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THE IMPACT OF FINANCIAL RECORDKEEPING ON PERFORMANCE OF MICRO ENTERPRISES IN JOS METROPOLIS, NIGERIA

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ABSTRACT

This study was undertaken to complement the recent unprecedented global focus on Micro, Small and Medium Enterprises (MSMEs) as key agents of socio-economic development, by examining the impact of the nature and quality of the recordkeeping practices of micro enterprises (MEs) on their performance, via a survey of 127 firms in Jos metropolis. The resulting data, collected through a structured set of questionnaires, were analysed using Pearson Correlation Coefficient and Regression Analysis, with the outcome of a strong relationship between the nature and quality of records kept by this category of firms and their performance in terms of growth in sales, profit and capital. However, subjecting the data to regression analysis shows only quality of record keeping significantly impacting performance, hence the recommendations for improved quality of record-keeping for ease of assessment of their profitability, access to funding and aiding informed business decision making that will enhance performance.

Keywords: Bookkeeping, Micro enterprises, Performance, Recordkeeping, Small and medium enterprises.

INTRODUCTION

Considerable attention has been on micro, small and medium enterprises (MSMEs) the world over, considering their nature as veritable mechanisms for poverty reduction, employment generation and potential for developing domestic capacity for rapid industrialization, especially in developing countries, and thus considered as the engines of any nation's economic development and growth (Barringer & Bluedorm, 1991; European Commission, 2011; Kale, 2019; Storey, 2013). For Nigeria, the MSMEs are reported to have been responsible for 48.47% of the GDP, with the sector accounting for 84.02% of total employment and 7.27% of export earnings in 2013

(SMEDAN, 2013). Of the 62.5m jobs in the MSME sector in 2017, the micro enterprises (MEs) accounted for 59.6m (95%) (Kale, 2019).

Efforts towards maximizing the afore-stated benefits have largely been in promoting these entities in several ways, including managerial capacity of operators and especially facilitating funding, evidenced in the several programmes of global, regional and national institutions, such as the World Bank Group (WBG), African Development Bank Group (AfDB), the Central Bank of Nigeria (CBN), and small and medium enterprises development agency of Nigeria (SMEDAN) (Anyawu, 2003; Olorunshola, 2003; Kushnir, Mirmulstein & Ramalho, 2010; Storey, 2013). A clear picture of this global focus on MSMEs is evident from this extract as regards the role of the WBG:

> The Bank Group's support to small and medium enterprises (SMEs) takes multiple forms, each aimed to support SME growth as a means to contribute to employment creation, GDP growth, market dynamism and inclusion… overall, the Group has a multi-billion dollar portfolio of projects having SMEs support as identifiable objective. Between fiscal years 2006 to 2012, of the IFC's US 67.4 billion, 37% was invested in projects identified as beneficial to SMEs (Storey, 2013, pp.6, 8).

These have all been done towards improving the performance of these enterprises, centered on identifying and promoting areas of strength and growth on the one hand and curbing failure, through the appropriate remedial action on the other. The issue of failure has particularly aroused attention in view of the extent of its reportedly high rates (Akande, 2011; Ihua, 2009; Olorunshola, 2003), up to 95% within the first five years (Esaete, 2005) and according to SMEDAN (2012), most MSMEs in Nigeria fail before their fifth anniversary. Failure is the ultimate manifestation of poor performance –that which cannot be improved upon –with the entity folding up. However, such attention has been more on external, general challenges to performance of MSMEs, with the key one being poor access to funding from relevant agencies, notably financial institutions, aside

inconsistent and adverse government policies, weak infrastructure and other institutional support, lack of access to market, multiple taxation, and obsolete technology (Kale, 2019; SMEDAN, 2013; Tom, Basil & Ufot, 2016). There has been relatively less focus on internal, key management practices or processes such as record keeping generally or accounting records particularly, which has been considered critical to success or anti-dote to failure (Ademola, Samuel, & Olore 2012; Adeoti & Asabi, 2018; Ihua, 2009). Record keeping could logically be the foundation of the often-considered key problem of funding, as the absence or inadequate posture of records normally discourages funding mechanisms or agencies, especially in Nigeria. With inadequate or poor records, the sales volume/value or trends, the nature of expenses incurred, hence profit; the volume/trend of credit sales and purchases and their payment/repayment with implication for liquidity critical for sustaining operations and paying maturing obligations and gaining the confidence of creditors, along with reputation for meeting obligations, cannot be ascertained. Besides, growth or its prospects, and wastages or misappropriations of funds or materials/products (Esaete, 2005) cannot be determined. Inadequate or improper records do not only rub businesses of the basis for rational decision-making, but particularly show their poor financial management skills and processes with implication for not assuring funding mechanisms/agencies of the appropriate utilisation and especially, safe return of their funds.

