin & Ibrahim, 2014). Some frown at it because they do not clearly see the impact of record keeping on the performance of their businesses. This chapter therefore presents a holistic picture of the study. The background to the study, the research problem, the objectives of the research, the research questions, delimitations and significance of the study are all discussed in detail.

## Background to the Study

It is claimed that globally, small enterprises contribute to the economic growth and sustainable development of every nation (Husin & Ibrahim, 2014). Ghana is not an exception. Adomako, Opoku, and Frimpong (2017) found that small enterprises provide employment opportunities for most of the country's working population, contributing about 70% of the GDP of Ghana and forming about 90% of businesses in Ghana. Oppong, Owiredu and Churchill (2014) contended that small enterprises also contribute to expanding the size of the directly productive sector of the economy generating tax revenue for the government and serving as a poverty reduction strategy through fiscal transfers and income from employment and firm ownership.

Nketsiah (2018) explained that the success experienced by small enterprises to a large extent depends effectively and efficiently on managing resources, hence, requiring a proper financial record-keeping system. Oppong et al. (2014) noted that quality record-keeping makes it easier for data accessibility, through which formidable projections about an entity could be made.

Moreover, record-keeping makes it easier for audits to be conducted, and also opens the opportunity to receive financial assistance when seeking for credit. The strength of small enterprises can easily be known by financial institutions and other investors who may take decisions on how much to invest their resources in them based on records kept (Nketsiah, 2018). Nketsiah added that keeping proper financial records helps business owners to monitor their success or failures, obtain information for decision making, gain financial support from banks, prepare budgets and also provide records for tax purposes.

Despite the foregoing enumerated benefits of record-keeping, existing literature on credit accessibility and growth of small enterprises, and government revenue generation indicate that record keeping has not always been a subject of interest to managers of small enterprises (Ansong, Agyei & Marfo-Yiadom, 2017). Adomako et al. (2017), noted that the success of businesses can be challenging if forecasts cannot be made on profits as well as expenses incurred for a particular period. However, some small enterprises neglect any sort of financial records, believing that their businesses are too small to need them. Others are concerned about the high cost of hiring professional accountants to assist, and some also do not consider record keeping as realistic to fill the needs of their businesses.

Agencies of government revenue collection cite poor record-keeping as one of the challenges faced when dealing with small enterprises. This means that there is a great challenge on record-keeping by small enterprises. Unfortunately, various studies on small enterprises have paid little attention to their financial record-keeping practices and rather focused on how they could access credit facilities (Abor & Quartey, 2010). Most of the studies that have also identified poor record keeping practices as one of the main problems that confront the growth of these enterprises (Ansong et al., 2017). Many are unaware of or do not believe in the value of financial record keeping for control and decision-making (Hamza, Mutala, & Antwi, 2015).

The record continuum theory and the decision usefulness theory provide a theoretical basis for keeping business records. The record continuum theory requires a consistent and coherent practice of keeping financial records, from inception, through processing to storage and retrieval (Frings-Hessami, 2021). The decision usefulness theory on the other hand requires that records that are kept by enterprises should be so relevant that they could influence the decisions taken. Hence, owners of small enterprises do well to take note of all transactions that could affect the operation of their businesses (Andon, Baxter & Chua, 2015). Given the empirical and theoretical information, it is important to examine in detail the financial record-keeping practices of small enterprises, the challenges and how these practices affect their financial performance.

**Statement of the Problem**

When proprietors of businesses have knowledge about financial record keeping and apply them, decision making systems become simplified and this contributes to building successful businesses (Nketsiah, 2018). Enu-Kwesi, Quarshie and Mensah (2017) posits that record-keeping provides a good and strong basis that aids decision-making within and outside an organization. They further stated that financial information is said to be relevant only when they reliably contribute to decision-making. It has therefore been observed that good financial information contributes successfully toward the management of any business organization, whether small or large (Stano & Ghisett, 2016).

Meanwhile, Eze and Okpala (2015) noted that business experts describe small enterprises as a sector that lacks proper record keeping habits and this has constantly been lamented by credit providers and tax authorities. Keeping proper financial records play cardinal in the acquisition of loans from banks, yet, studies on financial record keeping practices of small enterprises continue to identify poor financial records as a hindrance to such credit support (Abor & Quartey, 2010).

Except for statutory purposes, small enterprises hardly give serious consideration to sound financial recording procedures. This has been the reason for the untimely collapse of a host of them (Husin & Ibrahim, 2014). The ineffectiveness of financial record-keeping is also believed to have contributed to the lack of proper assessment of stock levels and hence leading these enterprises into running losses (Abor, & Quartey, 2010).

In Ghana, some small enterprises do prepare financial records in order to obtain financial assistance from banks and other credit providers, others keep them for tax purposes, whereas many others keep financial records in order to track their debtors (Amoako, 2013). Aladejebi and Oladimeji (2019) argued that some owners of small enterprises do not have adequate financial training and some also claim that it is unrealistic to keep accurate financial records whereas others are concerned about the cost of hiring a professional accountant. Akesinro and Adetoso (2015) admitted that poor record keeping or non-availability of financial records have constantly led to mismanagement of cash and other resources in entities.

The Sekondi Takoradi Metropolis (STMA) has realized a recent increase in the number of small enterprises (Nketsiah, 2018). Studies by Enu-Kwesi et. al (2017) have indicated that these small enterprises struggle to thrive financially. One perceived major reason assigned to their inability to thrive was poor financial record-keeping.

Considering the benefits associated with keeping financial records and the little attention on the impact keeping these records have on the performance of these entities, the study intends to add to existing literature by spelling out some specific aspects of record keeping practices of small enterprises that reveal the impact of financial records on financial performance. Moreover, the study would fill the gap of determining the storage and retrieval practices adopted by the small enterprises in the Sekondi-Takoradi metropolis in keeping financial records.

## Purpose of the Study

The purpose of this study was to assess the financial record-keeping practices and the impact on the performance of small enterprises in the Sekondi Takoradi Metropolis in the Western region of Ghana.

## Research objectives

The objectives of the study were to:

1. Examine the extent to which sound record-keeping practice is carried out by small enterprises.
2. Ascertain the challenges encountered by small enterprises in keeping financial records.
3. Examine the impact of financial record-keeping practices on the performance of small enterprises.

## Research Questions

1. What is the extent to which sound record-keeping practices carried out by small enterprises?
2. What challenges do small enterprises encounter in keeping financial records?
3. How have sound record-keeping practices impacted the level of performance of small enterprises?

## Significance of the Study

The study aimed at providing a workable solution to the real and problematic issues facing small enterprises. Key stakeholders may benefit generally. The small enterprises would find the result of the study very valuable because it provides comprehensive suggestions to financial record-keeping practices that add to improving the performance of small enterprises. The study is immensely helpful to small enterprises as it influences the business environment by suggesting practices for the owners of these small enterprises to improve their daily operations, approaches, and methods of doing business.

This study also aims at providing suggestions to aid small enterprises to access financial assistance and other credit facilities easily from banks and other financial institutions in Ghana. The findings would help the managers as well as the owners of these small enterprises to keep proper track of the total sales and purchases as well as debtors' figures; maintain appropriate stock levels to avoid capital being locked up in stocks; loss of customers due to shortage of stocks and others. Finally, the study contributes to existing knowledge and further serves as secondary data for prospective researchers.

**Delimitation**

It would be ideal for the study to assess financial record-keeping practices on the performance of businesses in different industries in Ghana. However, the study was carried out targeting small enterprises. The sample of small enterprises was restricted to those in the Sekondi Takoradi Metropolis. The metropolis has a concentration of these small enterprises. Although there are numerous sectors these small enterprises fall under, this research could not cover an exhaustive list of all the activities undertaken by these small enterprises due to time constrain.

Besides, not all the activities could be captured. The research, therefore, focused on selected small enterprises from the following groups to represent the whole sector. These include the agricultural sector, manufacturing, trading, and service providers. To achieve a clearer and concise analysis, the research examined sales books, purchases books, cash books, debtors' and creditors' journals, and other relevant books kept by the managers of these enterprises. Problems associated with keeping proper books of accounts are discussed as well as measures to control them.

**Limitations to the Study**

Since the study targeted only small enterprises operating in the Sekondi-Takoradi metropolis in the Western region of Ghana, generalizing the findings to all sizes of businesses including micro, medium and large enterprises could be misleading because the recommendations may not suit the situations of these classes of businesses operating in Ghana. The study was purely quantitative and therefore in-depth individual scenarios are ignored thereby limiting the application of the study from qualitative perspective or the mixed research approach angle.

**Organization of the Study**

This study was framed and presented in five major chapters. Chapter one presented the introduction, giving a comprehensive background to the study, specifies the problem under investigation, the purpose of the study, the objectives of the study, research questions, significance of the study, and the scope of the study. The second chapter coverer the literature review and chapter three discusses the methodology employed for the study. The fourth chapter presents detailed results of answers to the research questions and discussions relating the research to literature and the final chapter - chapter five presents the summary, conclusions, and recommendations of the study.

# CHAPTER TWO

# LITERATURE REVIEW

## Introduction

The study intended to review the effects of financial record keeping on the financial performance of small enterprises in the Sekondi Takordi metropolis. The practices undertaken in recording financial transactions, challenges to record keeping and the spillover effects on the performance of small enterprises are all addressed. This chapter examined preceding literature on the study to find gaps that the study intended to fill. The review of literature provided the opportunity for gathering facts that shape the direction of the current study.

This literature review did not only scrutinize previous writings on similar topics but also appraised and encapsulated them. This was done by comparing, contrasting, and correlating various scholarly books, research articles, and other relevant sources that were directly related to the current research. In this chapter, the theoretical review provided theoretical reasons to investigate the relationship between the study variables. The theoretical review produced certain key concepts which were also discussed in this chapter as conceptual issues. Empirical evidences as means of comparison and gap analysis were also accounted for (Abraha & Hyder, 2021)

## Theoretical Review

Verbeke and Tung (2013) noted that in every research work, there is the likelihood that some theoretical suppositions would be underpinning the variables under consideration and that a researcher would provide information on those theoretical suppositions. Verbeke and Tung (2013) revealed that there is no universally accepted definition for what constitutes a theory; however, it is believed that theories direct research and serve as the basis to develop the empirical relationship between constructs.

This chapter reviewed relevant literature in the academic field of record-keeping practices of small enterprises and the impact on their performance. The chapter also examined theoretical assumptions that underpin the relationship between the study variables and the extent to which the findings could add up to the theories. The theories being considered in line with this study are the record continuum theory and the decision usefulness theory.

**Record continuum theory**

The record continuum theory describes record keeping as a logical and meaningful system of management processes concerned with keeping records, from their inception through their preservation to the use of those records (Frings-Hessami, 2021). It is noted that individuals who manage records in enterprises take keen interest in the activities of the enterprises, hence, Frings-Hessami suggested that these individuals become conversant with the dimensions of financial record keeping. The four dimensions were noted as creating documents for accountability, capturing records, organizing records and connecting records to organizational needs.

According to Wolk, Dodd and Rozycki (2010) the first dimension involves creating documents for accountable transactions. This entails identifying accountable acts and linking related records so that the records serve as evidence for the accountable acts. The records that have been gathered are managed in the second dimension. This is done by tagging the data and linking them to one another. The third dimension ensures that the records are stored and retrieved as part of an entity's formal record system. The fourth and final dimension ensures that the content of the records provide solid information about the state of the entity. It also considers a cooperation between an entity and public authorities to establish standards for record-keeping on the needs of the entity (Coetsee, 2010).

The importance of the record continuum model was explained by Frings-Hessami (2021) who stated that given the context in which records managers work, the model provides a broader interpretation for record keeping systems. Furthermore, the model reminds users that records are not an end in themselves, but rather are used to support entities' administrative function.

According to Coetsee (2010) individuals who manage records in entities are brought together to work toward a common goal. The goal is to increase the trust that users of records have in the records that are kept amidst the challenges of keeping records. This is accomplished by assuring them of the records' reliability, authenticity, and completeness. It also ensures that uniform standards are adhered to in order to achieve a common understanding and practice. Regardless of using manual or digital methods of keeping records, the theory provides a connection between past, present and future records which goes a long way to impact the performance of entities (Wolk et al., 2013).

**Decision usefulness theory**

In 1966, The American Accounting Association (AAA) formed a committee to bring the notion of decision usefulness into accounting theory (Soyinka, Fagbayimu, Adegoroye, & Ogunmola, 2017). The theory maintains that the decision utility of financial information for users should be a significant factor that influences which methods are used to record financial information. The implication then is that the financial information's forecasting capacity should be used to assess the decision's usefulness. Therefore, the greater the accuracy with which consumers of the information can predict with a measure of certainty, economic and financial events using financial data, the more beneficial this data becomes to them (Andon et al., 2015).

The theory contributes to the current study in a variety of ways. The first implication is derived from the significance of financial reporting in making informed decisions. The idea of the decision usefulness theory suggests that adequate financial reporting arising from appropriate record-keeping will help stakeholders may make smart decisions (Jabbar, 2017). The conceptual framework is one of the most important documents for standard setters and accounting professionals. It requires that financial reports should offer valuable financial information to users, these being investors, lenders, and other creditors on their capital allocation decisions (Jabbar, 2017).

Using small enterprises as an example, it can be observed that adequate record-keeping is essential to investors and lenders. These stakeholders (investors and lenders) might make important decisions based on the records presented by small enterprises, thereby having a profound effect on their growth and performance (Soyinka et al., 2017). Such decisions include increasing the threshold of their investment and demonstrating interest to invest in new programs of these enterprises.

Financial data may be relevant to other users like financial institutions. This group of capital providers are clearly the most common group targeted by small enterprises. Financial institutions also depend on available financial information when deciding where to invest (or disinvest) their money. However, if small enterprises have a bad record-keeping practice, capital providers will find it difficult to provide effective assistance (Jabbar, 2017). When records are well kept, there is a strong possibility that good decisions will be made and when poor records are kept, managers will find it difficult to make clear decisions, hence, keeping records have a profound impact on the decision of an entity, thereby, reflecting their performance.

**Conceptual Review**

This section discusses some of the key variables in the study. Some of these variables include the concept of small enterprises in Ghana, factors that inhibit financial record keeping, record-keeping practices undertaken by small enterprises, the contribution of small enterprises toward economic growth and concepts underlying financial performance of small enterprises.

