

UNIVERSITY OF CAPE COAST

PROPER ACCOUNTING RECORD KEEPING AND PERFORMANCE OF  
SMES WITHIN THE CAPE COAST METROPOLIS

GEORGE KING-AIDOO

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BY

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in partial fulfilment of the requirements for the award of Master of Business  
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## DECLARATION

### Candidate's Declaration

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

Candidate Signature ..... Date: .....

Name: George King-Aidoo

### Supervisors' 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: .....

Name: Mr. Joshua Addo

## ABSTRACT

Scholars argue that the low performance of SMEs partly results from their inability to keep proper accounting records. Yet, extant literature addressing the effect of accounting record keeping on the performance of SMEs in the Ghanaian-context is scanty. To bridge this gap, the present study sought to assess the effect of accounting record keeping on the performance of SMEs in the Cape Coast Metropolis. The study employed the quantitative research approach, descriptive-explanatory research design, and cross-sectional survey design. Out of a sample size of 341, 288 completed and valid questionnaires were retrieved hence a response rate of 84.46%. The multi-stage sampling technique was used in selecting samples for the study. A semi-structured questionnaire was employed for data collection and it was self-administered. Descriptive and inferential statistics were used to analyse the data. Consistent with expectations, the study found that SMEs operating within the Cape Coast Metropolis scored low on the adequacy level of accounting record keeping. To add, the study revealed that the low adequacy level of accounting record keeping led to low performance among SMEs operating within the Cape Coast Metropolis. Additionally, it was discovered that the SMEs were faced with challenges that greatly hamper proper accounting record keeping. The study recommends that institutions that are responsible for improving the performance of SMEs, such as Business Advisory Services, National Board for Small Scale Industries, and Ghana Chamber of Commerce should provide support services to these enterprise's in the area of proper accounting record keeping.

## KEY WORDS

Accounting record keeping

Cape Coast Metropolis

Ghana

Performance

Small and medium-sized enterprises (SMEs)

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## **DEDICATION**

To my children, Stephanie, Ewura Ama, Kelvin, Joseph, Betty and Brainna

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## LIST OF ACRONYMS

AVE	Average Variance Extracted
AGI	Association of Ghana Industries
CCMA	Cape Coast Metropolitan Assembly
CR	Composite Reliability
EFA	Exploratory Factor Analysis
EU	European Union
GEDC	Ghana Enterprise Development Commission
GSGDA	Ghana Shared Growth and Development Agenda
KPI	Key Performance Indicators
NBSSI	National Board for Small Scale Industries
OECD	Organisation for Economic Co-operation and Development
SAQ	Self-Administered Questionnaire
SME	Small and medium-sized enterprises

## CHAPTER ONE

### INTRODUCTION

Small and medium-sized enterprises (SMEs) are businesses privately owned and managed by individuals or group of individuals. They promote economic growth through revenue generation, promotion of sustainable competitiveness, employment creation, poverty reduction and innovation [Organisation for Economic Co-operation and Development (OECD), 2017]. In modern business environments and personal lives, the significance of proper accounting record keeping cannot be exaggerated (Solanke, Fashagba & Okpanachi, 2016). It is purported that proper accounting record keeping helps to improve the performances of firms (Aladejebi & Oladimeji, 2019).

However, evidence suggests that SMEs which operate within the Cape Coast Metropolis record low sales and profit margin leading to their collapse at the introduction stage of their life cycle (Yeboah, 2015). It appears that the low performance of SMEs partly results from their inability to keep proper accounting records (Tweneboah-Senzu & Ndebugri, 2018). Yet, extant literature addressing the effect of proper accounting record keeping on the performance of SMEs in the Ghanaian-context is scanty. It is this gap that the present study seeks to fill.

#### **Background to the Study**

The roles of SMEs in economic growth and sustainable development of economies worldwide cannot be overstated (Alhassan, Hoedoafia & Alhassan, 2016). SMEs are seen as businesses privately owned and managed by individuals or group of individuals and they are regarded as resourceful in

developing economies (Madurapperuma, Thilakerathne & Manawadu, 2016). SMEs promote economic growths through revenue generation, promotion of sustainable competitiveness, employment creation, poverty reduction and innovation (OECD, 2017). Therefore, the survival and performance of SMEs have been of prime focus to researchers, public agencies and non-governmental agents (Elijah, 2016).

Existing studies argue that there are several factors which contribute to SMEs' survival and performance, of which proper accounting record keeping is notable among them (Agyapong, 2016; Dawuda & Azeko, 2015). Proper accounting record keeping is seen as the maintenance of a history of one's financial dealing by documenting them (Rathnasiri, 2014). Proper accounting record keeping has been found to aid SMEs in keeping track of their performance (Agbemava et al., 2016; Shahabi, Hosseinpour & Soheila, 2014). Expressed another way, keeping proper accounting record could help SMEs to craft better future business plans, strategies and policies that would increase their customer base, service quality, liquidity base and consequently, return on assets (Shahabi et al., 2014).

The assertion by Shahabi et al. (2014) is expounded by the Decision Usefulness Theory. The theory argues that, by keeping proper accounting records, useful information is obtained by top management and executives during financial reporting, which aids in making business decisions that eventually lead to superior business performance (Aladejebi & Oladimeji (2019). The theory is based on the premise that decision-useful information is the fundamental objective of financial reporting (Soyinka, Fagbayimu, Adegroye & Ogunmola, 2017).

In developed countries, the success stories of SMEs becoming larger firms have been attributed to proper accounting record keeping or book keeping practices (Bhatia & Awasthi, 2018). Similarly, in developing countries, Aladejebi and Oladimeji (2019) contend that proper record keeping is key to the success of businesses. In Ghana, the business environment is dominated by small and medium businesses in areas such as trading, small scale manufacturing, catering services, mining and craftsmanship (Ntim, Evans & Anthony, 2014). These businesses play tremendous roles in social and economic development of the country and contribute massively to the improved living standards of people (Dawuda & Azeko, 2015; Musah, 2017).

In view of the contributions of SMEs, the National Board for Small Scale Industries (NBSSI), the Association of Ghana Industries (AGI) and other agencies have been established by the Republic of Ghana to provide training, financial, advisory and networking support to them (Oppong, Owiredu & Churchill, 2014). The contributions of these agencies would be fruitful only if SMEs, especially those within the Cape Coast Metropolis willingly embrace proper accounting record keeping practices in their respective business activities.

One of the broad objectives of the Metropolis under the thematic areas of the Ghana Shared Growth and Development Agenda II is to enhance competitiveness in Ghana's private sector by expanding opportunities for job creation among small firms. Within the Cape Coast Metropolis, the population engaged in self-employment is 7.4%, government employment is 33%; agriculture is 10.7% and the overall population in private sector employment is 63.0% (Cape Coast Metropolitan Assembly, 2018). This statistics signify



that the private sector is the largest employer, signally the relevance of promoting SMEs' survival and performance in the Metropolis. Against this background, the present study seeks to assess the effect of proper accounting record keeping on the performance of SMEs operating within the Cape Coast Metropolis.

### **Statement of the Problem**

Despite the enormous benefits associated with keeping proper accounting records, evidence suggests that managers of SMEs feel somewhat reluctant in its adoption (Dawuda & Azeko, 2015), with reasons stemming from the perception that proper accounting record keeping is too complex, expensive and time wasting (Musah, 2017). It is alleged that most accounting records held by SMEs are characterised by single entries or incomplete records (Chakraborty, 2015). It appears that the poor accounting record keeping by most SMEs is the partly cause of their low performance (Tweneboah-Senzu & Ndebugri, 2018).

Anecdotal information confirms that there is a low survival rate among SMEs. Even more, most of these businesses are constantly threatened with failure, with statistics indicating that three out of five SMEs fail within the first year of operation (Ng'aru, Muluku & Sakwa, 2018), and majority of them fail after five years (Mwaanga, 2014). In Ghana, for instance, Ezejiofor and Olise (2014) revealed that most SMEs perform poorly, and collapse at the introduction stage of their life cycle. This situation is likely to be severe for SMEs operating within in the Cape Coast Metropolis due to fierce competition from neighbouring Metropolis like Sekondi Takoradi (Yeboah, 2015).

Therefore, in order for policy makers, non-governmental organisations and government agencies to offer useful interventions to promote SMEs survival and growth in Ghana especially in the Cape Coast Metropolis, the need arises for a study that will empirically test the effect of proper accounting record keeping on performance of SMEs within the Metropolis. Although analysts have paid some attention to the relationship between accounting record keeping and performance of SMEs (Aladejebi & Oladimeji, 2019; Solanke et al., 2016), it is debated that limited studies exist in the Ghanaian-context (Tweneboah-Senzu & Ndebugri, 2018). As a consequence, this study seeks to bridge this gap in literature by assessing the effect of proper accounting record keeping on the performance of SMEs in the Cape Coast Metropolis.

### **Purpose of the Study**

The purpose of this study is to assess the effect of proper accounting record keeping on the performance of SMEs in the Cape Coast Metropolis.

### **Research Objectives**

The research objectives considered in this study are: to

- 1) Analyse the level of proper accounting record keeping by SMEs in the Cape Coast Metropolis;
- 2) Examine the effect of the level of proper accounting record keeping on the performance of SMEs in the Cape Coast Metropolis; and
- 3) Examine the challenges faced by SMEs in accounting record keeping.

### **Research Questions**

Based on the stated research objectives, the following research questions are considered:

- 1) What is the level of proper accounting record keeping by SMEs in the Cape Coast Metropolis?
- 2) What is the effect of the level of proper accounting record keeping on the performance of SMEs in the Cape Coast Metropolis?
- 3) What are the challenges faced by SMEs in accounting record keeping?