Quite a number of studies have been undertaken on the relationship between recordkeeping and performance, yet most apparently have not focused exclusively on MEs. While Abdul-Rahmon and Adejare (2014) analysed the impact of financial record keeping on performance, Pavtar (2017) and Olatunji (2012) investigated the impact of accounting practices and systems respectively, in SMEs. Their findings were largely reduced operating costs with improved efficiency and decision-making, adverse impact on profitability, accessing funding and appropriate basis for budgeting, and inefficient systems respectively. On their part, Ademola et al.'s (2013) study showed

significant role of record keeping in the survival and growth of small-scale enterprises, so also did Akande's (2011) focus on skills similar to Olatunji's system of bookkeeping, a specific, different dimension from just financial record keeping return significant results. Adeoti and Asabi (2018) examined the effect of record keeping practices on performance of MEs in Lagos State, focusing on the cash, sales and purchases books, an obviously restrictive scope with only three types of records, with the outcome of significant effect.

Thus, it is clear that there exists a research gap in the country as the aforementioned studies, except Adeoti and Asabi (2018), focused on SMEs, which have different defining characteristics from MEs, even though all are most times studied together. The CBN (2014), the MSME national policy (SMEDAN, 2013; Kale, 2019), the National Conference on industry (Kushnir et al., 2010), and the World Bank (Storey, 2013), define a micro enterprise, for developing countries, as one with less than 10 employees and with total assets of less than N5 million (excluding land and buildings). On the other hand, SMEs have been defined as enterprises with 10-49 and 50-199 employees and total assets of N5-N49 million and N50-499 million respectively, by these agencies/institutions. Though most studies have tended not to isolate MEs, with these clear demarcations having been officially drawn, especially upon the launching of the national policy on MSMEs almost twenty years ago (SMEDAN, 2012, 2013), it is clearly inexpedient to continue that approach, since the differing characteristics entail different accountability demands, such as the clear differences in stakeholders and stewardship concerns, hence the logical differences in the nature and extent of recordkeeping by different classes of enterprises. Accordingly, a separate research stream is inevitable, ripe and due for exploration, especially from the accountability perspective, taking cognizance of the extent of stewardship and depth and complexity of stakeholders. This is apparent from the ownership structure of the afore-stated classes of enterprises detailed in the 2013 and 2017 SMEDAN and NBS surveys where over 97% of the total MEs sole proprietorships were while partnerships and private limited liability

entities accounted for an insignificant 1.8%. Thus obviously, owners of MEs who are overwhelmingly sole proprietors, practically account only to themselves and the tax authorities (if any), hence less disposition for comprehensive bookkeeping outside single entry. Conversely, partnerships and corporate entities accounted for 26% of the SMEs surveyed (Kale, 2019), hence implication for more statutorily specified sets of accounting records necessary for due accountability by the non-owner managers (agents/stewards) in line with the Companies and Allied Matters Act, (CAMA, 2004, 2020). Consequently, the foregoing, complemented by the empirical review, clearly exposes the gap, which this study justifiably set out to contribute towards bridging.

Accordingly, the study was aimed at establishing the relationship between financial record keeping practices of micro enterprises and their performance, with a view of enhancing their management and performances towards positioning them to meet the roles society expects them to play. Specifically, the objectives were to ascertain the nature and quality of records kept by microenterprises, establish the relationship between the records they keep with their performance and the degree of impact on the latter. To achieve the afore-stated objectives, appropriate hypotheses, guided by the literature, were formulated and tested, with the results of a significant relationship between both the nature and adequacy or quality of records kept and performance, while only the quality of recordkeeping was found to have significant impact on performance. Appropriate recommendations were made, including MEs ensuring they pay attention to the quality or adequacy of their records, at least in the basic bookkeeping forms. The details of these are contained in the rest of the paper as follows: literature review and hypotheses development, methodology, results and discussions thereon, conclusion, recommendations and suggestions for future research.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

The review of the literature centred on the concepts of financial record keeping and performance and their theoretical and empirical support as bases for the study hypotheses.

Financial Record Keeping

A record has been defined by the World Bank and International Records Management Trust, IRMT, (2000) as a document regardless of form or medium, created, received, maintained and used by an organisation or an individual in pursuance of legal obligations or in the transaction of business, of which it forms a part or provides evidence for. In this light, a record arises from actual happenings and is meant to provide evidence of those actions, provided it is accurate, complete and comprehensive, aside being maintained on the principles of original form indicating date created, why, and where; life cycle where it passes through stages of usage until eventually destroyed or archived, and, a continuous process involving four actions throughout its life time – its identification, intellectual control, accessibility and physical control (World Bank, 2000).

