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EVALUATION OF THE EFFECTS OF SOUND BOOKKEEPING PRACTICES ON THE GROWTH OF SMALL AND MEDIUM- SCALE ENTERPRISES (SMEs) IN HO MUNICIPALITY, GHANA

Dodor, Christian Thywill¹

¹ MBA, Lecturer, Department of Accounting and Finance, Ho Technical University, Ho, Volta Region, Ghana

Thomas Clackson Adade²

² MBA, Lecturer, Department of Accounting and Finance, Ho Technical University, Ho, Volta Region, Ghana

Tsorhe Komla Daniel³

³ MBA, Lecturer, Department of Accounting and Finance, Ho Technical University, Ho, Volta Region, Ghana

ABSTRACT

The study is carried out to measure the effects of sound bookkeeping practices on the growth of SMEs and to analyse the major challenges associated with accounting records being kept by SMEs as a source of information for business decision-making. A survey design was employed in the study to evaluate the effect of sound bookkeeping practices on the growth of SMEs in Ho Municipality of Ghana. The results of the study show that there is a significant relationship between the growth of an enterprise and sound bookkeeping practices as most of the respondents confirmed that they have seen a significant improvement in the growth of their businesses in the area of turnover, increase in profitability, effective cost management, accountability and improvement in business performance. The major challenge of SME operators in implementing full accounting systems is the difficulty to maintain the accounting systems, as it requires a technical knowhow in the field of accounting. The study concludes that sound bookkeeping practices promote the growth of SMEs. We recommend that academic institutions and other bodies which are responsible for SMEs should organize training programmes for those operators who do not have the technical knowhow in the field of accounting to come to grips with it and also provide some SME-specific accounting guidelines and template forms for capturing accounting information for the operators to use.

KEY WORDS: *Small Scale Enterprise (SME), SME growth, bookkeeping challenges*

INTRODUCTION

The level of bookkeeping and accounting in SMEs has brought about numerous challenges against the effectual operation and accountability of these enterprises (Onaolapo et al., 2011 & Wood, 1979). The amount and complexity of the diverse regulatory and administrative commitment have been identified as the most common

complaint by SMEs and according to them; have to be observed. Many SMEs do not have the capacity to afford the complexity of an in depth accounting system. This has therefore, accounted for, the existence of single entries in their books and in some instances incomplete records (Onaolapo et al., 2011 & Wood, 1979).

As a result of the insufficiency of the internal controls instituted in most SMEs, auditing of their financial accounting records have been a source of worry among most professional accountants (Adeyemi & Badmus, 2011). They argue that, SMEs hardly give serious thoughts to the process of sound accounting with the exception of for statutory demands, yet the insufficiency and ineffectiveness of accounting processes have been accountable for untimely collapse of a host of them.

The purpose of this paper is to measure the effects of sound bookkeeping practices on the growth of SMEs and to analyse the major challenges associated with accounting records being kept by SMEs as a source of information for business decision-making. The study seek to answer the questions; what are the effects of sound bookkeeping practices on the growth of SMEs and what are the major challenges associated with accounting records as a complete source of information for economic decision making?

LITERATURE REVIEW

Small and Medium Business

Small and medium-sized enterprises (SMEs) or small and medium-sized businesses (SMBs) are businesses whose personnel numbers fall below certain limits. Small enterprises outnumber large companies by a wide margin and also employ many more people. SMEs are also said to be responsible for driving innovation and competition in many economic sectors. Small and Medium Enterprises (SMEs) are defined differently by researchers. They are mainly described as the engine of growth in most economies but also in most cases are not given the due recognition and needed support. All the SME definitions are particularly formed around the number of employees and the size of capital investment. According to the International Labour Organization (ILO, 1997), no single definition can capture all the dimensions of "micro", "small", "medium" nor can it expect to reflect the differences between firms, sectors or countries at different levels of development. The International Accounting Standards Committee Foundation (IASCF, 2007) defines an SME as an entity that does not have public accountability and thus, publishes general-purpose financial statements for external users.

