

Accounting Records-keeping and Utilization by Small Scale Business Operators in Rivers state Nigeria

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doi: <https://doi.org/10.37745/ijbmr.2013/vol11n6112>

Published June 25, 2023

Citation: Onwuchekwa C.A. and Ukpong O. U. (2023) Accounting Records-keeping and Utilization by Small Scale Business Operators in Rivers state Nigeria, *International Journal of Business and Management Review*, Vol.11, No.6, pp.1-12

ABSTRACT: *The study was aimed at examining the relationship between accounting records keeping and utilization by small scale business operators in Rivers State. Two specific objectives and two research questions guided the study. Two null hypotheses were tested at 0.05 probability level. The study adopted a survey design and was conducted in Rivers State of Nigeria. The population of the study consisted of 4090 registered small scale business operators in Rivers State of Nigeria out of which 450 were randomly selected and used as sample for the study. A questionnaire instrument titled Accounting Records Keeping and Utilization Questionnaire (ARKUQ) was developed by the researcher and used for data collection. The instrument contained 11 items and was structured on a five point likert scale. The instrument was validated by two research experts in the Federal College of Education (Technical), Omoku and the University of Uyo respectively. It was thereafter trial tested on thirty (30) Small Scale Business Operators (SSBOs) in Rivers State who were not part of the study. The data collected was subjected to Cronbach-Alpha reliability technique. This test yielded a reliability coefficient of 0.77. The data generated from the study were analyzed using Pearson Product Moment Correlation (PPMC). The null Hypotheses were tested at 0.05 probability level. It was found that there is a high positive relationship between accounting records-keeping and utilization in the subsidiary books and ledger accounts. Furthermore, the null hypotheses tested revealed that there were significant relationships between accounting records keeping in the identified books of account and the utilization of those records by small scale business operators in Rivers State. It is recommended among others that small scale business operators be equipped through trainings and education to be able to keep and utilize appropriate accounting records.*

KEYWORDS: accounting records-keeping, utilization, small scale business operators

INTRODUCTION

Small Scale Enterprises (SSEs) play important roles in the economic development of any nation. Many governments have therefore focused on the promotion of SSEs as a way of encouraging broader participation of the private sector. There are thousands of business units operating in the country today with the majority being in the small scale business category – They are usually owned by a single individual known as sole proprietors and some of partnership businesses are operated on a small scale basis.

Small Scale enterprises have been defined in various ways according to the capital base of the enterprise, size, the number of people employed by the enterprises, the ownership/management of the enterprises and sales volume. In Nigeria, the Federal Government's Industrial policy of 1989 defined a small business as any business that its total investment is between ₦10,000.00 (ten thousand naira) and ₦2,000,000.00 (two million naira) "exclusive of land but including working capital". The Central Bank of Nigeria (CBN) by its credit policy for commercial and merchant banks defined a small scale business as any business whose total worth is above ₦1,000,000.00 (one million naira) but not more than ₦10,000,000.00 (ten million naira). At this point, it is necessary for the purpose of this study to provide a basic framework by adopting a more common definition.

Small Scale Enterprises in this study is defined as any business which is independently owned and operated, characterized by a small number of employees and low turnover. Over the years, myriads of SSEs have sprung up at almost every nook and cranny of RiversState, but unfortunately, they do not stand the test of time. Some end up in bankruptcy, others end when the owner gets a better job elsewhere, some start having problems even from the very beginning. It is a common thing in RiversState to see a provision store opened for business today and fold up within the next three to five years. It is a common thing in Rivers state to be invited for a lavish party marking the opening ceremony of a wonderful small business outfit but within a few months, the stock begins to depreciate and by the second or third year, the business begins to struggle for survival. If care is not taken, winding up becomes imminent. Small business enterprises are the largest employer segment in most economies. Okoli (2011) noted that SSEs are very important to nations and are catalysts for industrialization as they provide employment opportunities for large segments of the population. For the small scale enterprises to effectively play its roles, it has to survive, and for it to survive there has to be an orderly method of gathering and organizing information about the various business transactions which are further utilized for the effective management of the business' finances. This can only be done through accounting records keeping.