**The concept of small enterprises**

Many writers have tried to define the concept of small enterprises, hence opening the definition to diverse opinions. Many base their definition on a variety of characteristics, such as the size of an economy and the micro and macro indicators for development. Some definitions focus on the amount of capital utilized, whereas others refer to the level of technology, and so on. In Africa, Small enterprises are defined by their economic activity within a given geographical location (Ramli, Zain, Razik & Yaacob, 2017). This can be viewed from both an international and a local standpoint.

Stano and Ghisett (2016) realized that in Hong Kong, an organization is regarded as a small enterprise if its total annual revenue is less than HK$50 million, total assets are less than HK$50 million, and the number of workers are less than 50 at the reporting date. Husin and Ibrahim (2014) also wrote that the International Accounting Standards Board defines small enterprises as entities that are not required to publish general purpose financial statements for external users but do so anyway. Moreover, the European Commission, according to Stano and Ghisett (2016), defines small enterprises as businesses that employ fewer than 250 people and/or have an annual sales of less than EUR 50 million and/or an annual balance sheet total of less than EUR 43 million.

In Malaysia, small enterprises are classified based on their categories and sizes (Husin & Ibrahim, 2014). The National SME Development Council (NSDC) approved the use of a common criteria for small enterprises in sectors in 2005. These included manufacturing (including agro-based) manufacturing-related services (MRS) primary agriculture, and services (including Information and Communication Technology). Government ministries and agencies involved in small enterprise development, as well as financing institutions, established these criteria (Ramli et al., 2017). Husin and Ibrahim (2014) added that Malaysian small enterprises are classified into three categories: micro, small, and medium. One of the criteria was the number of employees a company has.

According to Oppong et al. (2014) the Ghana Enterprises Agency (GEA) notes that a small enterprise is a firm that does not have more than 9 workers, and has plant and machinery (which does not include land, buildings, and vehicles) not exceeding GH¢10 million. Musah (2017) states that micro-enterprises have less than 5 employees, small enterprises have 5 - 29 employees whereas medium enterprises have 30- 99 employees, and large enterprises, 100 employees and above.

In their work, Nkuah, Tanyeh and Gaeten (2013), made it clear that the Ghana Statistical Service (GSS) categorizes businesses having a maximum of ten (10) workers as small enterprises whilst others with workers exceeding (10) are categorized as medium enterprises. They mentioned that the value of fixed assets is another benchmark used for defining small enterprises. Ten million Ghana cedis have been used as the upper limit for plants and machinery. They however indicated some weaknesses with this definition, namely, there are challenges in the valuation of fixed assets and the frequent depreciation of the local currency as against main trading currencies.

From the definitions provided by the Ghana Enterprises Agency and the Ghana Statistical services the operational definition of small enterprises for this study will be those that have less than ten (10) employees including the proprietor of the business. Nkuah et al. (2013) explain that small enterprises are different groups of firms that operate in different markets. Some of the firms are innovative, growth-oriented and others are dynamic in their operations.

**Record-keeping practices of small enterprises**

Marfo-Yiadom, Asante and Tackie (2015) noted that record-keeping is an aspect of accounting that uses either a manual or computerized system to record transactions just as they occur. One of the most important obligations of owners of various enterprises is record-keeping, which is a critical component of business success. Having an effective record-keeping system is crucial to the success of any business, whether it is a sole proprietorship, partnership, or corporation. There are varieties of formats to preserve financial records. This can be done simply with manila folder filing systems or complicated electronic systems. A record system, regardless of its form, must enable enough storage and retrieval of records and be simple to use (Musah, 2017).

Businesses' record-keeping processes differ depending on their size and capabilities, as well as their location. According to Musah (2017) the systems used to record information may differ among businesses, but the basics remain the same. Nkuah et al. (2013) posits that employees or those responsible for keeping financial records go through the cycle of record-keeping to prepare financial statements. The cycle includes creating business transactions, analyzing data, and transferring the transactions into journals by account name. Posting records from the journals to ledgers, extracting the trial balance, adjusting the journals, ledgers, and trial balance, and preparing the financial statement all form part of the cycle.

Zafar and Mustafa (2017) describe the keeping of financial records as the fundamental step in accounting. They enable proprietors and managers of small enterprises to have information that will enable them to monitor the performance and growth of their businesses. Amoako (2013) said record-keeping gives a backbone to small enterprises. Record-keeping has the propensity to make or ruin a corporation. Keeping correct records, then, is what builds a thriving business.

Amoah and Amoah (2018) observed that most small enterprise operators consider record-keeping as a normal process that must be done in order to simply collect back amounts that have been invested within a specified period. This implies that, for small enterprises to thrive, owners and managers must have up-to-date, accurate, and timely financial information.

**Financial record-keeping systems among small enterprises**

Yussif, Kusi and Ismail (2019) pointed out that financial records for small enterprises can be basic manual ones. They listed the general journal, general ledger, purchases journal, cash book, and sales journal as examples of the basic manual books of accounts. Aladejebi and Oladimeji (2019) claimed that small enterprises keep records on daily cash movement, receivables, payable, customers, safety, and inventory.

Ademola, James and Olore (2012) said that a business should keep several unique books that would provide a descriptive and organized record of daily financial transactions. Before posting to the ledgers, records in the daybooks would be appropriately recorded in the journals. They also observed that enterprises must keep records of accounts receivables, accounts payables, inventory, banking transactions, sales, personnel, cash, and daily purchases.

Marfo-Yiadom et al. (2015) explained that the purchases journal, also known as purchases day book records all credit purchases using purchases invoices that have been received. The sales journal, also known as the sales day book keeps record of daily sales transactions on credit using issued sales invoices. They added that the cash book is also used to record all cash receipts and payments using cheque book stubs, copies of receipts, and pay-in stubs.

Ademola et al. (2012) indicated that the books of original entry bring all transactions that are similar together. This makes it quite easier to trace transactions and also reduces the number of entries that would be made in the ledgers since summaries or totals from these books would have to be transferred to the relevant ledgers. Yussif et al. (2019) concluded that financial records kept by small enterprises shall include the sales journal, purchases journal, cash receipt and payment books, cheque book, petty cash book, general journal, nominal ledger, sales ledger, and purchases ledger adding that records may be kept either manually or on a computerized system.

***Conventional / manual record-keeping system of small enterprises***

The system of keeping manual financial records requires that the entire process to provide accounting information must be done without the use of any electronic system. The preparation of trial balance, journalizing of transactions, and preparation of financial statements are all required to be done manually. Before computers came into full play, typewriters were used in most businesses. They were used to type invoices, receipts, cheques, etc, and calculators were used for all computations (Muteti, Namusonge & Nzomo, 2018).

***Merits of manual record-keeping***

Cheap labor has been noted as one of the merits of manual record-keeping systems. Other potential merits include little training required, consistency – such that work becomes routine to perform, free from machine errors – such as viral infection, loss of data due to power fluctuation, hard disk crash, and availability of skilled workers (Muteti et al. 2018).

***Challenges with manual record-keeping systems***

Although the manual record-keeping system has these merits, more time is required to get work done. In big businesses, huge capital would be required with more effort to balance books. There is the need to have trained or professional accountants to prepare the financial record of transactions (Muteti et al. 2018). The manual system of recordkeeping may also lead to working at a slower pace and having a comparatively slower internal control and reporting system (Amoako, 2013).

Again, there is the possibility of introducing errors which can go unnoticed for a considerable period. Unlike bigger corporations, small enterprises may prefer manual systems in order to forgo costs associated with implementing the computerized system (Amoako, 2013). Amoako added that two common kinds of conventional/manual record-keeping systems are usually employed by enterprises in their operations. These are the single-entry bookkeeping and the double-entry system.

***Computerized Record-keeping System***

A computerized accounting system is an accounting system that relies on Information and Communication Technology (ICT) to perform information functions (Frimpong, Yawson & Akomeah, 2018). That is the whole collection of corporate information, which includes all inputs, gathering, and reporting of financial transactions. This system configuration is used to support the processing and distribution of accounting information.

Habiba, Azhar, Annuar and Mastora (2019) describe computerized record-keeping as a method of maintaining financial reporting in enterprises through the use of computer technology for recording and processing financial data. A computerized record-keeping system uses computer software to keep financial information. It computes and records faster, but it would not know what to perform until given specific instructions (Frimpong et al., 2018). The information is then processed automatically by the computer in response to a request. Computers are utilized in these systems to perform more precise computations and generate rapid reports, but it requires a great deal of skill, resources, and work. It is also time-consuming to determine which accounting method is the most efficient and cost-effective.

***Merits of the Computerized Record-keeping System***

Opoku-Ware (2015), found that computerized record-keeping systems outperform manual record-keeping for small enterprises. Businesses can purchase the technology at a reasonable cost. The software system enables enterprises to immediately know the company's financial status, allowing them to make the required improvements to the business. Computerized record-keeping systems provide real-time reports on inventory, profit and loss, customer accounts, payroll, and sales analysis.

Frimpong et al. (2018) reiterated that it also allows for simple adjustments in the accounting system. Furthermore, transactions are only entered into the system once, and with minor training, any person in the company can enter the data. Computerized accounting system saves time. As a result, accounting software contributes to faster data entry than a manual accounting system, as well as faster and more accurate collection and printing of documents such as invoices, purchase orders, and payroll.

Because of their effectiveness and ease of use, computerized accounting systems improve inventory control and payment collection, saving time and improving cash flow. Because a computerized system delivers automatic updates, time is saved throughout the updating process, and account information is usually up to date (Opoku-Ware, 2015).

Habiba et al. (2019) added that computerized record-keeping procedures improve a company's manufacturing process, which increases overall productivity. It also streamlines work processes, reduces data redundancy, and reduces reconciliation errors. It helps small and large organizations with their financial management methods.

Opoku-Ware (2015) mentioned that computerized accounting systems give benefits such as increased speed and accuracy in business processes, as well as the ability to see the company's true financial condition. Again, Frimpong et al. (2018) argued that with the introduction of new technologies and more user-friendly software, computerized systems appear to minimize the issues connected with manual record-keeping practice. As a result, the use of technology such as a computerized accounting system aids small enterprises to make sound decisions.

***Challenges with the Computerized Record-keeping System***

The use of computerized accounting systems have some drawbacks, such as the possibility of data loss due to power fluctuations or viruses, and the risk of hackers stealing data (Habiba et al. 2019). Opoku-Ware (2015) noted that the disadvantages also include: high expenses for designing, implementing, and using the system, unique training for workers, high employee training costs and reliance on machines.

Internal and external barriers to ICT implementation by small enterprises can be classified into categories. Internal barriers can be further subdivided into personnel, organizational cost and return on investment. It has been observed that most small enterprises face internal constraints such as a lack of suitable ICT skills on the side of employees and a high cost of management adaption. One of the primary barriers to the deployment of computerized record-keeping systems is the lack of ICT understanding among small enterprise operators (Opoku-Ware, 2015). For example, Mbroh and

Quartey (2015) stated that a lack of basic computer technology abilities and a low degree of computer literacy present inadequate computer technology adaption.

**Financial Performance of Small Enterprises**

Balagobei (2019) stated that performance can be described as the level at which an organization's established objectives are met in a certain period. These objectives may either be financial or non-financial or possibly, both. They claimed that performance can be influenced by both macro and micro-economicod factors.

Musah (2017) explained performance as the after-effects, end-results, and achievements that result from organizational actions, whether they are negatives or positives. It was noted that measuring strategic tactics in terms of outcomes is critical. Financial indicators such as returns obtained from investment, return on assets, turnover, and profit before tax are examples of these outcomes. Musah added that the macroeconomic factors are those that affect a large population rather than a few selected individuals and are relevant to a broad economy at the regional or national level. GDP growth, inflation, unemployment, interest rates, exchange rate, and level of competition are all macroeconomic factors.

Zotorvie (2017) on the other hand, said individual risk exposure, operating methods, and the degree of management tactics are examples of micro variables. Oppong et al. (2014) identifies elements that influence business performance such as experience, education, parental occupation, gender, race, age, and entrepreneurial ambitions as micro factors. Musah, (2017) relates the success of small enterprises to demographic characteristics and business aspects such as amount invested, usage of technology, age of business operating site, business structure, and number of full-time employees.

Mbroh and Quartey (2015) noted that the financial performance of an entity is directly influenced by its market position and profitability. Profitability is divided into two parts, being net asset turnover and net profit margin. Oppong et, al. (2014) added that a high turnover rate indicates that an enterprise is making better use of its assets and, as a result, is more efficient, whereas a higher profit margin indicates that an entity has significant market power.

In his work, Balagobei (2019) revealed that the level of risk an enterprise is exposed to can create changes in its market value. Stating that high-risk ventures should yield high returns. Economic growth can help an enterprise gain a better position in the financial markets since market valuation takes into account predicted future profits. Human resource management, both technical and strategic, is a significant factor in an enterprise's performance. It entails developing and implementing a set of internally consistent rules and practices to ensure that an enterprise's human capital (the pooled knowledge, skills, and abilities of its people) contributes to its business objectives (Yeboah, 2021).

The size of the firm, according to Balagobei (2019) is another element that determines financial performance. Large companies have easier access to resources, but small enterprises must work hard to gain the trust of financial institutions. Without keeping records, it would be difficult to identify profitability and business susceptibility; hence, record-keeping has evolved as crucial for the foundation of business (Mbroh & Quartey, 2015).

***Performance indicators***

Performance of entities can be measured or assessed based on several factors. These include the level of sales and profitability, number of customers, customers' reaction to products or services, competitive advantage and inventory turnover (Musah, 2017). When proper records are kept, it would be easy to take note of products or services, that are highly patronized. This would inform the managers of the enterprises to give attention to those products or services and provide them in high supply (Ohiomah, Andreev, Benyoucef, & Hood, 2019).

Likewise, for products and services that are less patronized, managers will be notified to reduce their supply (Ohiomah et al., 2019). An increase in sales leads to an increase in profit, whereas a decrease would reduce profitability as cost remains constant. An increase in sales and profitability therefore indicates good performance whereas a decrease in sales and profitability indicates low performance (Peterson, 2020).

Rajendran (2021) explained that proper record keeping serves as a basis for managers to determine their customer base. When proper records are kept, data on customers would be well noted and good customer service would be rendered leading to an increase in the number of customers. Rajendran added that an increase in the customer base denote that customers are embracing products and services informing the entity of a good performance, whereas a decrease in the customer base would denote that performance of the entity is not to the expectation of customers, hence a need for change.

