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AN ASSESSMENT OF ACCOUNTING RECORD KEEPING PRACTICES AND PERFORMANCE OF SMALL AND MEDIUM SCALE ENTERPRISE'S (SME'S) IN NORTH EASTERN NIGERIA.

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ABSTRACT
The significance of keeping proper books of accounts and sound accounting practices has been stressed in ensuring proper financial management in SMEs. In this study, we investigate the record keeping practices utilized by SMEs in six north eastern states of Nigeria, through data based on responses to a structured questionnaire from 270 SMEs in the region. We report that majority of SMEs fail to maintain complete accounting records as they think there is no need to keep accounting records and that it exposes their financial position, it was equally reported that, there was a strong positive relationship between joint influence of Accounting record keeping practices and the performance of SMEs in North Eastern Nigeria. It was then recommended that

Introduction:

The contribution of Small and Medium Enterprises (SMEs) to the economic development of most developing countries is remarkable. Providing employment for almost two-thirds of the countries working population, contributing to the government revenue generation through the payment of income tax, as well as providing income in terms of profits, salaries and wages to households just to mention a few. This has been the ultimate hallmark of SMEs to a developing country of

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training programs must be organized to sensitize owners/managers on the need to maintain proper books of accounts. The government should also come out with the necessary legal instruments to make the preparation of proper books of accounts mandatory in order to improve accounting record keeping practices among SMEs in the region and Nigeria at large. Multiple Regression Analysis was used to analyze the data collected from the respondents with help of SPSS statistical package.

Keywords: *record keeping, accounting practices, financial performance, SMEs.*

Which Nigeria is no exception. As Prasad et al. (2018) contend, growing SMEs will also contribute to expanding the size of the directly productive sector in the economy; generating tax revenue for the government; and, all in all, facilitating poverty reduction through fiscal transfers and income from employment and firm ownership. Comparatively, most SMEs are not registered as corporate bodies but as sole proprietorship this makes registration procedures quite simple and a bit easier than the other forms of business registration. Partly due to this phenomenon, SMEs has outnumbered all the other forms of business and could be found almost everywhere across the country. In spite of their numbers, and significance, recent studies show that 70% of the SMEs fail within the first five years of operation (Boachie et al., 2019). Studies also show that it is hard for the SMEs to access finances from the financial institutions since they lack proper financial records as a requirement (William,2018). The SMEs inability, many times to live beyond their first few months of existence has been attributed partly to lack of finance. To become successful and be able to contribute meaningfully to the Nigerian economy, SMEs must attract and secure finance all by themselves.

Providers of finance more often than not, rely on information before making the final decision to either invest or not to invest in a given business. Banks for example, will need to know whether the SMEs seeking finance will be able to pay the principal amount as well as the interest before going ahead to grant the facility. This is particularly true of financial accounting information about a firm's operations. An adequate accounting system will generate the needed financial accounting information for whatever purpose. It is recommended that SMEs keep detailed accounting records and audit their financial statements on an annual basis. This will enable the banks to make a proper evaluation of SMEs, which should improve their accessibility to credit (Olufunso *et al.*,2010).

Unfortunately because most SMEs in Nigeria are managed by owner, they sometimes believe they have less need for financial accounting record keeping practices because of their personal involvement in the day-to-day operations. This assertion may not be entirely true especially when it has to do with looking for finance. (William,2018).

To enable seekers of finance and providers of finance makes an informed economic decision; there is the need to have reliable accounting information which has been generated through an adequate accounting system. That requires that proper books of account are kept. An inadequate accounting system is a primary factor in small business failures. Quality of SME records keeping attract investors to invest and for financial institution to provide finance (Tagoe et al., 2017).

For most developing countries including Nigeria, achieving low unemployment, improving income levels and reducing poverty which eventually lead to economic success largely depends on whether our SMEs are doing well or not. For the SMEs also to do well there is the need for them to attract and secure finance. Providers of finance will not invest or provide funds unless they are assured that they will not lose their investment. Most providers of finance assure themselves with financial accounting information generated from an adequate accounting system in order to reduce risk.

