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FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

RESEARCH TOPIC

**THE IMPACT OF BOOKKEEPING ON THE SURVIVAL AND GROWTH OF
SMALL AND MEDIUM ENTERPRISES A CASE OF THE GREEN MARKET
COMPLEX IN MUTARE, ZIMBABWE**

**BY
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This dissertation is submitted in partial fulfillment of the requirements of the Bachelor of Commerce (Honours) Degree in Accounting in the Department of Accounting at Midlands State University.

GWERU: Zimbabwe, September 2014

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DEDICATION

I would like to dedicate this dissertation to my late mother and all my family members.

ACKNOWLEDGEMENT

I would like to thank the Almighty for offering me the opportunity to carry out this study. His guidance and love is greatly indispensable.

I would also like to express my profound gratitude to my supervisor, Mr Kazembe and all the lecturers in the Department of Accounting for being there for me in this academic journey, their critics and patience made me be a better person and achieve this goal.

I would like to thank the management of ZIMRA for allowing me time off to carry out my research and to my family members for the support emotionally and financially.

ABSTRACT

The research was on the impact of bookkeeping on the survival and growth of small and medium enterprises. The study was motivated by the fact that new players enter the field each year and almost the same number leave. A similar trend has been like that from 2010 to 2013 at the Mutare Green Market complex. An in-depth review of the literature related to the aforementioned factors under study was carried out. Qualitative and quantitative research methods were used in gathering information. Administering of five interviews and thirty three Questionnaires were the techniques employed to gather data. Major findings were that small businesses at the Green Market Complex in Mutare kept business records, the majority of them use single entry bookkeeping system and that this bookkeeping practice were not effective in improving their survival and growth. The study recommends that the government should make it mandatory for SMEs to submit yearly financial statements, impart accounting skills to the SMEs through seminars and that the SMEs owners should take the initiative to get workshops done for them and outsource the bookkeeping services.

Definition of terms Acronyms and Abbreviations

IASB	International Accounting Standard Board
IFRS	International financial reporting standard
SME	Small and Medium Enterprise
ZIMRA	Zimbabwe Revenue Authority

TABLE OF CONTENTS

	Approval Form	i
	Release Form	ii
	Dedications	iii
	Acknowledgement	iv
	Abstract	v
	Definition of terms, acronyms and abbreviations	vi
	List of Tables	x
	List of Figures	xi
	List of appendixes	xi
	CHAPTER I	
	INTRODUCTION	
1.0	Introduction	1
1.1	Background to the study	1
1.2	Statement of the problem	2
1.3	Objectives of the study	3
1.4	Research questions	3
1.5	Significance of the study	3
1.6	Assumptions of the study	4
1.7	Delimitations of the study	4
1.8	Limitations of the study	4

1.9	Definition of terms	5
1.10	Chapter summary	6
	CHAPTER II	
	LITERATURE REVIEW	
2.0	Introduction	7
2.1	The objectives of financial record keeping	7
2.3	The nature of financial records	11
2.4	Challenges faced in keeping proper records	13
2.5	Financial record keeping and the survival and growth of businesses	14
2.6	Appropriate Bookkeeping Practices	16
2.7	Chapter Summary	17
	CHAPTER III	
	RESEARCH METHODOLOGY AND DESIGN	
3.0	Introduction	18
3.1	Research Philosophy	18
3.2	Research design	19
3.3	Target Population	19

3.4	Sampling Strategy	20
3.5	Data Collection	20
3.6	Research Instruments	21
3.6.1	Questionnaire	21
3.6.1.1	Likert Scale	21
3.6.2	Interviews	22
3.7	Data Presentation	22
3.8	Data Analysis	22
3.9	Reliability and Validity	23
3.10	Ethical Considerations	24
3.11	summary	24
	CHAPTER 4	
	DATA PRESENTATION AND ANALYSIS	
4.0	Introduction	25
4.1	Data Presentation	25
4.2	Analysis of Questionnaire responses	25-45
4.3	Analysis of Interview responses	45
4.4	Summary	47