According to Atnafu and Balda (2018) adequate records on inventory levels provides good information to owners and managers of the enterprises to know whether cash has been locked in inventory or not. Reorder levels, reorder quantities and reorder periods are duly determined if proper records are kept. This helps to ensure that inventories are not short in supply and helps to maintain the going concern state of the entity. Goods would be ordered and received on time to meet the satisfaction of the customers of an entity. A firm's ability to make goods available to meet the needs of customers on a constant basis indicates good performance whilst the inability to make goods available on time and on regular basis indicates low performance (Farooq, 2019).

Mashdurohatun and Kurnia (2020) posit that entities that take the pain to keep updated records of their activities are able to track their relations between themselves and their debtors and creditors. A good record keeping system aids entities to control their debtors collection period and creditors payment period. A firm is said to be well performing if it is able to collect monies from debtors within a very short period and also pay creditors on time. Meanwhile, if monies are locked up in debt, and creditors are not paid, the entity is described as non performing (Richard & Kabala, 2020).

**Effects of storage and retrieval of financial performance**

Akesinro and Adetoso (2016) revealed that when records are collected, it is essential to ensure that similar transactions are logically organized. This can be done either manually (written) or with a computer system. Akesinro and Adetoso noted that information goes through four stages, these being data collection, processing, storage and retrieval. Financial information needs to be protected from destruction (whether intentional or accidental) and must be kept confidential from unauthorized users. These records serve as evidence for accountability hence their security must be upheld (McCallister, 2010).

According to Sumithra and Sridhar (2021) financial information can be stored in either hard copies or soft copies. They explained that the financial information might be stored in hard copy by having a print-out put in a file and placed in a drawer or cabinet (preferably locked) to ensure safety and confidentiality. Attaran and Woods (2019) also noted that the information could be kept on a computer hard disk or in the cloud for future use. It would therefore be ideal to have passwords set to keep the records from unauthorized users.

Attaran and Woods (2019) further discouraged the practice of keeping mental records of financial information since the absence or demise of the bearer of the information could cost the success of the entity. When records are kept well, whether manually or electronically and reproduced on time, there is no doubt the entity would improve in their activities.

**Empirical Review**

Aladejebi and Oladimeji (2019) evaluated the effects of maintaining financial records on the functioning of small enterprises in Nigeria's Oyo state. The research design was a blend of descriptive and cross-sectional. They employed a stratified sampling procedure and had 197 respondents as the sample who were then classified based on the type of business they ran. Personal interviews and questionnaires were used to collect data, which were then analyzed using descriptive statistics. Their model's independent variables revealed that financial records accounted for 86 percent of an enterprise's performance.

According to their results, many of the respondents did not maintain detailed financial records attributing their reasons to cost of hiring professionals, a waste of time, among others. Although their study addressed the record keeping practices undertaken by small enterprises and hinderances to record keeping, no clear information was given on the direct impact of record keeping on the performance of these enterprises. It was also reported that 72.1% of the respondents kept manual records, yet no specific books were mentioned to provide substantial evidence of their record keeping practices.

Aladejebi and Oladimeji (2019) added that these businesses judged their profitability hazily, lacked budgets, and failed to prepare yearly financial statements. They therefore advised small business owners and managers to seek for basic accounting knowledge in order to use proper accounting methods in record-keeping to achieve efficient financial performance.

Balagobei (2019) investigated how proper record-keeping influences the profitability of small enterprises. An assertion was made that managers and operators of small enterprises could not assess their performance properly since records were inadequately maintained. It was argued that if proprietors could keep very good account of the financial activities of the enterprises, profitability would be enhanced and their continuity would be assured. The implication then is that recordkeeping continues to be an important benchmark for resilient small enterprises.

It would have been beneficial if Balagobei (2019) addressed the challenges faced by small enterprises in keeping financial records. Moreover, the study failed to address the precise record keeping practices undertaken by the small enterprises. Meanwhile, it was clearly established that those who strived to keep some records realized an impact on the performance of their businesses. It was therefore recommended that training programs should be organized by stakeholders like academic institutions and governmental agencies that are responsible for the growth and management of small enterprises to provide relevant basic lessons on record keeping to them.

In another study, Mwebesa, Kansiime, Asiimwe, Mugambe and Rwego (2018) stated that only a few among the enterprises they surveyed kept records on their operations, finance, audited accounts, and tax returns. Small enterprises could hardly receive credit from banks and other promotional institutions. This is because they were considered as high-risk areas, and that resulted in charging them high interest on borrowed funds to scare them. Mwebesa et al. failed to specify the very records kept by the small enterprises they studied, yet they realized that the majority of the respondents agreed that they had competent persons who kept their financial records and that there were no role conflicts between the record keepers and managers of the enterprises.

Olajide and Obialo (2020) employed a survey design to choose 120 business owners (comprising 53 males and 67 females) from a population of 170 registered small enterprises in the local government registry. To gather information from the respondents, a structured questionnaire having a reliability level of 0.76 (Cronbach Alpha) was employed. The majority of the enterprises (68.3 percent) were between one and five years old, meaning that they were primarily start-ups. 31.7 percent of the enterprises had been in operation for six years or more, indicating that the possibility for older businesses to survive was uncertain. The majority of the business owners were in the manufacturing industry (35.8 percent).

Despite having a good attitude regarding record-keeping, 59.2 percent of small enterprise owners managed financial records manually without the assistance of a professional. The data also demonstrated that stock records have an impact on sales growth. The record of income and expenditure has a beneficial impact on the level of profitability of small enterprises, while the records of debtors and creditors have a favorable impact on the operational efficiency of small enterprises. The findings from Olajide and Obialo (2020) further confirms that record-keeping has a positive impact on the performance of small enterprises, meanwhile, no detailed information was provided on factors that hinder regular updating of financial records.

It is evident from the study by Balagobei (2019) and Aladejebi and Oladimeji (2014) that record-keeping has a positive effect on small enterprises' performance. However, much as these studies were conducted outside the Ghanaian jurisdiction, the findings have been in existence for more than five years. It is therefore imperative to examine the situation in Ghana using current data.

In Ghana, a study conducted by Marfo-Yiadom and Agyei (2017) in the Central region revealed that thirty-eight percent (38%) of small enterprises could obtain credit from their suppliers given an average credit period of two weeks to a month, whereas the credit period offered by small enterprises to their customers was less than a month. Their result showed that fifty percent (50%) of their respondents kept records in notebooks and less than one percent (0.7%) kept computerized records. Their work did not specify the challenges small enterprises encounter in keeping financial records. They observed that the Business Advisory Center had provided training to these small enterprises on record-keeping, yet only a few applied the lessons.

Mbroh and Quartey (2015) discovered that small enterprise owners are confronted with numerous management issues, the majority of which are related to their financial management practices. Their study emphasized the distinctive financial management techniques of the selected business owners by employing the purposive sampling technique using a self-administered data collection procedure. In total, 372 small and micro enterprises responded, with the small enterprise section (118) and the micro-enterprise segment (254) chosen from the twenty administrative district capitals in Ghana's Central Region.

The data demonstrated how haphazardly, and possibly irresponsibly the owners managed their various business finances. They added that only 13% among the respondents grasp the definition of financial management, 36% of respondents agreed financial management is only concerned with keeping and providing accurate records. Moreover, 13 percent of the entire respondents were particular that they did not comprehend the definition of financial management. Their work failed to provide details on the impact record keeping had on the performance of the entities they studied.

They suggested that there should be stakeholder collaboration efforts bringing together the business schools in the polytechnics and universities, as well as relevant agencies and non-governmental organizations, to develop the financial management capacity of the various business owners. They finally recommended that business owners should take immediate steps to obtain these key skills in order to keep their businesses in existence.

Musah (2017) sampled 120 small enterprises in Accra that had been in operation for at least five years in another study. Data was acquired via questionnaires administered by Dominion University College students and made the analysis using descriptive statistics and Pearson correlation. According to the data, some small enterprise owners kept subsidiary books of accounts.

The results revealed that by keeping correct records, they were able to make critical decisions and make business modifications accurately, resulting in lower operating expenses and increased efficiency and productivity. According to the findings of the study, owners/managers of small enterprises had a positive attitude toward financial record-keeping yet they lacked accurate knowledge in practice, hence, the inability to know which books to keep. The results of the study also showed that small enterprises encountered a variety of challenges in their record-keeping processes. These include a lack of basic knowledge in accounting and having no specific guidelines to record financial transactions and cost and time constraints. Finally, the findings saw a link between recordkeeping procedures and the growth and performance of small enterprises in Ghana.

Zotorvie (2017) conducted a study on the financial accounting methods adopted by small enterprises based on a survey of 225 Ho Municipality enterprise managers. According to the study, the majority of small enterprises failed to keep proper financial records of their operations. As a result, it was difficult for owners and managers to ascertain the profit earned or loss incurred by the enterprises during a specific accounting period, as well as the position of assets and liabilities, in order to strategize and make necessary modifications in their operations.

The main reasons for the businesses' failure to keep good financial records and prepare a complete set of financial statements were attributed to the high cost of engaging trained accountants and lack of knowledge in accounting. The relationship between record keeping and the performance of the enterprises were not categorically described in the study, yet, it was proposed that the Ghana Enterprises Agency (GEA) should partner with accounting bodies to provide accounting training to these enterprises.

Yussif et al. (2019) studied 217 out of 250 small enterprises in Ghana and reported that 59% do not have any records about their businesses. They noted that low educational levels and zero knowledge in accounting made it difficult for them to appreciate the need to practice proper financial record-keeping in their businesses. To survive, owners and managers shall need updated, accurate, and timely financial information.

Nketsiah (2018) claimed that the financial status of small enterprises can be monitored with accounting systems if proper records are maintained. The accounting systems would aid the preparation of documents for tax purposes. They would also become destinations for storing confidential and relevant information such as those about strategic plans, production, sales, among others. The systems would moreover make it easy to determine balances on various accounts, such as debtors' and creditors' balances and would help to easily predict the future performance of the enterprises.

The current study extends the argument into the Sekondi Takoradi Metropolis to assess how financial record-keeping practices affect the overall performance of small enterprises within the metropolis.

**Conceptual Framework**

From the theoretical, empirical, and conceptual review, it is observed that financial record-keeping has a significant relationship with the performance of small enterprises. The theoretical and conceptual reviews have revealed that financial record-keeping is associated with manual systems, computerized systems, and various measurements of accounting standards. Moreover, all these systems come with their unique challenges. However, a combination of these associated factors of financial record-keeping determines the performance or growth of small enterprises which is measured in terms of profitability or returns on asset and investment. The interrelationship between these variables is presented in Figure 1

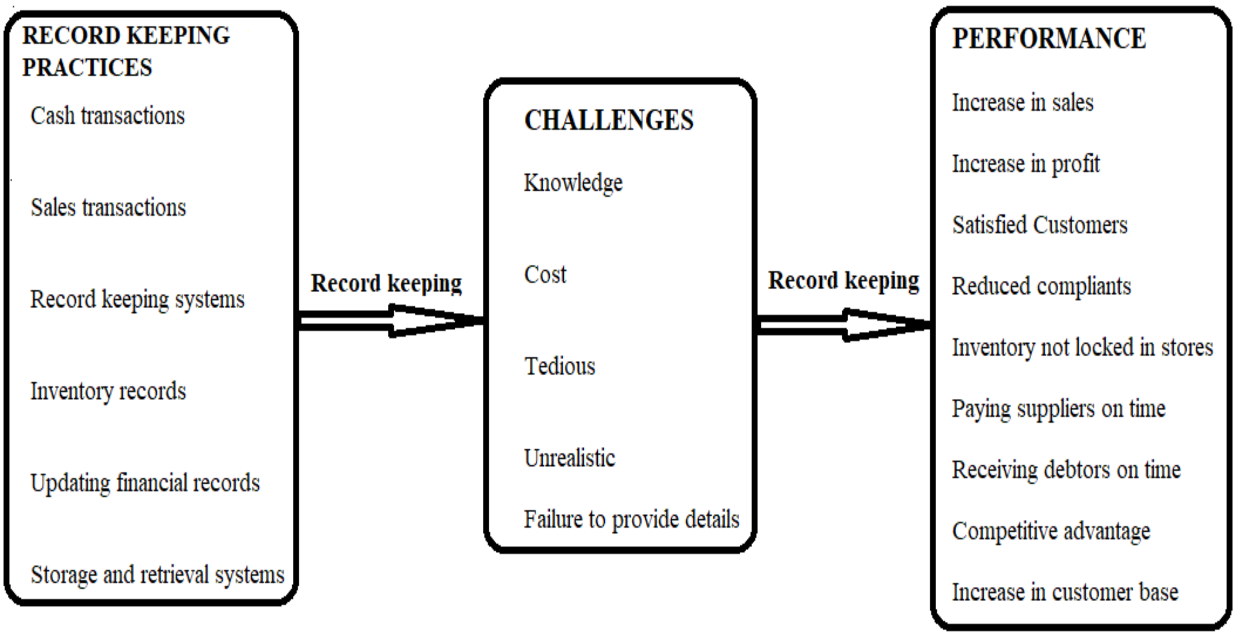


*Figure 1*: Conceptual framework of the interrelationship between financial record-keeping and performance of small enterprises

Source: Authors construct (2021)

**Chapter Summary**

Chapter two discussed the theories on which the study was based. The record continuum theory and the decision usefulness theory were found fit to underpin the study. Concepts underlining the study were also reviewed. These included the concept of small enterprises, record keeping practices adopted by the small enterprises, challenges that inhibit record keeping and the effects of record keeping on performance of small enterprises. An empirical review was also made on works that relate to the study to determine gaps the study would fill. It was established that some small enterprises do keep financial records but because they do not see the specific impact on their performance, they are discouraged by some challenges to be consistent in doing so. Chapter three will therefore discuss the suitable methods adopted to carry out the study.

# CHAPTER THREE

# RESEARCH METHODS

## Introduction

As the study intends to investigate the effects of financial record keeping on the financial performance of small enterprises, chapter three highlights the research approach, research design, the population, and sample size as well as instruments used to collect data, data collection procedure, and data processing and analysis. Ethical procedures followed are also discussed.

## Research Approach

The study employed the quantitative research approach. This approach is characterized by the usage of numeric measures of variables or constructs in the context of the study and the subjection of these variables or constructs into statistical manipulation using the appropriate statistical procedures, tools, and assumptions. Since the study measured the attitude, opinion, and behavior of the participants via numerical means, this choice is scientifically justified (Chen, Wang & Yang, 2021). Furthermore, coding and data entry was done with numeric measures in the SPSS hence supporting the usage of the various statistical techniques to be used to manipulate these primary data collected with the structured questionnaire to obtain the results in lieu of the formulated research objectives (Abraha & Hyder, 2021).

