

Adequate Accounting Records and the Growth of Small Scale Enterprises in Delta State, Nigeria

Aniefor, S. J.

*Department of Accountancy
Delta State Polytechnic, Ozoro, Nigeria*

ABSTRACT

This study is carried out to investigate the imperatives of proper accounting for growth of small scale businesses in Delta State, Nigeria. A set of structured questionnaire was used as the instrument for data collection and administered randomly to 45 small scale enterprises in the study area. Data collected were presented in tables and analysed using simple percentage. Hypotheses were tested using the Pearson Product Moment Correlation Co-efficient and t-test at 0.05% level of significance. The results show among others that positive and significant relationship exists between adequate accounting records and the growth of small scale businesses. Hence, it is true that accounting records assist managers of small scale enterprises in making decisions that affect them. It is therefore concluded that keeping of adequate accounting records is imperative for the development and growth of small scale businesses in Nigeria. Therefore, the employment of qualified accountants to man the accounts section, creating a ministry that will be responsible for small scale enterprises and embarking on enlightenment programmes in form of seminars and workshops for small business entrepreneurs are recommended among others. Small scale entrepreneurs should be made to prepare and submit their annual accounts such as profit and loss accounts and the balance sheet which will show the financial position at the end of the financial year.

Keywords: Accounting record, Growth, Small Scale Business

INTRODUCTION

Small scale enterprises play a significant role in the economic development of any nation. They constitute, to a large extent, an index of development and the well being of the generality of the masses. Efficient administrative management is very crucial for the success of any business, it is even more imperative with small businesses. The small scale business entrepreneurs in Delta State find it difficult to carry on business successfully for certain factors ranging from lack of managerial expertise to inadequate capital. In order to ameliorate these problems, the federal and state governments decided to come to the aid of the

small scale business entrepreneurs by way of providing loans to them at low rates of interest and providing management consultancy services to assist in their existence. In spite of these measures, there are still frequent business failures among small scale business enterprises in Nigeria. In the recent past, a lot of policies have been initiated and implemented by the federal government. These include the policy of channeling 10 percent of banks' profits before tax into equity investment in small and medium industries. The bankers committee launched the approved operational guidelines for small and medium industries equity investment scheme on August 1, 2001. Under the scheme, banks are required to invest 10% of their profit before tax in small and medium scale industries of their choice in a partnership effort aimed at improving the flow of funds to revitalize the real sector of the economy (CBN, 2002). Despite these exercises most small scale enterprises in Nigeria still lag behind and fail because of inadequate administrative management expertise. Some small scale enterprises lack adequate accounting standards that are capable of providing information on the activities and decision making process of the enterprise. Based on this, the following hypotheses were formulated to guide the study.

H₀ 1: There is no significant relationship between accounting records and enhancement of small scale business growth in Delta State.

H₀ 2: There is no significant relationship between accounting records and managerial decisions of small scale enterprises.

Baadon (2009) views small scale enterprise as one which possesses at least two of the following characteristics; (a) Management, usually the managers are also the owners; (b) Capital is supplied and the ownership is held by an individual or small group; (c) The area of operation is mainly local; (d) The relative size of the firm within its industry must be small when compared with the biggest units in the field. Aborode (2011) views small-scale enterprise as an enterprise with a labour size of 11 – 100 workers or a total cost of not more than N50 million, including working capital but excluding cost of land. Nwoye (2008) views it as enterprise employing between 1 – 35 people. They utilize by-products or intermediate products from large firms. They also utilize local raw materials. The significance of small scale enterprises can be seen in the vital role, which they play in the development of the economy. According to Aborode (2011), the roles which they play include:

- (i) Source of employment: Over 70% of employed people in Nigeria are in small businesses.
- (ii) Utilization of local raw materials: The raw materials used in production in small businesses are obtained easily within the country. Money is not spent on the importation of raw materials into the country thereby reducing the amount of foreign exchange paid to foreigners.

- (iii) They provide an effective means of stimulating indigenous entrepreneurship.
- (iv) Through their wide dispersal, they provide an effective means of mitigating rural/urban migration and resource utilization.
- (v) By producing intermediate products for use in large-scale enterprises, they contribute to the strengthening of industrial inter-linkages.
- (vi) They also retain a competitive advantage over large enterprises by serving dispersed local markets and produce various goods with low scale economies for niche markets.

The relevance of accounting and the operations of a business organization to the society can be established by looking at the ways accounting has helped small scale firms to improve on their performance. The roles of accounting on the improvement of the performance of small scale firms include:

- (i) *As a tool for control:* It was probably the control aspect of book-keeping which help to guard against the petty dishonesty and incompetence commonly displayed by employees of small scale enterprises. Business organizations normally have numerous assets, e.g. cash, stock of goods, furniture, buildings, machinery. It is imperative in all that a proper accounting system should be installed to ensure that each and every item is accounted for with a view to reducing opportunities for theft and mis-appropriation and to ensure economic expenses as the employees knowing that every item has been accounted for, will be careful in handling all business properties;
- (ii) *Assistance in credit dealings:* Most of today's businesses are conducted on credit basis. A trader often finds himself with two alternatives either to extend credit facilities to his customers or not to extend.
- (iii) *Assisting in taxation matters:* The government charges taxes of various types e.g. sales tax, local tax, custom duty, excise duty, to be able to calculate and pay the correct amount of tax due an entrepreneur must know his exact sales figure hence the need for accurate accounts. Absence of proper accounts can easily lead to over taxation, a situation which can be very unpleasant; and
- (iv) *Assistance in determination of profit:* The ultimate objective of all business undertakings is to make profit. It would be difficult to ascertain whether a business is making profit or loss without the help of complete up-to-date accounts. Most new traders depend on their business for

their livelihood. As a result, their drawings from enterprise for their personal use should depend almost entirely on the profit of the business. An entrepreneur who is unable to ascertain the profitability of his enterprise is likely to make excess drawings and this would make it difficult for him to meet his business commitments.