	CHAPTER 5	
	SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	
5.0	Introduction	49
5.1	Chapter summaries	49
5.2	Major findings	50
5.3	Conclusion	51
5.4	Recommendations	51
5.5	Areas of further study	53
	References	54

LIST OF TABLES

Table 1.1	State of businesses at the Green Market in Mutare Urban	2
Table 4.1	Respondents by gender	26
Table 4.2	Position in business	27
Table 4.3	Years of experience in business	28
Table 4.4	Level of education of respondents	29
Table 4.5	Types of businesses	30
Table 4.6	Objectives of financial record keeping	32
Table 4.7	Accounting method used	35
Table 4.8	Accounting bases used	36

Table 4.9	Accounting records kept	37
Table4.10	Challenges in implementing appropriate bookkeeping	39
Table 4.11	Whether record keeping has improved survival and growth of SMEs	41
Table 4.12	Bookkeeping systems considered effective	43

LIST OF FIGURES

Fig 4.1	Respondents by sex	26
Fig 4.2	Types of businesses at Green Market Mutare Urban	31
Fig 4.3	Objectives of financial record keeping in small businesses	33
Fig 4.4	Accounting method used	35
Fig 4.5	Accounting records kept	38
Fig 4.6	Challenges in implementing appropriate bookkeeping systems	40
Fig 4.7	Whether bookkeeping systems has improved the survival and growth of small businesses	42
Fig 4.8	Effective bookkeeping systems.	44

LIST OF APPENDICES

Appendix A	Letter	58
Appendix B	Questionnaires	59
Appendix C	Interview guide	65

CHAPTER I

INTRODUCTION

1.0 Introduction

This chapter discusses the background to the study, statement of the problem, research objectives, research questions, significance of the study, assumptions of the study, delimitations, limitations and definition of terms. It ends up with a summary.

1.1 Background to the study

The growth of informal economic activities in Zimbabwe arose because of structural adjustment and during the recent economic turmoil in the country. The decade (2000-2010) for Zimbabwe was characterized by the worst economic performance since its independence in 1980. Capacity utilization shrank to 10% and unemployment rate was above 80% by 2008 as the private and public sector unleashed massive retrenchments. This impoverished the great majority (Chidoko and Makuyana, 2012). As a result, many people are finding themselves engaging in informal businesses to make ends meet. Even in the aftermath of a decade long economic downturn, Zimbabwe's formal sector is still shrinking due to socio-economic factors that hinder the local industry to operate at full capacity utilization. The retrenched are joining and actively participating in the informal sector.

In Mutare, much economic activity takes place in some concentrated business districts. Major players are found at the Green Market which has over 120 small businesses. Amongst the operators are: flea market operators, steel and metal fabricators, furniture manufacturers, suppliers and producers of hardware and food vendors. According to the Green Market Association Annual General Meeting for (2013), the Chairperson of the Association, Mr. Muchakuya, noted that the profit margins of the informal business had been on the downfall over the years from 11.6% in 2010, 9% in 2011, and 6% in 2012 to 4.2% in 2013. He said that many businesses failed to survive and ceased business each year as shown by Table 1.1 below:

Table 1.1 State of businesses at the Green Market, Mutare Urban

Details	2010	2011	2012	2013
Businesses at start of year	48	59	90	130
Firms that ceased operations	1	3	9	15
Percentage businesses that ceased	2%	5.1%	10%	11.6%
New entries	-	12	34	49
Profitability of the sector	11.6%	9%	6%	4.2%

Source: Green Market Association Records, 2010 to 2013

The Chairperson attributed the increasing challenges to survival, according to the committee survey, to among other factors, lack of finance and borrowing powers, decrease in buying power on dependable customers, increase in cheap imports, lack of entrepreneurship skills and ineffective bookkeeping and financial recording system. More than 86% of informal business operators at the Green Market were said to lack the necessary skills in operating their businesses (Green Market Association Records, 2010 to 2013). They at times do not keep proper records. They at times rely on their memory for purposes of business records. Relying on memory as an alternative to written records has the biggest drawback of forgetting. This sorry state has impacted negatively on the small businesses' survival and growth.