Accounting records-keeping is the language of business that can tell with reasonable accuracy, the degree of success achieved by an organization in pursuing its profits objective. According to Parker

Publication of the European Centre for Research Training and Development-UK (2002), it refers to the day-to-day maintenance of business transaction records and manipulating them to produce accurate and consistent financial statements. The purpose of accounting records-keeping is to provide an orderly method for gathering and organizing information about the various business transactions so that it may be used as an aid to management in operating the business. Proper records-keeping can help a small scale business operator to effectively manage cash flows and be informed of the performance of the business as well as develop financial plan for the future. Accounting records-keeping involves processing raw financial data into output information of financial statements (Mc-lean 1999). The process ranges from creation of business transactions, analyzing and recording the transactions in the journals by account name, posting the information from the journals to the ledgers, preparing a trial balance, journalising adjusting entries, post adjustments from journal to the ledger, prepare an adjusted trial balance, journalize closing entries from the journal to the ledger, prepare and post closing trial balance and prepare the financial statement.

Accounting records-keeping is crucial for the successful performance of a business as it makes it possible for entrepreneurs to develop accurate and timely financial reports that show the progress and current condition of the business. Such records when utilized by the Small Scale Business Operators (SSBOs) would help them make wise decisions for the success of his business. Without accounting records, it will be difficult to understand the businesses' costs and it may even be that the enterprise is promoting goods and services which are drains on its profits. Oboreh and Osazevaru (2008) stated that small scale business enterprises lack good accounting records and therefore do not utilize the financial data of their businesses in making their judgments and decisions. Sometime in October, 2000, a workshop was organized for about a hundred and twenty (120) participants. It was a Thursday and all of them were asked to accurately say how much they had spent between Monday and that time on Thursday. After thinking for about three to four minutes, many of them started mentioning various amounts but immediately, they mentioned them, they will remember they did not mention some items and they will give another figure. This went on and on for the next three minutes. Then the participants were asked to write down what they had spent between that Monday and Thursday. After about ten minutes, they all agreed that they could not accurately remember what they had spent within that period of time. When asked why? While some chorused "because we did not write them down, others chorused because we did not keep the records". This therefore goes to show that records-keeping are not only inevitable for individuals, but it is also the life wire of a business enterprise.

Most small scale business operators in RiversState run their businesses with little or absolutely no formal training in the area of financial management/accounting record-keeping, hence poor or no records of transactions. According to Mugerwa (2011), Majority of these SSEs collapse in the first five years of their operation and the smaller the size and age of the business, the more it is likely to collapse. Amissah (2011) noted that one of the most prevalent challenges identified during a business health check is that small scale business units are associated with poor accounting and

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financial records and utilization of such records which makes entrepreneurs unable to effectively manage the finances of their businesses.

Okoli (2011) reported that generally many of these enterprises recorded their transactions randomly without adherence to any established system of accounting, hence, there is difficulty in keeping track of the cash flows in the enterprises. There are various books of accounting records which are needful for the successful operation of a small scale business enterprise. These include: the subsidiary books otherwise called the books of original entries. These are books into which transactions are recorded on a daily basis from the source documents and from which transfers are made at suitable periodic intervals to the relevant accounts in the ledger; the ledger accounts in which related transactions are grouped together to get an account. In which case, different accounts are prepared for different classes of transactions. The balances of these accounts are extracted and utilized in preparing the trial balance; the control accounts which shows at a glance the total debtors and creditors of the business and utilized in proving the arithmetical accuracy of a particular ledger account; the statement of profit or loss originally called the profit or loss account which is utilized to determine the profits or loss of the business; the statement of financial position originally called the balance sheet which is a condensed statement that shows the financial position of a business enterprise; the cash flow statement which shows the cash inflows and cash outflows of the business and the value added statement which shows the wealth created by the business within a given accounting period as well as the distribution of the wealth and amount retained for future maintenance and expansion of the business.

Mitchell, Reid and Smith (2000), argued that accounting information when kept and utilized could help the small scale enterprises manage short term problems in such areas as costing, expenditure and cash flow by providing information to support monitoring and control. Knowledge of cash flows according to Pandy (1991) is very important because cash flows are inseparable parts of the business operations of all firms. Okoli (2011) reported that there is evidence to suggest that small scale businesses are aware of the importance of accounting records-keeping. In spite of this awareness, small scale business operators in RiversState most times are not keen about keeping accounting records of their various business transactions. As a result, they do not use standard accounting records-keeping in running the day to day activities of their enterprises. Lack of appropriate accounting records-keeping affects all businesses.