According to Isimoya (2005), the following problems pose a threat to the survival of small scale businesses in Nigeria; (i) limited access to capital, through organized capital and money markets like the stock exchange, commercial and merchant banks; (ii) lack of managerial ability, because of lack of formal education; (iii) inability to attract qualified and skilled personnel; (iv) poor financial control. Inability to maintain proper accounting records and control may result to fraudulent practices, which may affect the survival of the business; (v) lack of business connection. Inability of an entrepreneur to foster good relationship with customers and creditors may lead to the collapse of a business; (vi) lack of employees' satisfaction. Even, where small-scale businesses are fortunate to employ qualified manpower, the general working conditions are very poor; and (vii) government policy and economic condition. Government policies and economic conditions affect the operations of small businesses. A good example of this is the structural adjustment programme of the government.

PARTICIPANTS AND PROCEDURE

A survey research design was adopted for this study. Structured questionnaire was designed and administered to 45 small scale enterprises randomly selected in Warri, Delta State. This formed the basis of the primary data collection. Data collected were presented in tables and analysed using simple percentage. The tables presented contain the analytical details relating to the findings from the respondents. Hypotheses were tested using the Pearson Product Moment Correlation Co-efficient and t-test at 0.05% level of significance.

Table 1: Types of small scale business enterprises studied

Types of Small Business Enterprises	No. of Enterprises
Cosmetics and detergents	5
Automobile	20
Roofing sheet	5
Computer assembly and repairs	5
Welding and fabrication	10
Total	45

Source: Survey, 2013

RESULTS AND DISCUSSION

Result of the analysis of the hypothesis that there is no significant relationship between accounting records and enhancement of small scale business growth in Delta State, reveals that the survival and growth of small enterprises rest on keeping adequate accounting records. This implies that there is a significant relationship between accounting records and enhancement of small scale business growth in Delta State, Nigeria. This finding is in agreement with the view expressed by Igbinsola (2005) who states that one of the survival strategies of any small scale enterprise is through adequate accounting records.

From the result of the test conducted to assess the viability of the hypothesis that there is no significant relationship between accounting records and managerial decision of small scale enterprises, the null hypothesis is rejected which means that accounting records have significant relationship managerial decisions of small scale enterprises. Therefore, it is imperative for managers of small scale enterprises to keep proper accounting records for their enterprises to enhance decision making. This finding is in support of the view of Adebayo (2005) which stated that accounting records are imperative for the success of small enterprises decision making.

Table 2: Calculation of correlation co-efficient

Options	X	Y	XY	X ²	Y ²
Strongly agree	5	18	90	25	324
Agree	4	13	52	16	169
Undecided	3	8	24	9	64
Strongly Disagree	2	4	8	4	16
Disagree	1	2	2	1	4
Total	15	45	176	55	577

Source: Survey, 2013

$$r = \frac{5(176) - (15)(45)}{\sqrt{(5 \times 55) - (15)^2} \sqrt{(5 \times 577) - (45)^2}}$$

$$r = \frac{880 - 675}{\sqrt{(275 - 225)} \sqrt{(2885 - 2025)}}$$

$$= 0.9886$$

$$= \frac{5 - 2}{\sqrt{1 - (0.98)^2}} = 8.5298 ; T = 8.5298$$

$$t_{cal} = r \sqrt{\frac{n - 2}{1 - r^2}}$$

$$t_{tab} = n - 2, \alpha 0.05 = 5 - 2, \alpha 0.05$$

$$= 3 \alpha 0.05$$

Table 3: Calculation of correlation co-efficient

Options	X points	Y responses	XY	X ²	Y ²
Strongly agree	5	20	100	25	400
Agree	4	10	40	16	100
Undecided	3	8	24	9	64
Strongly Disagree	2	5	10	4	25
Disagree	1	2	2	1	4
Total	15	45	176	55	593

Source: Field Survey, 2013

$$\sum X = 15, \sum Y = 45, \sum XY = 176, \sum X^2 = 55, \sum Y^2 = 593$$

$$r = \frac{5(176) - (15)(45)}{\sqrt{(5 \times 55) - (15)^2} \sqrt{(5 \times 593) - (45)^2}}$$

$$r = \frac{205}{\sqrt{50 \times 940}} = \frac{205}{\sqrt{47000}} = \frac{205}{216.75}$$

$$= 0.6456$$

CONCLUDING REMARKS

This study looks at adequate accounting records and the Growth of Small Scale Business in Delta State, Nigeria. The study revealed that there is significant relationship between accounting records and enhancement of small scale business growth. It also revealed that accounting records and managerial decisions of small scale business are highly related. In view of these, the following recommendations are made for adequate keeping of accounting records and the survival of small scale enterprises in Nigeria. Managers of small scale business enterprises should try as much as possible to understand the principles of book-keeping and accounting system in order to provide the basis for sound decision making. Utilization of the services of professional accountants who perform expert and useful accounting services to small scale firms is necessary for optimal performance. Management of small businesses should embrace the use of proper information on staff assets, liabilities and customers for effective decision making to avoid business failure. Government should provide free vocational training for small scale business owners on management and accounting practices to supplement the effort of small and medium industries

equity scheme (SMIES). Government should embark on enlightenment campaign of the need for accounting record by managers of small scale enterprises in Nigeria. Small scale entrepreneurs should be made to prepare and submit their annual accounts such as profit and loss accounts and the balance sheet which will show the financial position at the end of the financial year.

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