In Ghana, various institutions such as the Ghana Statistical Service (GSS) and National Board for Small Scale Industries (NBSSI) define SMEs using different criteria (Ackah and Vuvor, 2011). For instance, the industrial census conducted by GSS in 1987 defined micro-and small-scale enterprises as those employing up to 9 employees, medium-scale enterprises as those employing between 10 and 29 workers, and large-scale enterprises as those employing 30 or more

employees (cited Gockel, 2003). Similarly, the NBSSI uses the number of employees and value of fixed assets as two criteria in defining Micro and Small Enterprises (MSE); micro enterprises are those that employ up to 5 people with fixed assets not exceeding \$10,000 excluding land and buildings whereas small enterprises employ between 6 and 29 with fixed assets not exceeding \$100,000, excluding land and buildings. Thus, SMEs are those enterprises employing 29 or fewer workers. Empirical studies by Aryeetey et al. (1994), based on a field survey of 133 enterprises classifies SMEs into four groups namely (i) microenterprises-less than 6 people; (ii) very small enterprises- between 6 and 9 workers; (iii) small enterprises-between 10 and 29 workers (iv) medium-sized enterprises- between 30-140 workers. In summary, the number of employees and value of fixed assets are the two common criteria used in defining SMEs in Ghana.

The contribution of SMEs to the national GDP in Ghana poor for myriad reasons, including inadequate infrastructural/financial support to businesses operating within the various sectors, limited application of innovation to operations within the segment, unfavourable competition with foreign goods and services among others.

Bookkeeping practices and financial reporting of SMEs

The changes that occurred in business environment have led to an increasing number of information to be processed, generated and delivered. Thus, the critical part is the quality of information produced by the business itself which will be used in making business decisions (Mukherji, 2002). Accounting systems provide a source of information to owners and managers of SMEs operating in any industry for use in the measurement of financial performance. In any sense, profit can analogously be viewed as the life-blood of a business and hence the accounting bases, concepts and principles adopted ought to capture and report all the relevant accounting information to ensure reliability in its measurement. Reported profits reflect changes in wealth of owners and this can explain why major economic decisions in business are centered on financial performance as measured by profitability (Maseko & Manyani, 2011).

According to (Hussey and Hussey 1999), all efficiently managed organizations need to keep some form of accounting system. For big organizations like limited companies, there are legal requirements that must be adhered. For small and medium businesses, it is important to keep some form of accounting records for taxation and decision making purposes. The role of accounting is concerned with classifying and recording transactions in a monetary term. Accounting is thus mainly concerned with classifying, recording, interpreting and reporting

to external and internal users of accounting data that used to evaluate the performance of any business. The business organizations to have better development, an effective accounting system is very critical, hence the topic of the researchers. Effective accounting system should have appropriate measure of control, standard implementation methods, qualified accounting personnel, updated information technology control and should comply with General Accepted Accounting Principles. This assists in one-way or another to achieve the overall objectives of the organization. The management and control of SMEs is done by the people around the environment. The business organization to be more successful and accountable for their day-to-day activities, the application of effective accounting system should be considered in a highly position.

Bookkeeping and Growth of Small and Medium-Scale Enterprises

It is imperative for all serious minded entrepreneurs to strive and maintain proper records of their business transactions. Sound bookkeeping is significant for sustenance and growth of SMEs (Nairobi Securities Exchange - NSE Kenya (2010). The entrepreneur stands the risk of hitting cash flow crisis, wasting money, and losing opportunities to expand his business. When you keep appropriate records of your business transactions, you will be accurately placed in a position to carry out proper business assessment and know how your business is fairing. The rationale of bookkeeping is to assist you manage the business and also to facilitate evaluation of business activities by tax authorities. In so far as bookkeeping realizes both of these goals, the entity will be heading towards the right direction. Banks that wish to do business with the enterprises must demand for the business records. (Nairobi Securities Exchange - NSE Kenya (2010).