The high rate of failure of small scale business in developing countries like Nigeria, has generally been traced to poor management and lack of proper accounting records-keeping and utilization. Keeping accounting records and utilizing the information will allow a small scale business operator (SSBO) to study his gross profit and net profit margins, this can reveal trends that would enable him to make timely business changes in order to continually earn profits. Lack of or insufficient accounting records-keeping of a business enterprise would make it difficult for such a business to keep track of its revenues and expenses which is fundamental for the success and growth of small

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scale business enterprises. The aim of this study therefore is to determine the relationship between accounting records-keeping and utilization by small scale business operators in Rivers State, with a view to examining the adequacy of such accounting records-keeping and utilization of such records as well as recommend strategies for enhancing the accounting records-keeping and utilization in the operation of these enterprises.

Statement of the Problem

The joy of any small scale business operator would be to survive and grow. The growth and survival of any small scale business enterprise is dependent on its ability to make profits and remain afloat for without profit, a business venture is bound to fail. The process of planning for profit involves gathering of financial data and utilizing such data in a way that can help make informed judgment and take decisions concerning the enterprise. There are several small scale business enterprises operating in RiversState. Many of these business enterprises do so well at the beginning but after a few years, a good number of them barely struggle to survive. Others go into liquidation. According to Amissah (2011), it has been ascertained that most small scale enterprises fail to keep proper books of account and also fail to observe basic accounting procedures. As a result, they are not able to utilize accounting records to ascertain the exact financial position of their businesses at any point in time, confirm the liquidity strength of their businesses, compare past year's profit with the current year's profit and project profit for the future year. This tends to impede the ability of the enterprise to obtain the much needed loans from financial institutions and other sources for expansion and diversification.

Financial statements cannot be easily prepared by the small scale business enterprises without accounting records. And when financial statements are not prepared, it becomes difficult to readily determine the annual profits or loss of the business, more so, total assets and liability as well as the liquidity of the business cannot be easily known. This will not only make it difficult to know the amount of wealth created by the business within an accounting period but will also lead to fraud and other vices that can cripple the enterprise. A business that fails to keep track of its transactions is susceptible to stagnation or even winding up.

It is observed that the above scenario has been the bane of most small scale business operators in RiversState. Although there have been several studies on this research area, none of them actually dealt strictly on the keeping and utilization of accounting records by small scale business operators in Rivers State. It is therefore necessary to examine the relationship between accounting records-keeping and utilization of such records by small scale business operators in RiversState.

Objectives of the Study

The major purpose of this study was to determine the relationship between accounting records-keeping and utilization of such records by Small Scale Business Operators in RiversState. Specifically, this study sought to;

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1. determine the relationship between accounting records-keeping in the subsidiary books and utilization of the records by small scale business operators in RiversState;
2. examine the relationship between accounting records-keeping in the ledger accounts and utilization of the records by small scale business operators in Rivers State

Research Questions

The following research questions guided the study:

1. What is the relationship between accounting records-keeping in the subsidiary books and utilizing such records by small scale business operators in RiversState?
2. What is the relationship between accounting records-keeping in the ledger accounts and utilizing such records by small scale business operators in RiversState?

Null Hypotheses

The following null hypotheses were formulated and tested at .05 probability level.

Ho₁ There is no significant relationship between accounting records-keeping in the subsidiary books and the utilization of such records by small scale business operators in RiversState.

Ho₂ There is no significant relationship between accounting records-keeping in the ledger accounts and the utilization of such records by small scale business operators in RiversState.

METHODOLOGY

This study adopted a survey design with a population of 4090 registered Small Scale Business operators in Rivers State. Available data from the Ministry of Commerce and Industry showed 1,884 registered small scale business operators in Rivers East, 1,430 in Rivers West and 776 in Rivers South East senatorial districts respectively giving a total of 4,090 registered small scale business operators in the state. 450 Small Scale Business Operators representing 11% of the population was randomly selected and used as sample for the study. A researcher-developed instrument titled "Accounting Records Keeping and Utilization Questionnaire" (ARKUQ) was used for data collection. The instrument contained 11 items and their responses were structured based on five point Likert rating scale of Strongly Agreed (SD) (5), Agreed (A) (4), Undecided (U) (3), Disagreed (D) (2) and Strongly Disagreed (SD) (1). ARKUQ was face validated by two research experts. One of them from the Department of Educational Foundation, F,C,E,(T), Omoku and one from the Department of Vocational Education, University of Uyo, Akwa Ibom State. The instrument was trial tested on 30 small scale business operators in Obio/Akpor and Oyigbo Local Government Areas of Rivers State who were not part of the respondents used for the study. The data collected was analysed using Cronbach-Alpha reliability technique to determine the internal consistency of the instrument. This yielded a reliability coefficient of 0.77. This reliability index was high enough, hence, the instrument was considered to be reliable for use in the study.