The question now is, do the SMEs have in place proper books of accounts to generate the much needed accounting information that providers of finance and other business partners require? The answer to the above question makes it imperative for the researcher to look at financial accounting record practices of SMEs in North Eastern Nigeria.

The study is relevant in the Nigerian context given the important role SMEs play in the economic development. There is the need to explore the accounting practices of SMEs in Nigeria and to ascertain whether they are able to meet the expectations of finance providers. This will improve SMEs access to funds and improve the performance of the general level of economic activity. The study will add to the literature on accounting practices of SMEs and therefore add to a body of knowledge. The study will also have important policy implications for the government of Nigeria and SMEs in general.

The remainder of the paper will be organized as follows: Section two provides a review of the extant literature in the area. Section three discusses the empirical methodology and results. The last section concludes the discussion and provides some policy recommendations based on the findings of the study.

Statement of the Problem

The necessity of recording all the transactions clearly and systematically cannot be over-emphasized. Accounting records, prepared on the basis of uniform practices enable business to compare results of one period with another period. An adequate financial record-keeping-system will provide the required information to assist SMEs to make sound decisions for future plans. However, many SMEs do not maintain accounting records yet they perceive the positive role of accounting records in the business performance.

Previous researches have address the important of proper records keeping for effective management of SMEs (Maseko 2011, Germain, 2010 and Tucker, 2000). However If SME's do not maintained proper accounting records long term sustainability of the business is under question. Ismail (2011) report that about 70% of SMEs in Nigeria do not keep proper accounting record of their business activities in line with the principles and concept of accounting provisions. This is in line with the findings of (Howard, 2013). According to Dauda and Azeko (2015) majority of small businesses in Nigeria do not keep adequate records of their activities, which will eventually leads to major problems and subsequently closure of the businesses.

Consequently, the problem of proper record keeping has been for long in the Nigerian business environment, particularly in the SMEs sub-sector which directly affect their growth and survival. Maseko and Mayani (2011) report that financial performance and position of SMEs in Nigeria cannot be measured due to lack of proper record keeping. The above justifications are so vital to the SMEs sub-sector in Nigeria, which form the basis for the research work.

Objectives of the Study

The study is aimed at achieving the following objectives:

1. To assess the completeness of accounting records practices being kept by SMEs as a source of information for economic decision making.
2. To examine the extent to which accounting record practices is being used in Measuring financial performance of SMEs
3. To examine the kinds of accounting record being kept and maintained by SMEs.

Review of Existing Literature

Accounting Practices of SMEs

A review of the existing body of research reveals that the importance of keeping proper accounting records, the reasons for keeping accounting records, the extent of record keeping and the nature of accounting systems maintained by SMEs is documented, though limited. Due to the qualitative nature of some of the studies while, questionnaire and interview methodology have been employed by most of the studies.

A constituent of the literature looks at the importance of accounting systems on the basis of its application in assessing the performance of businesses by all stakeholders (see, for example, Page, 2014). Olson *et al.* (2017) argues that accounting information users in SMEs is on the increase. Another aspect of the studies claim that, in the process of planning for profit, financial information is assembled in a way that can help make informed judgment and take decisions concerning the organisation (Copeland & Dascher, 2008). An accounting system is one of the most effective decision making tools of management. It provides an orderly method of gathering and organising information about the various business transactions so that it may be used as an aid to management in operating the business.

An emphasis is laid on the significance of keeping proper books of accounts by Biryabarema (2018) because it enables small businesses to have accurate information on which to base decisions. SMEs project purchase and sales, determine break-even point, and make a wide range of other financial analyses based on accounting information. The study contends that, lack of proper accounting records has seen the closure of some businesses, and thus makes it a significant issue for business success.