The businesses' capability to produce is an indication that the business is serious. The records kept by businesses have the propensity to prevent theft and keeps things in an organized manner. The practice of keeping correct records of the business inventory makes it easier to record products and also to make it possible for the owner of the business to identify those products that are moving and those that are not. It is important to keep records on business transactions because without them you would not know how to break even, or even how much each different product is really making for you (Chepkemoi, 2013). Effective and efficient record keeping practices serve as a guide against internal thieves and dishonest employees. Moreover, monitoring the transfer of money is vital so that the business owner can be in the known as to who received money, how much they currently have or if there

are any discrepancies that need to be investigate or corrected. Keeping accurate records is highly essential for a successful business to stay organized and profitable.

In a study of 1,000 sole proprietary businesses on the cause and effects of the failure of these businesses in South Australia, Peacock (2008) found that 4.6 percent of the enterprises that failed had inadequate or no accounting records. He concluded that there was a negligible effect of accounting records of the success or otherwise of the proprietary businesses and recommended for further research on causes of business failures. In another study of company failures in South Australia, Peacock (2008) reviewed the bankruptcy reports of 418 unincorporated businesses for four years and established that 50.5 percent of this entities used single entry system of bookkeeping, 32.8 percent used bank and taxation records whereas only 2.1 percent utilized double entry systems. Peacock (2008), also 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 (2008) findings are very important as evaluating the effects of sound bookkeeping practices on the growth of SMEs in the Ho Municipality.

Challenges of SMEs practicing sound bookkeeping

The complex nature of the processes involved in the double entry bookkeeping system is one of the important challenges facing this method of keeping books. The owner of a business who does not have any background in accounting, the double entry system can seem to him like learning a whole new language. Terminology such as "debits" and "credits" replace simple words like "subtract" and "add," causing perplexity. Determining at what instance to debit an account and what corresponding account to credit can be difficult, and can throw the novice bookkeeper for a loop (Desa, Tanden, & Practising Law Institute, 2014). In espousing their argument further, Desa, Tanden, & Practising Law Institute (2014) stated that there is direct linkage between cost of maintaining the books and the complexity involved in adopting double entry system. Since records are maintained in more than one location, companies have books all over the place that they must keep track of. It necessitates hiring extra employees sometimes to keep track of books for each department. If an accountant is working for you will have to spend more money paying him as your books become more complex, as he will be working overtime. On the whole, the cost of the double-entry system can be high (Desa, Tanden, & Practising Law Institute, 2014).

Another problem of the double entry bookkeeping is the amount of man-hours that goes into writing and verifying accounting books under this method this is because every entry have to be recorded twice. Therefore, verification has to be carried out twice leading to consumption of precious minutes by double entry system that could have been spent in another productive endeavour. These are the reasons why the services of an accountant are needed in keeping the books. Notwithstanding the ability of the double entry system leading to more accurate books, it can sometimes be impractical. Largely, the importance of double entry accounting system for SME owners cannot be over emphasized, as it will classically make available to them more accurate records than other methods. This is without doubt a plus in most cases, but if it is been handle by a professional it tends to be difficult and more confusing to especially for those SME owners who do not have the technical knowledge in accounting. A principal problem with the system is that if one mistake is made along the way, the accuracy of the rest of the books will be thrown off (Desa, Tanden, & Practising Law Institute, 2014).

METHODOLOGY

Research design

The study seek to to measure the effects of sound bookkeeping practices on the growth of SMEs and to analyse the major challenges associated with accounting records being kept by SMEs as a source of information for business decision-making in the Ho Municipality. A research design is a plan, structure and strategy of investigation that is developed to help obtain answers to research questions or problems. The plan is the complete scheme or programme of the research (Kerlinger 1986). This, Kerlinger further explained to be a blueprint or detailed plan of how the research study is to be completed and it provides a framework for the collection and analysis of data. A survey research design was adopted. In survey research, representative samples are used to aid generalization of results and the purpose here is to be able to generalize for the population hence the use of the survey research design. The target population for the research was the Small and Medium Scale Enterprises registered within Ho Municipality. These include the industrial sectors, the service sector and the commercial sector with sporadic presence of wholesale activities in agricultural and industrial goods.

