

ACCOUNTING RECORDS AND THE PERFORMANCE OF SMALL AND MEDIUM SCALE INDUSTRIES IN ADO EKITI LOCAL GOVERNMENT AREA OF EKITI STATE

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Abstract

Despite the abundance of literature on the accounting records and performance of small and medium scale, no studies have focused on how small business owners in Ekiti State maintain and use accounting records. So, it is important to look at how small business owners in Ekiti State relate to accounting records keeping and how they use such documents. The study examined the effect of accounting records on performance of small and medium scale industries in Ado Ekiti Local Government Area of Ekiti State while the specific objective of the study was accounting records and performance. The population of the study was 410 registered small and medium scale enterprises in Ado Ekiti metropolis while the sample was 202 respondents gotten via Taro Yamane model. Out of the 202 questionnaires distributed 182 were returned and used for the research work. The instrument was validated by experts and a reliability of 0.804 was obtained. Research methods descriptive and inferential statistics, the inferential used was simple regression. They showed that accounting records with $t = 18.123$ and $(p = 0.000 < 0.05)$ which indicated that there is significant effect of accounting records on performance and concluded that SMEs 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 SMEs. The study recommended that training programmes could help SMEs improve financial reporting to enhance access to bank loans, may benefit from financial literacy workshops to maximize the usefulness of accounting records for strategic planning. Governments and financial institutions could offer simplified tax reporting tools to help SMEs maintain proper records.

Keywords: Accounting Records, Performance, Small and Medium Scale Industries.

Introduction

To put it simply, small and medium-sized businesses (SMEs) are the lifeblood of every country's economy and society. It is well-known that as small and medium-sized enterprises (SMEs) grow, the national economy does as well. According to Adjei, Anokye, Mintah, & Offeh (2014) and Kalu (2022), small enterprises not only create jobs but also greatly contribute to lowering poverty rates and advancing the economy as a whole. Maintaining accurate financial

records might help these small businesses thrive in today's cutthroat economic climate. Academics, economists, financial institutions, and governments around the world have taken an interest in the problem of small businesses keeping incomplete records (Amoah, Mensah, & Ntoah-Boadi, 2014). For small businesses, accounting record keeping is the practice of keeping track of monetary transactions and events, either by hand or digitally, with the goal of providing a solid foundation for evaluating the

company's financial health over a given time frame (Aladejebi & Oladimeji, 2019). Keeping accurate financial records allows owners and operators of small businesses to see how their money is being spent. It is crucial for any business to track how well its investments are doing financially. This is due to the fact that, as a fundamental pillar of any enterprise, profit serves as the key performance indicator. In order to reliably measure a business's performance, all financial information must be recorded and presented according to accounting concepts and assumptions (Manyani & Maseko, 2011).

The language of business, accounting records-keeping may reasonably tell you how well a business did in chasing its profit goal. It is defined by Parker (2002) as the routine process of keeping track of a business financial transactions and adjusting those records so that the financial statements are accurate and consistent. The goal of maintaining accurate financial records is to give management with a framework within which to run the enterprise more efficiently by providing a systematic approach to recording and classifying all financial transactions. Keeping accurate records allows a small business owner to better manage cash flow, stay informed about the business performance, and plan for future financial needs. Maintaining accurate accounting records entails transforming monetary data from its basic form into the information needed to create financial statements (Mc-lean 1999). Creating new business transactions, reviewing and recording them in journals according to account names, posting journal entries to ledgers, creating a trial balance, journalizing adjustments, posting adjustments to the ledger, creating an adjusted trial balance, journalizing closing entries, preparing

and posting closing trial balance, and finally, preparing the financial statement are all steps in the process. In order for entrepreneurs to provide reliable and up-to-date financial reports that reveal the status and development of their business, precise record-keeping of accounting transactions is essential. Small and medium-sized businesses (SMEs) might benefit greatly from using such records to make informed decisions that would ultimately benefit their industries. It will be tough to grasp the business expenses and maybe even that the enterprise is selling products and services that cut into its earnings if accounting records are not kept. According to Oboreh and Osazevbaru (2008), small businesses do not keep accurate financial records, thus they cannot use that data to guide their actions and judgments. Approximately one hundred and twenty (120) people attended a workshop that was scheduled for some time in October in the year 2000. It was Thursday, and their task was to provide precise amounts for all purchases made between Monday and that point in time.