Several studies assert that the high incidence of failure among SMEs could be attributed to the poor accounting systems used by these enterprises (see, for example, Ofonagoro, 2013). Those studies recount that since accounting systems play a key role in determining business growth and profitability, there is a need to evaluate the accounting systems used by SMEs. This is important because for optimum business growth, SMEs must make use of a system of accounting which will enable them determine the volume of sales, profits (or loss), assets and liabilities at any given time.

According to Lybaert (2008), the quality of accounting information utilized within the SME has a positive relationship with an entity's performance and survival. Similarly, it has been emphasized that there is the need for financial information for small and micro business units due to the volatility normally associated with their situation such as unstable cash and profit positions, and reliance on short-term borrowing (McMahon & Holmes, 1991; Dodge, Fullerton & Robbins, 1994)

Kinney (2001) posits that accounting is one of the important types of information for decision making both within and outside the organization. He further states that the quality of this information gauged by its relevance and its reliability for a particular decision is equally important.

In the words of Osuala (2018), many enterprises record their transactions randomly without adherence to any established systems of accounting; hence making it difficult in keeping track of the cash flows in the enterprises. Mitchel et al. (2000) argued that accounting information could help SMEs 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 firms. Peren and Grant (2000) noted that decision making processes in small scale enterprises are more sophisticated than anticipated but they lacked effective accounting information and control system to support their decisions. Furthermore, there is some evidence to suggest that small firms are aware of the importance of accounting information (International Federation of Accountants, 2006). In spite of this awareness, most owners of small entities in Nigeria are not too keen to use standard accounting systems to run the day-to-day activities of their enterprises. The high rate of failure of small scale enterprises in developing countries like Nigeria, has generally been traced to poor management and accounting systems employed by these enterprises (Ofonagoro, 2003).

There seems to be some consensus on the significance of financial accounting systems to business success. Some researchers assert that the quality of financial accounting information employed within the SMEs sector has a positive relationship with the performance of the entity (see, Lybaert, 2008; Nayak & Greenfield, 2004; Holmes & Nicholls, 2019; Raymond & Magnenat-Thalman, 2002).

In spite of the considerable amount of studies conducted in accounting over the last few decades, there has been little effort on investigating the accounting systems maintained by SMEs and their effectiveness (McChlery et al., 2005). For instance, Mitchell, Reid and Smith (1999) and Marriott and Marriot (2002) observed that, in the United Kingdom only recently had research been directed towards the financial management systems that operate within small-sized enterprises.

To date, limited research has been carried out into the accounting systems in use within small firms. Financial management systems have been analysed for micro businesses of less than 10 employees (Nayak & Greenfield, 2004), of less than 20 employees (Holmes & Nicholls, 2019), whilst Mitchell et al. (1999) focused their attentions on new small businesses. On their part, Perren and Grant (2000) considered how management accounting routines developed within small businesses focusing on growth-orientated organisations. Peel and Wilson's (2006) study of firms employing 50 employees or less, was restricted to only 82 respondents. Obviously, there is a need to research the small businesses community across a spectrum of sectors including newly formed and established firms (McChlery et al., 2005).

Poor record keeping is also cited as a cause for start-up business failure. In most cases, this is not only due to the low priority attached to it, but also a lack of the basic business management and skills. Most business operators, therefore, end up losing track of their daily transactions and find it difficult to account for their expenses and their profits at the end of operations. According to Wichman (2008), accounting is a major challenge to management of SMEs. The study recommends that SME managers and/or owners need to learn about proper accounting or engage the services of accounting experts for accounting reporting purposes.

Some authors believe that accounting reports play a significant role in SMEs. However, they argue that such accounting reports must be customised to suit the needs of SMEs. There have been proposals that the use of the cash basis must be preferred the accruals basis of accounting. A study by McMahon (2017) finds that financial reporting practices in SMEs appear to fall short of the standards recommended by various external financial information users imperatives that exist for them, and further claim that SME managers/owners appear mostly reluctant to produce financial reports which might become accessible to outside parties either through the regulatory authorities or directly.