Musah and Ibrahim (2011) consider the record process as involving the systematic and scientific control of all of a company's recorded information needed for the sustainable conduct of its business. This, as in the preceding, adequately accommodates financial record keeping, even though some need not meet this standard requirement to be taken as such, as in the case of single entry book keeping. The Australian Records Standard AS4390 states that "records are recorded information in any form, including data in computer systems, created or received and maintained by an organisation or person in the transaction of business or conduct of affairs and kept as evidence of such activity" (McKemmish, Acland, Nigel & Reed, 1999, p.2).

Going by the foregoing definitions of records, financial records can mean record of business transactions in financial (monetary) terms, without following any particular format or procedure, provided the important issues as the monetary value, the name of the party to, and

the date of, the transaction, are reflected. Although the definitions list the qualities of a record as comprehensive, complete and accurate, these do not get observed by many micro and small businesses, evidenced in the development of the single-entry version of book-keeping.

Financial record keeping in the technical sense is known as bookkeeping, which is an aspect of the broader discipline of Accounting. Accounting, defined variously, including by the American Institute of Certified Public Accountants (cited in Okwoli, 2007, p.3) as "the art of recording, classifying and summarizing in a significant manner, and in terms of money, transactions and events which are in part, at least, of financial character, and interpreting the results thereof", includes book keeping and other advanced processes, with mechanisms for analysis and interpretation of statements (Jat & Jugu, 2008). Though most definitions of book keeping contain the features of systematic and regular recording of all business transactions to provide information for the maintenance of a set of defined books of account (Baston, 1979; Jat & Jugu, 2008), it does not always hold true for most micro and small enterprises (MSEs), which, if at all they do, keep haphazard records, some in scattered pieces of papers (Longnecker et al., 1997, cited in Ademola et al., 2012). Hence, it is more appropriate to see bookkeeping, from the MSEs' perspective, as "any process that involves the recording of financial transactions" (Ademola et al., 2012 p.5). It must have been in this light that the accounting profession has recognized "single entry bookkeeping" alongside the preferred double entry system (Ademola et al., 2012; Olatunji, 2011). Single entry is defined as an accounting system in which records are kept on single entry basis using only income and expense accounts, in a revenue and expense journal and which does not produce a trial balance, but has information from which basic final accounts can be prepared (Ademola et al., 2013; Igben, 2009). Double entry bookkeeping, on the other hand, is the process of recording each business transaction twice in two different books or accounts, producing two opposite effects in an equal manner – reflecting the

monetary value of the transaction. The process shows two parties, one giving value, with the account credited (value on the right side) and the other receiving value, with the account debited or written on the left side of the account. In view of this, double entry bookkeeping is popularly defined as the recording process in which "for every debit entry there must be a corresponding credit entry" or " ...for every receiver there must be a giver" (Igben, 2009, p.1; Okwoli, 2007, p.9). When properly observed, with no mistake made as to the sides or amounts recorded, the totals of the two sides of all the accounts are expected to be the same or balance.

The conceptualization of financial record keeping for this study is any process that involves the recording of financial transactions that provides information useful to the owner(s) and relevant stakeholders, including single and double entry bookkeeping systems.

Performance.

Scholars often do not define performance in simple, straightforward terms in view of the fact that it is a complex phenomenon. Rather, it is looked at in terms of separate dimensions taken to be representative of its nature – mostly multiple measures, both qualitative and quantitative. Though the dimensions may not be generally accepted (Khan & Shah, 2015), what is virtually accepted is that these, whatever they are, are compared or measured in terms of actual levels of attainment as against set target levels as contained in the goals and objectives organisations set (Jones, George & Hill, 2001; Osaze & Anao 1990; Stoner, Freeman, & Gilbert, 2003). Osaze and Anao (1990) assert that performance in business setting invariably means the extent to which the objective has been or is being achieved, with Esaete (2005) complementing that it is how well or poorly a business is doing vis-à-vis owner-manager's set objectives.