Sample Population and size

The target population for the research was the SMEs registered within Ho Municipality. These include the industrial sector, the service

sector and the commercial sector with sporadic presence of wholesale activities in agricultural and industrial goods. The industrial sector envelops activities such as people engaged in batik tie and dye, dressmaking, furniture production, kente weaving, bead making, poultry production, wood carvers, bakers, mushroom growing, soap making bee keeping and metal work. The services sector includes but is not limited to activities such as telecommunication services, hair dressing and barbering, electronic repairs, vehicle repairs and footwear repairs. The commercial sector is dominated by activities in the retail and whilst the wholesale activities in agricultural and industrial goods include but is not limited to activities such as raw agricultural produce, food vending, household consumables, chemical shops, and electrical shops and others in the Ho Municipality.

Sample size is a given number of members or cases from the accessible population, which is carefully selected so as to be a representative of the whole population with the relevant characteristics. A sample is therefore a smaller group obtained from the accessible population (Mugenda & Mugenda, 2003). Sampling is defined by Chandran (2004), as a method used in drawing samples from a population usually in such a manner that the sample facilitated determination of some hypothesis concerning the population. Probabilistic sampling technique was employed since the aim is to generalize the results from the study. Stratified sampling technique together with simple random sampling technique was used to select the SMEs to participate in the study, as there exists a sampling frame for all members of the population of study. Stratification is done when the population can be re-grouped into homogenous groupings. This will allow the proportionate selection of members of the various subgroups so that each subgroup is adequately represented. The researchers then employed the simple random sampling technique using the lottery method in selecting each member of the subgroups randomly to belong to the sample of 100 SME respondents.

A sample size of 100 SMEs was used. Out of a total of 334 SMEs, 100 was selected made up 21 Manufacturing out of 70, 30 Trading out of 100, 36 Service out of 120 and 13 Agricultural and Agro processing out of 44. The researchers employed 30% of each subgroup population for the sample since for sampling adequacy to be met, the sample size must be greater than 30% for representation and generalization (see Table 1)

Table 1: Sample selection from population

Strata	Pop size	Sample size
Manufacturing	70	21
Trading	100	30
Service	120	36
Agricultural and Agro processing	44	13
Total	334	100

Source: Ho Municipal Assembly, 2015

Statistical design

Both structured questionnaire and interview guides were employed in the process of data collection. In the structured questionnaire statements were made for respondents to respond to. The strengths of statements measuring the extent of carrying out sound accounting practices and managerial experience in operation of accounts were measured using a five-point Likert scale (5- "strongly agree"(SA) and 1- "strongly disagree" (SD). Mean score and standard deviation were computed for each item and the overall averages for each scale as well as a total mean score and standard deviation were computed. Respondents were asked to rate 5 statements denoting effects of sound bookkeeping practices on the growth of SMEs and 8 statements denoting challenges of implementing full accounting systems. A higher mean score for a statement indicates greater importance.

Data collected from the field was first edited to check for errors and omissions and inconsistencies that might be recorded. Cases with such errors and omissions recorded was reverted back to field for participants to provide the required responses. Data was then coded and entered into the SPSS version 23 for analysis. Both descriptive and inferential tools of data analysis were employed. Results were presented using tables. Discussions on the finding were presented after each table or graph. Out of the 100 respondents sampled to participate in the study, 74 responded to the questionnaires. This formed a response rate of 74%. The response rate was adequate to evaluate the effect of sound accounting practices of SMEs since Mugenda (1999) postulate that a statistically significant response rate should be at least 50%. The discussions of the findings were done under thematic and sub thematic areas in line with study objectives.

Sample area

The study area that was considered is the Ho Municipality. Ho is the regional capital of the Volta Region; one of the ten (10) regions that constitute Ghana. It currently has the highest population in the region with a population size of about 12.84% of the total population of the region (Ghana Statistical Service, 2012) with about 8% of the active workforce engaged in various forms of Small Scale Businesses without the presence of

any large company.