2.2 Motives for Keeping Accounting Records and SMEs Performance

Some aspects of the existing research delve into the relationship between record keeping and performance of firms. Tanwongsval and Pinvanichkul (2008) comment on the reasons why SMEs prepare financial statements, and argue that on the list, SMEs rank assessing profitability second to the purpose of tax returns. According to Cooley and Edwards (2013), owners of SMEs consider profit maximization as the most important financial objective. This has led to the argument that SME owners pay attention to profitability and measurement of net profit when are evaluate their firms performance.

Holmes and Nicholls (2019) concludes that the extent of accounting practices in SMEs depend on a number of factors such as age of business, size of the business, and the nature of the industry. They further point out that most SME owners and managers engage public accountants to prepare required information. According to Ismail and King (2007), the development of a sound accounting system in SMEs hinge on owners level of accounting knowledge and skills. Some authors have argued that small businesses use professional accounting firms for preparation of annual reports and for other accounting needs (see, Keasy & Short, 2009; Bohman & Boter, 2014). Lalin and Sabir (2010), reports that the main drivers why SMEs prepare financial statements is pressure from regulatory authorities. Hussein (2003) notes that, a good accounting system is not only judged by how well records are kept but by how well it is able to meet the information needs of both internal and external decision-makers. Clute and Gitman (2018) uphold that it is common for qualified accountants to do a good job of keeping records up to date but they fail to provide information needed by decision-makers. Interestingly, however, others argue that the high cost of contracting professional accountants has left SME owners with no better option but to relegate management of accounting information (see, for example, Evaraert et al., 2006; Jayabalan & Dorasamy, 2009). Zhou (2010) has proposed the use of accounting software to improve accounting practices, albeit he laments the unavailability of medium-sized software for SMEs.

A study conducted in Zimbabwe on 100 SMEs by Maseko and Manyani (2011) brings out that SMEs do not keep complete records of accounts due to lack of knowledge in accounting and the cost of engaging professional accountants. Consequently, the use of accounting information to support measurement of financial performance by SMEs is ineffective. The study proposes that regulatory bodies must develop specific guidelines for SME accounting and organise accounting training programmes for entrepreneurs in small businesses. They also recommend the application of mandatory record keeping to improve accounting practices of SMEs. Mbroh and Attom (2011) studies 217 out of 250 SMEs in Ghana and reports that 59% do not practice formal accounting at all. The reasons they gave to this include low levels of education and inadequate knowledge in accounting which makes it difficult for them to appreciate the need to practice accounting in their business.

In a study of 148 respondents in Nigeria (Enugu), Okoli (2011) links proper record keeping and profitability of small scale enterprises and assert that due to inadequate record keeping, the small scale operators could not assess their performances effectively. He argues that in order to enhance the profitability of small scale enterprises and their continuity, there is need for adequate record keeping which will help the proprietors to keep track of the performance of these enterprises.

Mensah et al. (2007) states that a significant number of enterprises in their survey kept no records pertaining to operations, finance, audited accounts, tax returns, and so on. Until recently, all the micro and small enterprise could not receive credit from the banks and promotional institutions on grounds that the formal banking sector considered them a high risk area, and hence charged them high cost for borrowed funds from the banks.

In assessing the financial statements of micro and small enterprises, Aryeetey et al. (2014) claims the existence of practical problems in deriving records and figures that make up the statements. One reason for that is because for almost all enterprises the owners keep all the records in memory and hence the lack of records of all kinds – sales, marketing, accounting, credit borrowing from lending institutions, staff costs, owners emoluments, etc. Owners of SMEs do not keep proper records and thus, they are not able to provide data about their entities.