Many authors have written on the subject of small scale business failure. According to Ademola, Olukotun and Ifedolapo (2012), the causes of business failure includes competition, lack of capital, location and premature expansion. Although many reasons have been given for their failures, the problem however, remains that many of the authors did not link business failure to the lack of or inadequate record keeping. This research bridges the gap by looking at the impact of inadequate record keeping on survival and growth of small businesses at the Green Market in Mutare.

1.2 Statement of the problem

Small enterprises at the Green Market in Mutare are slow growing, stunted and often fail to survive for longer than a few years. They face problems with regard to record keeping of

transactions. Therefore, the purpose of this study was to investigate the impact of record keeping practices on the survival and growth of small businesses.

1.3 Objectives of the Study

The study anticipates to attain the following objectives:

- To examine the objectives of financial record keeping by small organizations.
- To identify the nature of financial records kept by small organizations.
- To examine the role of financial record keeping to the growth and survival of small scale enterprises.
- To suggest recommendations to small enterprises with regards to applicable bookkeeping practices that progresses business performance.

1.4 Research Questions

This study intends to respond to the following questions:

- What are the objectives of financial record keeping in small organizations?
- What is the nature of financial records kept by small organizations?
- What is the role of record keeping to the growth and survival of small scale enterprises?
- What recommendations can be made to SMEs with regards to proper book keeping practices that enhances the performance of the business?

1.5 Significance of the study

To the Student

This study will be of much significance to the student, as it a partial fulfilment of the requirements of the Bachelor of Commerce Honours in Accounting degree by Midlands State University.

To MSU

The study will expand the existing bookkeeping literature in the MSU library.

To SMEs

The study will also help the SMEs in general financial record keeping and in complying with regulations and laws instituted by ZIMRA and other government departments.

1.6 Assumptions

This study was based on the following assumptions:

- a) Small enterprises in Mutare have a bookkeeping system of some sort.
- b) Small enterprises owners and employees understand the meaning of bookkeeping system.

1.7 Delimitations

The study focuses on the impact of bookkeeping practices on growth and survival of Small businesses in Mutare, from 2009 to 2013. The researcher chose the Green Market area in Mutare because this is where most small businesses are concentrated in Mutare. Other regions were left out because they had few small homogeneous businesses and were geographically located far from the researcher given the limited time frame required to complete the research. The researcher focused on bookkeeping practices as it was suspected to be the major cause of the poor performance of the firm.

This study will involve owners/employees of the small businesses operating at the Green Market in Mutare and they are chosen because they are either directly involved or control the record keeping practices in their firms.

1.8 Limitations

The study is bound to have limitations. The limitations that follow, which would be inherent in this research should be considered when interpreting and generalizing the findings and conclusions of this proposed study.

- a) Respondents may not easily be cooperative in giving information as a result of the confidential nature of the subject. Explanations of the importance of the research as well as establishing good rapport will be done by the researcher, which would arouse the respondents to reveal the needed information.

- b) The outcomes will be context-specific and should be viewed prudently when generalised to other contexts. Although the study will be very tentative regarding its generalisability to other backgrounds, there will be theoretical reasons to consider that small businesses in other emerging economies may experience similar dynamics. This theory needs to be validated by future research.
- c) To minimize the impact of lack of time, the researcher will have to sacrifice time by working long hours and during weekends until the task is concluded since the researcher is a fulltime employee.
- d) Adequate data from the population may not be gathered due to financial constraints. A representative sample thus will be used, which would be manageable. To augment the meager resources, the researcher will make savings from salary.