After three to four minutes, many of them began to indicate different sums; however, as soon as they did so, they would recall forgetting to mention some items and provide a different total. The following three minutes were filled with this. After that, from Monday through Thursday, they were to record all of their spending. They all acknowledged after 10 minutes that they could not recall with any degree of certainty how they had spent that time. The question "why?" However, there were many who agreed that "we did not write them down, others chorused because we did not keep the records," as some rightly put it. This proves that keeping records is essential to any business and is consequently something that everyone must do.

Statement of the Problem

For a small business owner, the holy grail is not failure but success. Making a profit is crucial to the success and longevity of any small business. Without it, there would be no way for the enterprise to develop or stay in operation. In order to make educated decisions and assessments about the business, profit planning necessitates the collection of financial data and its subsequent use. In Ekiti State, you may find a number of small businesses without success or failure. Initial success is common for many of these businesses, but by the end of the first few years, many of them are struggling just to stay afloat. Some of them wind up in liquidation. Amissah (2011) states that basic accounting procedures and accurate bookkeeping are neglected by the majority of small and medium-sized businesses.

Consequently, they cannot use financial records to pinpoint their businesses' precise financial situation at any given moment, verify their liquidity, compare profits from one year to another, or predict profits for the next year. This makes it harder for the business to get the funds it needs from banks and other lending organizations so it can grow and diversify. Observation have shown that without accurate accounting records, small and medium-sized businesses find it difficult to generate financial statements. In addition, knowing the business liquidity, total assets and liabilities, and yearly profit or loss becomes much more of a challenge in the absence of produced financial statements. For one, it will be hard to tell how much money the enterprise made in a given accounting period. Worst yet, it could probably lead to fraud and other problems that ruin the organization. Stagnation or bankruptcy may befall a business concern if its

financial dealings are not properly recorded.

The aforementioned situation has reportedly been a nightmare for the majority of Ekiti State's small business owners. Despite the abundance of literature on the topic, no studies have focused on how small industry owners in Ekiti State maintain and use accounting records. So, it's important to examine how small business owners in Ekiti State relate to accounting records keeping and how they use such documents in transacting businesses.

Objective of the Study

The main purpose of this study is to determine the effect of Accounting Records and the Performance of Small and Medium Scale Industries in Ado Ekiti Local Government Area of Ekiti State. Specifically, this study:

- i. determined the Effect of Accounting Records on Performance of Small and Medium Scale Industries in Ado Ekiti Local Government Area of Ekiti State

Research Questions

This research question guided the study:

1. What is the effect of accounting records on performance of small and medium Scale Industries in Ado Ekiti Local Government Area of Ekiti State?

Research Hypothesis

The following null hypothesis was formulated and tested at 0.05 level of significance:

1. There is no significant effect of accounting records on performance of Small and Medium Scale Industries in Ado Ekiti Local Government Area of Ekiti State.

Methodology

A well-thought-out plan for carrying out research is known as a research design. The research design used in this study was a descriptive design of survey type. By using a predetermined set of questions related to the study at hand, researchers using survey research designs can gauge the general public's (or a representative sample of it) opinions, ideas, or views. The utilization of primary (qualitative) data acquired as answers to questions makes this research strategy ideal for this particular investigation. Keeping this in mind, the research questionnaire includes a number of questions with no room for free-form responses. A total of three sections comprised the questionnaire. Questions on the respondents' demographics are in Section 1, while Section 2 details the scale for accounting records and Section 3 details the results. Two hundred and two questionnaires were sent out to each of the bank's branches in order to gather data for this study (refer to table 1). No consideration was given to the participants' gender or the year of establishment while making the distribution. The replies were guaranteed to remain confidential. All 410 SME registrations in the Ado Ekiti metropolitan area served as the study's population.