### **Significance of the Study**

This study is important for several reasons. Firstly, the study seeks to analyse the level of proper accounting record keeping by SMEs in the Cape Coast Metropolis. The finding for this particular objective would help NBSSI, AGI and other support agencies to provide appropriate interventions to improve on the existing situation. In the same way, examining the effect of the level of proper accounting record keeping on the performance of SMEs in the Cape Coast Metropolis would provide these agencies with baseline data in highlighting the need for holding proper accounting records among SMEs. Similarly, by examining the challenges faced by SMEs in accounting record keeping, support agencies and policy makers can offer the needed support and advice to help lessen such challenges. Last but not least, this study would provide information for researchers, academicians, non-governmental organisations and business consulting firms who have interest in the survival,

performance, and growth of SMEs, particularly those operating in the Cape Coast Metropolis.

### **Delimitations**

The present study is delimited to SMEs operating in the Cape Coast Metropolis in Ghana. Variables used in the study are accounting record keeping and performance of SMEs. Accounting record keeping is used as the independent variable, whereas performance of SMEs is used as the dependent variable.

### **Organisation of the Study**

This study is organised into five main chapters. Chapter One presents the introduction, which entail an untitled introduction, background of the study, statement of the problem, research objectives, research questions, significance of the study, delimitations, and organisation of the study. Chapter Two reviews various literature relevant to this research project, capturing the theoretical review, conceptual review, empirical review, conceptual framework, and chapter summary. Chapter Three describes the research methods adopted for the study, encompassing the research approach, research design, research strategy, population, sample size, sampling procedure, data collection instrument, ethical considerations, data collection procedure, and data analysis procedure. Chapter Four captures the results and discussion, and Chapter Five finalises the report with the summary, conclusions and recommendations.

## CHAPTER TWO

### LITERATURE REVIEW

#### **Introduction**

This chapter covers the literature review. Literature review is an activity in which the knowledge base is consulted to inform the present study. It is organised under four headings, namely conceptual review, the theoretical review, empirical review, and conceptual framework. The chapter ends with a chapter summary.

#### **Conceptual Review**

The conceptual review explains the concept and variables emanating from the research topic namely, financial record keeping, business performance, and the definition of SMEs both globally and locally. As such, the discussion of the conceptual review begins with the concept of financial record keeping and it is explained below.

#### **Financial record keeping**

According to Tweneboah-Senzu and Ndebugri (2018), financial record keeping is the foundation on which modern businesses thrive for growth and sustainability. Good financial records can greatly improve many of the management decisions a business owner and/or manager takes, including decisions about marketing, personnel, borrowing, pricing, inventory, and product development (Okpala, 2019). Such financial records include income statement, statement of financial position, the statement of cash flows, and the financial internal control system records that check the accuracy of company

transactions (Aladejebi & Oladimeji, 2019). The next segment concentrates on the concept of business performance

### **Business performance**

Business performance has been defines as a measure of how efficiently and effectively managers use resources to satisfy customers and achieve organisational goals (Gareth, 2003). Neely, Gregory and Platts (1995) define performance measurement as a metric used to quantify and compute an action's efficiency and effectiveness. In a different viewpoint, performance measures, according to Cheng (2008), are systems by which organisations monitor their operations and evaluate whether the organisation is attaining its goals. Performance measure, as indicated by Bhimani, Hongren, Datar and Foster (2008), is central to every management control system. Effective performance measurement is essential in ensuring that an organisation's business strategy is successfully implemented. The purpose of performance assessment is not only to know how well a business is performing but also to ensure that the business performs better so as to help it to serve its customers, employees, owners and stakeholders (Okwo & Marire, 2012).

Proper performance measures, according to Dixon, Nanni and Vollmann (1990), are the measures which enable organisations to focus their actions on realising the strategic objectives of the organisation. Specifically, Tangen (2003) posits that performance measures are metrics employed to quantify the effectiveness and efficiency of organisational action. Bourne, Neely, Mills and Platts (2003) also believe that these explanations are precise but fail to convey the notion labelled in present-day literature and in practice

as performance measurement. The authors added that, performance measurement refers to the use of a multi-dimensional set of performance measures.

Multi-dimensional measures of performance are measures that combine both financial and non-financial key performance indicators (KPI) (Fitzgerald & Moon, 1996). Multi-dimensional performance measures have thus gained popularity both in research and practice as they capitalise on the strengths of single-dimensional measures while minimising their weaknesses. The proponents of multi-dimensional performance measures argue that both internal and external measures of performance are used to quantify current and future performance (Cheng, 2008; Kotey & Meredith, 1997). To combine the multi-dimensional measures of performance, researchers including Zuriekat, Salameh and Alrawashdeh (2011) have used the Likert scale type self-assessment questionnaires in collecting data. An example of multi-dimensional performance measures is the building block model.

Financial or quantitative performance measures consist of performance indicators such as, operating profit, net profit, dividend yield, return on asset, cash flows, return on capital employed, residual income and value added income (Horngren, Datar & Foster, 2006). Financial performance as expounded by Khan and Jain (2013) and Garrison, Noreen and Brewer (2011) could be relative measures or absolute measures. According to Horngren, Datar and Rajan (2013), relative financial performance measures are those measures that relate profit or return with the resources used in generating such profit. This approach to performance measurement is helpful in that it enables inter and intra firm comparisons.

Absolute financial performance measures, on the other hand, are performance indicators based on absolute quantum of return or equivalent return (Garrison, Noreen & Brewer, 2011). Equivalent return implies diverse forms of return namely profit after tax, profit before interest and tax, economic value added and residual income. Arguments raised against absolute performance measure by supporters of relative measures include its failure to relate return to the resources used to generate the return (Horngren et al., 2013). Despite the imperative role that financial performance plays in performance measurement, critics have argued that firstly, they are historic in nature, are subject to manipulation and lack predictive value (Emmanuel & Otley, 1995; Kaplan & Norton, 1996; Smith, 2005; Venanzi, 2011).

Secondly, in order to achieve the target, financial result, managers may be tempted to make decisions that will improve short-term financial performance but have a negative impact on long-term performance (Dallas, 2011; Kaplan, 2014). Thirdly, the use of these short-term financial performance indicators has limited benefits to the company as it does not convey the full picture regarding the factors that drive long-term performance of business organisations (Drury, 2012). Non-financial or qualitative measures, on the other hand, as cited in Agyei-Mensah (2009), are performance indicators based on non-financial information which originates in and is used by cost and profit centres to monitor and control their activities without any accounting input.

Examples of non-financial performance measures introduced by the building block model include quality of service, flexibility, resource utilisation, innovation and competitive performance (Kaplan, 2014). These



measures provide managers with timely information centred on the causes and drivers of success and can be used to design integrated evaluation systems (Woolf, 2014). With this in mind, this study adapts the multi-dimensional performance measures as used in the study by Opong (2019). The dimensions were adapted because they were rephrased to depict the SME setting for instance, “Our business’s liquidity base has increased”. The multi-dimensional performance measures were customer base, service quality, responsiveness to clients’ needs, improvements in resource utilisation, return on assets, and liquidity base. Multi-dimensional performance measures were used because they capitalise on the strengths of single-dimensional measures while minimising their weaknesses.

### **Definition and classification of SMEs globally**

Definitions of SMEs vary from country to country, depending on one or more thresholds laid down in respect of investment, employment and turnover. The issue of what constitutes a small or micro enterprise is a major concern in literature. Different writers have usually given different definitions to this category of business. SMEs have indeed not been spared with the definition problem that is usually associated with concepts which have many components. The definition of firms by size varies among researchers as well as writers. Others define SMEs in terms of their legal status and method of production. Some attempt to use the capital assets while others use labour and turnover level.

Bolton Report (1991) first formulated an “economic” and “statistical” definition of a small firm. Under the “economic” definition, a firm is said to be

small if it meets the following three criteria: it has a relatively small share of their market place; it is managed by owners or part owners in a personalized way, and not through the medium of a formalized management structure; and it is independent, in the sense of not forming part of a large enterprise. Under the “statistical” definition, the Committee proposed the following criteria: the size of the small firm sector and its contribution to GDP, employment and exports; the extent to which the small firm sector’s economic contribution has changed over time; and applying the statistical definition in a cross-country comparison of the small firm’s economic contribution.

The Bolton Committee applied different definitions of the small firm to different sectors. Whereas firms in manufacturing, construction and mining were defined in terms of number of employees (in which case, 200 or less qualified the firm to be a small firm), those in the retail, services, and wholesale were defined in terms of monetary turnover (in which case the range is 50,000-200,000 British Pounds to be classified as small firm). Firms in the road transport industry are classified as small if they have five or fewer vehicles. There have been criticisms of the Bolton definitions. These centre mainly on the apparent inconsistencies between defining characteristics based on number of employees and those based on managerial approach (Bolton Report, 1991).

In Japan, small-scale industry is defined according to the type of industry, paid-up capital and number of paid employees. Consequently, small and medium-scale enterprises are defined as: those in manufacturing with 100 million yen paid-up capital and 300 employees, those in wholesale trade with 30 million yen paid-up capital and 100 employees, and those in the retail and

service trades with 10 million yen paid-up capital and 50 employees (Ekpenyong & Nyong, 1992). European Union (EU) Member States, traditionally have their own definition of what constitutes an MSME, for example the traditional definition in Germany had a limit of 250 employees, while, for example, in Belgium it could have been 100.

But in recent times, the European Union has started to standardize the concept. Its current definition categorizes companies with fewer than 10 employees as “micro”, those with fewer than 50 employees as “small”, and those with fewer than 250 as “medium”. By contrast, in the United States, when small business is defined by the number of employees, it often refers to those with fewer than 100 employees, while medium-sized business often refers to those with fewer than 500 employees. Canada also defines a small business as one that has fewer than 100 employees (if the business is a goods-producing business) or fewer than 50 employees (if the business is a service-based business), and a medium-sized business as fewer than 500 (Carsamer, 2009).

Small-scale industries are defined as manufacturing units employing not more than 30 persons. For the purpose of differentiating them from the other small-scale non-farm economic activities, the emphasis is placed on the manufacturing aspect. Manufacturing means producing or making physical items. This means that pure service activities such as government services, retail trade, banking, recreation and insurance services are not included. However, repair services are included in the manufacturing enterprises because they have something to do with formally manufactured goods (Chapman & Walker, 1987; Dinye, 1991).

