

BOOKKEEPING IN MICRO ENTERPRISES AND THE CONCEPT OF SUSTAINABILITY

¹OGUNSANMI, Oluwatosin, ²OMOROGBE, Comfort .E. & UCHEHARA Chris Chigo

^{1,2&3}Department of Accounting & Finance, Crawford University, Igbesa, Ogun- State

Correspondence email: omorogbece@yahoo.com

ABSTRACT

Business sustainability has being a major issue of concern as research showed that most micro, small and medium enterprises businesses have extremely high mortality rate as over 60% fold-up after five years of existence. Many assume that lack of capital is the major cause of closure. This study however, examined the issue from a different perspective. It studied sustainability of microenterprise in Yaba Local Government Area of Lagos State through the examination of the effect of bookkeeping. Sustainability was inference from finance, profit, growth opportunities and financial control. A sample of 100 micro-enterprises located in Yaba Local Government was purposively selected and questionnaire administered to owners of such enterprises. The sample ranged from hair dressing & barbing saloon to Boutique housing foot wears, clothing and jewelries; medicine shop, mini-marts, and pastry/bakery shops. The research instrument examined the standard of bookkeeping records as well as the depth of appreciation of bookkeeping. The data gathered was analysed using descriptive and inferential statistics. The result from the regression showed that only 24% ($R^2 = 0.24.1$); ($p \leq 0.001$) of the variation in the use of bookkeeping explained effect on microenterprises sustainability. The study thus recommended that standard bookkeeping and accounting should be in place to enable microenterprises control their finances in order to project growth for sustainability.

Keywords: Sustainability, Bookkeeping, Growth, Finances, Profit

INTRODUCTION

Micro businesses are known to be most common form of business in Nigeria (represents 96% of business with about 1-9 employees- (Osunde, 2016) because of ease of operations. They have helped with the nation's unemployment problem and have contributed a great deal to the Gross Domestic Product (GDP) of Nigeria. They play pivotal role in developing countries economic development in terms of generation of employment opportunities (currently contributes 75% of National employment- Osunde, 2016), utilization of locally endowed resources, and contribute their quota to revenue generated by the government. Their activities results in the re-distribution of income thereby contributing to poverty reduction (Owolabi, Ogundajo & Olayinka, 2016).

It is disheartened to note that despite these contributions, Zain, (2018) reported that there is extremely high mortality rate in micro small and medium enterprises in Nigeria; as over 60% collapse within the first five years of operations. That means, only about 40% survived 10 years or more. This has been attributed partly to poor management skills and lack of capital.

This study examined the bookkeeping aspect to survival and continued existence. It is generally believed that micro business owners do not always have the expertise to manage the financial aspect of their businesses and not also having sufficient fund to employ an accountant or experienced bookkeeper. Hence, most micro businesses disregard basic accounting principles, standards and practices in their business operations. This expertise gap has limited opportunities for expansion as basic financial records are required for access to funds. Also, the ability to use financial tools for ascertaining viability and appropriate forecast could assist in fund management. This might likely be missing in micro enterprises. Hence, Ademola, James and Olore, (2012), reiterated that Micro business owners wanting to succeed must manage their financial record keeping the same way as big businesses.

This study proposed that proper accounting system could increase the lifespan of micro enterprises; and that the use of recording instruments (receipts, vouchers, invoices and so on); primary accounting books and understanding of basic accounting terminologies and

application; principles and guidelines are limited among micro businesses compared to large companies and this might have the tendency of reducing the lifespan. In this study, bookkeeping was measured by reference to recording of transactions such as sales, purchases and overheads) while sustainability was measured by reference to finance, profit, growth opportunities and control. The objectives of this study therefore is to (i) ascertain the depth of micro enterprise owners appreciation of the use of bookkeeping; (ii) enterprises evaluate the extent to which standard bookkeeping have been maintained; and (iii) determine the extent to which bookkeeping practices result in sustainability of microenterprises. One hypothesis was formulated and tested: H_0 : Bookkeeping practice has no significant effect on micro enterprise sustainability. This paper is segregated into five sections, following the introduction is literature review, section three research methods, results and discussion section four and five is conclusion and recommendations.