Quite often, effectiveness and efficiency are used to define performance (Denison & Mishra, 1995; Ireland, Cantens & Yasini, 2011; Jones et al., 2001; Richard et al., 2009; Stoner et al., 2003). These

underlie the extent of the appropriate goals attainment, both quantitatively and qualitatively, reflected in the several dimensions recognized by scholars over time, both in financial and non-financial terms (Khan & Shah, 2011) including profit and satisfaction with profits (Jowarski & Kohli, 1993), quality of work or service, financial performance and job satisfaction (Denison & Mishra, 1995); financial performance, market performance, shareholder return and economic value added (Richard et al., 2009). Others are profitability, business competitiveness, sales growth, customer base, liquidity, relative market share, resource utilization, productivity and quality of services and staff (Fitzgerald, 2005; Fitzgerald et al., 1991, cited in Khan & Shah, 2011); various financial indices, market share and growth, customer satisfaction, flexibility, productivity, quality, timely delivery, optimum cycle time and reduced waste (Lynch & Cross, 1991, cited in khan & Shah) and meeting expectations of quality service or performance, internal business processes, learning and growth, and financials (Ireland et al., 2011).

As these differing indices show, the complex nature of performance is profound, largely a reflection of not just the nature of business and management, but especially of the social organisations and the humanity in them. Fitzgerald et al. (1991) and Oatley (1989), among others cited in Khan and Shah (2011), aptly recognize this phenomenon as premised on the differing strategic objectives pursued by different organisations in different operating environments using fitting technologies. Notwithstanding this plethora of performance indices, what is obviously common to all is the need for a choice of the appropriate, fitting dimension, the standard with which outcomes are to be compared and the rewards motivating the desired outcomes inherent in the entire process (Fitzgerald, 2005). In consonance with the foregoing, profit, sales growth and increased capital requirements have been considered the performance measures in this study.

Financial Record Keeping and Performance

The link between record keeping and performance obviously dates back tens of decades BC, with likelihood of accounting records being kept as far back as 35,000 to 75,000 years ago via notches on stones and bones (Ifrah, 2001, cited in Basu & Waymire, 2006). Over time and with more evidence as in ancient Mesopotamia around 8,000 to 7,500 BC (Basu & Waymire, 2006), the motive for accountability and planning purposes (Cripps, 2017) became clearly established. Similarly, accountability was at the root of the different forms of record keeping practices over the centuries in other parts of the ancient world including Greece, Rome and England, and through to the 14th Century when the principle of double entry book keeping, which revolutionized business record keeping, was invented by Italian merchants. The open accountability audits of appointed/elected government officials, on monthly and yearly bases, practiced in ancient Greece and Rome, as well as in medieval England and other parts of Europe in the age of the expeditions of discovery funded by many people/organisations, obviously based on records, clearly assessing and thus spurring performance (Okwoli, 2007, citing Bird, 1973 and Scott, 1720), easily become pertinent.

Though the foregoing obviously were premised on just any form of record keeping that meets the information requirement of the owners and other key stakeholders, the double entry system of bookkeeping introduced into the business world as from the 14th Century enhanced the meaningfulness of financial records – statements and other frameworks forming the basis for sound decision-making and accountability, largely the desired hallmark of stewardship. The earliest known is the Messari (treasurers') accounts of the city of Genoa in 1340 (Lauwers & Willekens, 1994) popularized by scholars, starting with the publication of the initial book containing the principle by Luca Pacioli in 1492 (Smith, 2011; Basu & Waymire, 2006). This initial effort has formed the basis of modern accounting practice as virtually all its processes are based on the double entry principle, with such complements as the journal and trial balance, as enhanced through professional standards, and with subsequent inclusion of, among

others, accounts payable, accounts receivable, inventory, bank, payroll, and personnel records and standard income statement (Ademola et al., 2012; Igben, 2009; Okwoli, 2007). These have ensured conformity with the basic principles of accuracy, authenticity, accessibility, completeness, comprehensiveness, compliance, effectiveness and security associated with records (Mckemmish et al., 1999), hence positioning the double entry bookkeeping as typifying not just the desired nature, but particularly quality, of standard recording processes, which, though, quite often, elude MEs.

While agreeing that today, different books are used, Musah and Ibrahim (2014) maintain that the choice of books depends on the type of business ownership, along with the reasons for keeping records ranging from organisational and social accountability to providing a back-up memory. Mairura (2011) adduces others including comparing results over periods, defending case of fraud by employees, customers or suppliers, and access to loanable funds from the banks. With MEs being owned overwhelmingly (at least 97%) by sole individuals as detailed in the 2013 and 2017 SMEDAN and NBS surveys (Kale, 2019), though the double entry process is preferable and recommended, from the foregoing, any form of record keeping that meets the information requirement of the owners and other few stakeholders, especially in consonance with the single entry system of bookkeeping and or reasonably meets the basic standards advocated by the World Bank (2000) highlighted earlier, is considered satisfactory. The relationship between financial recordkeeping and performance has been explained from the following *theoretical perspectives:*

Stockholder theory: which holds that virtually every managerial action in a firm should both be accounted for to, and protect the interest of, owners of the firm – the stock or shareholders or proprietors or partners (Freeman, 1984, 2005). In the light of this, financial records are or should be kept in such a manner as not only ensuring the benefits to the owners are presented, maximized and protected, but proper accountability and to suit their interest, some of which have

included unethical, illegal ways of circumventing the financial publicity laws (Chambers, 1993 cited in Robb, 2012), akin to sometimes practices of Nigerian firms preparing one set of records for themselves and different sets for the tax and regulatory authorities (Bakre, 2007, citing Adeyemi, 2004). Moreover, the owners need to make decisions on critical aspects of the business with financial records/position the most obviously reliable basis (Okwoli, 2007).