2.3 Types of Accounting Records of SMEs in Nigeria

Accounting/book keeping records are e.g. the sales day book, purchases day book, cash receipt book, cheque payments book, petty cash book, general journal, nominal ledger, debtors' ledger and creditors' ledger. Quite often a separate payroll system is maintained and payroll transactions are summarized through general journals. However, all enterprises do not necessarily need the entire above mentioned book keeping records; the enterprise has to decide this on the basis of its needs. When the enterprise makes the judgment of what book keeping records to maintain it also needs to take into account whether some book keeping records are compulsory or not.

Single Entry System

The single entry system is an "informal" bookkeeping system where a user of this system makes only one entry of a business transaction. It generally includes a daily summary of cash receipts and a monthly record of receipts and disbursements (worksheets). A cheque book, for example, is a single entry bookkeeping system where one entry is made for each deposit or cheque written. Receipts are entered as a deposit and a source of revenue. Cheques and withdrawals are entered as expenses. If a manual system is used, in order to determine your revenues and expenses you have to prepare worksheets to summarize your income and categorize and summarize your different types of expenses (Cromie, 2019). Bookkeeping software and spreadsheets are also available to do this for you.

The emphasis of this system is placed on determining the profit or loss of a business (Chepkemoi, 2013). It got its name because you record each transaction only once as either revenue (deposit) or as an expense (check). Since each entry is recorded only once, debits and credits recording method required for the double entry system are not used to

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record a book keeping event. While the single entry system may be acceptable for tax purposes, it does not provide a business with the entire book keeping information needed to adequately report the book keeping affairs of a business. In the near future, there will probably be no single entry system (Cromie, 2019).

Double Entry System

The double entry system is the standard system used by businesses and other organizations to record book keeping transactions. Since all business transactions consist of an exchange of one thing for another, double entry bookkeeping using debits and credits, is used to show this two-fold effect. Debits and credits are the device that provides the ability to record the entries twice. The double entry system also has built-in checks and balances. Due to the use of debits and credits, the double-entry system is self- balancing. The total of the debit values recorded must equal the total of the credit values recorded (Cohen, 2005). This system, when used along with the accrual method of book keeping, is a complete book keeping system and focuses on the income statement and balance sheet. This system has worldwide support as the system to use by businesses for recording their book keeping transactions. It got its name because each transaction is recorded in at least two places using debits and credits (Cohen, 2005).
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Accounting Records and Performance of Small and Medium Enterprises

Every serious entrepreneur must as a matter of fact be able to maintain proper records of his or her business transactions. Proper book keeping is important to sustaining and expanding a business (Nigerian National Bureau of Statistics, 2007). Without it, the entrepreneur run the risk of hitting cash flow crunches, wasting money, and missing out on opportunities to expand his business. When you keep proper records of your business transactions, you will be properly positioned to carry out proper business evaluation and see how your business is fairing. The purpose of book keeping is to help you manage the business and also to enable tax agencies to evaluate the business activity. As long as book keeping achieves both of these objectives, the business will be in the right direction. Any financial institution that wants to do business with the firm must demand for the business records. The ability to produce it means that the business is serious. Business records are important because it prevents theft and keeps things organized. The practice of keeping accurate records of the business inventory makes it easier to record products and also to enable the business owner to see what's selling and those that are not selling. It is important to keep business records because without them you would not know how to break even, or even how much each different product is really making you (Chepkemoi, 2013). Effective and efficient record keeping practices secure your business internal thief and dishonest employees. Additionally, tracking the transfer of money is important so that the wise business owner can know who received money, how much they currently have or if there are any inconsistencies that need to be investigated or corrected. Keeping accurate records is highly fundamental for a successful business to stay organized and profitable.