Table 1: Population of the study

S/N	Names of the SMES	No of the SMEs
1	Aluminium	16
2	Auto mechanic	57
3	Bakery	5
4	Block industry	71
5	Car wash	8
6	Dry cleaning laundry	9
7	Feed mill	6
8	Furniture industry	37
9	Marble Work	6
10	Metal Fabrication	18
11	Panel	22
	Beatin/Spraying	
12	Printing press	42
13	Saw Mill Industry	27
14	Shoe making	20
15	Soap Making Industry	3
16	Sachet/Table Water Industry	26
17	Garment Industry	37
Total		410

Source: The Ministry of Commerce, Industries and Cooperatives, Ado-Ekiti, Ekiti State

Sample size and Sampling Techniques

The sample size for this research was 202 and was derived using the Taro formula by Yamane (1967) cited in Israel (2009).

Simple regression model was used for inferential statistics while frequency tables, mean and standard deviation were used for descriptive statistics. In order to determine whether small-scale business operators in Ekiti State kept and used accounting records, regression model studies were conducted as well.

Results and Discussion

Table 2: Demographic Distribution of Respondents

	Frequency	Percent
Sex		
Distribution	118	64.8
Male	64	35.2
Female	182	100.0
Total		
Age		
Distribution	25	13.7
25-35Years	59	32.4
36-45Years	52	28.6
46-55Years	46	25.3
56Years and Above	182	100.0
Total		
Marital Status		
Single	175	96.2
Married	5	2.7
Divorced	2	1.1
Total	182	100.0
Educational Qualification		
OND/HND	28	15.3
B.Sc.	44	24.2
MBA/M.Sc.	75	41.2
Ph.D	35	19.2
Total	182	100.0

Source: Field Survey, (2025)

Results and Discussion

Demographic Distribution of Respondents

The sex distribution of respondents indicated that one hundred and eighteen (64.8) are male respondents while sixty-four (35.2%) are female respondents which implied that more of male respondents are more than the female counterpart in this research work. Age distribution of respondents revealed that twenty-five (13.7%) of the respondents are between 25-35years of age, fifty-nine (32.4%) of the respondents are between 36-45years of age, fifty-two (28.6%) of the are between 46-55years while forty-six (25.3%) of the

respondents are 56years and above. Marital status distribution of the respondents showed that one hundred and seventy-five (96.2%) of the respondents are single, five (2.7%) are married while two (1.1%) of the respondents are divorced with his husband. This implies that single are more than the married couples. Educational qualification distribution of the respondents revealed that twenty-eight (15.3%) are OND/HND certificates holder, forty-four (24.2%) of the respondents are B.Sc. certificates holder, seventy-five (41.2%) of the respondents are MBA/M.Sc. certificates holder, thirty-five (19.2%) of the respondents are Ph.D certificates holder.

Table 3: Analysis of Descriptive Table

Items	N	Sum	Mean	STD
Accounting record keeping helps track SMEs activities in the determining profit/loss	182	762	4.19	0.742
Accounting record keeping helps SMEs in the acquisition of credit facilities from banks	182	718	3.95	0.903
Keeping accounting records helps SMEs in paying appropriate tax to government	182	775	4.26	0.677
Keeping accounting records helps SMEs in efficient financial decision making	182	655	3.60	1.225

Interpretation of the descriptive statistics provided:

Accounting record-keeping helps track SMEs' activities in determining profit/loss: Mean ($M = 4.19$): Respondents strongly agree that accounting records are important for

tracking business activities and determining profit or loss. Standard Deviation (SD = 0.742): The relatively low SD suggests that most respondents share a similar opinion, with minimal variation. Standard Error (SE = 0.055): The low SE indicates that the sample mean is a reliable estimate of the population mean.

Accounting record-keeping helps SMEs acquire credit facilities from banks: Mean (M = 3.95): Respondents moderately agree that keeping accounting records is useful for obtaining bank credit. Standard Deviation (SD = 0.903): The higher SD suggests more variability in responses, meaning some SMEs may have had different experiences with banks regarding financial records. Standard Error (SE = 0.067): The SE is slightly higher than the first item, indicating a small degree of sampling variability.