With the use of quantitative research approach, validity and reliability of the scales and primary data gathered with such scales were statistically measured, hence giving credence to the integrity and quality of results obtained through such validated scales and reliable primary data (Wang & Rhemtulla, 2021). Furthermore, the use of quantitative research approach made it possible for inferences to be drawn from the finding of the general population (Abraha & Hyder, 2021).

**Research Design**

Similar to the research approach, there are different types of research designs. However, not all are suitable for every study. To decide on the appropriateness of the design, researchers consider factors such as the research problem and the research approach. Evaluating these considerations, the present study employed a survey design. A survey design presents a holistic view of the research process (Wang & Rhemtulla, 2021). This is a design involving gathering and analyzing large amounts of data to support pure quantitative research where inferential and descriptive statistical techniques can be applied (Pandey & Pandey, 2021).

Therefore, this design supports the nature of the research objectives pursued in the context of this study because these objectives collectively describe the state of affairs regarding the phenomenon of investigation. The use of numeric values for measuring the items or variables in the study, the choice of data analytical tools for processing of data in respect of the formulated research objectives and tests of assumption to check the validity and reliability of the variables and the primary data all supported the appropriateness of the usage of this research design.

**Population**

The study population is operationalized as the target population. The target population was all the small enterprises in the Sekondi Takoradi Metropolis. The National Board for Small Scale Industries - now Ghana Enterprises Agency (GEA) – is the umbrella body formed to coordinate the activities of small enterprises in Ghana and in the Sekondi Takoradi metropolitan area (Abor & Quartey, 2010). Registered members of the GEA, therefore, formed the population for the study. From the list of small enterprises data obtained from the GEA, as at August 2021, there were two hundred and eighty-eight (288) small enterprises registered with the GEA in the Sekondi Takoradi Metropolitan Assembly (GEA, 2021).

**Sampling procedures**

Since it was impossible to access all the elements in the target population, it became eminent to select a representative sample for the study in terms of number and appropriate characteristics. Hence, it was important to rely on a scientific means to determine the appropriate sample size from the sampling frame obtained from the GEA. According to the Kreche and Morgan (1970) at a confidence level of 95% and a margin of error of 0.5%, a population of 288 would yield a sample of 165. Hence, a sample of 165 enterprises were consulted for responses to the research work.

The simple random sampling technique was used to select the participants for the study. The simple random sampling was appropriate because of the access to a well-defined sampling frame (Abraha & Hyder, 2021). Random numbers were generated for the elements in the sampling frame through a computer application for a total number of 288 in respect of 165. The respondents whose serial numbers appeared as part of the random numbers were contacted for the survey exercise. The use of the simple random sampling technique made it possible for all elements in the sampling frame to have an equal chance of selection to participate in the study. Meanwhile, 145 responses, representing 87% of the sample were obtained which were then used for the analysis.

**Data Collection Instrument**

Since this study required both numerical and non-numerical data to analyze the specific objective and answer the research questions, the questionnaire was seen to be an appropriate instrument. A questionnaire is one of the relevant research instruments for gathering data for a survey study. According to Pandey and Pandey (2021) a questionnaire is a form containing a set of questions, primarily addressed to a statistically significant number of subjects to obtain evidence to achieve the objectives of the study.

It is preferred since it is seen as economical and reliable and also generally used by researchers to collect data on record keeping. Abraha and Hyder (2021) also indicated that using questionnaires provide assurance of consistency and uniformity in data collected. The questionnaire was not pre-tested, meanwhile reliability could be assured by running the Chronbach's Alpha and rho_A tests.

***Measurement Model***

The usage of the reflective model configuration prescribes that, the measurement model which represents the evaluation of the quality dimensions of the configured model, should be authenticated first before the evaluation of the structural model or the output. Major issues considered at the stage include the evaluation of the construct reliability and validity, test of discriminant validity and test of common method bias. The findings are discussed in the subsequent section.

**Table 1: Construct Reliability and Validity**

| | Cronbach's Alpha | rho_A | Composite Reliability | Average Variance Extracted (AVE) |
|---|---|---|---|---|
| Adequacy and updating of records | 0.923 | 0.925 | 0.941 | 0.726 |
| Inventory records | 0.909 | 0.935 | 0.932 | 0.700 |
| Record-keeping system | 0.940 | 1.010 | 0.955 | 0.841 |
| Small enterprises performance | 0.925 | 0.931 | 0.935 | 0.512 |
| Storage and retrieval | 0.947 | 0.949 | 0.956 | 0.732 |
| Transactions | 0.951 | 0.957 | 0.961 | 0.803 |

Source: Field survey (2021)

The reliability results prove the primary data collected via the structured questionnaire in respect of the validated scales are reliable for the data analysis in respect of this objective to be done and results relied on (rho_As>0.7). Therefore, the primary data collected for the analysis is strongly useful for analysis in respect of the formulated objective given the reflective orientation of the model specification. Composite reliability is adequately measured for all the sub-scales (CRs>0.7). thus, the items contained in each subscale collectively reflect and measure the purported constructs they are measuring as informed by theory. Convergent validity is adequately measured for all the sub-constructs (AVEs>0.5).

**Discriminant Validity**

**Table 2: Heterotrait-Monotrait Ratio**

| | Adequacy and updating of records | Inventory records | Record-keeping system | Small enterprise performance | Storage and retrieval |
|---|---|---|---|---|---|
| Inventory records | 0.967 | | | | |
| Record-keeping system | 0.462 | 0.614 | | | |
| Small enterprise performance | 0.633 | 0.591 | 0.198 | | |
| Storage and retrieval | 0.850 | 0.718 | 0.315 | 0.565 | |
| Transactions | 0.497 | 0.641 | 0.906 | 0.251 | 0.363 |

Source: Field survey (2021)

The results prove there is no threat against discriminant validity because the HTMT ratios are less than 1. Therefore, distinctively, all the items accurately measure the contrast they each relate without any shared variance.

Various scholarly works were consulted by the researcher to put up the questionnaire for this research work under an expert opinion from the supervisor. The first part of the questionnaire presented only close-ended questions. This part contained statements of facts where the participants were asked to simply tick one of the available options in an appropriate box. The respondents were also asked to tick a box where necessary. The data from the close-ended questions helped facilitate higher-order or inferential analysis appropriate for the relevant research objectives, questions, and hypotheses. The second part presented the questions in an open-ended form. The questions were intended to support the non-numerical needs of the study and to allow for subjective assessment.

The questionnaire was divided into four sections with seventeen major items and fifty-four sub items. Section one covered the demographic characteristics of the respondents and information about their businesses. This section intended to provide a fair view of the respondents and their enterprises such as the nature of the enterprises, their lifespan and sources of capital. The second section investigated the record keeping practices adopted by these small enterprises. It intended to find out whether the small enterprises really keep financial records, the kinds of records kept, and storage and retrieval practices maintained.

The third section highlighted the challenges faced by the small enterprises in keeping financial records. This section provided details factors that inhibit owners or managers of small enterprises from keeping proper financial records. Issues presented included their knowledge in keeping these records and the costs incurred to keep accurate financial records. The fourth and final section covered the financial performance of the small enterprises. This section sought to determine the impact record keeping had had on the financial performance of the enterprises. The questionnaire was submitted to the supervisor for discussions, corrections and adjustments before they were administered.

**Data Collection Procedure**

A letter of introduction was taken from the Accounting department of the School of Business in the University of Cape Coast to be sent to the Head office of the Ghana Enterprises Agency to seek permission to conduct the research on their clients. A letter dated, 6th August, 2021 was received giving the permission to collect data from clients of the Ghana Enterprises Agency. This letter was submitted to the regional office and later forwarded to the Business Advisory Center in Takoradi.

On 18th August, 2021, there was a consultation with the Head of the Business Advisory Center who organized the clients for the collection of data. On 20th August, some clients were met and they were given copies of the questionnaire. They were provided pens and were taken through the questionnaire step-by-step. Interpretations were made on areas they did not fully understand. Only a handful of respondents were obtained that day.

An arrangement was made with the Head to have another day to meet other respondents. The opportunity was granted but several constraints led to the postponement of the scheduled time. On September 6th, 2021, another session was arranged with the respondents to collect responses. Once again, interpretations were rendered on areas they needed clarification on.

Aside these meetings, a list of names and telephone contacts were attached to the letter from the Deputy Chief Executive Officer's office which was dated 06th August, 2021. This list contained details of all the clients, hence, there was a possibility to get in touch with those who could not attend the initial two meetings. Further contacts were made to get in touch with them and get them to answer the questions at their comfort. In most cases, translations were made into the Fanti language to get them to grasp the meaning of the questions.

**Data Processing and Analysis**

The data analysis stage of the research process subjected the data collected to analysis to give meaning to the data. The data analysis involved a series of diverse activities including data entry procedure, data management, and further statistical analysis, interpretation, and reporting. After data collection, data cleaning was done, and relevant editing of data were made. Coding books were made to guide the coding and data entry after which outliers and missing values were checked. This process was undertaken to minimize errors in data entry and other aspects of data processing. All these were done using the Statistical Product and Service Solutions.

Objectives 1 and 2 were analyzed with the use of descriptive statistics of means and standard deviation. Pandey and Pandey (2021) indicated that mean and standard deviation are appropriate measures of central tendency and measure of dispersion, given the nature of the measurement of the variables manipulated to obtain research objectives 1 and 2. These analyses were done in the SPSS application. Wang and Rhemtulla (2021) noted that the SPSS application is embedded with techniques for analyzing the objectives.

To test for the effect of the dimensions of financial record-keeping practices on the performance of small enterprises, as in objective 3, the SPSS file was converted into a CSV file, and then it was imported into the SMART PLS application environment for the configuration of the reflective model. Wang and Rhemtulla (2021) argued that the SMART PLS application had the capacity to assure the reliability of the results from the data collected. The results. A two-step model evaluation was followed for the specified model. Thus, the measurement model was first evaluated before the test of significance was done for the structural model. Parameters for the evaluation of the measurement model as well as the structural model are given as follows.

**Table 3**: **Model Evaluation Criteria**

| Measurement Model | Indices |
|---|---|
| Reliability | Cronbach's alpha ≥ 0.7<br>rho_A ≥ 0.7 (Sarstedt, Ringle & Hair, 2017) |
| Convergent validity | Average variance extracted ≥ 0.5 (Ringle, Wende & Becker, 2015) |
| Discriminant validity | Heterotrait-Monotrait Ratio ≤ 1 (Sarstedt, Ringle & Hair, 2017) |
| Constructs' internal consistency reliability | Composite reliability ≥ 0.7 (Benitez, Henseler, Castillo & Schuberth, 2020) |
| Common method bias | Variance inflation factor < 5 (Kock, 2015) |
| **Structural Model** | **Indices** |
| Indicator reliability | Indicator loading >0.7; p≤ 0.05 (Benitez, et al., 2020) |
| Coefficients and effect size | Unstandardized beta<br>$f^2$: Effect size values above 0.35, 0.15, and 0.02 are interpreted as strong, moderate, and weak respectively (Benitez, et al., 2020) |
| Coefficient of determination | $R^2$: Results above 0.67 (Substantial) 0.33 (Moderate) and 0.19 (Weak) (Benitez, et al., 2020) |

Source: Author's compilation (2021)

**Ethical Consideration**

Ethical issues are paramount determining factors of the success of social science studies (Rees, 2020). Certain ethical stances were adhered to strongly in this study because such practices made it possible for the study to avoid violation of human rights in the context of this study. Formal permission was sought from the management of the SMEs before primary data collection was finally conducted in the various businesses. No one was forced to partake in the study hence informed consent of all participating small enterprises was sought. The purpose of the study was explained to all participants and in situations where the participants needed clarifications, the same were professionally addressed to their satisfaction. The design of the structured questionnaire was such that the rights and privacy of the participants were strictly respected.

No personal information was sought. The design of the instrument made it easy for completion and more focused on minimizing non-responsive behavior among the participants. Furthermore, all cited sources in the work were duly acknowledged in the referencing section of the study. Plagiarism was checked to enhance the authenticity of the study even as ownership is strongly acclaimed. The results of the primary data were presented as found. Therefore, data integrity is strongly advanced. The confidentiality of the primary data collected is also enhanced because it is not available to any third party (Head, 2020).

**Chapter Summary**

The chapter has provided enough for the adoption of the quantitative research approach and the use of a survey design to achieve the purpose of the research. A sample of 165 respondents were obtained from a population of 288 small enterprises and were given questionnaires to administer. Approval was obtained before these respondents could be reached. The chapter further discussed how the data obtained from the respondents were processed, as objectives 1 and 2 were analysed using descriptive statistics measuring the central tendencies, dispertion and standard deviation using the SPSS application, whereas objective 3 was analysed using the SMART pls application to determine the effects of financial record keeping on the financial performance of small enterprises in the Sekondi Takoradi Metropolis.

# CHAPTER FOUR

# RESULTS AND DISCUSSION

## Introduction

The study sought to examine the effect of financial record-keeping on the financial performance of small enterprises in the Sekondi-Takoradi metropolis in the western region of Ghana. Chapter three provided information on the research methods employed for the conduct of this empirical study. This chapter provides information in relation to the key findings as demanded by the specific research objectives and discusses the findings in terms of their implications in the light of managerial, policy and policy direction as well as compares the findings to the position of some previous empirical studies.

## Demographic Information

Demographic characteristics of the participants as well as their businesses were descriptively measured with measures of central tendency and dispersion with the use of frequency and percentage. These statistical tools are appropriate given the nature of measurement of the items under consideration. The findings are presented as follows.

**Table 4: Demographic Characteristics**

| Variable | Options | Frequency | Percentage (%) |
|---|---|---|---|
| Sex | Male | 67 | 46.2 |
| | Female | 78 | 53.8 |
| Age | 20-29 years | 47 | 32.4 |
| | 30-39 years | 56 | 38.6 |
| | 40-49 years | 35 | 24.1 |
| | 50 years and above | 7 | 4.8 |
| Educational level | Basic | 41 | 28.3 |
| | Secondary | 61 | 42.1 |
| | Tertiary | 43 | 29.7 |

Source: Field survey (2021)

Observation of the sex distribution shows most of the participants are females representing 53.8% with the relatively sizable remaining participants being males. This structure of the managerial/ownership of small enterprises contradicts the male-dominated structured of traditional economic system in the business world. Having more females into small enterprises shows probably this category of business, based on size is skewed or preferred by females more than males. All the participants have some level of formal education with most of them having secondary education (42.1%) tertiary education and then basic education. However, the trend of level of formal education is not all that encouraging hence requiring more efforts of participants to move up the academic ladder.

