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## **Fundamentals of Book Keeping Among Small-Sized Enterprises In South-South Nigeria**

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### **Abstract**

Some small-sized enterprises business owners lack book-keeping strategies to sustain business growth overtime. This study evaluated the fundamentals of book-keeping among small-sized enterprises business owners in South-South Nigeria. The researcher sampled 74 participants across the geopolitical zone of Nigeria. Structured 10-item book-keeping, SSEs performance and sustainability rated on 5-point scale Likert was the study's measuring instrument. The collected data for hypotheses testing were subjected to correlation coefficient (r) analysis at 0.05 level of significant. Calculated value  $0.96 > 0.87$  critical value and calculated value  $0.89 > 0.87$  critical value were obtained respectively for SSEs performance and sustainability. The findings revealed that there was no differentiation between the dependent variable (y) and independent variable (x). In other words, the performance and sustainability of SSEs in the South-South zone Nigeria is sensitive and dependent that SMEs should employ professional in the field of book-keeping who will orient them on the principles and procedures for good and acceptable record keeping. Besides, the notion and concept that book-keeping is for big organization and multinational companies must be discarded if they want to remain focused in this time of jet entrepreneurs.

**Keywords:** Book Keeping, Small Scale Enterprise, Strategy, Performance.

### **Introduction**

Studies on small-sized enterprises (SSEs) disclosed that about 65% of small businesses fail within the first three years due to management inefficiencies brought about by poor record keeping and inadequate record keeping (Joseph and Isaac, 2012). Greater percentage of SSEs business owners are ignorant of the concept of book-keeping. Many of them also used improper and inadequate recording method. It is unfortunate today that some known entrepreneurs cannot stand to account for previous transactions because of non-record keeping. This is the fundamental reason why some scholars stated clearly that many SSEs within three years faded away. Joseph & Isaac (2012) further opine that adequate Financial Record Keeping System (FRKS) will provide the required information to assist SSEs to make sound decisions for future plans. Any organization

that is always informed does not operate in darkness. They are always acquainted with the current happenings within the business environment. Pro-activeness is their watch word not wanting anything or events to take them unawares. Forecasting is made easy simply because earlier information is given to them and this is made possible with proper record keeping. Planning is based on what you know. So any entrepreneur that wants to stand the test of time must as a matter of fact develop interest in book-keeping. Many small-sized enterprise business owners are naturally endowed with wisdom and skill to progress tremendously, but poor recording has drastically affected them to fall beyond measure. According to US Small Business Administration (2014), despite numerous research attempts, it remains unknown why small businesses fail within the first five years with approximately 33% surviving beyond 10 years.

The specific business problem was that some business owners lack book-keeping strategies to sustain business growth over time (Mary, 2016). Ademola, James and Olore (2012) asserts that small business owners who want to succeed managed their financial records keeping same as big businesses. This is where entrepreneurs got it wrong thinking that record keeping is for big organizations and multi-nationals. This is a wrong concept and unacceptable if SSEs want to remain in the competitive market. Therefore, it is important to keep record business because without them you would not know how to breakeven and even how much each different product is really making (Chepkemoi, 2013). Infact, it makes every entrepreneur to know the true position of the enterprise if it is progressing or diminishing.

### **Objectives of the Study**

1. To determine the effect of book-keeping on the performance of SSEs.
2. To access the relationship between book-keeping and sustainability of SSEs in the South-South Nigeria.

### **Hypotheses**

1. There is no significant relationship between book-keeping and SSEs performance in South-South Nigeria.
2. There is no significant relationship between book-keeping and sustainability of SSEs in the South-South Nigeria.

### **Literature**

Accountability and record keeping is very vital and critical as far as the sustainability of every business is concerned. Book-keeping is the art of recording business financial transaction in a regular and systematic manner (Erhirhie, 2005). The author further stresses that book-keeping may be responsible for keeping all the financial records of a business or only a small segment of it such as a portion of the customer's account in a departmental store.

Onaolapo and Adegbite (2014) assert that book-keeping is the recording of business transaction in a systematic and orderly

manner, while accounting is the classification, analysis and interpretation of the business record for decision making.

Accounting records prepared on the basis of uniform practices enable business to compare results of one period with another period. When there is no proper and accurate records by any organizations it becomes difficult for the firm to know when it break-even or whether it is making profit or loss. Irrespective of the type of record kept by SSEs, either sales record, records of purchases made, records of customers, records of receipts and payments, records of bank statement or any other, it must be systematically kept for quick understanding and interpretation. Whether it is using single entry (only one entry of business transactions) or double entry (standard system i.e. debit and credit) this is very necessary.