The argument is that manufacturers do not always produce a finished good but only perform one stage in a sequence of a process. The fact that an item can be repaired implies that there is a further stage in the manufacturing process (Chapman & Walker, 1987; Dinye, 1991). After looking at the definitions and classifications of SMEs in the global perspective, it is proper to examine definitions of SMEs given in the context of Ghana since the study covers that jurisdiction.

### **Definition of SMEs in Ghana**

In Ghana, various definitions have been given for SMEs but the most commonly used criterion is the number of employees of the enterprise (Kayanula & Quartey, 2000). By using this definition, confusion often arises in respect of the unpredictability and cut off points used by the various official sources. According to the National Board for Small Scale Industries (NBSSI) (1998), a small business is any business that employs up to 29 people, and small business is divided into: the micro, small and medium enterprises. The micro enterprises employ up to five employees with fixed assets (excluding land and building) not exceeding the value of \$10,000; small enterprises are those employing between six and twenty-nine employees or having fixed assets excluding land and building not exceeding \$100,000 and; a medium enterprises employ between 30 and 99 employees with fixed assets of up to \$1m.

According to Mensah (2007), SMEs are dominated by one person, with the owner/manager taking all major decisions. The entrepreneur may possess limited formal education, access to and use of new technology, market

information, and access to credit from the banking sector is severely limited; they have weak management skills, thus inhibiting the development of a strategic plan for sustainable growth; they experience extreme working capital volatility; and lack of technical know-how and inability to acquire skills and modern technology impede growth opportunities.

The Ghana Enterprise Development Commission (GEDC), on the other hand, uses a 10 million Ghanaian cedis upper limit definition for plant and machinery. It is important to caution that the process of valuing fixed assets poses a problem. Secondly, the continuous depreciation of the local currency as against major trading currencies often makes such definitions outdated (Kayanula & Quartey, 2000). In defining small-scale enterprises in Ghana, Osei, Baah-Nuakoh, Tutu and Sowa (1993) used an employment cut-off point of 30 employees and however, classified small-scale enterprises into three categories. These are: micro-employing less than 6 people; very small - employing 6-9 people; and small - between 10 and 29 employees.

This study employs the definition proposed by NBSSI (1998) that, a small business is any business that employs up to 29 people, and small business is divided into: the micro, small and medium-sized enterprises. In line with this definition, small enterprises are those employing between six and twenty-nine employees or having fixed assets excluding land and building not exceeding \$100,000, and medium-sized enterprises employ between 30 and 99 employees with fixed assets of up to \$1m.

## **Theoretical Review**

This study is guided by the Decision Usefulness Theory, promoted by Ijiri (1983). The theory argues that, by keeping proper accounting records, useful information is obtained by top management and executives during financial reporting, which aid in making business decisions that eventually lead to superior business performance (Aladejebi & Oladimeji, 2019). The theory is based on the premise that decision-useful information is the fundamental objective of financial reporting. According to Wang (2012), decision usefulness is defined in terms of relevance, reliability, comparability, and understandability.

Decision usefulness theory is adopted to satisfy the information needs of the users of accounting information, namely investors and creditors. Wild (2008) and Fellinghan (2005) observed that accounting is viewed as the measuring activity that makes available financial reports, which support decision makers and their business decisions. Financial statement plays an important role to various users, which mainly consist of the creditors, investors, employees, customers, government and their agencies, in taking vital financial decision (Shagari, 2013). The usefulness of accounting information is based on such factors as timeliness, reliability, relevancy, materiality of the presented accounting data, understandability, comparability, and verifiability (Ijiri & Jaedicke, 1966; Soyinka, Fagbayimu, Adegoroye & Ogunmola, 2017).

The single –person decision theory, which is based on the view point of a person who must take a decision under conditions of uncertainty, is the vital part of this study. The theory gives room for additional information to be

obtained by entities to revise a possible subjective assessment of a decision-maker of what might have happened after a decision is made. The theory is promoted by scholars, such as Raiffa (1968); Ijiri (1983); Solomons (1989); Staubus (1999); Cartney (2004); Godfrey, Hodgson, Holme and Tarca (2006); Scott (2009); Dandago and Hassan (2013).

### **Empirical Review**

This section considers the empirical review of this study. The empirical review section presents the results of studies closely related to the research topic. It is structured into three thematic areas, which are consistent with the stated research objectives. The thematic areas are: the level of proper accounting record keeping, effect of the level of proper accounting record keeping on business performance, and the challenges faced by SMEs in accounting record keeping. In addition, the empirical review ascertains the gap which this study seeks to fill, as well as, identifying the similarities and contradictions in such studies.

### **Level of proper accounting record keeping**

Tweneboah-Senzu and Ndebugri (2018) disclosed that several SMEs in Ghana do not keep legitimate books of accounts. The few that comply keep records such as petty cash book and sales day book. On the contrary, Okpala (2019) revealed that small and medium industries in Anambra State in Nigeria keep proper accounting records of their financial transactions. Similar to the study conducted by Okpala (2019), Oyewole, Salman and Dunsu (2019) found

that sampled SMEs in Nigeria attached a lot of importance to proper accounting record keeping.

### **Effect of the level of proper accounting record keeping on business performance**

Dawuda and Azeko (2015) conducted an assessment of financial records keeping behaviour of small scale businesses in Ghana, with evidence from Bolgatanga Municipality. Employing the multistage sampling method, 120 respondents were selected to partake in the study. The authors revealed that proper record keeping is key to the success of SMEs. Similar to the study by Dawuda and Azeko (2015), Tweneboah-Senzu and Ndebugri (2018) discovered that the value of quality record keeping helps to determine the financial position of businesses.

Okpala (2019) examined the effect of accounting records on financial performance of small and medium industries in Anambra State, Nigeria. Employing the survey design and a questionnaire, 176 small and medium industries were purposively selected to partake in the study. The study found that sound accounting system has significantly improved the performance of small and medium industries in Anambra State. The analyst therefore recommended that the cost of operating sound accounting system should be minimized in order to encourage its adoption among small and medium industries operating within that jurisdiction.

Aladejebi and Oladimeji (2019) investigated the impact of record keeping on the performance of selected small and medium enterprises in the Lagos Metropolis in Nigeria. Using the quantitative research approach, the



survey design, 197 filled and valid questionnaires and IBM SPSS Statistics software, the authors established that record keeping is key to the success of SMEs. Oyewole, Salman and Dunsi (2019) used 115 SMEs engaged in manufacturing and service activities to analyse the influence of management accounting system on business performance among SMEs in Lagos State in Nigeria. Employing the purposive sampling technique and a questionnaire, the results showed that management accounting system has significant influence on SMEs performance and financial decision making.

### **Challenges faced by SMEs in accounting record keeping**

Amoako (2013) highlights that the cost of keeping proper accounting records, lack of proper accounting record keeping skills, involvement by family members, and inadequate skilled personnel were some of the major reasons that hinder SMEs from keeping proper accounting records of their activities. The author therefore recommended that, in order to minimise the effects of these challenges on their businesses, SMEs should engage the services of accounting consultants, organise bookkeeping training for staff periodically, and reduce the interference from family members.

The challenges highlighted by Amoako (2013) were further strengthened by a study by Dawuda and Azeko (2015), which was conducted within the Bolgatanga Municipality in the Upper East Region of Ghana. The researchers found that the various factors that hindered accurate accounting record keeping by managers of small-scale businesses were lack of adequate accounting knowledge, the high cost of hiring qualified accountants, the decision not to expose their businesses to avoid being taxed, the time-

consuming nature of keeping accounting records, and ignorance about the value of financial record keeping to their business.

Among these factors, lack of adequate accounting knowledge and the high cost of hiring qualified accountants were the two important factors that pose challenges to business owners in their quest to keep proper books of accounts. Thus, both studies confirm that among other factors, lack of knowledge and skills in accounting record keeping and the cost of hiring accountants are challenges faced by SMEs in keeping adequate accounting records in Ghana (Dawuda & Azeko, 2015).

Manager's level of knowledge of accounting has been found to influence accounting record keeping. As emphasized by Ismail and King (2014), the accounting information system kept by SMEs depends on the owner's level of knowledge in accounting. In like manner, Ntim, Evans and Anthony (2014) showed that, in Tanzania, the accuracy of records kept by owners of SMEs was highly related to their level education. Hence, the authors concluded that proper record keeping is highly influenced by the level of education of the business owner.

Similar to the findings of Dawuda and Azeko (2015), Negou (2018) disclosed that most SMEs in Bangladesh who do not keep accurate accounting records of their activities cited time constraints, high cost, lack of the required accounting skills, lack of the required accounting staff, exposing the financial positions of the business, the possibility of paying higher taxes and difficulty in maintaining an accounting system as some of the challenges which prevented them from keeping accounting records. Amoako, Marfo, Gyabaah

and Gyamfi (2014) revealed fear of discouragement in case of loss as a major challenge facing owner/managers when keeping accounting records.

Furthermore, Amoako et al. (2014) unveiled that costs constraint, family involvement, non-availability of skilled personnel and inadequate accounting skills were some of the challenges facing owner/managers of SMEs operating within the Sunyani Metropolis, as they try to keep proper accounting records. The finding from Madurapperuma, Thilakerathne and Manawadu (2016) also stressed a similar point of view as the ones cited by Amoako et al. (2014). The results from their study revealed that cost constraints, time constraints, lack of accounting knowledge and lack of accounting regulation were the major challenges hindering accurate accounting record keeping activities among SMEs.

### **Conceptual Framework of the Study**

The conceptual framework presented in Figure 1 displays the influence of the independent variable, accounting record keeping on the dependent variable, performance of SMEs. This relationship is deeply rooted in the Decision Usefulness Theory, promoted by Ijiri (1983). The theory argues that, by keeping proper accounting records, useful information is obtained by top management and executives during financial reporting, which aid in making business decisions that eventually lead to superior business performance (Aladejebi & Oladimeji, 2019).