Stakeholder theory: which, while accepting the importance of shareholders and their interests, maintains that the organisation has a moral relationship with groups with interests other than stockholders (Freeman, 1984, cited also in Nwanji & Howell, 2005) and should thus act in a moral manner by not harming the interests and rights of the other stakeholders. Thus, financial records should be maintained for the benefit of all the stakeholders – stockholders, employees, management, customers, creditors, suppliers, the community and government, for their respective information needs and actions towards ensuring the success of the organization by which means their interests are met (Freeman, 2005; Igben, 2009). MEs may not have such an array of stakeholders as the typical large company, but the essence of the theory should not be lost on them, especially knowing that the tax authorities are unavoidable and should not be given room to charge excessive tax (reducing profit/capital) or seal off their premises for want of (proper) records. Besides, their quest for improved funding, considered critical for success (Kale, 2019) can only be realized when their records show operational promise that can convince financiers of their potential repayment ability.

Stewardship Theory: with fundamental premise of "accounting for all amounts received and paid, together with the resulting balances" (Firmin, 1957 cited in Robb, 2012, p.20), largely to ensure due accountability for having been entrusted with others' funds (Okwoli, 2007), its pertinence to financial record keeping is without doubt. This is particularly so for organisations run by persons other than their owners. Rendering stewardship is not just in receipts net of payments,

but in showing that reasonable, if not satisfactory, returns have been recorded on the owner's investment in the business (current/future profit/growth). As emphatically declared by Donaldson and Davis (1991, p.51), "the executive manager under this theory wants to do a good job… to be a good steward of corporate assets". Stewardship is the oldest theory of accounting (Firmin, 1957, cited in Robb, 2012) or accountability, with one of the earliest recorded instances evidenced in ancient Babylon over 4500 years ago where a good part of King Hamurabi's laws detailed the mode of, and need for, accountability by workers in the vineyards of the wealthy citizens (Okwoli, 2007). Such accountability in the ancient world would not have been possible without records, known to have been quite extensive, "…from the accounting systems … in a highly centralized and centrally controlled (Sumerian) economy…" even with ledgers (Cripps, 2017, p.1), though not on double entry basis. The most visible rendering of returns or accounts is in terms of profit/dividends or in related measures as growth in capital, clientele base, sales or expanded operations, including outlets, typical performance indices.

The foregoing conceptual and theoretical underpinnings on the relationship between record keeping or accounting systems and business performance *have been reasonably affirmed empirically*, both in the Nigerian setting and elsewhere, especially in Africa, largely from the perspective of SMEs, under which MEs had been treated. A few of these have been highlighted. Esaete (2005) established a strong relationship between the extent and quality of record keeping and the influence of managerial competence and performance of small business ventures in Uganda, while reporting of similar relationships from other empirical studies, including Berryman (1983) and Gaskill (1993). Similarly, Mairura (2011), found level of education, number of employees, age of business as influencing record keeping by small business which aids performance among Kenyan SMEs, with reports of other studies on the impact of other factors including financing, management and accounting records.

Musah and Ibrahim (2014) also found a strong correlation between record keeping and business performance of MSMEs in Ghana. However, they could not conclude which of business performance and record keeping influences the other as the result indicated either way. Similarly, Senzu and Ndebugri (2018) examined the performance of MSMEs in Ghana visa-a-vis their accounting recordkeeping practices with the findings that majority of the ventures did not maintain adequate records, largely on account of the high illiteracy rate of the owners, while the few that did so maintained largely the cash book, sales and purchases books. Mbrow and Asah's (2015) findings from their investigation of the financial recordkeeping and decision-making of MSMEs in central region of Ghana were similar to those of Senzu and Ndebugri (2018) with majority (50.3%) not keeping records. Interestingly, an overwhelming majority (over 70%) reported they could not rely on their financial records due to the ever-changing business environment while quite some others (17%) declared having lost confidence in their own records.