### **Book-keeping and SSEs Performance**

The role of small business in economic development proved significant yet the needs of small business owners remain complex; therefore, public policies and programmes intended to assist small businesses should do a better job of addressing the obstacles that small businesses face (Etuk, Etuk & Michael 2014). Research has proved to us that one of the major problems of SSEs is lack of proper recording which has affected them over the years. The specific business problem was that some business owners lack book-keeping strategies to sustain business growth overtime (Mary, 2016). The growth and expansion of SSEs in our contemporary environment in undoubtedly to a very large extent dependent on proper book-keeping.

The sole aim of every organization (small and large) is to make profit. No organization that wishes to operate on a loss especially small-sized enterprises (SSEs). Book-keeping and accounting share two basic goals: to keep track of income and expenses which improves chances of making a profit, and to collect the financial information necessary for filling various tax returns (Onaolapo & Adegbite, 2014). If enterprise is operating in a loss or profit, it's only known through records. Environment that is favourable to your business is also acknowledged through adequate record keeping. Proper book-keeping

practices ensure that SMEs are able to capture the financial effect of all transactions to be able to determine whether they are making profit or loss (Musah, 2017).

### SSEs Sustainability and Book-keeping

Proper book-keeping is important to sustaining and expanding a business (Kenya National Bureau of Statistics, 2007). Right information as a result of right record keeping guaranteed sustainability of every transaction. Information is power and people who get adequate information are not always thrown off-balance in their fields of endeavour.

Sustainability encompasses attention to such issue as climate change, corruption, rules of law, the empowerment of women, human right, consumption and supply chain practices (Michael, 2014). For small sized business to be sustainable in this modern time, it must be versatile to know and understand every occurrences that relates to the survival of the business in the environment and as it concerns the behaviour of the workers, partners, individual rights, motivation and even their empowerment. All these are made possible with adequate record keeping. There is no

successful entrepreneur that can predict tomorrow without right information or records. Joseph and Isaac (2012) opine that effective and efficient record keeping practices secure your business against internal thief and dishonest employee. In fact, no business can be sustained for reasonable number of decades without keeping proper, adequate and correct record. From a broader perspective, a sustainable company is one whose purpose and action are equally grounded in financial, environmental and social concerns (Samiksha, 2015).

### Methodology

The population comprised 74 SSEs in the field of hairdressing, patent stores, paint, printing and restaurant across the South-South geopolitical zone. Descriptive survey research method was employed because field research was conducted. Questionnaire was the instrument for data collection which was rated on 5-point scale likert. The null hypotheses were tested using correlation co-efficient (r) at 5% (0.05) significant level. This is employed because it gives insight on the strength between the variables (dependent and independent).

$$r = \frac{n(\sum xy - (\sum x)(\sum y))}{\sqrt{n(\sum X^2 - \sum X)^2 (n(\sum Y^2 - \sum Y)^2)}}$$

### Testing Hypothesis 1

#### Summary score for book-keeping and performance of small-sized enterprises.

	Variables	Book-Keeping (X)					Performance of SMEs (Y)				
		SA	A	N	D	SD	SA	A	N	D	SD
1	Economic Effect	2	1	1	2	2	1	2	1	1	1
2	Level of Education	1	2	2	1	0	3	1	2	1	0
3	Level of Training/Exposure	3	2	1	1	2	1	1	0	1	1
4	Decrease in Output	2	1	1	2	0	2	2	1	0	2
5	Increase in Output	4	3	2	1	2	2	2	1	2	0

Total	12	9	7	7	6	9	8	5	5	4
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The book-keeping score variables is represented by X and the performance of small sized enterprise is represented by Y, while correlation coefficient is represented by r.