The age range of the participants shows most of the owners/managers of small enterprises are in 30-39 years category, followed by those in 20-29 years category and then those in 40-49 years. Only relatively few are above 50 years. This result proves most of the owners/managers are in their active age range and therefore have the potential to grow their small enterprises over time in the future. More skill-based training could help these owners of small enterprises to develop the right business acumen to capitalize the opportunities that are availed to them in the business environment, even in the face of fierce competition from medium and large-scale enterprises, especially foreign multi-national companies that strongly position themselves given their access to relatively competitive-oriented organizational resources.

**Table 5: Business Information**

| Variable | Options | Frequency | Percentage (%) |
|---|---|---|---|
| Form of business | Sole proprietorship | 99 | 68.30 |
| | Partnership | 31 | 21.4 |
| | Company | 15 | 10.3 |
| Nature of business | Service | 45 | 31.0 |
| | Manufacturing | 25 | 17.2 |
| | Agric and environment | 48 | 33.1 |
| | Trading | 27 | 18.6 |
| Number of years in business | 1-5 years | 58 | 40.0 |
| | 6-10 years | 58 | 40.0 |
| | More than 10 years | 29 | 20.0 |
| Source of initial capital | Personal savings | 73 | 50.3 |
| | Bank loan | 34 | 23.4 |
| | Loan from family member(s) | 27 | 18.6 |
| | Loan from friend(s) | 11 | 7.6 |
| Other sources of finance | Personal savings | 63 | 43.4 |
| | Bank loan | 35 | 24.1 |
| | Loan from family member(s) | 28 | 19.2 |
| | Loan from friend(s) | 19 | 13.3 |

Source: Field survey (2021)

As depicted in Table 5, the ownership structure shows most of the small enterprises are sole proprietorship (68.3%) followed by partnership and then finally company. Most of the small enterprises are into agric and environment operations followed by those into services, trading and finally manufacturing. Given the length of the business operations, the small enterprises seem to be relatively younger as most of such businesses are less than 10 years in operation. Only 20.0% are characteristically aged firms given the existence of operations. However, these small enterprises have enough working experience to provide the right kind of information so far as the central focus of this study is concerned. The source of initial capital for these small enterprises seem to be strongly titled towards personal savings, followed by bank loans. Few of small enterprises relied on loan from family member(s) as well as loan from friend(s). Other additional operational capitals are mostly sourced from personal savings, bank loans, loan from family member(s) and loan from friend(s) in descending order of magnitude.

**Objective 1: Examine the Extent to which Sound Record-keeping is Practiced among Small Enterprises**

This objective was measured based on the specific dimensions of financial record-keeping practices among the small enterprises that were surveyed. The study examined the record-keeping practices carried out among small enterprises in the Secondi-Takoradi metropolis. The degree to which such practices are perceived by the respondents were based on the mean scores of the respective items measuring the constructs. The classification of the mean scores for the respective items measuring the various constructs under the study are as follows:

*0-1.49 = Not effective*

*1.5 – 2.49 = Slightly effective*

*2.5 – 3.49 = Moderately effective*

*3.5 – 4.49 = Effective*

*4.5 – 5.00 = Highly effective*

**Table 6: Record-keeping System**

| Record-keeping system variables | Mean | Std. Deviation |
|---|---|---|
| I use a computerized record-keeping system | 3.0345 | 1.25507 |
| I do keep financial records | 3.0138 | 1.08003 |
| I use both manual and computerized record-keeping system | 3.0069 | 1.17554 |
| I use a manual record-keeping system | 2.9517 | 1.28199 |

Source: Field survey (2021)

The findings in Table 6 show the results of the degree of effectiveness as perceived by the respondents. From the results, it is proven that, the use of computerized record-keeping system (M=3.0345; SD=1.25507) keeping of financial records (M=3.0138; SD=1.08003) the use of both manual and computerize system of keeping records (M=3.0069; SD=1.17554) and among others were all rated as moderately effective in accordance to the mean score range. However, the study proves the assertion that small enterprises use of manual record-keeping system was slightly effective (M=2.9519; SD=1.28199).

These findings collectively prove that holistically, the record-keeping system practiced among small enterprises in Sekondi-Takoradi is not highly effective given the mean thresholds obtained by the items measured in the context of the study. None of the items had a perception score in the ranges of effective and highly effective as attested by the mean scores for the items measuring this construct. There is more room for improvement when it comes to the effectiveness of the implementation of the items in the record-keeping system of these small enterprises. Arguably, it is believed that most of the small enterprises may not possess the capacity to be efficient in utilizing the computerized system of financial record-keeping hence resulting in letting them score highly on these items.

A major problem has to do with the manual record-keeping system among these small enterprises. This is due to the fact that this item had the least score when it comes to the degree of perception on the effectiveness of implementation of record-keeping system. Therefore, managers of small enterprises are not efficient in running manual record-keeping systems in the Sekondi-Takoradi metropolis. Muteti et al. (2018) addressed the problem of little knowledge on manual booking practices among the owners of these small enterprises that is probably accounting for this unfortunate situation.

The respondents might not have preferred the manual system of records keeping so much attesting to the disadvantages outlined by Muteti et al. (2018) that the manual system was tedious, time consuming, and required trained Accountants. Amoako (2013) explained that the manual system of record-keeping has the possibility of introducing errors and these errors could go unnoticed for a long time. The respondents possibly did not prefer the computerized record system in its entirety supporting the arguments raised by Frimpong et al. (2018) that it is also time-consuming to determine which accounting method is the most efficient and cost-effective. Opoku-Ware (2015) also mentioned the possibility of data loss due to power fluctuations or viruses and the risk of hackers. Opoku-Ware (2015) moreover, mentioned that the computerized system presents high cost for designing and implementation.

**Table 7: Transactions**

| Transaction Variables | Mean | Std. Deviation |
|---|---|---|
| Records are transferred into relevant books of accounts | 3.3241 | 1.11107 |
| Invoices are used as source documents for record-keeping | 3.2621 | 1.04762 |
| Payment vouchers are used as source documents for record-keeping | 3.2345 | 1.01389 |
| Receipts are used as source documents for record-keeping | 3.1862 | 1.13030 |
| I keep sales records in a sales day book | 3.0828 | 1.08975 |
| I keep a cash book to record all cash transactions | 3.0621 | 1.13174 |

Source: Field survey (2021)

The results in respect of perception about the effectiveness of transactions among the participants are presented in Table 7. The results show that at most instances, the participants rated the items as moderately effective. For example, the claim that records are transferred into relevant books of accounts (M=3.3241; SD=1.11107) invoices are used as source documents for record-keeping (M=3.2621; SD=1.04762) payment vouchers are used as source documents for record-keeping (M=3.2345; SD=1.01389) receipts are used as source documents for record-keeping, records are transferred into relevant books of accounts and among others were all rated as moderately effective according to how the respondents perceived it.

Other relevant findings are shown in Table 7. This supports the work of Marfo-Yiadom et al. (2015) by mentioning the cash book as one of the primary books kept by small enterprises. Yussif et al. (2019) also mentioned receipts, invoices, cash receipt and payment books, sales journal and purchases journal as subsidiary books kept by these enterprises. With majority of the items scoring mean thresholds described as being moderately effective signals deficiency in the degree of effectiveness of implementation of transactions in financial record-keeping practice among the small enterprises operating in the Secondi-Takoradi metropolis.

Therefore, much needs to be done in order to improve the state of effective implementation of the measures of transactions among these small enterprises operating in the Sekondi-Takoradi metropolis. Keen emphasis is needed in the areas of small enterprises keeping cashbook to record all cash transactions, sales book for daily sales, receipts and payment vouchers as source documents for financial record-keeping.

However, comparatively, these small enterprises seem to have done relatively well in terms of transferring of records into relevant books of accounts, and usage of invoices as source documents for financial record-keeping. The exhibition of financial record-keeping behaviour among small enterprises is strongly supported and justified because they form the basis for formalizing business operations and tracking transactional data that can support management decision making based on empirical evidence.

**Table 8: Inventory Records**

| Inventory Record Variables | Mean | Std. Deviation |
|---|---|---|
| The business keeps records of inventory | 3.5034 | 4.34474 |
| The inventory record cards have necessary details such as date of purchase, goods/services descriptions (batch number, manufacture date and expiry dare) and amount | 3.2414 | 1.09466 |
| Inventory levels are monitored through observation | 3.1793 | 1.06503 |
| Re-order levels are determined by written records | 3.1517 | 1.04968 |
| Re-order levels are determined by observation | 3.1241 | 1.05332 |
| Inventory levels are monitored through written records | 3.0690 | 1.09071 |

Source: Field survey (2021)

Table 8 shows the results of the perception among the respondents in small enterprises on financial record-keeping in terms of inventory records. It is proved from the results that most of the items were rated by the participants as moderately effective. For instance, the allegation that inventory levels are monitored through observation, inventory levels are monitored through written records and the likes were all rated as moderately effective. Nonetheless, the claim that the business keeps records of inventory was rated as effective according to the mean range scores on the items.

With these degrees of effectiveness of inventory record-keeping practices, small enterprises are better positioned to remain efficient in their daily operations without challenges of stoppage of operations, shortage of inputs and the likes, thereby eliminating bottlenecks in operations. Atnafu and Balda (2018) noted that keeping business records on inventory makes it easy for monitoring inventory movement and performance, thereby paving ways for devising strategies that are relied on to enhance efficient daily operational activities among these small enterprises.

The work of Aladejebi and Oladimeji (2019) becomes evident that monitoring inventory through written records aids in the tracking of cost of stockkeeping as well as the various significant levels of stocks such as maximum stock level, minimum stock level, re-order level and economic order quantity. Keeping detailed records on inventory such as date of purchase, product descriptions in terms of batch number, manufacture date and expiry date provide grounds for the monitoring of movement of inventory which helps small enterprises to avoid unnecessary cost of holding stock especially outdated stock in minimizing operational cost (Atnafu & Balda, 2018). Farooq (2019) added that small enterprises keep inventory records, and if proper and detailed records are kept, would contribute to monitoring the flow of inventory and thus reflect in the performance of the enterprise.

**Table 9: Adequacy and Updating of Records**

| Adequacy and Updating of Record Variables | Mean | Std. Deviation |
|---|---|---|
| Financial records are updated annually | 3.3793 | 1.08057 |
| Financial records are updated monthly | 3.1793 | 1.14060 |
| All financial transactions are captured and recorded | 3.1310 | .99481 |
| The records captured are understandable and meaningful | 3.1172 | .98955 |
| Financial records are updated daily | 3.0414 | 1.01294 |
| Financial records are updated weekly | 2.9586 | 1.06638 |

Source: Field survey (2021)

The results with regards to the perception by the participants on adequacy and updating of records is presented in Table 9. From the results the claims that financial records are updated annually, financial records are updated monthly, all financial transactions are captured and the majority of the items were all rated as moderately effective. Only one item was rated as slightly effective and that is the claim that financial records are updated weekly.

With moderate effectiveness in the implementation of adequacy and updating of records among small enterprises, there is more room for improvement, hence warranting the need for owners and managers of small enterprises to invest in technology and people to position them to ultimately improve this aspect of financial record-keeping of their business operations. Mbroh and Quartey (2015) advised that small enterprises should keep written records of transactions which would provide a descriptive and organized record of daily accounting transactions.

**Table 10: Storage and Retrieval**

| Storage and Retrieval Variables | Mean | Std. Deviation |
|---|---|---|
| Only authorized persons have access to financial records | 3.2897 | 1.10502 |
| I prefer to keep a mental record of financial transactions | 3.2828 | 1.02540 |
| Records are protected from accidental and intentional destruction or alternation | 3.2345 | 1.00702 |
| Records of similar transactions are logically organized | 3.1793 | 1.01152 |
| Financial records are kept in an opened drawer that is easily accessible | 3.1379 | .92512 |
| Financial records are kept on a table in the shop | 3.1379 | 1.00430 |
| It is good to keep written records of financial transactions | 3.1241 | 1.06642 |
| Financial records are kept in a locked drawer | 3.1103 | .97978 |

Source: Field survey (2021)

The results presented in Table 10 shows the extent to which the participants perceived storage and retrieval as an effective record-keeping practice among small enterprises in the Secondi-Takoradi metropolis. The results affirms that all the items measuring the construct (Storage and retrieval) were rated as moderately effective. To mention few, the claim that records are protected from accidental and intentional destruction or alternation, financial records are kept in a locked drawer, it is good to keep written records of financial transactions and that records of similar transactions are logically organized were all rated as moderately effective.

The findings holistically portray none of the items measuring storage and retrieval practices enshrined in the financial record-keeping systems of small enterprises operating in the Sekondi-Takoradi metropolis as effective or highly effective, thereby signaling weakness in sound financial record-keeping system among small enterprises. With moderate perception in terms of degree of effectiveness of implementation of storage and retrieval practices among the small enterprises, there is more room for improvement, thereby demanding more tactful maneuvers among owners/managers of these small enterprises to improve such scores into the realms of effectiveness and highly effective threshold.

According to Sumithra and Sridhar (2021) having only authorized persons to access financial records of small enterprises is a means to improving integrity, security and reliability of the financial records of such firms which is a step in the right direction. Attaran and Woods (2019) noted that keeping mental record of financial transactions might somewhat provide backup for small enterprises but this is not 100% sustainable because when the keeper of such memory is no more, it becomes difficult if not impossible to trace and track debtors of the businesses.

Sumithra and Sridhar (2021) realized that protecting financial records from accidental and intentional destruction or alterations will ensure that genuine financial data are kept that can be relied on to produce accurate financial statements for the purposes of accounting and financial reporting. McCallister (2010) added that for security purposes, it is not advisable to keep financial records in an accessible opened drawer. This could weaken the security of such vital financial records. Akesinro and Adetoso (2016) also indicated that keeping written records of financial and business transaction is the proper thing to do as this would provide a basis for accountability and serve as evidence for decision making.

**Objective 2: Ascertain the Challenges Associated with Keeping Financial Records among Small Enterprises**

The study sought to examine the challenges small enterprises are facing in terms of keeping financial records of their business operation. This objective was measured descriptively with mean and standard deviation. A 4-point Likert scale was used and rated and interpretated as follows: 0-1.49=Strongly disagree; 1.5-2.49=Disagree; 2.5-3.49=Agree; 3.5-4.0=Strongly agree. Therefore, the interpretation of the mean scores is based on these subjective thresholds to give meaning to the findings.