Peacock (2019) in his investigation of the effects and causes of 1,000 proprietary company failures in South Australia, found that 4.6 percent of failures had inadequate or no accounting records. He concluded that there was a minimal effect of accounting records of the success or failure of businesses of the proprietary companies and recommended for further research on causes of business failures. In another study of company failures in South Australia, peacock (2019) reviewed the bankruptcy reports of 418 unincorporated businesses for four years and found that 50.5 percent of this used single entry system of bookkeeping, 32.8 percent used bank and taxation records whereas only 2.1 percent utilized double entry systems. He recommended further research to be done on double entry systems of recording in companies. In a more recent study Peacock (2019) found out that a significant element in the failure of many of the businesses was inefficient or absence of accounting records. More than half of the failed businesses were found to have no records or only bank and taxation records. Peacock's (2019) findings are very important as examining the impact of accounting system practices on profitability of SMEs in Kabarnet Town. Williams et al (2018) in their evaluation of the adequacy of accounting records for 10,570 small enterprises operating in Australia found that a significant proportion of owners kept inadequate accounting records.

The study recommended further investigation on record keeping practices in small enterprises in Australia. Williams (2010), in his survey of accounting information requirements of 928 small enterprises operating in Sydney, Melbourne and Brisbane found out that 57% of the respondents used the double entry systems. This finding is in contrast to Peacock's (2018) findings of types of records maintained by failed enterprises, where only 2.1% of respondents were found to use double entry systems. He recommended for further research on the accounting record keeping/ book keeping practices on SMEs.

Methodology

Survey research design was adopted for this study. This design is most appropriate for a study of this nature because most accounting record related practices are internally used by management and many SMEs in Nigeria do not publish their financial statements for public consumption (okoli, 2011). This method entails gathering of data from primary sources aimed at achieving the objectives of the research. The sampled population comprised of 270 SMEs in North Eastern Nigeria. We based on the objectives to develop the questionnaire for the survey and possible responses. Data for the study was gathered from Managers and/or Owners of SMEs through adapted questionnaire covering the various variables identified in the literature. A literature review was conducted on both primary and secondary resources. This covered all the key concepts that were used in the study to provide the theoretical framework and background against which an important tool of the study. The review in addition, provides the basis for discussions and support for many views that were presented in the study and also added some weight to the conclusions drawn, and recommendations made.

The non-probability convenience sampling technique was employed to distribute the questionnaires to 270 Managers/Owners of SMEs. With the support of friends and colleagues the questionnaires were sent to retail shops including Owners/Managers of provisions, pharmaceuticals, hardware, building materials, general merchants, manufacturing entities (including metal and glass fabricators, furniture works, printing and stationeries) and a range of other service providers (including guest or rest houses, restaurants)etc, in the six states of the North eastern Nigeria.

In all about 270 questionnaires were sent out to collect the necessary data for the study. Out of which 224 of the questionnaires were returned, which represent 82.96%. Out of the 224 questionnaires, there were 14 which were not properly completed and therefore could not be used as part of the analysis. The number of questionnaire used for the analysis for the study was 210.

Multiple Regression was used to analyze the data with the help of SPSS statistical package. Regression econometric model was adopted for this research to determine the joint influence of the three (3) proxies of accounting practices on return on capital employed. Moreover, the formula is stated as follows:

$Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \mu 1$---(i) Where:

Y = dependent variable (Return on Capital Employed)

$\beta 0$ = constant

$\beta 1$, $\beta 2$, $\beta 3$ = coefficients of the independent variables, X1, X2, X3 at ith scores or levels of accounting practices by SMEs under cash, tangible non-current assets, and inventory management practices

Vol. 14, No. 7
International Journal of Management Science & Entrepreneurship

X1= independent variable (ith score(s) or level of accounting practices by SMEs under cash management practices (CMP))
X2 = independent variable (ith score(s) or level of accounting practices by SMEs under tangible non-current assets management practices (TNCAMP))
X3 = independent variable (ith score(s) or level of accounting practices by SMEs under inventory manage ment practices (IMP))
μ1= stochastic or error term

Therefore:
ROCE =β0+ β1CMP+ β2 TNCAMP + β3IMP + μ1---------------------------(ii)
The model is
ROCE =β0+ β1CMP+ β2 TNCAMP + β3IMP + μ1

Data Analysis and Interpretation of Result

This reflects the basic features of the data used for this research and it provides insight into the nature of data and gives a room for further analyses. Table 1 shows the general profile of the firm in terms of nature of the firm and ownership structure. While table 2, shows the summary of regression result, characteristic and contents of data used in the research.