Where X = Independent Variable

Y = Dependent variable

**Determination of Correlation coefficient (r)**

S/N	X	Y	X <sup>2</sup>	Y <sup>2</sup>	XY	Df (r)	SL (r)	Critical (r)	Cal. (r)	Decision Rule
1	12	9	144	81	108	3	5 (0.05)	0.87	0.96	Ho not significant
2	9	8	81	64	72					
3	7	5	49	25	35					
4	7	5	49	25	35					
5	6	4	36	16	24					
	41	31	351	211	274					

The calculated formula is

$$r = \frac{n(\sum xy - (\sum x)(\sum y))}{\sqrt{n(\sum X^2 - \sum X)^2 (n(\sum Y^2 - \sum Y)^2)}} = \frac{\sqrt{(114)(94)}}{103} = 0.96$$

Where: X – Refer to a subject score on variable x

Y – Refer to a subject score on variable y

N – Number of subjects measured on both variables

**Decision Rule**

Degree of freedom (df)

Df = N – 2

Df = 5 – 2 = 3

R = Critical value at 5% significant level 0.87

From figure 1 above, r-calculated = 0.96 > r-critical 0.87, hence Ho is rejected. Therefore, there is no significant positive correlation between book-keeping and performance of SSEs in the area under study.

## Testing Hypothesis II

### Summary score for book-keeping and sustainability of SSEs

	Variables	Book-Keeping (X)				sustainability of SMEs (Y)					
		SA	A	N	D	SD	SA	A	N	D	SD
1	Environmental change Effect	2	1	1	1	0	2	1	2	1	1
2	Level of Education	1	1	2	1	0	1	2	1	2	0
3	Level of Training/Exposure	1	0	1	1	1	3	2	2	0	1
4	Experience	2	1	2	1	2	2	0	2	1	2
5	Leadership Style	1	3	2	1	1	1	1	1	0	1
	Total	7	6	8	5	4	9	6	8	4	5

The book-keeping score variables is represented by X and the performance of small sized enterprise is represented by Y while correlation coefficient is represented by r.

Where X = Independent Variable

Y = Dependent variable

### Determination of Correlation coefficient (r)

S/N	X	Y	X <sup>2</sup>	Y <sup>2</sup>	XY	Df (r)	SL (r)	Critical (r)	Cal. (r)	Decision Rule
1	7	9	49	81	63	3	5 (0.05)	0.87	0.89	Ho not significant
2	6	6	36	36	36					
3	8	8	64	64	64					
4	5	4	25	16	20					
5	4	5	16	25	20					
	30	32	90	222	203					

The calculated formula is

$$r = \frac{n(\sum xy - (\sum x)(\sum y))}{\sqrt{n(\sum X^2 - \sum X)^2 (n(\sum Y^2 - \sum Y)^2)}}$$

Where: X – Refer to a subject score on variable x

Y – Refer to a subject score on variable y

N – Number of subjects measured on both variables

$$r = \frac{5(203 - (30)(32))}{\sqrt{5(190^2 - 30)^2 (5(222 - 32)^2)}}$$

$$\begin{aligned}
&= \frac{(1017) - (960)}{\sqrt{(950) - 900)(1110 - 1024)}} \\
&= \frac{58}{\sqrt{(50)(86)}} \\
&= \frac{58}{\sqrt{4300}} \\
&= \frac{58}{65} \\
&= 0.89
\end{aligned}$$

### Decision Rule

Degree of freedom (df)

$$Df = N - 2$$

$$Df = 5 - 2 = 3$$

R = Critical value at 5% significant level 0.87

Thus: When we applied a correlation coefficient test, we obtained a calculated value of 0.89 and critical value of 0.87. The calculated  $r$   $0.89 > 0.87$  critical value (table). Therefore, Null hypothesis ( $H_0$ ) is rejected, while the alternative hypothesis is retained.

### Interpretation of Result

1.  $H_0$ : There is a significant positive relationship between book-keeping and SSEs performance.  
Thus: Calculated value  $0.96 > 0.87$  the critical value at 5% level significant. Therefore we retain the alternative hypothesis.
2.  $H_1$ : We equally observe a positive significant relationship between book-keeping and sustainability of SSEs. Thus: Calculated value  $0.89 > 0.87$  the critical value at 5% (0.05) level of significant. Therefore we reject the null hypothesis.

### Conclusion

The conclusion is made based on the analysis of data that:

1. Book-keeping positively influences SSEs performance in South-South, Nigeria.
2. Book-keeping equally influences the sustainability of SSEs positively.

We recommended that SMEs in the region should be oriented through seminars/workshop on the rudiments and principles of book-keeping. Furthermore, experts in the field or profession should be employed by the concerned (SMEs) business operators. Again, the notion that book-keeping is for multinational organizations must be discarded by entrepreneurs and should be taking to be wrong concept.

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