**Table 11: Challenges of Record-keeping for Small Enterprises**

| Challenges of small business in record-keeping | Mean | Std. Deviation |
|---|---|---|
| It is expensive to employ an accountant to help in record-keeping | 3.0069 | .87794 |
| I sometimes end up mixing records in the relevant books | 2.9448 | .92631 |
| I cannot fairly predict the income and expenditure for budgetary purposes | 2.9379 | .83517 |
| Keeping accurate and up-to-date financial records is unrealistic. | 2.8966 | .89539 |
| I mostly fail to provide records on expenses made from drawings | 2.8759 | .86508 |
| Record-keeping is a tedious activity | 2.8276 | .84447 |
| I do not know which books to keep | 2.5862 | .98309 |
| I do not know how to keep financial records | 2.2138 | 1.05532 |

Source: Field survey (2021)

The findings in respect of the challenges small enterprises encounter in financial record-keeping practices are presented as follows. First of all, a careful glance through the mean scores proved in all instances that the participants agreed to the challenges mentioned, being high cost of accounting professionals, mixing records in books of accounts, failing to provide details of drawings and little knowledge on financial record-keeping.

The most dominant challenge to financial record-keeping among small enterprises is high cost of employment of accountants to help in record-keeping. The respondents agreed to this effect. The respondents also agreed that they are challenged to keep proper financial record of their operations because such business practice is perceived to be a tedious activity to undertake. This goes in line with the work of Opoku-Ware (2015) which showed that using accounting systems for record-keeping presents high cost of adaption and implementation.

Another notable challenge is the mixing up records in relevant books as well as failure to predict the income and expenditure for budgetary purposes. Again, the study proves that small enterprise owners/managers are unable to keep accurate and up-to-date financial record realistically. The respondents again agreed that they fail to provide records on expenses made from drawings. The least encountered challenges include the inability of owners/managers to know which books to keep as well as lack of knowledge on how to keep financial records. Mbroh and Quartey (2015) stated that a lack of basic knowledge in computer technology leads to inadequate computer technology adaption. Opoku-Ware (2015) also indicated that personnel responsible for keeping financial records require adequately trained staff which was also confirmed by Muteti et al. (2018).

Among the major challenges affecting financial record-keeping systems of small enterprises in the Sekondi-Takoradi metropolis is the issue of high cost of employing accountants to aid the small enterprises in their financial record-keeping system in so far as their operations are concerned. This is partly due to the high remuneration required for the service of competent accountants. This is a major issue because these small enterprises are not financial positioned to make huge financial commitments for such service and are therefore suffering the consequence thereof. Muteti et al. (2018) indicated that keeping manual records require trained accountants.

This issue is also fueled by the fact that most of the owners/managers of small enterprises do not know how to keep financial records as evidenced by the findings. No wonder they hardly know which books to keep, fail to provide record on expenses made from drawings, fail in keeping accurate and up-to-date financial record as well as perceive record-keeping as a tedious activity.

**Descriptive analysis of performance of small enterprises in the Sekondi Takoradi metropolis**

The study further sought to assess the level of firm performance of small enterprises that were surveyed. On a 5-point Likert scale, respondents were asked to indicate the extent to which they agreed that the performance of their businesses has improved. The mean scores were interpreted based on these artificially subjective cutoff points. 0-1.49=No improvement; 1.5-2.49=Slightly improved; 2.5-3.49=Moderately improved; 3.5-4.49=Improved; 4.5-5=Highly improved. The findings are presented in Table 12.

**Table 12: Performance of Small Enterprises**

| Performance of small enterprises | Mean | Std. Deviation |
|---|---|---|
| I am able to allocate resources effectively | 3.3103 | 1.10250 |
| Goods are received from suppliers on time | 3.2828 | 1.03215 |
| I am able to provide quick response to customer orders | 3.2828 | 1.06526 |
| There is a considerable increase in the number of sales returns | 3.2552 | 1.15337 |
| Goods are received from suppliers on time | 3.2000 | .99722 |
| Customers choose my product and services above my competitors | 3.2000 | 1.04483 |
| After sales services to customers has improved | 3.1517 | 1.10762 |
| My customers are always satisfied with my products or service | 3.1310 | .95201 |
| The number of customers has increased | 3.1034 | .96985 |
| Customer complaints have reduced | 3.0828 | 1.01039 |
| New products or services are easily accepted by customers | 3.0759 | 1.06120 |
| Customers pay for goods and services on time | 3.0621 | 1.08794 |
| I have gained more revenue to recover the amount I invested to start the business | 3.0207 | 1.00325 |
| Sales are moving as expected and cash has not been locked up in inventory | 2.9655 | 1.02343 |
| Profit has increased | 2.9172 | .98251 |
| Sales has increased considerably | 2.8069 | 1.04945 |

Source: Field survey (2021)

The study examined the state of performance of small enterprises in the Sekondi-Takoradi in the face of the implementation of financial record-keeping practices. It was discovered that for most part, the small enterprises have witnessed moderate improvement in resource allocation, receiving of goods on time, quicker response to customer order, sales returns, competitive advantage, after sales services, satisfied customers, reduction in customer complaints and timely payment for goods and services by customers. Information about other measures of small enterprise performance is presented in Table 12.

None of the items measuring firm performance was rated as being slightly improved, not improved or highly improved given the threshold of the mean scores. Therefore, these findings prove the state of performance of small enterprises in the Sekondi-Takoradi metropolis is moderately improved in the fact of financial record-keeping practices undertaken by these small enterprises. Owners and managers of these small enterprises have more room for improvement in terms of putting in strategies that can enhance the performance as measured in the context of the study to move from dominantly being moderately improved to highly improved.

Musah (2017) contended that return on investment, return on assets, turnover, and profit before tax are examples of factors that determine performance of entities and it would be easy to track the aspects of their performances if proper records are kept. Mbroh and Quartey (2015) also related that without proper record-keeping practices, businesses would become susceptible and would find it difficult to identify their profitability.

As noted by Peterson (2020) an increase in sales and profitability indicates good performance whereas a decrease in sales and profitability indicates low performance. The mean score of 2.8069 for the effect on sales shows a moderately improved performance. This indicates that small enterprises in the Sekondi Takoradi metropolis experience a moderate increase in sales when they keep financial records. Ohiomah et al. (2019) explained that record keeping aids managers and operators of small enterprises to keep track of the trend of sales in these enterprises.

With regards to the number of customers, the mean score of 3.1034 also demonstrates a moderate increase. According to Rajendran (2021) an increase in the number of customers denote a good performance indicating that products or services are being accepted, and a decrease in the number of customers denotes that performance is low. When proper records are kept, managers of small enterprises will know their customer base and offer better service to them. This is being reflected in the response having a mean score of 3.2828 as a moderate improvement in providing quick response to customer orders.

Effects of financial records on inventory also showed a moderate score. The effect that sales are moving as expected and that cash has not been locked in inventory gave a mean score of 2.9655. this testifies the work of Atnafu and Balda (2018) that adequate records on inventory levels help managers to know whether cash has been locked in inventory or not. It can therefore be said that small enterprises in the Sekondi Takoradi metropolis recognize a moderately improved inventory system.

Musah (2017) added that good record keeping systems provide information on the various stock levels, hence it becomes easy to know when to restock inventories and that contributes to receiving goods on time from suppliers. This also became manifest as the results showed a moderate improvement with a mean score of 3.2828 in the fact that goods are received from suppliers on time. These attest to what Farooq (2019) noted that a firm's ability to make goods available to meet the needs of customers indicates good performance.

Since monies are being used to run small enterprises, it would be ideal that one determining factor for their success would lie in the ability of customers to pay for goods and services on time so that monies are not locked in debt. This was attested by Mashdurohatun and Kurnia (2020) who indicated that a good record keeping system aids entities to control their debtors collection period and creditors payment period. The mean score of 3.0621 also shows a moderate increase in this. A moderate improvement in after sales services, customers being satisfied with products and services, reduction in customer complaints as presented in table 11 could all be the basis for customers paying their monies on time. Richard and Kabala (2020) concluded that this indicates a good performance.

**Objective 3: Examine the Impact of Financial Record-keeping Practices on the Performance of Small Enterprises**

The objective 3 measured the effect of record-keeping practices on performance of small enterprises. This objective was measured via the use of the reflective structural equation modelling technique in a SMART pls application. The model configuration followed the 2-stage approach which includes validation of the measurement model and the generation of the structural output. The results of the measurement model are depicted in Tables 1 and 2.

**Common Method Bias**

Certain measures were undertaken to prevent the threat of common method bias in so far as collection of the primary data with structured questionnaire was concerned. Some of the items were negatively worded. Different rating scales were utilized for different constructs. Adaption of prevalidated scales was employed for the design of the structured instrument. Arrangement of the sub-scales in the instrument was logical. Simple wording technique was used for the formulation of the statements in relation to the constructs of interest. Actual measure of threat of common method bias was measured via the use of the inner VIF criterion. The findings are presented in Table 13

**Table 13: Inner VIF**

| | Small Enterprise Performance |
|---|---|
| Adequacy and Updating of Records | 7.340 |
| Inventory Records | 5.599 |
| Record-keeping system | 3.872 |
| Small Enterprises Performance | |
| Storage and Retrieval | 2.758 |
| Transactions | 3.989 |

Source: Field survey (2021)

In most cases, the threat of common method bias was not problem for the constructs except in few cases where inner VIF scores exceeded 5 as a recommended threshold.

**Structural Model**

The structural model gives information concerning the output of the reflectively formulated and tested structural equation modelling. Among the major output metrics considered are factor or outer loadings, path co-efficient and effect sizes and coefficient of determination. These outputs were generated after the measurement model had been successfully specified and evaluated as prescribed by the pioneers (Sarstedt et al., 2017).

Observation of the factor loading scores (See appendix B – Outer Loadings) proves all the items significantly measured their respective constructs with factor loadings >0.5. Some items were deleted on two main grounds. Items with factor loadings <0.5 and those items whose inclusion negatively affected measurement model, thus distorting the metrics for measuring the measurement model. In other words, some of the items were deleted from the reflectively configured model because their deletion improved the metrics for the measurement model.

**Table 14: Path Coefficients, Predictive Relevance and Effect Size**

| | β | $f^2$ | T Statistics | P Values |
|---|---|---|---|---|
| Adequacy and updating of records -> Small enterprise performance | 0.277 | 0.017 | 1.630 | 0.104 |
| Inventory records -> Small enterprise performance | 0.243 | 0.017 | 1.428 | 0.154 |
| Record-keeping system -> Small enterprise performance | -0.119 | 0.006 | 0.993 | 0.321 |
| Storage and retrieval -> Small enterprise performance | 0.187 | 0.020 | 2.611 | 0.009 |
| Transactions -> Small enterprise performance | 0.010 | 0.000 | 0.084 | 0.933 |

Source: Field survey (2021)

The study proves that only storage and retrieval practices component of record-keeping makes a statistically significant positive contribution to predicting the 38.0% positive variation in performance of small enterprises ($\beta=0.187$; $p=0.009$: $p<0.05$). On technical grounds, it is established that the contribution of storage and retrieval aspect of record-keeping practices among small enterprises is not due to chance but rather is attributed to a true scientific interaction among the items in the reflectively configured model.

Therefore, a unit increase rise in scores for storage and retrieval practices causes 0.187 increase in performance of small enterprises in a statistically significant manner. On the other hand, it can be inferred from the findings that a unit increase fall in scores for storage and retrieval practices causes 0.187 decrease in performance of small enterprises in a statistically significant manner.

On the other hand, the study shows adequacy and updating of record-keeping practices made some positive contribution to predicting 38.0% positive change in performance of small enterprises surveyed, such contribution is however statistically insignificant ($\beta=0.277$; $p=0.104$: $p<0.05$) and therefore cannot be relied on to predict significant positive improvement in performance of small enterprises. This contribution of adequacy and updating practices may be ascribed to chance and not a true scientific interaction among the factors in the model. Therefore, the study proves that small enterprises are not benefiting from adequacy and updating component of record-keeping in terms of improved firm performance in any significant manner.

Similarly, the study shows inventory record-keeping practices made some positive contribution to predicting 38.0% positive change in performance of small enterprises surveyed, such contribution is however statistically insignificant ($\beta=0.243$; $p=0.154$: $p<0.05$) and therefore cannot be relied on to predict significant positive improvement in performance of small enterprises.

This contribution of inventory record-keeping practices may be ascribed to chance and not a true scientific interaction among the factors in the model. Therefore, the study proves small enterprises are not benefiting from inventory record practice as a component of record-keeping in terms of improved firm performance in any significant manner.

Furthermore, the study shows that proper record of transactions into the right books made some positive contribution to predicting 38.0% positive change in performance of small enterprises surveyed, such contribution is however statistically insignificant ($\beta$=0.010; p=0.933: p<0.05) and therefore cannot be relied on to predict significant positive improvement in performance of small enterprises. This contribution of record of transaction into the relevant books may be ascribed to chance and not a true scientific interaction among the factors in the model. Therefore, the study proves that small enterprises are not benefiting from transaction postings in terms of improved firm performance in any significant manner.

Far from the desired results, the study also confirms record-keeping system made some negative contribution to predicting 38.0% positive change in performance of small enterprises surveyed, such contribution is however statistically insignificant ($\beta$=-0.119; p=0.321: p<0.05) and therefore cannot be relied on to predict significant positive improvement in performance of small enterprises. Thus, the study proves record-keeping system among small enterprises surveyed has the potential to reduce their performance contextually.

Although Ademola et al. (2012) advised that small enterprises should keep written records of daily transactions such that the transactions would provide a descriptive and organized record of daily accounting transactions. Aladejebi and Oladim`eji (2019) all commended daily record-keeping and added that good records need to be kept on inventory. Ademola et al. (2012) also indicates in a related study that the books of original entry shall take account of all transactions that occur and would bring them together contributing to the performance of the small enterprises. The study proved otherwise, rather, supporting the idea of Ademola et al. (2012) that a business should rather take keen interest in storage and retrieval systems.

Musah (2017) added that records can be preserved in a variety of formats, ranging from simple manila folder filing systems to complicated electronic systems. It was added that a record system, regardless of its form, must enable enough storage and retrieval of records and be simple to use.

**Table 15: Coefficient of Determination**

| | R Square | R Square Adjusted |
|---|---|---|
| Small Enterprise Performance | 0.380 | 0.365 |

Source: Field survey (2021)

The results in terms of coefficient of determination proves that changes in scores of records keeping practices including adequacy and updating practices, inventory records, transaction postings, record-keeping system and storage and retrieval practices jointly account for 38.0% positive change in performance of small enterprises ($r^2$=0.365). Technically, one can infer from the findings that favorable changes in the predictors can cause firm performance of small enterprises to increase by 38.0% and unfavorable changes in the predictors can cause 38.0% fall in firm performance of small enterprises when the appropriate conditions are existing in different contexts as the case of this very study.