LITERATURE REVIEW

The Concept of Bookkeeping

Bookkeeping is the act of recording business transaction in such a way that the financial position of the business can be readily ascertained readily at all time. Such transactions include sales, purchases, income and expenses by an individual or organizations. Bookkeeping differs from accounting as accounting deals with the collection, classification and recording of business transaction in ledgers to prepare the income statement and the statement of financial position. Bookkeeping could be single or double entry system (Pinson & Jinnett 1993). Bookkeeping is a set of rules for recording financial information. A business owner who is too busy to keep track and make a record of every transaction, employs the services of a bookkeeper (Haber, 2004).

Bookkeeping is of great importance to the business for various purposes such records could serve. The records can assist with the management of inventories and placement of orders; keep proper track of debtors and creditors. Cooley and Edwards, (1983) as cited in Madurapperuma, Thilakerathne, & Manawadu, (2016), adds that bookkeeping information acts as the guide to the preparation of financial reports that are utilized to access banks loans. The reports also assist in making inventory decisions like product diversification decisions in order to improve on sales and maximise profit.

The Concept of Micro Enterprise Sustainability

Business has to do with the ability to survive into the future and leave wealth behind for the next generation. It arises from effective management of profits, people and planet often referred to as managing the triple bottom line, that is, managing financial, social and environmental risks, obligations and opportunities. In MEs sustainability however, the concerns are more on managing resources and being resilience over time; being able to survive shocks because they are intimately connected to healthy economic, social and environmental systems. MEs create economic value and contribute strong communities and healthy ecosystems.

Momtaz (2016) posits that_ sustainable business is one that participates in environmentally friendly or green activities to ensure that all processes, products, and activities adequately address current environmental concerns while maintaining a profit. In other words, it is a business that meets the needs of the present world without compromising the ability of future generations to meet their own needs.

Theoretical Foundation

The study was anchored on three theories: accounting theory, single-person decision theory, and theory of business sustainability. They formed the bases of assumptions and hypotheses of this study. Accounting theory is a set of postulations, structures and approach used in the study and application of financial reporting. This theory attempts to describe accounting as a process of providing the relevant information through record keeping which enables a business to furnish accurate financial reports to meet with different needs and ensure the future is safeguarded. The basic accounting theories have principles behind them that ensure finances are properly managed and tracked in any type of businesses: cost principle, matching principle, materiality, conservatism and monetary unit assumption (Smyth, 2016). This theory impinges on the study as micro businesses

could thrive through the use of bookkeeping and bookkeeping strategies built around those basic principles, for it to spur business survival.

Single-person decision theory promoted by Raiffa in (1968) as cited in Dandago and Hassan (2013). It is based on the viewpoint of an individual who must make a decision under conditions of uncertainty. It promotes the view that financial reports are prepared with a particular user in mind. In this case, the micro enterprise owner prepares bookkeeping basically for his own purpose as an individual and would prepare it to meet a situation when loan is to be sought or tax purpose.

Theory of business sustainability emphasizes firm value creation by management of firms integrating all five: economic, governance, social, ethical and environmental (EGSEE) dimensions of sustainability performance into managerial strategies, actions and reporting (Zabihollah, 2016). This theory corollary is that micro enterprises can contribute to EGSEE through managing of the business to promote the dimension.

RESEARCH METHOD

The study was a cross-sectional survey research on micro business owners at Yaba Local Government Area. A convenient sampling was used in the administration of the primary research tool which was a 30-question structured questionnaire, to one hundred micro enterprise owners. The sample ranged from hair dressing & barbing saloon to Boutique housing foot wears, clothing and jewelries; medicine shop, mini-marts, and pastry/bakery shops. The research instrument examined the standard of bookkeeping records as well as the depth of appreciation of bookkeeping. It achieved a 78% response rate. Data gathered were analyzed descriptively with simple percentages and hypothesis formulated tested.

RESULTS AND DISCUSSION

Descriptive analyses of data gathered showed the following summarized opinions:

The first objective of the study was to ascertain the depth of microenterprise owners' appreciation of the use of bookkeeping. The study revealed that about 74% of microenterprise owners visited kept basic records of their daily transactions; which showed a high level of appreciation of the use of bookkeeping. Although, about 59% lacked usage of basic accounting record books and about same percentage do not keep adequate records of their sales, purchases and overheads and all have no past financial statement of any sort.