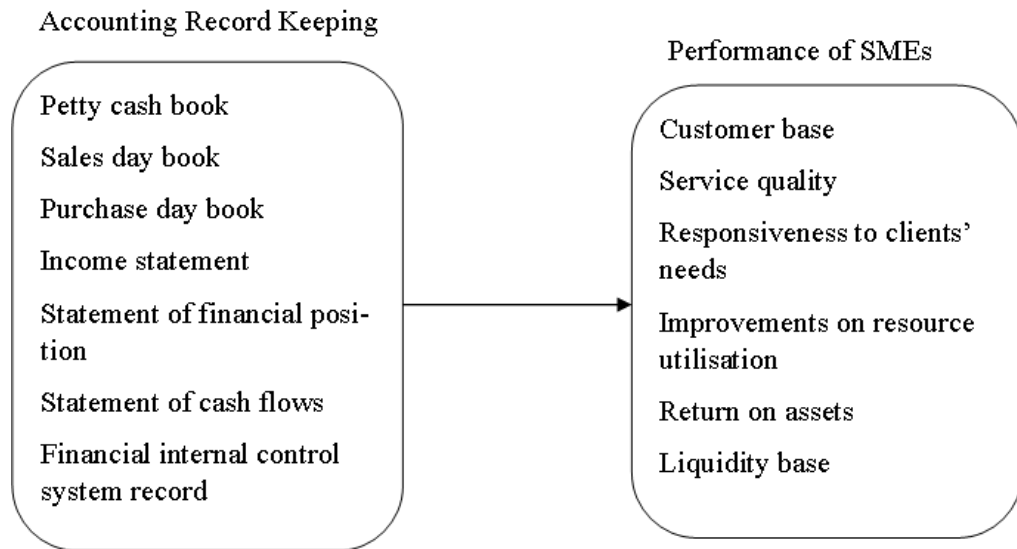


Figure 1: Conceptual framework of the study

Source: Author's construct (2019)

Therefore, this study envisages a positive relationship between accounting record keeping and performance of SMEs. Put another way, when proper accounting records are kept, SME managers and stakeholders are likely to use the information to boost performance. Measurement items under accounting record keeping are petty cash book, sales day book, purchase day book, income statement, statement of financial position, statement of cash flow, and finance internal control system record. Customer base, service quality, responsiveness to clients' needs, improvement in resource utilisation, return on assets, and liquidity base were the multi-dimensional items that measured performance of SMEs, as obtained from the literature.

## Chapter Summary

This Chapter covered the literature review. It was organised under four headings, namely conceptual review, the theoretical review, empirical review, and conceptual framework. The conceptual review explained the concept and variables emanating from the research topic namely, financial record keeping, business performance, and the definition of SMEs globally and locally. The theoretical review discussed the Decision Usefulness Theory and how the theory guided the present study. The empirical review section presented the results of studies closely related to the research topic. It was structured into three thematic areas, which were consistent with the stated research objectives. The thematic areas were: the level of proper accounting record keeping, the effect of the level of proper accounting record keeping on performance of SMEs, and the challenges faced by SMEs in accounting record keeping. The conceptual framework illuminated the writer's idea on how the present study was explored, with backing from the Decision Usefulness Theory.

## CHAPTER THREE

### RESEARCH METHODS

#### **Introduction**

This chapter presented the research approach, research design, research strategy, population, sampling procedure and sample size, data collection instrument, ethical considerations, and data analysis procedure. The chapter ends with a chapter summary.

#### **Research Approach**

There are two main types of research approaches namely, the quantitative and the qualitative research approaches. Yin (2017) suggests that the research approach used should accommodate the research objectives and skills of the researcher. As such, based on the stated research objectives of the present study, the quantitative research approach was adopted. Among the many advantages of quantitative research approach is its ability to enhance speed of conducting a research. Further, it offers a broader coverage of a series of events, where statistics are combined from a larger sample (Amarantunga & Baldry, 2002). In addition, quantitative approach enhances the use of statistical data analysis methods, thus, making it easier to generalise the findings from the study. Furthermore, quantitative approaches take the guesswork to a more concrete conclusion. This is because the results are usually based on quantitative measures rather than mere interpretation and therefore enables future application and comparison with other works.

## Research Design

Most research can be divided into three different categories: exploratory, descriptive and causal (also called explanatory). Each serves a different purpose and can only be used in certain ways (Malhotra & Malhotra, 2012). Exploratory research design focuses on the discovery of ideas and insights as opposed to collecting statistically accurate data. The most common example of exploratory research takes place in the form of open-ended questions. Text responses may not be statistically measureable, but they will give you richer quality information that can lead to the discovery of new initiatives or problems that should be addressed (Yin, 2017). Literature research, survey, focus group and case studies are usually used to carry out exploratory research (Darabi, 2007).

Descriptive research is considered conclusive in nature due to its quantitative nature. Unlike exploratory research, descriptive research is preplanned and structured in design so the information collected can be statistically inferred on a population. The main idea behind using this type of research is to better define an opinion, attitude, or behaviour held by a group of people on a given subject (Robson, 1993). Since there are predefined categories a respondent must choose from, it is considered descriptive research. These questions will not give the unique insights on the issues like exploratory research would. Instead, grouping the responses into predetermined choices will provide statistically inferable data.

This allows you to measure the significance of your results on the overall population you are studying, as well as the changes of your respondent's opinions, attitudes, and behaviours over time (Bryman & Bell,

2015). When a particular phenomenon is under study, the research is needed to describe it, to clarify and explain its inner relationships and properties (Huczynski & Buchana, 2004). However, descriptive research should be thought of as a mean to an end rather than an end in itself (Yin, 2017).

Like descriptive research, causal research is quantitative in nature as well as preplanned and structured in design. For this reason, it is also considered conclusive research. Causal research differs in its attempt to explain the cause and effect relationship between variables. This is opposed to the observational style of descriptive research, because it attempts to decipher whether a relationship is causal through experimentation. In the end, causal research will have two objectives: 1) To understand which variables are the causes and which variables are the effects and 2) to determine the nature of the relationship between the causal variables and the effect to be predicted (Yin, 2017). Given that the research objectives are both descriptive and predictive in nature, the descriptive-explanatory research design was adopted for this study.

### **Research Strategy**

A research strategy constitutes a general plan of how the researcher will go about answering the research questions (Saunders & Lewis, 2012). There are many types of research strategies and various scholars classify them in different ways. For example, Saunders and Lewis (2012) refer to experiments, surveys, case studies, action research, grounded theory, ethnography and archival research. Bryman and Bell (2015) maintain that a research strategy consists of five types: experimental design, cross-sectional or survey design, longitudinal design, case study design, and comparative design.



In addition, according to Yin (2017), in choosing a research strategy there are three conditions to be considered: the type of research question, the extent of control an investigator has over actual behavioural events and the degree of focus on contemporary as opposed to historical events. Given the type of research question adopted, the researcher's limited control over actual behavioural events, and the researcher's high degree of focus on contemporary as opposed to historical events, the cross-sectional survey design was used as the research strategy for the study.

### **Study Area**

The area under study is Cape Coast Metropolis. The Cape Coast Metropolitan Assembly (CCMA) was established as a Municipality by LI 1373 in 1987. In February 2007, it was elevated to a Metropolitan status by LI 1927. In 2012, the Metropolis was separated into two (2) constituencies or sub-metros namely the Cape Coast South Sub Metropolitan Assembly and the Cape Coast North Sub Metropolitan Assembly. The Cape Coast Metropolis is bounded to the south by the Gulf of Guinea, West by the Komenda Edina Eguafo Abrem District (at Iture Bridge), East by the Abura Asebu Kwamankese District and to the North by the Twifu Heman Lower Denkyira District. The District occupies an Area of approximately 122 square kilometres, with the farthest point at Brabedze, about 17 kilometres from Cape Coast, which is the capital of the Metropolis and the Central Region (CCMA, 2018).

The population engaged in self-employment is 7.4%, government employment is 33%; agriculture is 10.7% and the overall population in private

sector employment is 63.0%. The total unemployment rate in the metropolis is 11.3%. The vision of the metropolis is to ensure the total transformation of Cape Coast into a peaceful and progressive Metropolis with a high standard of living, basic infrastructure and social services, and a conducive atmosphere where the hopes and aspirations of the people can be realized in full. Its mission is to improve the quality of life of the people in the Metropolis through the provision of social & other amenities and good governance in partnership with the communities and other stake holders. One of the broad objectives of the metropolis under the thematic areas from Ghana Shared Growth and Development Agenda (GSGDA) II is to enhance competitiveness in Ghana's private sector by expanding opportunities for job creation (CCMA, 2018)

### **Population**

A population is made up of all the units of the group that the research emphasizes on. Malhotra (1996) opines that the members or units of the group should possess material facts relevant to the study and the researcher. According to Rubin and Babbie (2001), target population is “the theoretically specified aggregation of study elements”. Consequently, all the managers of 3,343 SMEs operating in the Cape Coast Metropolis (Table 1) formed the target population of this study. The target population was made up of 1,869 males (constituting 6.5%) and 1,474 females (constituting 4.7%). In addition, the target population was made up of members who were 18 years and older. Data was sourced from the 2010 population and housing report of Ghana (Ghana Statistical Service, 2014).

**Table 1: Employed Population in Cape Coast Metropolis**

Employment Status	Both Sexes		Male		Female	
	Number	%	Number	Per cent	Number	Per cent
Total Employed	60,330	100.0	28,900	100.0	31,430	100.0
Employee	23,556	39.0	15,340	53.1	8,216	26.1
Self-employed without employee(s)	28,331	47.0	9,187	31.8	19,144	60.9
SMEs	3,343	5.5	1,869	6.5	1,474	4.7
Casual worker	1,070	1.8	791	2.7	279	0.9
Contributing family worker	1,546	2.6	470	1.6	1,076	3.4
Apprentice	2,105	3.5	1,087	3.8	1,018	3.2
Domestic employee (House help)	265	0.4	101	0.3	164	0.5
Other	114	0.2	55	0.2	59	0.2

Source: Ghana Statistical Service (2014)

### Sampling Procedure and Sample Size

According to Evans, Hastings and Peacock (2008), sample size is the number of observations in a sample. It is commonly denoted by  $n$  or  $N$ . The study adopts the sample size formula for finite population proposed by Krejcie and Morgan (1970). From their table, a sample size of 341 is appropriate for a finite or known target population of 3,343 (approximately 3,000), as seen in Table 2. In other words, Krejcie and Morgan argued that there is no need of

using sample size determination formula for ‘known’ population since the table has all the provisions one requires to arrive at the required sample size.