Data generated from the research questions were analyzed using Pearson Product Moment Correlation (PPMC). The decisions were taken based on the r-values. In using the r-value, the levels of relationship were classified as follows:

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- No relationship when r-value is 0.
- Very weak relationship when r-value is 0.1 - 0.34
- Weak relationship when r-value is 0.35 – 0.49
- High relationship when r-value is 0.5 – 0.7
- Very high relationship when the r – value is 0.71 – 0,99
- Perfect relationship when r-value is 1

In testing the hypotheses, the null hypotheses were rejected when the observed level of significance (p) is greater than 0.05 and rejected when it is less than 0.05. The data collected were analyzed and relevant statistics computed using Statistical Package for Social Sciences (SPSS).

This chapter presents the statistical analysis of data collected for the purposes of answering the research questions and testing the null hypotheses formulated for the study. The findings are presented in tables and arranged in line with the relevant research questions and hypotheses of the study.

RESULTS/DISCUSSION

Research Question 1

What is the relationship between accounting records-keeping in the subsidiary books and utilizing such records by small scale business operators in RiversState?

Table 1: Relationship between accounting records-keeping in the subsidiary books and its utilization

		$\sum x$	$\sum y$	$\sum x^2$	$\sum y^2$	$\sum xy$	r cal	Decision
Accounting records keeping	records	1722	1691	8186	7917	8031	0.801	*
Accounting records utilization	records	1691	1722	7917	8186	8031		

*Very High Relationship
Source: Researcher’s field work

Data in Table 1 show the summary of the Pearson Product Moment Correlation (PPMC) of the relationship between accounting records-keeping in subsidiary books and utilization by Small

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 Scale Business Operators (SSBOs) in RiversState. The result of the analysis shows an r-value of 0.801. This indicates that accounting records-keeping in the subsidiary books has a very high positive relationship with its utilization by small scale business operators in RiversState.

Research Question 2

What is the relationship between accounting records-keeping in the ledger accounts and utilizing such records by small scale business operators in RiversState?

Table 2: Relationship between accounting records-keeping in the ledger accounts and its utilization

	$\sum x$	$\sum y$	$\sum x^2$	$\sum y^2$	$\sum xy$	r cal	Decision
Accounting records keeping in the ledger	1715		8137		8080	0.824	*
Accounting records utilization in ledger		1706		8060			

*Very High Relationship

Source: Researcher’s field work

Data in Table 2 show the summary of the Pearson Product Moment Correlation (PPMC) of the relationship between accounting records-keeping in the ledger and its utilization by small scale business operators in RiversState. The result of the analysis shows an r-value of 0.824. This indicates that accounting records-keeping in ledger has a very high positive relationship with its utilization by small scale business operators in RiversState.

Research Hypotheses

H₀₁: There is no significant relationship between accounting records-keeping in the subsidiary books and the utilization of such records by small scale business operators in RiversState.

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Table 3: Test for significant relationship between accounting records-keeping in the subsidiary books and its utilization.

		$\sum X$	$\sum X^2$	$\sum Y$	$\sum Y^2$	$\sum XY$	r cal	Sig. of r	Decision
Accounting records keeping	records	1722	8186			8031	0.801	0.002	*
Accounting records utilization	records	1691	7917						

*=significant

Source: Researcher’s field work

Data in Table 8 show the summary of the Pearson Product Moment Correlation (PPMC) of the significant relationship between accounting records-keeping in subsidiary books and its utilization by small scale business operators in RiversState. The result also shows that r cal is 0.801 and the significance of r at .05 alpha level is 0.002. Since the significance of r is less than the alpha level, the null hypothesis is rejected. Thus, there is a significant relationship between accounting records-keeping in subsidiary books and its utilization by small scale business operators in RiversState.

H₀₂: There is no significant relationship between accounting records-keeping in the ledger accounts and utilizing such records by small scale business operators in RiversState.

Table 4: Test for significant relationship between accounting records-keeping in the ledger accounts and its utilization.