Sampling design

Sampling technique is defined as the technique or method that is adopted in the selection of samples from a population of interest. The validity of the study depends heavily on the approach used to select the samples before information is obtained from the people that constitute the sample. In view of obtaining accurate and valid data from the respondents, the researchers adopted probability-sampling technique. This is the technique that refrains from bias and is free and fair; it gives the variables equal chances of being selected to form the sample. In order to minimize the rate of bias in the research, simple random sampling method was used to collect the data. In the technique, respondents were randomly selected to respond to the question. The target population from which the data was collected was SME operators within the market area of Ho Municipality. The number of sample taken for the study was 100.

Data collection and analysis techniques

The data used for this study was collected through the questionnaire technique and personal interview from the primary source of data. These techniques were used to collect data from primary sources because the researchers want to find out from the respondents their knowledge, attitude, believes, future and past behaviour towards the subject of the study. In order to reconcile conflicting views that would possibly have been expressed by the respondents through the use of questionnaires, personal interview was however employed. Also, data was collected from secondary sources — various relevant annual reports, publications, bulletin of the enterprises studied were referred to.

The research questionnaire contained questions structured to produce "strongly disagree, disagree, not considered, agree, and strongly agree" responses from respondents as well as optional questions. Besides, provisions for comments were also made for subjective questions. The use of questionnaires in this work helped to eliminate to a great extent interview bias and promotes the freedom of respondents and also saved time and money. It also provided ample time for the respondents to think and ascertain responses.

The data collected through the use of

questionnaires were edited and checked to correct the minor errors made to enhance smooth keying and analysis. The data was captured using Microsoft Excel and Statistical Packages for Social Sciences (SPSS), descriptive statistics was computed during the analysis of the data using both SPSS and Microsoft excel and this was presented by means of tables and chart to help enhance the understanding of the data as well as provide a summary of the data using percentages. The researchers sought to measure the effects of sound bookkeeping practices on the growth of SMEs through a five-point Likert scale. The strengths of statements measuring growth of the SMEs were measured using a five-point Likert scale and mean score and standard deviation were computed for each item and the overall averages for each scale as well as a total mean scores and standard deviations were computed. Respondents were asked to rank 5 statements denoting growth of SMEs using the five-point Likert scale with five being “strongly agree” and one being “strongly disagree.” A higher mean score for a statement indicates higher growth of SMEs. Again

the outcomes were based on the information solicited from the respondents and such might be subjected to human errors, omissions and possible misstatements. Nevertheless, in spite of the above, the researchers ensured that the research meet all the relevant requirements for a scientific research and thereby reducing errors to the barest minimum

RESULTS

Response Rate

Out of the 100 respondents sampled to participate in the study, 74 responded to the questionnaires. This formed a response rate of 74%. The response rate was adequate to evaluate the effect of sound bookkeeping practices on the growth of SMEs since Mugenda (1999) postulate that a statistically significant response rate should be at least 50%.

Demographic Information of the Respondents

This section presents the demography of the respondents.

Table 1: Age Distribution of SME Respondents

Age of Respondents	Frequency	Percentage
20- 29 years	39	41.9
30- 39 years	25	33.8
40- 49 years	15	20.3
50 years and above	3	4.1
Total	74	100.0

Source: Field Survey, July 2015

From table 1, 41.9% respondents were aged between 20- 29 years, 33.8% between 30-39 years, 20.3% between 40-49 years and 4.1% were 50 years and above. These findings revealed that

the study involved respondents of different ages and thus had different years of experience in SME operations.