In other words, it can be adduced that financial record-keeping practices among small enterprises operating in the Sekondi-Takoradi metropolis jointly causes a statistically moderate improvement in the performance of small enterprises when the influence of other factors that can improve the performance of small enterprises are statistically controlled for. On the contrary, it also shows other factors apart from financial record-keeping practices considered in the context of this empirical study can potentially account for 62% positive variation in the performance of small enterprises that are currently operating in the Sekondi-Takoradi metropolis in the Western region of Ghana.

Thus, the study confirms that performance of small enterprises improved as a result of the effective implementation of financial record-keeping practices including but not limited to resource allocation, receiving of goods on time, quick response to customer order, sales returns, competitive advantage, after sales services, satisfied customers, reduction in customer complaints, Revenue gains, profit, sales and timely payment for goods and services by customers. Structural results of the findings is pictorially presented in Figure 2.0. Structural Model.

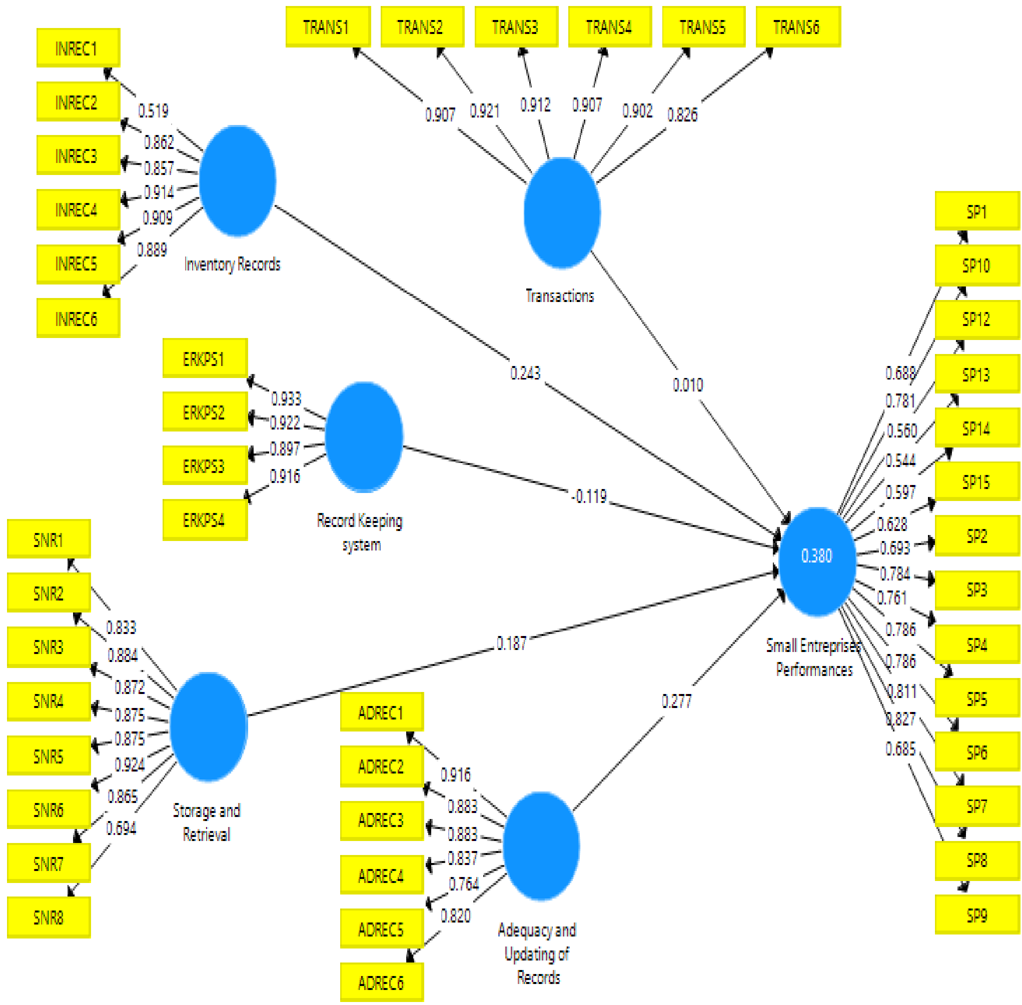


*Figure 2*: Structural Model

Source: Field survey (2021)

**Chapter Summary**

The study shows record-keeping practices among small enterprises in the Secondi-Takoradi metropolis are perceived as being moderately effective in their implementation, thereby leaving room for more strategic and goal-oriented measures to be implemented to make record-keeping practice more effective in achieving their expectation. Small enterprises in Sekondi-Takoradi metropolis are challenged greatly in terms of mixing up of records in relevant books, high cost of employing accountants, failure to predicting income and expenditure for budgeting purposes, inability to keep up to date financial records in a realistic manner and lack of knowledge on how to keep financial records.

The level of performance of small enterprises is best described as being moderately improved especially when it comes to receiving of money from clients/customers on time, effective allocation of resources, and receiving of goods from suppliers timely. Record-keeping practices jointly account for a statistically significant moderate positive change in performance of small enterprises. Only storage and retrieval practices make statistically significant positive contributions to predicting the positive moderate improvement in performance of small enterprises in the Sekondi-Takoradi metropolis.

# CHAPTER FIVE

# SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

## Introduction

The study sought to examine the effect of financial record-keeping on the financial performance of small enterprises in the Sekondi-Takoradi metropolis in the western region of Ghana. The study relied on structured questionnaire for the primary data collection through the drop-and-pick method. Descriptive statistics and structural equation modelling were the techniques employed for the data analysis as demanded by the nature of the specific research objectives. The study was quantitative oriented and therefore the use of statistical techniques is strongly justified. This chapter provides summary on the findings as provided by the previous chapter. It also provides information concerning the conclusions drawn based on the findings for each of the specific research objectives as well as the recommendations offered.

## Summary of Study

***Objective 1: Examine the extent to which sound record-keeping is practiced among small enterprises***

The study examined the extent to which sound record-keeping practice is carried out among small enterprises in the Secondi-Takoradi metropolis given the degree of perception on the extent of effectiveness of implementation of such practices. In the case of record-keeping system, it was discovered that the use of computerized record-keeping system, keeping of financial records, the use of both manual and computerized system of keeping records and among others were all rated as moderately effective in accordance to the mean score range. However, the study proves the assertion that small enterprises use manual record-keeping system was perceived to be slightly effective.

In the case of financial record-keeping practices in respect of transaction, it was discovered that in most instances, the participants rated the items as moderately effective. For example, the claim that records are transferred into relevant books of accounts, invoices are used as source documents for record-keeping, payment vouchers are used as source documents for record-keeping, receipts are used as source documents for record-keeping among others were all rated as moderately effective according to how the respondents perceived it.

The results of the perception among the respondents in small enterprises on financial record-keeping in terms of inventory records proved that most of the items were rated by the participants as moderately effective. For instance, the allegation that inventory levels are monitored through observation, inventory levels are monitored through written records and the likes were all rated as moderately effective.

Nonetheless, the claim that the enterprises keep records of inventory was rated as effective according to the mean range scores on the items. Again, from the results on adequacy and updating of financial records, the claims that financial records are updated annually, financial records are updated monthly, all financial transactions are captured and the majority of the items were all rated as moderately effective. Only one item was rated as slightly effective and that is the claim that financial records are updated weekly.

The results affirms that all the items measuring the construct (Storage and retrieval) were rated as moderately effective. To mention few, the claim that records are protected from accidental and intentional destruction or alternation, financial records are kept in a locked drawer, it is good to keep written records of financial transactions and that records of similar transactions are logically organized were all rated as moderately effective.

***Objective 2: Ascertain the challenges associated with keeping financial records among small enterprises***

The second objective sought to examine the challenges small enterprises are facing in terms of keeping financial records about their business operation. First of all, a careful glance through the mean scores proved in all instances, the participants attested to all the challenges addressed as facing record-keeping of small enterprises. The most dominant challenge to financial record-keeping among small enterprises is high cost of employing Accountants to help in record-keeping. This, the respondents agreed to this effect. The respondents also agreed that they are challenged to keep proper financial record of their operations because such business practice is perceived to be a tedious activity to undertake.

Another notable challenge is the mixing up of records in relevant books as well as failure to predict the income and expenditure for budgetary purposes. Again, the study proves that small enterprise owners/managers are unable to keep accurate and up-to-date financial record realistically. The respondents again agreed they fail to provide records on expenses made from drawings. The least encountered challenges include the inability of owners/managers to know which books to keep as well as lack of knowledge on how to keep financial records.

***Objective 3: Examine the impact of financial record keeping on the performance of small enterprises***

The study further sought to assess the level of firm performance of small enterprises that were surveyed. A close look at the results above shows that most of the items measuring the construct (performance of small enterprises) were rated as moderately improved. The participants claimed that, the fact that resources are allocated effectively and the claim that customers pay for goods and services on time are all moderately improved.

Notwithstanding that, the participants rated the claim that goods are received from suppliers on time and also the fact that customer complaints have reduced and the majority of the items as moderately improved. However, increase in profit and sales and the claim that sales are moving as expected and cash has not been locked up in inventory were all perceived by the respondents as moderately improved. None of the items measuring firm performance was rated as being slightly improved, not improved or highly improved given the threshold of the mean scores.

A further measurement of the effect of financial record-keeping on the performance of small enterprises was carried out. The results in terms of coefficient of determination proves changes in scores of record-keeping practices including adequacy and updating practices, inventory record-keeping practices, transaction practices, record-keeping system and storage and retrieval practices jointly account for 38.0% positive change in performance of small enterprises ($r^2$=0.365).

The study proves that only storage and retrieval practices as a component of record-keeping makes a statistically significant positive contribution to predicting the 38.0% positive variation in performance of small enterprises. On the other hand, the study shows adequacy and updating of records made some positive contribution to predicting 38.0% positive change in performance of small enterprises surveyed, such contribution is however statistically insignificant and therefore cannot be relied on to predict significant positive improvement in performance of small enterprises.

Similarly, the study shows that keeping inventory records made some positive contribution to predicting 38.0% positive change in performance of small enterprises surveyed, such contribution is however statistically insignificant and therefore cannot be relied on to predict significant positive improvement in performance of small enterprises.

Furthermore, the study shows that proper posting of transactions made some positive contribution to predicting 38.0% positive change in performance of small enterprises surveyed, such contribution is however statistically insignificant and therefore cannot be relied on to predict significant positive improvement in performance of small enterprises. Far from the desired results, the study also confirms record-keeping system of record practice made some negative contribution to predicting 38.0% positive change in performance of small enterprises surveyed, such contribution is however statistically insignificant and therefore cannot be relied on to predict significant positive improvement in performance of small enterprises.

**Summary of Key Findings**

1. The use of computerized system, or both manual and computerized system to keep records were all rated as moderately effective for record keeping whereas the use of manual record-keeping system was perceived to be slightly effective.

2. Invoices, payment vouchers and receipts used as source documents for record-keeping were moderately effective.
3. It was seen effective to keep records of inventory. Inventory levels are monitored through observation and written records.
4. Keeping financial records in locked drawers to protect them from accidental or intentional destruction contributes to ensuring the safety of the records.
5. It is good to keep written records of financial transactions in a logical manner.
6. The most dominant challenge to financial record-keeping among small enterprises is high cost of employing Accountants.
7. Keeping financial records was seen as a tedious activity to undertake. Records are mixed up in relevant books and that leads to failure to predict income and expenditure for budgetary purposes.
8. There is failure to provide records on expenses made from drawings.
9. Record keeping leads to effective allocation of resources.
10. Keeping good financial records has contributed to a moderate improvement in receiving payment from customers on time and a reduction in customer complains.
11. Small enterprises having good financial records realized increase in sales and profit and cash has not been locked up in inventory.
12. Storage and retrieval practices, keeping inventory records and proper posting of transactions made statistically significant positive contributions to predicting the positive variation in performance of small enterprises.

## Conclusions

Conclusively, the study shows that record-keeping practices among small enterprises in Secondi-Takoradi metropolis are perceived as being moderately effective in their implementation, thereby leaving room for more strategic and goal-oriented measures to be implemented to make record-keeping practice more effective in achieving their expectation. Small enterprises in the Sekondi-Takoradi metropolis are challenged greatly in terms of mixing up of records in relevant books, high cost of employing accountants, failure to predicting income and expenditure for budgeting purposes, inability to keep up to date financial records in a realistic manner and lack of knowledge on how to keep financial records.

The level of performance of small enterprises is best described as being moderately improved especially when it comes to receiving of money from clients/customers on time, effective allocation of resources, and receiving of goods from suppliers timely. Record-keeping practices jointly account for a statistically significant moderate positive change in performance of small enterprises.

Only storage and retrieval practices make statistically significant positive contributions to predicting the positive moderate improvement in performance of small enterprises in the Sekondi-Takoradi metropolis. Adequacy and updating of record-keeping practices and inventory record-keeping practices are positive but insignificant predictors of performance of small enterprises. However, transaction recording practices are insignificant negative predictors of performance of small enterprises.

In a nut shell, storage and retrieval practices contribute to improving the performance of small enterprises in the Sekondi Takoadi metropolis.

Although these enterprises face several challenges that inhibit adequate keeping of financial records, in their own small way, as they keep records either in opened drawers, on a table in the shop, in locked drawers or on a computerized system and access them from time to time, especially weekly, they are able to allocate resources effectively, track their debtors and creditors, trace the trend of sales and provide adequate services to satisfy the needs of their customers, hence, reflecting their performance.

**Recommendations**

Since most of the financial record-keeping practices among the small enterprises are perceived to be moderately effective in terms of implementation, owners and managers of small enterprises are strongly advised to seek the services of professional accounting firms to assist them in their record-keeping practices so that they can improve their professional accounting stance in order to give a true state of accounts of their business operations. Accounting and auditing firms are however, advised to fashion out solutions for record-keeping systems that meet the varying nature of business operations of small enterprises at affordable prices.

Integrating record-keeping with accounting software could also enhance the efficiency of financial record-keeping behaviour of small enterprises. The usage of services of professional accounting firms may help the managers and owners of small enterprises overcome some of the peculiar challenges inherent in the record-keeping systems including mixing up of records in relevant books, high cost of employing accountants, failure to predicting income and expenditure for budgeting purposes, inability to keep up to date financial records in a realistic manner and lack of knowledge on how to keep financial records.