Ademola et al. (2012), Akande (2011), Ihua (2009), Olatunji (2013) and Okoli (2011) undertook studies on various aspects of accounting and record keeping as relate to performance of SMEs in Nigeria. Ademola et al. (2012), Ihua (2009) and Okoli (2011) found strong relationship between record keeping and profitability and survival, business failure, and profitability and growth respectively, while Akande (2011) and Olatunji (2012) studied it from the point of view of accounting skills and accounting systems respectively with positive significant relationships with performance generally. Also focusing on the accounting record keeping of SMEs and their impact on performance were Pavtar (2017) and Abdulrahmon and Adejare (2014). Pavtar (2017) found significant relationship between failure to prepare financial report and profit and difficulty to access financing, besides inappropriate basis for budgeting. Abdulrahmon and Adejare (2014) concluded that proper accounting record keeping significantly positively impacts performance in terms of usefulness in resource allocation, control of cash, detection of theft and wastages in the

business, with reduced operating costs and accompanying improved efficiency and general decision-making.

The only study, to the best of the researcher's knowledge, exclusively on MEs in the Nigerian setting was that by Adeoti and Asabi (2018) in Lagos, with focus on only cash book, sales and purchases day books and profitability. They found that the books focused on significantly impacted profitability. Notwithstanding its limited focus, its conclusion underscores the importance of record keeping to MEs. Hence, apart from Adeoti and Asabi (2018) all others investigated SMEs. Though most studies have tended not to isolate MEs, with the clear defining dimensions as contained in the national policy on MSMEs, it is imperative to recognise a distinct research stream, since the differing characteristics entail different accountability demands, especially from stakeholder and stewardship perspectives – 97% of MEs are sole proprietorships (Kale, 2019) who need to account only to themselves and the tax authorities. Herein lies the justification for this study – contributing towards bridging this exposed research gap.

In view of the foregoing conceptual and theoretical underpinnings, affirmed empirically, the following hypotheses were postulated for testing:

1. Ho: The nature of records kept by microenterprises does not have a significant impact on their performance.
2. Ho: The adequacy or quality of records kept by microenterprises does not have a significant impact on their performance.

METHOD

Research Design, Population and Sample

The correlational design with survey strategy was adopted, with cross-sectional approach, for the study as it bordered on investigating relationships between the variables and the impact, among different firms. Considering that 97.8% of the category of firms being studied do not register with the relevant agencies (Kale, 2019), and the fact that

both the 2013 and 2017 reports of the survey of MSMEs in the country by SMEDAN and the National Bureau of Statistics, NBS, indicated only the totals for each State (SMEDAN, 2013; Kale, 2019), the appropriate population, with no reference to the specific number, was considered to be all the business organisations in the defined category, in the study location. In view of this, a convenience sample size of 150 was adopted, following a simple random sampling strategy, though from an initial purposive strategy of identifying organisations that qualify as MEs in different broad sectors of trade, services and manufacturing, considered suitable to provide the data needed to best serve the research objectives (Saunders, Lewis & Thornhill, 2016).

Data Collection Instrument and Procedure

The data used were entirely primary, collected through structured, developed questionnaire, premised on the relevant conceptual and empirical frameworks reviewed, with the contents vetted by high-level academic expertise, aside adapting some questions used by previous studies including (Esaete, 2003) with high Cronbach Alpha scores, thus meeting the instrument validity and reliability requirements. The responses to the questionnaire were in the form of 5-point Likert rating scales with the questions centred on the type, nature and extent of records kept, as well as the indices of their performance, both clearly specified in simple, common business terms. The responses to frequency of recordkeeping mechanism ranged from "Always" (5) to "Never" (1), while impact on performance of recordkeeping ranged from "Strongly Agree" (5) to "Strongly Disagree" (1). The sets of questionnaires were personally administered, with the aid of research assistants, on the sampled firms after ascertaining the number of employees. At the end, 14 could not be retrieved, while 9 of the number retrieved were considered not properly completed, and thus excluded, leaving an effective response of 127, representing 85%.

Variables Measurement

For the purpose of this study, performance was defined in terms of profits, sales growth and the continued increase in capital required on

account of the growth in these indices and customers' expectations, represented by questions 17-19. The types/nature of records kept covered in question 10 were considered suitable to test hypothesis 1, while question 12 which bordered on whether the records kept conform to the minimum bookkeeping requirements (which defines adequacy or quality) was used to test hypothesis 2. Both recordkeeping and performance indices, on scales in the preceding sub-section, are consistent with the conceptual, theoretical and empirical frameworks reviewed in the literature.