**Table 2: Determining Sample Size of a Known Population**

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	100000	384
<i>Note: N is Population Size; S is Sample Size</i>					<i>Source: Krejcie &amp; Morgan, 1970</i>				

Regarding sampling method, the researcher adopted the multi-stage sampling technique in selecting samples for the study. The multi-stage sampling technique involves sampling at two or more stages. First of all, the study employed the proportional stratified sampling method of the probability sampling technique to select 341 SMEs operating within the Cape Coast Metropolis. Stratified sampling method is a method of dividing the population into two or more segments called strata. Secondly, simple random samples

were drawn from each stratum and these sub-samples were put together to form the complete stratified sample.

Using the total population in each of the 20 communities (Ghana Statistical Service, 2014) in the Cape Coast Metropolis, the researcher used the proportional stratified sampling method to show how the 341 SMEs were selected to form a complete stratified sample. This sampling method allowed for SMEs operating in each of the 20 communities to have equal and independent chance of being selected, making it more accurate and representative. This is shown in Table 3.

**Table 3: Proportional Stratified Sampling Method**

Communities	Population	Workings	Sample Size
1. Cape Coast	108,374	$(108,374/163,253)*341$	226
2. Amamoma (Kwesipra)	7,689	$(7,689/163,253)*341$	16
3. Kakumdo	7,559	$(7,559/163,253)*341$	16
4. Ekon	5,506	$(5,506/163,253)*341$	12
5. Nkanfoa	4,683	$(4,683/163,253)*341$	10
6. Akotokyere	3,092	$(3,092/163,253)*341$	6
7. Anto Essuekyir	3,050	$(3,050/163,253)*341$	6
8. Kwapro	2,917	$(2,917/163,253)*341$	6
9. Kokoado	2,870	$(2,870/163,253)*341$	6
10. Apewosika	2,792	$(2,792/163,253)*341$	6

**Table 3, continued**

11. Ankaful Village	2,674	(2,674/163,253)*341	6
12. Senewin	1,662	(1,662/163,253)*341	3
13. Essuekyir	1,634	(1,634/163,253)*341	3
14. Amisano	1,501	(1,501/163,253)*341	3
15. Amoyaw	1,410	(1,410/163,253)*341	3
16. Duakor	1,351	(1,351/163,253)*341	3
17. Kwesipra/Amamoma	1,262	(1,262/163,253)*341	3
18. Nanabakrom	1,177	(1,177/163,253)*341	2
19. Mpeasem	1,089	(1,089/163,253)*341	2
20. Ebobonko	961	(961/163,253)*341	2
Total	163,253		341

Source: Ghana Statistical Service (2014)

### Data Collection Instrument

According to Patten and Newhart (2017), the choice of a data collection instrument is highly dependent on the research problem, research objectives and the research approach. As such, the study employed a questionnaire, as the sole instrument for data collection. This was because a questionnaire is regarded as an efficient way of collecting statistically ‘quantifiable data’ and it could also be used to obtain responses from a large number within a short space of time (Leedy & Ormrod, 2010). It is seen as less expensive and less time consuming than with the other methods. The questionnaire was self-administered and it was semi-structured, thus, contains a blend of both close-ended and open-ended items.

Specifically, the questionnaire was made up of four sections, with ‘Section A’ soliciting for the demographic characteristics of respondents (five items), namely sex, age in years, highest educational qualification, organisational tenure, and nature of business. ‘Section B’ contained statements geared towards obtaining data accounting record keeping. Sample item is: “In my business, we prepare petty cash book to keep track of all business payments made on a small scale” (AR01), which was anchored on a five point Likert scale: 1=weak agreement to 5=strong agreement.

Accounting record keeping contained seven items sourced from the literature. Subsequently, ‘Section C’ collected data on business performance among SMEs. Sample item is: “The customer base of our firm has increased” (BP02), which was anchored on a five point Likert scale: 1=weak agreement to 5=strong agreement. Business performance contained six items and they were sourced from the study by Oppong (2019). Finally, ‘Section D’ considered statements on the challenges faced by SMEs in accounting record keeping. Sample item is: “The cost of hiring qualified accountants to keep proper accounting records hinders SMEs in its adoption” (CH01), which was anchored on a five point Likert scale: 1=weak agreement to 5=strong agreement. Overall, the questionnaire is made up of 28 items.

### **Data Collection Procedure**

The self-administered questionnaire process was employed for data collection. A self-administered questionnaire (SAQ) is a questionnaire that has been designed specifically to be completed by a respondent without intervention of the researcher collecting the data. Questionnaires were left

with the managers of SMEs and collected later on an agreed date. Questionnaire administration was undertaken by ten (10) trained field assistants. Data collection lasted for five weeks, from the day the unfilled questionnaires were distributed (14<sup>th</sup> November, 2019) to the day the filled questionnaires were retrieved (19<sup>th</sup> December, 2019). Of the 341 unfilled questionnaires distributed, a total number of 298 managers of SMEs responded to the study. Of the 298 filled questionnaires retrieved, 10 were incomplete hence 288 completed questionnaires were considered valid for the purpose of analysis.

### **Ethical Considerations**

A study by Patten and Newhart (2017) revealed the major ethical issues that need to be considered in every research. These major ethical issues consist of voluntary participation, right to privacy, anonymity and confidentiality of information. As such, all efforts are geared towards ensuring that all these ethical issues are attended to. For instance, with voluntary participation, every respondent was allowed to participate in the data collection exercise on his/her own free will. Also, the possible issues of right to privacy was realised by allowing respondents to answer the questionnaires on their own and unclear questions were appropriately attended to through their own convenient medium.

Further, the issue of anonymity was attended to by restricting respondents from providing detailed information about themselves on the questionnaire in relation to names, contact numbers and personal addresses. Respondents were also assured that none of their identities would be leaked to



the public domain nor used for purposes other than this study. Finally, the study ensured confidentiality of information by assuring respondents that all information provided would be kept confidential.

### **Data Analysis Procedure**

After the data collection exercise, the completed questionnaire was subjected to rigorous scrutiny to ensure that any possible error arising from incomplete and wrongly filled questionnaires were eliminated or minimised drastically. The error-free questionnaires were carefully coded and edited to avoid missing values (if any), after which the data were processed. IBM SPSS Statistics for window, version 23 was used to analyse the data collected and the results attained were displayed in tables. Mean, standard deviation and one-sample t-test was used to analyse objective one and three, and standard regression technique was used to analyse objective two. The demographic characteristics of respondents were analysed using frequencies and percentages. However, prior to analysing objective two, the reliability and validity of the scales were checked to ensure that the results are reliable.

### **Chapter Summary**

This chapter presented the research methods, with discussions on research approach, research design, research strategy, population, sampling procedure and sample size, data collection instrument, ethical considerations, and data processing and analysis.

## CHAPTER FOUR

### RESULTS AND DISCUSSION

#### Introduction

This study sought to assess the effect of accounting record keeping on the performance of SMEs operating within the Cape Coast Metropolis. First and foremost, this chapter presented and discussed the results of the demographic characteristics of respondents, by employing frequencies and percentages. The chapter continued by analysing the level of proper accounting record keeping by SMEs in the Cape Coast Metropolis using mean, standard deviation and one-sample t-test. Subsequently, the chapter examined the effect of the level of proper accounting record keeping on the performance of SMEs in the Cape Coast Metropolis by employing standard regression analysis. Finally, the chapter examined the challenges faced by SMEs in accounting record keeping dwelling on mean, standard deviation and one-sample t-test of IBM SPSS Statistics Software for windows, version 23. The chapter concludes with a chapter summary.

#### Demographic Characteristics of Respondents

This section highlights the demographic characteristics of respondents, who are managers of SMEs and their respective enterprises. It describes respondents' sex, age, highest educational qualification achieved, number of years in business, and their nature of business. As reminder, 288 completed questionnaires were deemed valid and usable for the data analysis. Regarding sex, males constituted 34.72% (n=100), while females constituted 65.28% (n=188), signifying that the respondents were dominated by females (Table 4).

This result is not surprising as more females are found to be engaged in small businesses in the informal sector in Ghana.

**Table 4: Demographic Characteristics of Respondents**

Details	Frequency	Percentage
<i>Sex:</i>		
Male	100	34.72
Female	188	65.28
<i>Age:</i>		
18 – 25 years	34	11.81
26 – 35 years	128	44.44
36 – 45 years	112	38.89
46 and above	14	4.86
<i>Highest educational qualification achieved:</i>		
Basic	40	13.89
Secondary/Technical	129	44.79
Tertiary	20	6.94
Others	99	34.38
<i>Year of business operation:</i>		
Less than 5 years	53	18.40
5 to 10 years	154	53.47
More than 10 years	81	28.13
<i>Type of Business:</i>		
Restaurants	25	8.68
Fashion	74	25.69

**Table 4, continued**

Trading	91	31.60
Marketing	7	2.43
Service provision	79	27.43
Catering	12	4.17

Source: Field survey (2019)

With respect to respondent's age, it came to light that majority of respondents (n=128, representing 44.44%) fell within the "26-35 years" age category, followed by "36-45 years" age category (n=112, representing 38.89%), then "18-25 years" age category (n=34, representing 11.81%) and finally, "46 and above" age category (n=14, representing 4.86%). This finding indicates that majority of the respondents were adults hence their responses may be seen as the true reflection regarding the research questions enumerated (Table 4).

More so, the highest educational qualification achieved by respondents as shown in Table 4 suggests that, majority of them (n=129, representing 44.79%) have attained Secondary/Technical education, closely followed by other education not listed on the questionnaire (n=99, representing 34.38%), then 40 respondents (representing 13.89%) have attained basic education, and the remaining 20 respondents (representing 6.94%) have attained Tertiary education. This presupposes that, all of the respondents have had some form of formal education which facilitated their understanding of the questions/statements on the questionnaire upon which they were able to make informed contributions to the study.