Keeping accounting records helps SMEs pay appropriate taxes: Mean (M = 4.26): Respondents strongly agree that keeping records is useful for accurate tax payments. Standard Deviation (SD = 0.677): The low SD indicates a high level of agreement among respondents. Standard Error (SE = 0.050): This small SE suggests a precise estimation of the mean.

Keeping accounting records helps SMEs make efficient financial decisions: Mean (M = 3.60): There is moderate agreement that accounting records help in financial decision-making, though the level of agreement is lower than for other statements. Standard Deviation (SD = 1.225): The high SD suggests significant differences in opinions, meaning that while some SMEs find accounting records useful for decision-making, others may not. Standard Error (SE = 0.091): The highest SE in the dataset, suggesting that

the sample mean has more variability compared to other.

Discuss of the Findings:

To test this hypothesis, the respondents' scores on two variables of accounting records and Performance of small and medium enterprises in Ekiti state were computed and subjected to simple regression analysis. From Table 4, the R (correlation Coefficient) gives a positive value of 0.804; this indicates that there is a very strong and positive relationship between accounting records and performance of small and medium enterprises in Ekiti state. The R^2 is a portion of the total variation in the dependent variable that is explained by the variation in the independent variables. From the results obtained, R^2 is equal to 0.646, this implies that Accounting records brought about 64.6% variance in performance of small and medium enterprises in Ekiti state, this is further proven by the adjusted R^2 that shows the goodness of fit of the model which gives a value of 0.644, implying that when all errors are corrected and adjustments are made, the model can only account for 64.4% by Accounting records; while the remaining 35.6% are explained by the error term in the model as shown in Table 4.

The unstandardized beta coefficient of accounting records is 0.801 with $t = 18.123$ and ($p = 0.000 < 0.05$). These results showed that accounting records has a positive relationship with Performance of small and medium enterprises in Ekiti state. This suggests that the accounting record keeping of SMEs promotes the growth of the enterprises. The study is in line with the work of Prempeh, Osei, Osei and Kuffour (2022) findings showed that accurate accounting record keeping of SMEs transactions is essential to the growth of

the enterprises in determining their profit/loss level, acquiring credit facilities from banks, ability to have some document to back up their tax records and able to make efficient financial decisions of their business. Idewe (2019) findings show that most of SMEs do not keep accounting records. Some of the reasons as to why they do not keep accounting records were: time consuming, lack of knowledge and skills, poor documentation, ignorance and poor support from the workers responsible with records in the organizations and Onwuchekwa and Ukpog (2023) 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 Ekiti State.

From the Table 4 discussion in objective one, and by F-Stat. 328.428, p-value $0.000 < .05$, it showed that the null hypothesis, accounting records does not significantly affect Performance of small and medium enterprises in Ekiti state is not true therefore, the null hypothesis is rejected. Based on this, we accepted the alternative hypothesis that Accounting records have effect on Performance of small and medium enterprises in Ekiti state.

Table 4: Accounting records and Academic Performance

Variable	Coeff.	Std. Error	T-value	Sig.
Constant	0.827	0.188	4.400	0.000
Accounting Records	0.801	0.044	18.123	0.000
R	0.804			
R Square	0.646			
Adj. R Square	0.644			
F Stat.	328.428(0.000)			

Dependent variable: SMEs Performance

Conclusion

The following conclusions were made from the study's results. Accounting record keeping and utilization are related, according to the study, for small-scale business operators in Ekiti State. As a result of their inexperience with accounting, Small and Medium Industries are found to not maintain records of their company transactions. Small and medium-sized enterprises (SMEs) waste accounting records because of this. Because of this, they were unable to accurately gauge their companies' financial health at any one moment and had a hard time

determining how much money they had made. Since they do not know how to compile financial documents, they have a hard time getting loans from public and private sources. Typically, this is one of the main reasons why businesses fail.

Recommendations

The following recommendations were made:

1. Training programs could help SMEs improve financial reporting to enhance access to bank loans.
2. Small and Medium Industries may benefit from financial literacy workshops to maximize the

usefulness of accounting records for strategic planning.

3. Governments and financial institutions could offer simplified tax reporting tools to help SMEs maintain proper records.

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