Data Analysis Method

The hypotheses were tested using regression analysis, since these border on ascertaining the impact of record keeping on performance – the level of performance explained by recordkeeping, after a correlation analysis using the Pearson Correlation Coefficient to establish significant relationship between recordkeeping and performance, if any. Both analyses were undertaken at 5% level of significance, with 95% confidence level, as commonly done in the Management/Social Sciences (Saunders et al., 2016).

The regression analysis adopted the linear regression model:

$$MEP = f(FRK) \quad \text{(i)}$$

$$MEP = \beta 0 + \beta 1NR + \beta 2QR + ei \quad \text{(ii)}$$

Where:

MEP = Micro-Enterprise Performance.

FRK = Financial Record Keeping,

β0 and β1, β2, are the constant and coefficients of the independent variables of nature of financial records (NR) and quality of financial records (QR), to be determined, while ei = the error term.

RESULTS

Respondents' Demographic Data

Table 1 shows that majority of the respondents –managers or operators, bookkeepers and proprietors/promoters – were reasonably satisfactorily educated, an average of over 60% with Diploma and above, except for training in bookkeeping where the bookkeepers

attained 65% to the proprietors'/partners' 42%. Overall, this gives the result a reasonable level of reliability, given the respondent's level of understanding of the questions in the survey instrument. As for experience of the bookkeepers, majority (58%) have less than 3 years working experience, which could have serious implication for quality of records expected to be kept.

Table 1: Socio-demographic Data

	Frequency	Percentage %
Highest level of formal education of respondents		
'O' Level	41	32.3
Diploma/NCE	40	31.5
HND/BSc/MSc	45	35.4
Other	1	0.8
Highest level of Training of Book keeper		
Certificate	27	35
Diploma	33	43
Degree	5	7
Professional	6	8
Other	5	7
Years of experience of bookkeeper/accountant in similar job		
Less than 1 year	16	21
1-2 years	28	37
3-5 years	19	25
6-10 years	8	11
Over 10 years	5	7
Highest level of education of proprietor/partners		
'O' Level	21	16.5
Diploma/NCE	50	39.4
HND/BSc/MSc	42	33.1
Other	14	11.0
Highest level of training of proprietor/partners in accounts/bookkeeping		
O' Level	9	7
OND/NCE	18	14
HND/Degree	13	10
Professional	14	11
None	74	58

Source: Field Survey Data.

Business Sectors and Forms

Table 2 shows that the dominant sectors and the legal forms of ownership were well represented in the sample, hence meeting the criteria of representativeness.

Table 2: Sectors and Forms of Business Organization

	Frequency	Percentage %
Sector		
Trade	78	61.4
Services	39	30.7
Others: Manufacturing.	10	7.9
Legal form		
Sole proprietor	101	79.5
Partnership	21	16.5
Cooperatives	2	1.6
Limited Liability	3	2.4

Field Survey Data.

Reasons for Keeping Records

From table 3, 35.4% of the businesses surveyed are not disposed to keeping business records because records expose the business to competitors and government agencies, while 60% oppose that perception. 80.3% and 88.2% agree that record keeping facilitates access to loans and assessment of profit respectively, while 74.8% indicate it helps in monitoring business progress and 83.5% consider the process an imperative aid in good business planning.

Table 3: Reasons for Keeping Records

Reason	Disagree %	Neither agree nor disagree %	Agree %
Expose the business to competitors and government agencies	60	3.9	35.4
Facilitate access to loans	15.7	3.9	80.3
Facilitate the assessment of profit and growth	9.4	2.4	88.2

Helps in monitoring of business progress	21.3	3.9	74.8
Aids in good business planning	11	5.5	83.5

Source: Survey Data

Hypotheses Testing

The results of the tested hypotheses specified in section 1 are presented in tables 4 and 5:

Correlations:

Table 4: Correlation Analysis

	Nature of Financial Records	Quality of Financial Records	Performance
Nature of Financial Records: Pearson Correlation Sign: (2-tailed) N	1 127		
Quality of Financial Records Pearson Correlation Sign: (2-tailed) N	.1324 .140 127	1 127	
Performance: Pearson Correlation Sign: (2-tailed) N	.184** .038 127	.276** .002 127	1 127

**Correlation is significant at the 0.05 level (2-tailed)

Table 4 presents the detailed correlation matrix. At the 0.05 level of significance, the p-value = 0.038, r = 0.184, thus indicating significant positive relationship between the type or nature of records kept and the performance of the firms, hence leading to rejection of the null version of hypothesis 1 in favour of the alternate version.

The second hypothesis was also tested at the 0.05 level of significance, with the result also shown in table 4: r = 0.276, p-value = 0.002, being less than the significance level, implying that there is a significant relationship between the quality of financial records kept by MEs and their performances, hence leading to a rejection of the null hypothesis while accepting the alternate: that a significant relationship exists between the quality of records kept and the performance of MEs.