		$\sum X$	$\sum X^2$	$\sum Y$	$\sum Y^2$	$\sum XY$	r cal	Sig. of r	Decision
Accounting records keeping in the ledger	records	1715	8137			8080	0.824	0.001	*
Accounting records utilization in ledger	records	1706	8060						

*=significant

Source: Researcher’s field work

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The result in Table 9 shows the summary of the Pearson Product Moment Correlation (PPMC) of the significant relationship between accounting records-keeping in ledger accounts and its utilization by small scale business operators in Rivers State. The result also shows that r cal is 0.824 and the significance of r at .05 alpha level is 0.002. Since the significance of r is less than the alpha level, the null hypothesis is rejected. Thus, there is a significant relationship between accounting records-keeping in ledger accounts and its utilization by small scale business operators in RiversState.

DISCUSSION OF FINDINGS

The findings on the relationship between accounting records-keeping in the subsidiary books and the utilization of the records by small scale business operators in Rivers State shows an r -value of 0.801. This indicates that accounting records-keeping in the subsidiary books has a very high positive relationship with its utilization by small scale business operators in RiversState. Furthermore, findings of Hypothesis 1 show that there is a significant relationship between accounting records keeping in the subsidiary books and utilization of the records by small scale business operators in RiversState. Accounting records-keeping in the subsidiary books will enable the small scale business operator to utilize the records in determining the total value of purchases, credit sales, cash sales, returns inwards and returns outwards. All these records are necessary for effective financial management of the business.

These findings agree with the opinion of Way (2007) who observed that most small scale business operators neglect keeping financial records and therefore do not utilize any sort of financial records / statement in making decisions concerning their business enterprises believing that their businesses are too small to need it. This further agrees with the findings of Akwasi, Bofo, Francis, and Edward (2022) who found that SSBO do not keep accounting records because they think it is expensive to do so and does not allow for business privacy. As a result, decisions and daily activities of the business enterprises are based on guesses, not facts and thereby lead to the collapse of the enterprise. This finding is further supported by the findings of Amissah (2011), who wrote that one of the most prevalent challenges of small scale business units are associated with poor accounting records keeping which makes it difficult for SSBOs to utilize financial data of their businesses to accurately determine their business profits. The findings on the relationship between accounting records-keeping in the ledger accounts and the utilization of the records by small scale business operators in Rivers State shows an r -value of 0.824. This indicates that accounting records-keeping in ledger has a very high positive relationship with its utilization by small scale business operators in RiversState.

Keeping ledger accounting records would enable an SSBO to utilize the records in determining his total revenue, expenses, drawings and creditors etc. Furthermore, findings of Hypothesis 2 show that there is a significant relationship between keeping accounting records in the ledger accounts

Publication of the European Centre for Research Training and Development-UK and utilization of the records by small scale business operators in RiversState. This finding is in consonance with the findings of Okoli (2011), who reported that generally, many small scale business operators recorded their transactions randomly without adherence to any established systems of accounting, hence, there is difficulty in utilizing the accounting records to keep track of the cash flows in the business as well as determining the actual profit of the business

CONCLUSIONS

Based on the findings of the study, the following conclusions are drawn. The study revealed that there is a relationship between accounting records keeping and utilization by small scale business operators in RiversState. It revealed that SSBOs do not keep accounting records of their business transactions because of lack of accounting knowledge. As a result of this, there is inefficiency in the utilization of accounting records by the SSBOs. This not only made it difficult for them to efficiently calculate their business profit but also hindered them from knowing the exact financial position of their businesses at any given time. They therefore do not prepare financial statements making it difficult for them to access financial assistance both from the government and private financial institutions. This in most cases is a major cause of business failures.

Recommendations

Based on the findings of the study, the following recommendations are made.

1. It is Important that small scale business operators be equipped through trainings and education to be able to keep and utilize appropriate accounting records.
2. Tertiary institutions in Nigeria should be encouraged to float community engagement initiatives through which accounting students can be deployed from time to time to small scale business enterprises so that they can show them how to maintain accounting records and generate reports more appropriately.
3. The Federal and State ministries of commerce, industry and tourism should initiate accounting records keeping and utilization seminars and workshops for small scale business operators.
4. The Federal and State ministries of commerce, industry and tourism in collaboration with accountancy bodies like Institute of Chartered Accountants of Nigeria (ICAN) should embark on massive financial reporting education and training for the small business owners and help prepare their reports at a minimal fee.

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