Table 2: Sector of Business and Number of People Employed

Sector of Business		Number of Employees				Total %
		less than 6 people	6-9 people	10-29 people	30-99 people	
Manufacturing	Count	5	8	1	2	16
	% Business	31	50	6	13	100
	% Employees	26	23	9	22	22
	% of Total	7	11	1	3	22
Trading	Count	8	11	4	2	25
	% Business	32	44	16	8	100
	% Employees	42	31	36	22	34
	% of Total	11	15	5	3	34
Service	Count	6	14	6	4	30
	% Business	20	47	20	13	100
	% Employees	32	40	55	44	41
	% of Total	8	19	8	5	41

Agric and Agro processing	Count	0	2	0	1	3
	% Business	0	67	0	33	100
	% Employees	0	6	0	11	4
	% of Total	0	3	0	1	4
Total	Count	19	35	11	9	74
	% Business	25	47	15	12	100
	% Employees	100	100	100	100	100
	% of Total	26	47	15	12	100

Source: Field Survey, July 2015

Table 2 shows that 22% of employees were engaged in the manufacturing sector, 34% in trading sector, 41% in the services sector and 4% in the agricultural and agro processing sector. On average, majority (47%) of businesses have engaged 6-9 people in their work; 26% employed less than 6 people, 15% employed 10-29 people and 12% between 30-99 people. None of the

business sectors employed above 100 employees. This suggests that, these SMEs have also created opportunities for others to be employed. The findings above corroborate the position of Ho Municipal Assembly that majority of SMEs operating in the Municipality are in the service and trading sector.

Table 3: Purpose of maintaining accounting records

Purpose	Frequency	Percentage
Taxation	25	42
Income distribution	44	73
Tracking of receivables and payables	47	79
Performance evaluation	21	35
To support accessing credit worthiness and finance	20	34
Assessing profitability	60	100

Source: Filed survey, July, 2015

From table 3 all (100%) respondents attested to the fact that they maintain accounting records to aid them in assessing the profitability of their businesses. This supports the findings of Cooley & Edwards (1984). According to Cooley & Edwards (1984), 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 they evaluate their firm's performance. 79% also confirmed that they keep accounting records because they want to track receivables and payables in their

businesses and another 73% assigned income distribution as a reason for maintaining accounting records. Further, 42% attributed it to taxation purposes, 35% gave performance evaluation as a purpose for maintaining accounting records and 34% affirmed maintaining accounting records to support accessing their credit worthiness and finance from financial institutions and creditors. It is clear from the analysis that all enterprises maintained accounting records for various reasons.

Table 4: The effects of sound bookkeeping practices on the growth of SMEs

Statement measuring challenges of implementing full accounting systems	SD	D	N	A	SA	Mean/Std
Sound bookkeeping promotes growth in turnover	4	9	7	22	23	3.98/1.29
Sound accounting practices promote accountability	3	5	7	18	21	3.77/1.12
Good financial reporting enhance business performance	3	5	15	15	22	3.80/1.18
Sound bookkeeping practices in my business helps in effective cost management and improvement in profitability	4	4	8	15	29	4.12/1.22
Sound accounting records facilitate decision making	4	1	11	20	24	3.97/1.30
Total average	3.6	4.8	10.4	18.2	23	3.87/1.02

Source: Filed survey, July, 2015

From table 4, majority (29) strongly agree that “Sound bookkeeping practices in my business helps in effective cost management and improvement in profitability” with a mean score of 4.12. Next is “sound bookkeeping promotes growth in turnover” with a mean score of 3.98. The least is “Sound accounting practices promote accountability” with a mean of 3.77. From the result it is clear that majority respondents agree strongly that sound bookkeeping practices in their

enterprises resulted into the growth of the business. The result from the study agrees with the findings of Okoli (2011). Okoli concludes 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.

Table 5: Challenges of implementing full accounting systems

Statement measuring the effect of sound bookkeeping practices on the growth of SMEs	SD	D	N	A	SA	Mean/Std
It is too expensive to operate	25	10	18	3	4	2.18/1.23
It is time consuming	0	10	6	29	15	3.82/1.29
It is difficult to maintain the system	7	2	13	11	27	4.20/1.01
It exposes your financial position	10	7	3	15	25	4.02/0.98
It requires more staff	13	13	15	17	2	2.70/1.20
It makes your enterprise pay more tax	12	16	19	10	3	2.60/1.14
Unable to separate business from private issues	18	15	14	12	1	2.38/1.17
It requires technical knowledge	7	6	6	25	16	3.62/1.30
Total average	10.75	9.88	12	14	11.63	3.85/1.20

Source: Filed survey, July, 2015

Table 5 shows the rating of 8 possible challenges faced in maintaining accounting records in terms preparation and the problems they present for the business. “It is difficult to maintain the

system” was rated as the most important challenge with mean of 4.20 and standard deviation of 1.01, followed by “It exposes your financial position” with mean of 4.02 and standard deviation of 0.98.