Table 5: Regression Analysis Results Summary

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	13.383	1.043		12.833	.000
	Nature of financial records	.055	.032	.150	1.748	.083
	Quality of financial records	.113	.038	.256	2.980	.003

a. Dependent Variable: Performance

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics: R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.314[a]	.098	.084	4.205	.098	6.771	2	124	.002	1.816

a. Predictors: (Constant), Quality of financial records, Nature of financial records

b. Dependent Variable: Performance

Table 5 presents summary of the regression analyses used to statistically establish the impact of nature of financial record keeping and the adequacy or quality of financial recordkeeping respectively, on performance, having established that a significant relationship exists between both the nature and quality of recordkeeping and performance. The model summary shows a good fit with significant value of F and no autocorrelation with Durbin-Watson approximating 2.

From the table, at the 0.05 level of significance, t = 1.743 and p-value = 0.083, being greater than the 0.05, this result indicates that there is no impact of the independent variable in question on the dependent

variable. Accordingly, the null hypothesis is not rejected, implying that the nature of financial record keeping has no significant impact on the performance of MEs.

With respect to hypothesis 2, $\beta 2$ (standardized) = 0.256, t = 2.980 and p-value = 0.003. Thus, at the 0.05 level of significance, this result is significant, with the p-value less than the 0.05 significance level, indicating that quality financial record keeping has a significant impact on the performance of MEs. With $\beta 2$ (standardized) = 0.256, it means a 25.6% change in performance is explained by quality of financial record kept, hence, the null hypothesis is rejected in favour of the alternate.

Summary and Discussion of Findings.

From the results, the major findings are summarized and discussed thus:

i. Strong positive relationships exist between the nature of records kept, along with their quality, and the level of performance of MEs, consistent with the findings of Esaete (2005) on performance generally, Abdul-Rahmon and Adejare (2014): usefulness in resources allocation, control of cash and detection of wastages/defalcations, with attendant improved efficiency; Ihua (2009): business failure. The finding is also consistent with Okoli's (2011) profitability and growth, Pavtar's (2017) profitability, access to funding and inappropriate budgeting, and Ademola et al. (2014) on profitability and survival.
ii. Notwithstanding these significant relationships, only quality record keeping significantly impacts performance of MEs, partly consistent with Esaete (2003) even though mediated by managerial competence and Musah and Ibrahim's (2014) mixed result. Adeoti and Asabi (2018), with Abdul-Rahmon and Adejare (2014), Pavtar (2017) and others with focus on SMEs highlighted in the preceding paragraph and elsewhere, show significant impact of just the nature/types of records without specifying quality.

CONCLUSION

In the light of the foregoing findings and their discussions, it is concluded from the study that though majority of MEs promoters lack the basic knowledge of bookkeeping, MEs in Nigeria keep the basic records of their business transactions in such different forms as make meaning to their promoters. Quite importantly, the quality of financial records has considerable impact on performance, since they facilitate access to increased funding, while providing the basic, necessary information to appraise progress, plan and make sound decisions. Record keeping in just any form does not significantly impact performance, as it may not provide a reliable guide to external stakeholders for qualitative decision-making. The findings/conclusion entail quite a number of implications. Practically, MEs can better ensure enhanced performance with due adoption of the basic standard financial record systems for sound decision-making and especially access to loanable funds as the funding mechanisms are more favourably disposed to lending on being more assured of the safety of their funds with standard records/financial position. Theoretically, the need for proper accountability to the few stakeholders such as the tax and other regulatory authorities becomes imperative, with the attendant policy necessary for considering more feasible provisions in the tax laws, while endeavouring to implement extant versions including levying appropriate penalties to possibly serve as deterrent to subsequent non-observance.

Accordingly, it is recommended that MEs endeavour to keep records of their financial transactions preferably in line with the basic bookkeeping standards, as these will enhance the easy determination of their profitability and other performance indices and thus facilitate their much-needed funding support from financial institutions and relevant government agencies. Similarly, MEs should use personnel with the basic knowledge of bookkeeping, in which case ensuring completeness and accuracy, the hallmarks of adequacy or quality, besides the promoters ensuring they get acquainted with the basic knowledge as well, for proper understanding, use in planning and

ability to detect improprieties or theft.Since this study was conducted partly using convenience and purposive sample and sampling procedures in Jos metropolis, an urban area, with the performance measures largely subjective, based on opinions of the respondents, studies that could remedy these and related limitations could be undertaken with wider coverage.

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