Furthermore, Table 4 reveals that a majority of 235 respondents, representing 81.60% have been operating as SMEs for more than five years, whereas the remaining 18.40% (n=53) have been in business for less than five years. Of the 235 SMEs that have been operating for more than 5 years, 154 (53.47%) SMEs have been in existence for 5 to 10 years and 81 (28.13%) SMEs have been in business for more than 10 years. This result suggests that a greater number of SME managers that were contacted possess rich operating experience needed to make significant inputs into this research project.

Last but not least, the results indicated that majority of the SMEs in the Cape Coast Metropolis are into Trading activities (n=91, representing 31.60%), followed by Service provision (n=79, representing 27.43%), Restaurants (n=25, representing 8.68%), Catering (n=12, 4.17%) and finally, Marketing (n=7, 2.43%) indicating that most of the SMEs in Cape Coast Metropolis are traders.

### **Level of Proper Accounting Record Keeping by SMEs in the Cape Coast Metropolis**

The first objective of this research is to analyse the level of proper accounting record keeping by SMEs in the Cape Coast Metropolis. To achieve this objective, seven indicators/statements were measured on a five point Likert-like scale from score 1=weak agreement, 2=little agreement, 3=moderate agreement, 4=strong agreement, 5=strongest agreement. These score were generalised based on respondents' views regarding each of the positive statements under "accounting record keeping" on the questionnaire. The cut-off point for the scale was arrived at using the mean of the scale

minus 0.1, as used by earlier researchers (Koomson, 2017; Oppong, 2019; Yeboah, 2013). As such, a mean range of 1.0 to 2.9 suggests low level of agreement from respondents, while a mean range of 3.0 to 5.0 suggests high level of agreement from respondents.

From Table 5, it was evident that the statements that measured “accounting record keeping” on the questionnaire were within the mean range of 2.314 to 2.877, signalling *low level of agreement* from respondents. At the same time, the standard deviation of the statements ranged from .853 to 1.297, suggesting virtually *low variability* in respondents’ opinion. In addition, Table 5 showed that all the statements that measured the level of proper accounting record keeping by SMEs in the Cape Coast Metropolis were statistically significant at a confidence level of 95%, because, the t-values were greater than 1.96. Put in another way, the p-values were less than 0.05.

**Table 5: One-Sample T-Test of Accounting Record Keeping**

Statements/Indicators	Mean	SD	t-value	Df	p-value
In my business, we prepare petty cash book to keep track of all business payments on a small scale.	2.795	1.297	35.356	288	.000*
In my enterprise, we prepare sales day-book to record credit sales.	2.740	1.115	40.544	288	.000*
In my business, we prepare purchase day book to record all transactions relating to credit purchases.	2.493	1.140	37.019	288	.000*

**Table 5, continued**

In my enterprise, we prepare income statement to show how much profit or loss our business generated or incurred during the reporting period	2.644	.853	51.622	288	.000*
In my business, we prepare statement of financial position, which reports our assets, liabilities and the difference in their totals as of the final moment of an accounting period.	2.534	.941	45.394	288	.000*
Statement of cash flows is prepared in my enterprise to show where the firm's cash is being generated (cash inflows), and where its cash is being spent (cash outflow), over a specific period of time.	2.877	1.162	40.312	288	.000*
My enterprise has a financial internal control system record that checks the accuracy of company transactions.	2.314	.874	38.011	288	.000*

Source: Field survey (2019)

The specifics of the statements were: (1) In my business, we prepare petty cash book to keep track of all business payments made on a small scale

[M=2.795, SD=1.297,  $t(288)=35.356$ ,  $p=.000$ , 2-tailed], (2) In my enterprise, we prepare sales day-book to record credit sales [M=2.740, SD=1.115,  $t(288)=40.544$ ,  $p=.000$ , 2-tailed], (3) In my business, we prepare purchase day book to record all transactions relating to credit purchases [M=2.493, SD=1.140,  $t(288)=37.019$ ,  $p=.000$ , 2-tailed], (4) In my enterprise, we prepare income statement to show how much profit or loss our business generated or incurred during the reporting period [M=2.644, SD=.853,  $t(288)=51.622$ ,  $p=.000$ , 2-tailed],

(5) In my business, we prepare statement of financial position, which reports our assets, liabilities and the difference in their totals as of the final moment of an accounting period [M=2.534, SD=.941,  $t(288)=45.394$ ,  $p=.000$ , 2-tailed], and, (6) Statement of cash flows is prepared in my enterprise to show where the firm's cash is being generated (cash inflows), and where its cash is being spent (cash outflow), over a specific period of time [M=2.877, SD=1.162,  $t(288)=40.312$ ,  $p=.000$ , 2-tailed], and finally, (7) My enterprise has a financial internal control system record that checks the accuracy of company transactions [M=2.314, SD=.874,  $t(288)=38.011$ ,  $p=.000$ , 2-tailed].

In the light of the above discussion, the results indicated that SMEs operating within the Cape Coast Metropolis score low on the level of proper accounting record keeping and this situation is worrisome. This outcome agrees with the study by Tweneboah-Senzu and Ndebugri (2018), who revealed that several SMEs in Ghana do not keep legitimate books of accounts. Contrary to the opinion of Tweneboah-Senzu and Ndebugri (2018), the low level of proper accounting record keeping among SMEs in the Cape Coast Metropolis is dissimilar to the revelation by Okpala (2019) that, small



and medium industries in Anambra State in Nigeria keep proper accounting records of their financial transactions. In the same way, the finding contravenes the study by Oyewole et al. (2019) in Nigeria, where the analysts discovered that sampled SMEs attach a lot of importance to proper accounting record keeping.

### **Reliability and Validity Tests**

The second objective of this dissertation is to examine the effect of the level of proper accounting record keeping on the performance of SMEs in the Cape Coast Metropolis. However, prior to analysing this objective with the standard regression analysis technique, a model refining process was undertaken to ensure the robustness of scales and at the same time examining how valid and reliable the scales are. Statistical fitness of measurement scales were evaluated in accordance with scale reliability and validity, using the exploratory factor analysis (EFA).

The tests were indicator reliability, composite reliability (CR), Cronbach Alpha ( $\alpha$ ), and convergent validity by employing the values of average variance extracted (AVE). As indicated by Hair, Risher, Sarstedt and Ringle (2018), indicator loadings of 0.70 or higher are recommended for research that depends on established measures, as in the case of this study. From Table 6, the statistics show that one the factors (AR07) was below the recommended threshold of 0.70, hence, those indicators were removed from the model.

**Table 6: Initial Model of Accounting Record Keeping and Performance of SMEs**

Variable	Item	Factor Loading	A	AVE	CR
Accounting record keeping	AR01	.879	.946	.756	.948
	AR02	.853			
	AR03	.823			
	AR04	.802			
	AR05	.963			
	AR06	.991			
	AR07	.648			
Business performance			0.923	0.763	0.927
	BP01	.711			
	BP02	.923			
	BP03	.952			
	BP04	.887			
	BP05	.885			
	BP06	.871			

Source: Field survey (2019)

The final model was presented in Table 7. From Table 7, all the factors passed the benchmark of 0.7, insinuating that the indicators were reliable for the various constructs. The least factor loading was 0.711 (BP01). In addition,

the analyst tested for internal consistency reliability, by employing Jöreskog's (1971) composite reliability. Bagozzi and Yi (1988) submit that composite reliability should be 0.7 or higher to ensure internal consistency of items of a construct in a research instrument, and this was manifested in the final model in Table 7.

**Table 7: Final Model of Accounting Record Keeping and Performance of SMEs**

Variable	Item	Factor Loading	A	AVE	CR
Accounting record keeping	AR01	.879	.947	.771	.949
	AR02	.853			
	AR03	.823			
	AR04	.802			
	AR05	.963			
	AR06	.991			
	Performance of SMEs				
	BP01	.713			
	BP02	.923			
	BP03	.952			
	BP04	.887			
	BP06	.871			

Source: Field survey (2019)

Furthermore, the statistics showed that all the Cronbach's alpha values were above the benchmark of 0.70, which indicated that the instrument is reliable for the various construct. The researcher also tested for the validity of the measurement scales. Validity refers to the extent to which each construct measured what it intended to measure (Kimberlin & Winterstein, 2008). The validity of the measurement scale was evaluated using convergent validity. Consistent with expectations, all the AVE values were above the recommended threshold of 0.50, indicating that convergent validity was achieved during study. After the purification process, six items were maintained for "Accounting record keeping" construct and five items were retained for "Performance of SMEs" construct.

### **Regression Analysis**

After testing for reliability and validity of the scales, the standard regression technique of IBM SPSS Statistics Software for Windows, version 23 was used to examine the effect of the level of proper accounting record keeping on the performance of SMEs in the Cape Coast Metropolis. After satisfying the assumptions underlying the use of regression, Table 8 provided information on the effect of the independent variable (accounting record keeping) and dependent variable (performance of SMEs) indicated as R. Furthermore, Table 8 presented the information on the amount of variation in the dependent variable explained by the independent variable, indicated as R-Square and information on the amount of variation in the dependent variable explained by the independent variable as a result of an adjustment, indicated as Adjusted R-Square.

**Table 8: Effect of Accounting Record Keeping on Performance of SMEs**

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.57 <sup>a</sup>	.36	.34	2.13	1.52

a. Predictor: (Constant), Accounting record keeping

b. Dependent Variable: Performance of SMEs

Source: Field survey (2019)

From Table 8, the R value of .57 suggested the effect of the independent variable on the dependent variable. Therefore, consistent with expectations, the study found a positive and significant effect of the level of proper accounting record keeping on the performance of SMEs in the Cape Coast Metropolis. The implication of this finding is that when SME managers pay less attention to accounting record keeping, they are likely to record low performance in their respective enterprises. On the other hand, increasing the level of proper accounting record keeping has significant economic benefits to SMEs. This finding is comparable to the result of a study by Dawuda and Azeko (2015) in Ghana, where the authors revealed that proper record keeping is key to the success of SMEs operating with the Bolgatanga Municipality.