Table 1. General profile of firms

Ownership	Frequency	Percentage
Sole Proprietor	188	89.52%
Partnership	3	1.43%
Family	8	3.81%
Limited Liability	11	5.24%
Total	210	100.00%
Nature of business	Frequency	Percentage
Retail	127	60.48%
Wholesale	14	6.67%
Services	51	24.29%
Manufacturing	18	8.57%

Total	210	100.00%

Our questionnaire captured the profile of firms surveyed in terms of nature of business, ownership structure, number of employees, as shown in Table 1. Most of the businesses in the survey were either managed by the owner or a close relative and a larger percentage employed less than 5 staff.

Table 2: Summary of Regression result

Variables	Coefficient	t-statistic	p-value
Constant	*- 44.091*	*-7.13*	*0.000*
CMP	2.5720	7.50	0.000
TNCAMP	-0.4582	-2.22	0.034
IMP	0.5895	2.26	0.031
Adjusted R2 = 0.871, tcal = 7.13, ttab= ,Fcal = 77.44, Ftab = 4.50, DW = 1.240, s.e = 6.186, 5% level of sig.			

The multiple regression for the parameter estimates as well as the ANOVA test for the appropriateness and adequacy of the model revealed significant *p*-values of less than 0.05 level of significance. The absence of multicollinearity is confirmed since the Tolerance value for the explanatory variables are less than 1 and the Variance Inflation Factor (VIF) less than 10 for all parameters in the study. These outcomes are also supported by an adjusted R-square of 87.1%, which indicates a strong linear relationship between accounting practices (CMP, TNCAMP, and IMP) and SMEs‟ performance (ROCE). This implies that about 87.1% of SMEs‟ performance is explainable through and contributable by their level of accounting practices.

The Dublin Watson (DW) statistic of 1.240 shows the absence of auto correlation and confirms that the model is statistically significant. Hence, the basic assumption (null hypothesis) for this study that SMEs‟ return on capital employed are not significantly influenced by their accounting practices, tangible non-current management, and inventory management practices is rejected since Fcal= 77.44 >Ftab= 4.50.The results revealed that cash management practice (CMP) has the greatest influence on the performance of SMEs in North Eastern States, followed by Inventory management practice (IMP).However, Tangible non-current assets management practice (TNCAMP) has negative significant influence on performance of SMEs in North Eastern States. Although, TNCAMP reveals a significant P-value of 0.034, its unit change resulted to -45.82% variation on ROCE. Therefore, its significant P-value and the adjusted R-square of 87.1% might have resulted from the joint influence of CMP and IMP. This may not be negating the theoretical assertion about TNCAMP as precondition for high quality business performance, but perhaps requires longer than expected measure of performance to ascertain. Considering the long-term usefulness of tangible non-current assets, ROCE as a short-term measure of performance appears inadequate to estimate any positive influence of TNCAMP on the performance of SMEs in this study. Moreover, the result of this regression provides verified evidence about the adequacy of knowledge- based theory of a firm and dynamic capabilities theory in explaining the relationship between accounting practices and performance of SMEs. Nevertheless, an insignificant 12.9% of the variation might be attributable to some exogenous factors not covered in the study.

This finding lends credence and support to Ezejiofor, Ezenyirimbaand Olise (2019) and DeThomas and Fredenberger (2015), in their surveys of SMEs in South Eastern states and Georgia State respectively. The finding also confirms the assertion by Potts (2007) that the clearest and the most startling distinction between successful and discontinued SMEs lie in their use of accounting practices and information.