The study also proves that relying on financial record-keeping systems as measured in the context of this study has the capacity to improve moderately, the performance of small enterprises in a statistically significant manner. Therefore, small enterprises should continue the usage of financial record-keeping systems as contextualized in this empirical study if the emphasis is to improve the performance of such enterprises.

However, management of small enterprises are advised to strongly rely on the measures of storage and retrieval practices measured in this context because only this sub-construct of the financial record-keeping system makes a statistically significant positive contribution to predicting the statistically significant moderate positive variation in performance of small enterprises operating in the Sekondi-Takoradi metropolis, Ghana.

Therefore improving the conditions that affect the effectiveness of implementation of storage and retrieval practices such as allowing only authorized persons to access financial records, keeping mental records of financial transactions, protecting record from accidental and intentional destruction or alteration, logically organizing records of similar transactions, keeping financial records in open and accessible drawers, keeping written records of financial transaction and likes could improve collectively, the positive contribution of storage and retrieval practices on performance of small enterprises.

On the other hand, owners and managers of small enterprises are advised to desist from implementing other components of financial record-keeping system conceptualized in the context of this study. This call is only legitimate if the emphasis on such practices including adequacy and updating of records, inventory record-keeping and transaction postings are to improve firm performance of the small enterprises operating in the Sekondi-Takoradi metropolis.

This recommendation is based on the fact that these components of financial record-keeping systems of small enterprises are insignificant predictors of firm performance of the small enterprises. It is also recommended for managers and owners of small enterprises to up their game as to how to effectively implement these practices so as to position that to have the expected positive impacts on performance of these small enterprises.

Of much concern is transaction posting practices because these practices although are not contributing in a any significant manner to the improvement of performance of small enterprises in Sekondi-Takoradi, these practices however have the potential to reduce the performance of small enterprises in so far as financial record-keeping and firm performance are concerned. There, urgent investment and measures should be devised and implemented in an efficient manner to turn the misfortune of transition recording practices into viable organizational outcomes including improved performance of small enterprises.

Again, training programmes should be organized by accounting solution firms operating in Ghana for owners and managers of small enterprises so that such businesses could ingrain in their operations, proper record-keeping practices, systems and protocols to better position these small enterprises. Specialty training programmes could do the trick. Owners and managers of small enterprises should be ready to learn on the job by patronizing such training programmes on accounting and financial record-keeping system to orient them with the right skills in so far as record-keeping and accounting information are concerned.

The level of formal education even proves 70.4% of the participants do not have tertiary education, hence creating avenue for lack of proper education in financial record-keeping for the operations of these small enterprises. Most professional courses are taught at the higher educational level, thus, at the tertiary level. Therefore, upgrading the educational levels of managers and owners of small enterprises especially in accounting-based programmes could provide solution to the numerous challenges such businesses face in the financial record-keeping operations and activities.

**Suggestions for Further Studies**

Similar study should be replicated across different business sizes including micro, medium and large-scale enterprises that are operating in Ghana, especially those operating in the centre of business cities in Ghana including Accra, Kumasi, Tamale and Tema on a large scale. Also, some contextual factors such as firm size, location, industry type and firm age could be treated as moderating factors in such predictive-oriented empirical studies. The study also shows financial record-keeping practices account for only 38% positive improvement in performance of small enterprises, thereby suggesting that other factors could account for the remaining 62% change in performance of small enterprises. Therefore, there is the need for further studies to be carried on to unmask these factors for informed managerial decision-making.

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# APPENDICES

## Appendix 1 Questionnaire

**UNIVERSITY OF CAPE COAST**

**COLLEGE OF HUMANITY AND LEGAL STUDIES**

**SCHOOL OF BUSINESS**

**DEPARTMENT OF ACCOUNTING**

**QUESTIONNAIRE ON FINANCIAL RECORD-KEEPING AND PERFORMANCE OF SMALL ENTERPRISES**

Dear respondent,

The following questionnaire is part of a survey being conducted in partial fulfillment of Master of Business Administration in Accounting from the University of Cape Coast on the topic "*the effects of financial record-keeping on the performance of small enterprises in the Sekondi Takoradi Metropolis*". I am pleased to inform you that your business has been sampled for this study. I would like to kindly request your acceptance to participate as a respondent in this study. Please feel free to answer all the questions with confidence. The information you give will strictly be used for academic purposes and will be treated with utmost confidentiality. Thank you.

**SECTION ONE: DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS AND INFORMATION ABOUT THE BUSINESS.**

Please respond to each item by choosing the response that best describes you or the status of your business using a tick [√ ].

1. Gender: Male [ ] Female [ ]

2. Indicate your level of education. Basic [ ] Secondary [ ] Tertiary [ ]
Other (please specify) ……………….

3. Age:
20 – 29 years [ ] 30-39 years [ ] 40-49 Years [ ] 50 years and over [ ]

4. Indicate the form of your business. Sole proprietorship [ ] Partnership [ ]
Company [ ] Other (specify) …........

5. What is the nature of your business?
Service [ ] Manufacturing [ ] Agric & Environment [ ] Trading [ ]
Other (specify) ….........…

6. How long has the business been in operation?

1 – 5 years [ ]   6 – 10 years [ ]   More than 10 years [ ]

7. What was the source of your initial capital?

Personal savings [ ]  Bank Loan [ ]  Loan from Family member [ ]  Loan from Friend(s) [ ]  Others (Specify) ……………….

8. What other sources of income have you obtained?

Personal savings [ ]  Bank Loan [ ]  Loan from Family member [ ]  Loan from Friend(s) [ ] Loan from Friend(s) [ ]  Others (Specify) ……………….

**SECTION TWO: EFFECTIVE RECORD-KEEPING PRACTICES**

9. How effective do you keep financial records?:

1-Not Effective  2-Slightly Effective  3-Moderately Effective  4-Effective  5-Highly Effective

| | Statement | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| | **Record-keeping system** | | | | | |
| a | I use a manual record-keeping system | | | | | |
| b | I use a computerized record-keeping system | | | | | |
| c | I use both manual and computerized record-keeping system | | | | | |
| d | I do not keep financial records | | | | | |
| | **Transactions** | | | | | |
| a | I keep a cash book to record all cash transactions | | | | | |
| b | I keep sales records in a sales day book | | | | | |
| c | Receipts are used as source documents for record-keeping | | | | | |
| d | Invoices are used as source documents for record-keeping | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| e | Payment vouchers are used as source documents for record-keeping. | | | | | |
| f | Records are transferred into relevant books of accounts | | | | | |
| | **Inventory Records** | | | | | |
| a | The business keeps records of inventory | | | | | |
| b | The inventory record cards have necessary details such as date of purchase, goods/services descriptions (batch number, manufacture date and expiry dare) and amount | | | | | |
| c | Inventory levels are monitored through written records | | | | | |
| d | Inventory levels are monitored through observation | | | | | |
| e | Re-order levels are determined by written records | | | | | |
| f | Re-order levels are determined by observation | | | | | |
| | **Adequacy and updating of records** | | | | | |
| a | All financial transactions are captured and recorded | | | | | |
| b | The records captured are understandable and meaningful | | | | | |
| c | Financial records are updated daily | | | | | |
| d | Financial records are updated weekly | | | | | |
| e | Financial records are updated monthly | | | | | |
| f | Financial records are updated annually | | | | | |
| | **Storage and retrieval** | | | | | |
| a | I prefer to keep a mental record of financial | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | transactions | | | | | | |
| b | It is good to keep written records of financial transactions | | | | | | |
| c | Records of similar transactions are logically organized | | | | | | |
| d | Financial records are kept in an opened drawer that is easily accessible | | | | | | |
| e | Financial records are kept on a table in the shop | | | | | | |
| f | Financial records are kept in a locked drawer. | | | | | | |
| g | Records are protected from accidental and intentional destruction or alternation | | | | | | |
| h | Only authorized persons have access to financial records | | | | | | |

**SECTION THREE: CHALLENGES OF FINANCIAL RECORD-KEEPING**

Kindly tick the correct answer:

10. I keep financial records on my own Yes [ ] No [ ]

11. Financial records are kept with the assistance of an accounts officer

Yes [ ] No [ ]

12. Financial records are kept by my assistant/shop attendant

Yes [ ] No [ ]

13. To what extent do you agree or disagree with each of the following

1 Strongly Disagree 2- Disagree 3- Agree 4- Strongly Agree

| | Statement | 1 | 2 | 3 | 4 |
|---|---|---|---|---|---|
| | **Challenges in record-keeping** | | | | |
| a | I do not know how to keep financial records | | | | |
| b | I do not know which books to keep | | | | |
| c | Record-keeping is a tedious activity | | | | |
| D | It is expensive to employ an accountant to help in record-keeping | | | | |
| E | Keeping accurate and up-to-date financial records is unrealistic. | | | | |
| F | I sometimes end up mixing records in the relevant books | | | | |
| G | I cannot fairly predict the income and expenditure for budgetary purposes | | | | |
| H | I mostly fail to provide records on expenses made from drawings | | | | |

14. What other challenges do you face in keeping financial records? (list at least three)

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## SECTION FOUR: PERFORMANCE OF SMALL ENTERPRISES

15. To what extent has financial record-keeping affected the performance of your business?

**1**-No Improvement **2**-Slightly Improved **3**-Moderately Improved **4**-Improved

**5**-Highly Improved

| | | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| A | Sales has increased considerably | | | | | |
| B | Profit has increased | | | | | |
| C | I have gained more revenue to recover the amount I invested to start the business | | | | | |
| D | Sales are moving as expected and cash has not been locked up in inventory | | | | | |
| E | The number of customers has increased | | | | | |
| F | My customers are always satisfied with my products or service | | | | | |
| G | Customers choose my product and services above my competitors | | | | | |
| H | After sales services to customers has improved | | | | | |
| I | Customer complaints have reduced | | | | | |
| J | Customers pay for goods and services on time | | | | | |
| K | I am able to provide quick response to customer orders | | | | | |
| L | There is a considerable reduction in the number of sales returns | | | | | |
| M | Goods are received from suppliers on time | | | | | |
| N | I am able to pay my suppliers on time | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| O | New products or services are easily accepted by customers | | | | | |
| P | I am able to allocate resources effectively | | | | | |

16. In your opinion, which other ways has financial record-keeping impacted your business performance? (state three)

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17. In what ways do you think financial record-keeping can help small enterprises?

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**APPENDIX 2 : Outer Loadings**

Outer Loadings

| | Loading | T Statistics | P Values |
|---|---|---|---|
| ADREC1 <- Adequacy and Updating of Records | 0.916 | 51.381 | 0.000 |
| ADREC2 <- Adequacy and Updating of Records | 0.883 | 41.323 | 0.000 |
| ADREC3 <- Adequacy and Updating of Records | 0.883 | 39.994 | 0.000 |
| ADREC4 <- Adequacy and Updating of Records | 0.837 | 31.502 | 0.000 |
| ADREC5 <- Adequacy and Updating of Records | 0.764 | 17.849 | 0.000 |
| ADREC6 <- Adequacy and Updating of Records | 0.820 | 23.274 | 0.000 |
| ERKPS1 <- Record-keeping system | 0.933 | 35.684 | 0.000 |
| ERKPS2 <- Record-keeping system | 0.922 | 26.583 | 0.000 |
| ERKPS3 <- Record-keeping system | 0.897 | 17.209 | 0.000 |
| ERKPS4 <- Record-keeping system | 0.916 | 49.069 | 0.000 |
| INREC1 <- Inventory Records | 0.519 | 7.638 | 0.000 |
| INREC2 <- Inventory Records | 0.862 | 32.928 | 0.000 |
| INREC3 <- Inventory Records | 0.857 | 32.049 | 0.000 |
| INREC4 <- Inventory Records | 0.914 | 62.763 | 0.000 |
| INREC5 <- Inventory Records | 0.909 | 47.051 | 0.000 |
| INREC6 <- Inventory Records | 0.889 | 40.980 | 0.000 |
| SNR1 <- Storage and Retrieval | 0.833 | 27.230 | 0.000 |
| SNR2 <- Storage and Retrieval | 0.884 | 37.403 | 0.000 |
| SNR3 <- Storage and Retrieval | 0.872 | 40.549 | 0.000 |
| SNR4 <- Storage and Retrieval | 0.875 | 39.319 | 0.000 |
| SNR5 <- Storage and Retrieval | 0.875 | 40.353 | 0.000 |
| SNR6 <- Storage and Retrieval | 0.924 | 76.345 | 0.000 |
| SNR7 <- Storage and Retrieval | 0.865 | 35.611 | 0.000 |
| SNR8 <- Storage and Retrieval | 0.694 | 15.056 | 0.000 |

| | | | |
|---|---|---|---|
| SP1 <- Small Enterprise Performance | 0.688 | 13.756 | 0.000 |
| SP10 <- Small Enterprise Performance | 0.781 | 16.381 | 0.000 |
| SP12 <- Small Enterprise Performance | 0.560 | 8.847 | 0.000 |
| SP13 <- Small Enterprise Performance | 0.544 | 8.192 | 0.000 |
| SP14 <- Small Enterprise Performance | 0.597 | 10.097 | 0.000 |
| SP15 <- Small Enterprise Performance | 0.628 | 12.495 | 0.000 |
| SP2 <- Small Enterprise Performance | 0.693 | 13.712 | 0.000 |
| SP3 <- Small Enterprise Performance | 0.784 | 28.289 | 0.000 |
| SP4 <- Small Enterprise Performance | 0.761 | 19.227 | 0.000 |
| SP5 <- Small Enterprise Performance | 0.786 | 21.087 | 0.000 |
| SP6 <- Small Enterprise Performance | 0.786 | 21.019 | 0.000 |
| SP7 <- Small Enterprise Performance | 0.811 | 27.321 | 0.000 |
| SP8 <- Small Enterprise Performance | 0.827 | 29.994 | 0.000 |
| SP9 <- Small Enterprise Performance | 0.685 | 13.006 | 0.000 |
| TRANS1 <- Transactions | 0.907 | 50.644 | 0.000 |
| TRANS2 <- Transactions | 0.921 | 42.684 | 0.000 |
| TRANS3 <- Transactions | 0.912 | 37.098 | 0.000 |
| TRANS4 <- Transactions | 0.907 | 37.599 | 0.000 |
| TRANS5 <- Transactions | 0.902 | 40.775 | 0.000 |
| TRANS6 <- Transactions | 0.826 | 22.737 | 0.000 |

Source: Field survey (2021)