The second objective was to evaluate the extent to which standard bookkeeping have been maintained in micro-enterprises. The data collected showed that about 58% are of the opinion that their business is not big (in terms of size and revenue) to accommodate the bookkeeping process and therefore deems it unnecessary to use bookkeeping. However, about 68% micro-enterprise owners have the knowledge of how to keep their financial record. But almost 60% of owners do not have the time to keep their records adequately and do not have adequate funds to employ an accountant to assist in record keeping. So we concluded that the extent to which standard bookkeeping has been maintained in micro-enterprises is above average.

The third objective was to determine the extent to which bookkeeping practices result in sustainability of microenterprises of the study. Their responses revealed that proper bookkeeping could aid growth and sustainability. About 95% of the respondents are that opinion. This was however further verified inferentially.

Test of Hypothesis

H₀: Bookkeeping practice has no significant effect on micro enterprise sustainability.

Model Specification

$$MES = a + f(BP) + e \quad \text{OR} \quad Y = a + f(X_1) + e$$

MES = Microenterprises Sustainability

BP = Bookkeeping Practice

Where a = Constant, $BC = X_1$, e = error term and f = beta (B) values

Table 4a: Model Summary of bookkeeping effect on micro enterprise sustainability

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.491 ^a	.241	.231	1.23760

a. Predictors: (Constant), Bookkeeping Practice

Table 4b: ANOVA^a of bookkeeping effect on micro enterprise sustainability

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	36.978	1	36.978	24.142	.000 ^b
	Residual	116.406	76	1.532		
	Total	153.385	77			

a. Dependent Variable: Microenterprises Sustainability

b. Predictors: (Constant), Bookkeeping Practice

Table 4c Coefficients^a of bookkeeping effect on micro enterprise sustainability

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.439	.264		5.454	.000
	Bookkeeping Practice	.431	.088	.491	4.914	.000

a. Dependent Variable: Microenterprises Sustainability

Table 4a above, showed $R^2 = 0.241$ ($p \leq 0.01$) indicating that bookkeeping practices explained about 24% of variations in microenterprises sustainability. This showed a weak effect of bookkeeping practices on microenterprises sustainability.

The F-statistic at 24.142 in Table 4b showed a fairly high goodness of fit of the model; while the coefficient in Table 4c, showed the relationship between bookkeeping and sustainability was significant with beta $\beta = 0.431$, so for every unit increase/ decrease in bookkeeping practices, a 0.431 increase/ decrease in microenterprises sustainability was predicted. Hence, the Model or linear equation becomes:

$$Y = A + f(X_1)$$

$$Y = (1.439) + (0.431 * X_1)$$

$$Y = 1.439 + 0.431 * X_1$$

Therefore, a rejection of the null hypothesis; and acceptance of the alternate, that bookkeeping practice have significant effect on micro enterprise sustainability.

CONCLUSION AND RECOMMENDATIONS

Sequel to the findings of this study, it was concluded that a larger number of micro-enterprise owners do not keep financial records in the form of bookkeeping. Bookkeeping as it relates to accounting records would help micro-enterprises calculate accurate profit, measure performance and put adequate maintenance and control measures. Bookkeeping is a very important business and financial tool for record purposes, monitoring, measuring and controlling that could trigger growth and sustainability. Bookkeeping as revealed in this study would contribute in no small measure to reduce the rapid winding up of micro

businesses and thus aiding sustainable growth. So, dedication to daily and accurate record of transactions would help micro-enterprises positively. This corroborate the views of Symth (2016).

The following are therefore recommended:

- i. Micro enterprise owners should appreciate bookkeeping and put effort to learn of basics.
- ii. Micro enterprise owners are advised to employ a bookkeeper to help organize their daily transactions.
- iii. Efforts should be made by Micro enterprise owners to keep standard records learn to archive them.
- iv. Micro enterprise owners should be enlightened on business growth and the concept of business entity so as to operate at maximum efficiency. This could be achieved through voluntary seminars by successful entrepreneurs and NGOs
- v. In addition, deliberate and more aggressive public enlightenment campaigns should be embarked upon by corporate, government and financial bodies to educate micro business owners on bookkeeping and its effect on business growth and sustainability.

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