Likewise, this discovery is parallel to the revelation by Okpala (2019) in Nigeria, wherein the scientists found that sound accounting system has significantly improved the performance of small and medium industries in Anambra State. In the same way, the positive effect of the level of proper

accounting record keeping on the performance of SMEs in the Cape Coast Metropolis compares well with the result of the study by Aladejebi and Oladimeji (2019) in Nigeria, wherein the researchers established that record keeping is key to the success of SMEs operating within the Lagos Metropolis. Correspondingly, the finding can be likened to the outcome of a study by Oyewole et al. (2019) in Nigeria, where the investigators demonstrated that management accounting system has a significant influence on SMEs performance and financial decision making in Logos State.

### **Challenges Faced by SMEs in Accounting Record Keeping**

The third and final objective of this research sought to examine the challenges faced by SMEs in accounting record keeping. To accomplish this objective, ten indicators/statements were measured on a five point Likert-like scale from score 1=weak agreement, 2=little agreement, 3=moderate agreement, 4=strong agreement, 5=strongest agreement. These score were generalised based on respondents' opinions regarding each of the positive statements under "challenges faced by SMEs in accounting record keeping" on the questionnaire. The cut-off point for the scale was arrived at using the mean of the scale minus 0.1, as used by earlier researchers (Koomson, 2017; Opong, 2019; Yeboah, 2013). In essence, a mean range of 1.0 to 2.9 suggests low level of agreement from respondents, while a mean range of 3.0 to 5.0 suggests high level of agreement from respondents.

From Table 9, it was manifested that the indicators that measured "challenges faced by SMEs in accounting record keeping" on the questionnaire were within the mean range of 3.206 to 3.822, insinuating *high*

*level of agreement* from respondents. Parallel to that, the standard deviation of the statements ranged from .925 to 1.263, signifying that respondents' opinions were not relatively wide-ranging. Additionally, Table 9 exhibited that all the indicators that measured the challenges faced by SMEs in accounting record keeping were statistically significant at a confidence level of 95%, because, the t-values were greater than 1.96. Expressed another way, the p-values were less than 0.05.

**Table 9: One-Sample T-Test of Challenges Faced by SMEs in Accounting Record Keeping**

Statements/Indicators	Mean	SD	t-value	Df	p-value
The cost of hiring qualified accountants to keep proper accounting records hinders SMEs in its adoption.	3.822	1.131	40.843	288	.000*
The lack of proper accounting record keeping skills is a barrier to accounting record keeping.	3.753	1.048	43.293	288	.000*
The involvement of family members in SME management obstructs proper accounting record keeping.	3.671	1.064	41.683	288	.000*
Inadequate skilled personal hinder SMEs from keeping proper accounting records.	3.658	1.117	39.569	288	.000*

**Table 9, continued**

The decision not to expose their business to avoid being taxed impedes proper accounting record keeping.	3.562	.925	46.547	288	.000*
The time consuming nature of keeping accounting records is a challenge to accounting record keeping	3.466	1.011	41.404	288	.000*
Ignorance about the value of financial record keeping to SMEs stifles proper accounting record keeping.	3.548	.955	44.903	288	.000*
SME manager's lack of knowledge in accounting is a challenge to proper accounting record keeping in SMEs.	3.411	1.263	32.629	288	.000*
The low level of education of the business owner hampers proper accounting record keeping.	3.206	.846	45.770	288	.000*
Fear of discouragement in case of loss is a major challenge facing SME managers when keeping accounting records.	3.384	.977	41.829	288	.000*

Source: Field survey (2019)



The details of the indicator were: (1) The cost of hiring qualified accountants to keep proper accounting records hinders SMEs in its adoption [M=3.822, SD=1.131,  $t(288)=40.843$ ,  $p=.000$ , 2-tailed], (2) The lack of proper accounting record keeping skills is a barrier to accounting record keeping [M=3.753, SD=1.048,  $t(288)=43.293$ ,  $p=.000$ , 2-tailed], (3) The involvement of family members in SME management obstructs proper accounting record keeping [M=3.671, SD=1.064,  $t(288)=41.683$ ,  $p=.000$ , 2-tailed], (4) Inadequate skilled personal is one of the reasons that hinder SMEs from keeping proper accounting records of their activities [M=3.658, SD=1.117,  $t(288)=39.569$ ,  $p=.000$ , 2-tailed], (5) The decision not to expose their business to avoid being taxed impedes proper accounting record keeping [M=3.562, SD=.925,  $t(288)=46.547$ ,  $p=.000$ , 2-tailed],

(6) The time consuming nature of keeping accounting records is a challenge to accounting record keeping [M=3.466, SD=1.011,  $t(288)=41.404$ ,  $p=.000$ , 2-tailed], (7) Ignorance about the value of financial record keeping to SMEs stifles proper accounting record keeping [M=3.548, SD=.955,  $t(288)=44.903$ ,  $p=.000$ , 2-tailed], (8) SME manager's lack of knowledge in accounting is a challenge to proper accounting record keeping in SMEs [M=3.411, SD=1.263,  $t(288)=32.629$ ,  $p=.000$ , 2-tailed], (9) The low level of education of the business owner hampers proper accounting record keeping [M=3.206, SD=.846,  $t(288)=45.770$ ,  $p=.000$ , 2-tailed], and finally, (10) Fear of discouragement in case of loss is a major challenge facing SME managers when keeping accounting records [M=3.384, SD=.977,  $t(288)=41.829$ ,  $p=.000$ , 2-tailed].

It can be therefore deduced that SME managers gave an affirmative response to the fact that the cost of hiring qualified accountants, lack of proper accounting record keeping skills, involvement of family members in SME management, inadequate skilled personal, the decision not to expose their SME business to avoid being taxed, the time consuming nature of keeping accounting records, ignorance about the value of financial record keeping to SMEs, SME manager's lack of knowledge in accounting, low level of education of the business owner, and the fear of discouragement in case of loss greatly challenged proper accounting record keeping in the Cape Coast Metropolis.

This finding is parallel to the discovery by Amoako (2013) that the cost of keeping proper accounting records, lack of proper accounting record keeping skills, involvement by family members, and inadequate skilled personnel were some of the major reasons that hinder SMEs from keeping proper accounting records of their activities. Similarly, the finding compares well with the revelation by Dawuda and Azeko (2015) in the Bolgatanga Municipality, wherein the researchers unveiled that the various factors that hindered accurate accounting record keeping by managers of small-scale businesses were lack of adequate accounting knowledge, the high cost of hiring qualified accountants, the decision not to expose their businesses to avoid being taxed, the time-consuming nature of keeping accounting records, and ignorance about the value of financial record keeping to their business.

Comparably, the finding agrees with the result of the study by Ismail and King (2014). The finding also resembles the discovery by Ntim et al. (2014) in Tanzania, wherein the analysers found that the inaccuracy of records

kept by owners of SMEs was highly related to their low level education. In the same way, the finding mirrors the outcome of a study by Negou (2018) that most SMEs in Bangladesh who do not keep accurate accounting records of their activities cited time constraints, high cost, lack of the required accounting skills, lack of the required accounting staff, exposing the financial positions of the business, the possibility of paying higher taxes and difficulty in maintaining an accounting system as some of the challenges which prevented them from keeping accounting records. Similar challenges were cited by Amoako et al. (2014) for managers of SMEs operating within the Sunyani Metropolis. Same can be said for Madurapperuma et al. (2016).

### **Chapter Summary**

This chapter presented and discussed the results emanating from the analysis, which were conducted using IBM SPSS Statistics Software for windows, version 23. First and foremost, the demographic characteristics of respondents were analysed using frequencies and percentages, and the results were presented in tables. Subsequently, the first objective of the study, which sought to analyse the level of proper accounting record keeping by SMEs in the Cape Coast Metropolis was analysed using mean, standard deviation and one-sample t-test. The results were presented in tables.

Afterwards, a model refinery process was undertaken to ensure that the regression results are reliable and valid and to ensure the robustness of the scales used. After testing for reliability and validity of the data, the second objective, which sought to examine the effect of the level of proper accounting record keeping on the performance of SMEs in the Cape Coast Metropolis,

was examined using the standard regression technique. Last but not the least, the third objective of the present study, which sought to examine the challenges faced by SMEs in accounting record keeping was examined using mean, standard deviation and one-sample t-test. The key findings showed that:

- 1) SMEs operating within the Cape Coast Metropolis score low on the level of proper accounting record keeping,
- 2) There is a positive and significant effect of the level of proper accounting record keeping on the performance of SMEs in the Cape Coast Metropolis, and
- 3) Cost of hiring qualified accountants, lack of proper accounting record keeping skills, involvement of family members in SME management, inadequate skilled personal, the decision not to expose their SME business to avoid being taxed, the time consuming nature of keeping accounting records, ignorance about the value of financial record keeping to SMEs, SME manager's lack of knowledge in accounting, low level of education of the business owner, and the fear of discouragement in case of loss greatly challenged proper accounting record keeping within the Cape Coast Metropolis.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### Introduction

This chapter presented the summary of the study, including major findings derived from the study. Conclusions arrived and recommendations arising from the findings were provided in this chapter. The chapter ended with a suggestion for future research.

#### Summary

This study assessed the effect of accounting record keeping on the performance of SMEs in the Cape Coast Metropolis. The research objectives of this study were: to analyse the level of proper accounting record keeping by SMEs in the Cape Coast Metropolis; to examine the effect of the level of proper accounting record keeping on the performance of SMEs in the Cape Coast Metropolis; and to examine the challenges faced by SMEs in accounting record keeping. This study was guided by the Decision Usefulness Theory. Based on the stated research objectives, the quantitative research approach was adopted for the study. The descriptive-explanatory research design was adopted for this study. The cross-sectional survey design was employed.