The least rated are “It is too expensive to operate” enterprise pay more tax” with mean of 2.38. with mean of 2.18, followed by “It makes your

Table 6: Ways of improving the accounting system of SMEs

Statement measuring	SD	D	N	A	SA	Mean/Std.
Hire consultants to prepare financial statement and analyze them as well	18	10	21	3	8	2.42/1.24
Organize training for managers and owners in financial literacy	9	9	27	9	6	2.79/1.10
Make the use of accounting records mandatory	6	16	23	7	8	2.81/1.10
Offer free accountancy services to assist those who cannot afford the charges	4	11	18	24	3	3.09/0.95
Motivate managers/owners to adopt keeping sound accounting records	9	17	9	16	9	2.88/1.30
Ghana Revenue Authority should enforce the use of double entry system bookkeeping for keeping accounting records for tax purposes	10	10	14	16	10	3.05/1.36
Educate managers/owners on the need to keep accounting records	7	14	16	8	15	3.12/1.38
Total average	7	12.4	18.3	11.9	8.4	2.88/1.03

Source: Filed survey, July 2015

Table 6 presents on opinion of what could be done to improve the accounting systems of SMEs. “Educating managers and owners on the need to keep accounting records is ranked high with mean of 3.12, followed by “offer of free accountancy services to assist those owners who cannot afford the charges” with mean of 3.09. This because most owners cannot afford to pay for the services of qualified accountants to prepare their financial statements and other accountancy services

DISCUSSION

In measuring the effect of sound bookkeeping practices on the growth of SMEs, majority of the respondents strongly agree that sound bookkeeping practices in their business helps in effective cost management and improvement in profitability with a mean score agree of 4.10. Besides, the respondents also agree that sound bookkeeping promotes growth in turnover of their business with a mean score of 3.98. From the result it is clear that majority respondents agree strongly that sound bookkeeping practices in their enterprises resulted into the growth of the business. All the statements measuring growth of SMEs were highly rated with majority strongly agreeing that sound bookkeeping practices promote the growth of SMEs.

From the results of the challenges faced by SMEs in maintaining accounting records majority of the respondents asserted that it is difficult to maintain the accounting system. The respondents are in

agreement that since maintenance of accounting recording system required technical knowhow, it makes it difficult to maintain the system and therefore requires someone with technical knowledge to help operate the system; consequently, exposing their financial information to others apart from the owners. They however, disagreed that they face the problem of not being able to separate business from private issues and also making it for their enterprises to pay more taxes.

CONCLUSION

The study concludes that sound bookkeeping practices promote the growth of SMEs. The results of the study shows that there is a significant relationship between the growth of an enterprise and sound bookkeeping practices as most of the respondents confirmed that they have seen a significant improvement in the growth of their businesses in the area of turnover, increase in profitability, effective cost management, accountability and improvement in business performance. The SME operators face challenges in implementing full accounting systems. It came to light that most SMEs find it difficult to maintain the accounting systems, as it requires a technical knowhow in the field of accounting. This requires people who have the requisite knowledge and qualification to be employed to man the accounts department.

RECOMMENDATIONS

The study recommends that the academic institutions and other bodies which are responsible for SMEs should organize training programmes and provide some SME-specific accounting guidelines and provide template forms for capturing accounting information. This strategy will reduce the technicalities involved in maintaining accounting records and also make the whole process very simple and friendlier should initiate accounting training programmes for small and medium scale businesses.

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