Conclusion and Recommendations

The study explore the accounting record keeping practices of SMEs in North Eastern Nigeria. The results reveal that SMEs do not maintain proper books of accounts because owners do not appreciate the need to keep

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accounting records, lack the necessary accounting knowledge and blame the cost of hiring accounting professional. Consequently, the application of accounting information to support assessment of financial performance by SMEs in North Eastern Nigeria is inefficient.

Furthermore, the researchers concluded that there was a strong positive relationship between joint influence of Accounting record keeping practices and the performance of SMEs in North Eastern Nigeria. Despite this relationship, the mean scores for IMP, TNCAMP, and CMP were below 50% with respect to their total scores. That implied that the level of accounting practices by SMEs in North Eastern Nigeria was generally below average, yet it demonstrated a positive linear relationship with ROCE. The mean score of ROCE of 23.02% derived from less than 50% mean score of IMP, TNCAMP and CMP were indications that the performance of SMEs in North Eastern States might improve further with an increased level of accounting record keeping practices above average. As shown in the data analysis and interpretation, if the level of some accounting practices by SMEs in North Eastern State are increased, the ROCE figures may also increase per SME and in general average.

Generally, it was observed by the researchers that some SMEs in North Eastern States do not engage in any form of accounting record keeping practice, hence the choice of judgmental sampling technique as used in this study. Therefore, SME-operators are encouraged to introduce some basic level of accounting practices into their business operations as it may improve their performance.

Recommendations:

The researchers also made the following specific recommendations.

i. The government should put in place a regulatory body to ensure that SMEs keep proper books and prepare final accounts. This will not only ensure the proper declaration of income and increase tax revenue to the government but also make available proper data for national income accounting which usually influences major government policies. To the extent that such information is required by business owners and government, the necessary legal instruments and proper monitoring must be in place to ensure compliance.

ii. Accounting training programs for SMEs should be initiated by the government for those who do not know about the importance of maintaining accounting records to come to grips with it. This strategy will help them to advance their accounting practices and bring about the possibility of formalizing their operations. As critical as accounting information is in managing relationships with the outside world, owners and managers need to understand the role of such information in the form of clear financial statements in ensuring proper justification for business transactions and state of affairs.

iii. SMEs should increase and sustain their levels of inventory management practices in area such as inventory plan to cover a given period, periodic or continuous inventory physical count, establishing the economic quantity of inventory to include in every order, and minimum and maximum inventory levels that could be held in stock. Other areas include technique for estimating the level of inventory in store, reconciliation of physical inventory count figures with those in the records, physical safeguard of inventory against theft, physical safeguard of inventory against destruction by fire, and so on. These may serve the purpose of ensuring business stability and improving profitability.

iv. Cash management practices such as preparation of cash plan to cover a period of time, cash banking and authorization, establishing minimum and maximum cash holding, keeping track of cash receipts and payments, reconciling cash receipt and cash payment records,separating and delegating cash related functions to different individuals, and so on should also be increased by SMEs. These may go a long way in enhancing their liquidity position and ensuring business expansion, and overall improvement in business performance.

v. SMEs should also endeavor to prepare financial statements regardless of how simple it may appear.

Financial statements have the capacity to assist SME-operators to regularly assess their performances and make necessary timely adjustments.

More importantly, an upward trend in the general performance of SMEs can stimulate more economic activities in the North Eastern States. In addition to creating employment opportunities and increasing the Internally Generated Revenue of the states, increase in economic activities is capable of expanding the supply chain for material inputs and finished products. Furthermore, this could also enlarge supporting services such as tax consultancy, auditing, banking,technical services, among others.By extension, the demand for social institutions such as schools, and hospitals may be on the increase due to population expansion that often accompanies rise in economic activities. In fact, that could mean huge business opportunities for the private sector investors.

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