All the managers of 3,343 SMEs operating in the Cape Coast Metropolis formed the target population of the study. The study adopted the sample size formula for finite population proposed by Krejcie and Morgan (1970). From their table, a sample size of 341 is appropriate for a finite or known target population of 3,343. Regarding sampling method, the researcher employed the multi-stage sampling technique was used in selecting samples

for the study. The multi-stage sampling technique involves sampling at two or more stages. First of all, the study employed the proportional stratified sampling method of the probability sampling technique to select 341 SMEs operating within the Cape Coast Metropolis. Secondly, simple random samples were drawn from each stratum (singular) and these sub-samples were put together to form the complete stratified sample.

A semi-structured questionnaire was the instrument for data collection, and it was self-administered. The questionnaire was made up of four sections, with 'Section A' soliciting for demographic characteristics of respondents (five items), namely sex, age in years, highest educational qualification, organisational tenure, and nature of business. 'Section B' contained statements geared towards obtaining data accounting record keeping. Sample item is: "In my business, we prepare petty cash book to keep track of all business payments made on a small scale" (AR01), which was anchored on a five point Likert scale: 1=weak agreement to 5=strong agreement.

Accounting record keeping contained seven items sourced from the literature. Subsequently, 'Section C' collected data on business performance among SMEs. Sample item is: "The customer base of our firm has increased" (BP02), which was anchored on a five point Likert scale: 1=weak agreement to 5=strong agreement. Business performance contained six items and they were sourced from the study by Oppong (2019). Finally, 'Section D' considered statements on the challenges faced by SMEs in accounting record keeping. Sample item is: "The cost of hiring qualified accountants to keep proper accounting records hinders SMEs in its adoption" (CH01), which was anchored on a five point Likert scale: 1=weak agreement to 5=strong

agreement. Overall, the questionnaire is made up of 28 items. Ethical issues considered were voluntary participation, right to privacy, anonymity and confidentiality of information.

After observing ethical issues, unfilled questionnaires were neatly packaged in brown envelopes with pens and they were administered to managers of SMEs operating within the Cape Coast Metropolis. Data collection exercise lasted for five weeks from the day the unfilled questionnaires were distributed (14<sup>th</sup> November, 2019) to the day the filled questionnaire were retrieved (19<sup>th</sup> December, 2019). The self-administered questionnaire process was used for data collection. Questionnaires were left with the managers of SMEs and collected later on an agreed date. Questionnaire administration was undertaken by ten (10) trained field assistants. Of the 341 unfilled questionnaires distributed, a total number of 298 managers of SMEs responded to the study. Of the 298 filled questionnaires retrieved, 10 were incomplete hence 288 completed questionnaires were considered valid for the purpose of analysis.

After the data collection exercise, the completed questionnaires were subjected to rigorous scrutiny to ensure that any possible error arising from incomplete and wrongly filled questionnaires were eliminated or minimised drastically. The error-free questionnaires were carefully coded and edited to avoid missing values (if any), after which the data were and processed. IBM SPSS Statistics for window, version 23 was used to analyse the data collected and the results attained were displayed in tables. Mean, standard deviation and one-sample t-test were used to analyse objective one and three, and standard regression analysis was used to analyse objective two. The demographic

characteristics of respondents were analysed using frequencies and percentages. However, prior to analysing objective three, the reliability and validity of the scales were checked to ensure that the results are robust and reliable.

In line with the stated objectives of the study, the study found that:

- 1) SMEs operating within the Cape Coast Metropolis score low on the level of proper accounting record keeping,
- 2) There is a positive and significant effect of the level of proper accounting record keeping on the performance of SMEs in the Cape Coast Metropolis, and
- 3) Cost of hiring qualified accountants, lack of proper accounting record keeping skills, involvement of family members in SME management, inadequate skilled personal, the decision not to expose their SME business to avoid being taxed, the time consuming nature of keeping accounting records, ignorance about the value of financial record keeping to SMEs, SME manager's lack of knowledge in accounting, low level of education of the business owner, and the fear of discouragement in case of loss greatly challenged proper accounting record keeping within the Cape Coast Metropolis.

## **Conclusions**

This study assessed the effect of accounting record keeping on the performance of SMEs in the Cape Coast Metropolis. Based on the key findings of the study, the study concluded that SME managers operating within the Cape Coast Metropolis do not keep legitimate books of accounts.



Expressed in another way, managers of SMEs operating within the Cape Coast Metropolis attach less importance to proper accounting record keeping. Moreover, the study established that, when SME managers pay less attention to accounting record keeping, they are likely to record low performance in their respective enterprises. On the other hand, increasing the level of proper accounting record keeping has significant economic benefits to SMEs.

Finally, the study settled that the cost of hiring qualified accountants, lack of proper accounting record keeping skills, involvement of family members in SME management, inadequate skilled personal, the decision not to expose their SME business to avoid being taxed, the time consuming nature of keeping accounting records, ignorance about the value of financial record keeping to SMEs, SME manager's lack of knowledge in accounting, low level of education of the business owner, and the fear of discouragement in case of loss greatly hamper proper accounting record keeping within the Cape Coast Metropolis.

### **Recommendations**

After assessing the effect of accounting record keeping on the performance of SMEs in the Cape Coast Metropolis, it is proper to make recommendations to improve the existing situation. The researcher recommends that institutions that are responsible for improving the performance of SMEs, such as Business Advisory Services, National Board for Small Scale Industries and Ghana Chamber of Commerce should provide support services to these enterprises in the area of proper accounting record keeping. Moreover, non-governmental organisations who are interested in the

welfare and development of SMEs should support these enterprises in hiring a qualified accountant to keep proper books of accounts. Additionally, SMEs managers operating within the Cape Coast Metropolis should consider sponsoring some of their staff to acquire skills in accountancy so that they can replicate what they learn at the field of work.

### **Suggestion for Future Research**

Future research should consider modelling the moderating effect of demographic variables, such as age, gender, educational level and income level on the relationship between accounting record keeping and performance of SMEs operating within the Cape Coast Metropolis. Demographic level of proper accounting record keeping on business performance of SMEs operating within the Cape Coast Metropolis.

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## APPENDIX

### Appendix A: Questionnaire for SME managers

#### PROPER ACCOUNTING RECORD KEEPING AND PERFORMANCE OF SMES WITHIN THE CAPE COAST METROPOLIS

This questionnaire is designed to gather information for a research project in partial fulfilment of the requirement for Master of Business Administration (Accounting) degree from the University of Cape Coast (UCC). Your participation is necessary and your responses will be treated confidential and for academic purpose only.

Please tick [] the appropriate response where options are provided and write your response where spaces are provided.

#### Section A: Demographic Characteristics

A01. Sex: a. Male [] b. Female []

A02. Age [years]: .....

A03. Highest educational qualification: a. Basic []

b. Secondary/Technical/Vocational [] c. Tertiary [] , others please specific .....

A04. How long have you been operating as a business?

a. Less than 5 years [] b. 5 to 10 years [] c. More than 10 years []

A05. What is the nature of your business or what kind of business do you operate? .....

**Section B: Proper Accounting Record Keeping**

Each of the following statements relate to the proper accounting record keeping among SMEs in the Cape Coast Metropolis. Please indicate your agreement to each of the following statements anchored on the scale: 1=weak agreement to 5=strongest agreement.

<i>Accounting record keeping</i>					
AR01. In my business, we prepare petty cash book to keep track of all business payments made on a small scale.	1	2	3	4	5
AR02. In my enterprise, we prepare sales day-book to record credit sales.	1	2	3	4	5
AR03. In my business, we prepare purchase day book to record all transactions relating to credit purchases.	1	2	3	4	5
AR04. In my enterprise, we prepare income statement to show how much profit or loss our business generated or incurred during the reporting period.	1	2	3	4	5
AR05. In my business, we prepare statement of financial position, which reports our assets, liabilities and the difference in their totals as of the final moment of an accounting period.	1	2	3	4	5
AR06. Statement of cash flows is prepared in my enterprise to show where the firm’s cash is being	1	2	3	4	5



generated (cash inflows), and where its cash is being spent (cash outflow), over a specific period of time.					
AR07. My enterprise has a financial internal control system record that checks the accuracy of company transactions.	1	2	3	4	5

**Section C: Business Performance**

Each of the following questions relate to the business performance in your enterprises, over the past year. Please indicate your level of agreement regarding each of the following questions, anchored on the scale: “1: weak agreement to 5: strong agreement”.

BP01. The customer base of our firm has increased.	1	2	3	4	5
BP02. Our service quality has improved.	1	2	3	4	5
BP03. Our firm’s responsiveness to customers’ needs have improved.	1	2	3	4	5
BP04. Resource utilisation in our firm has improved.	1	2	3	4	5
BP05. Our firm’s return on assets has increased.	1	2	3	4	5
BP06. Our firm’s liquidity base has increased.	1	2	3	4	5

**Section D: Challenges Faced by SMEs in Accounting Record Keeping**

Each of the following questions relate to the challenges faced by SMEs in accounting record keeping. Please indicate your level of agreement regarding each of the following questions, anchored on the scale: “1: weak agreement to 5: strong agreement”.

CH01. The cost of hiring qualified accountants to keep proper accounting records hinders SMEs in its adoption.	1	2	3	4	5
CH02. The lack of proper accounting record keeping skills is a barrier to accounting record keeping.	1	2	3	4	5
CH03. The involvement of family members in SME management obstructs proper accounting record keeping.	1	2	3	4	5
CH04. Inadequate skilled personal is one of the reasons that hinder SMEs from keeping proper accounting records of their activities.	1	2	3	4	5
CH05. The decision not to expose their business to avoid being taxed impedes proper accounting record keeping.	1	2	3	4	5
CH06. The time consuming nature of keeping accounting records is a challenge to accounting record keeping.	1	2	3	4	5
CH07. Ignorance about the value of financial	1	2	3	4	5

record keeping to SMEs stifles proper accounting record keeping.					
CH08. SME manager's lack of knowledge in accounting is a challenge to proper accounting record keeping in SMEs.	1	2	3	4	5
CH09. The low level of education of the business owner hampers proper accounting record keeping.	1	2	3	4	5
CH10. Fear of discouragement in case of loss is a major challenge facing SME managers when keeping accounting records.	1	2	3	4	5

Thanks!