1.9 Definition of Terms

Small Enterprise: any entity employing 1 – 50 persons, that is involved in an economic activity, regardless of its legal form, for instance, self-employed persons and family businesses involved in craft or other undertakings and partnerships or associations regularly engaged in an economic activity (Simpson et al, 2010).

Financial records: All documentation and books used during the preparation of financial statements e.g. the sales day book, purchases day book; cash receipt book, petty cash book, general journal and debtors' ledger.

Bookkeeping refers to the analysis, classification and recording of financial transactions in books of account in a systematic manner Wood and Sangster (2010). Transactions include sales, purchases, income, and payments by an individual or organization.

Accounting information entails information that relates to the financial position, liquidity (that is ability to convert to cash), and profitability of an enterprise that is of interest to the small business' owners, managers, regulatory commissions, and trade associations.

1.10 Summary

This chapter discussed the background to the study, statement of the problem, research objectives, research questions, significance of the study, assumptions of the study, delimitations, limitations and definition of terms. Chapter Two will cover literature review.

CHAPTER II

LITERATURE REVIEW

2.0 Introduction

Babbie (2010) defines literature review as a process of discussing findings about previous work from a range of sources. According to Fink (2010), a research literature review, as a process, is a systematic, explicit, and reproducible method for identifying, evaluating and synthesising the existing body of completed and recorded work produced by researchers, scholars and practitioners. The chapter explores empirical literature as well as theoretical framework on bookkeeping practices in SMEs. It covers the following themes; the objectives of financial record keeping, the nature of financial records, challenges in keeping proper financial records, record keeping practices and growth and survival of firms. The chapter ends up with a summary.

2.1 The objectives of financial record keeping

The beginning of accounting was as a result of the need for the recording of transactions of the business by its owners. They wanted to know whether they were being financially successful, and know how much they owned and how much they owed, Ademola, Olukotun, James & Ifedolapo (2012). At present, the objectives of accounting, include letting people and organisations know their profitability, know their net worth, what a transaction is worth to them; how much cash they have, how much they are owed and owe to someone else and know enough information about their daily dealings, Prihatni, Zulaihati, Noviarini (2012). However, the principal objective of accounting is to make available financial information for decision making.

Modern bookkeeping when practiced would provide the necessary information that will critically affect major business decisions and also facilitates effective monitoring the financial development or failure of the business. For instance, Okwena, Okioma, and Osongo (2011) say that the evaluation of financial consequences takes a big part in every decision that the owner will make. Without reliable financial information and accurate records, it will be intricate to project the impacts of a certain course or action. It must be noted that, profitability is revealed only with accurate records.

According to Akande (2011), a basic bookkeeping report, when done correctly, should be able to answer these questions:

- How much income is the business generating every month, and how much is expected in the future?
- How much cash is under the list of receivables and when will they turn to actual cash?
- Which of the business's product lines or services are bringing in the most amount of profit, break-even, end/or draining your resources?

- How does the data compare with last period or the last quarter?

- How does the data compare with projections?

- How does all this information compare with the competition? Is the business leading or falling behind?

It is thus, the objective of this study to analyse the significance of bookkeeping and its effects to the survival and growth of SMEs in Mutare.

Recording accounting information plays an important role in the business. For example, the works of Prihatni et al. (2012), suggest that the basic objectives of accounting are to provide financial information to the managers, owners and the stakeholders that are the parties who are interested in an organization, to help them reduce uncertainty in decision-making. On the other hand Maseko & Manyani (2011) add that efficient financial managers dwell on the past and present in order to predict the future and for proper evaluation and comparison of financial activities. To achieve this aim, proper book-keeping remains integral. It is equally acknowledged previous researchers that by their nature, the owners' or managers' relevant academic and accounting backgrounds are expected to influence the success or otherwise of this critical function, Maseko & Manyani (2011). Accordingly, this research investigates whether micro businesses in Zimbabwe see recording financial accounting information as an important aspect of their decision making process.

From appropriately maintained set of books of accounting a person can easily establish, the assets of the business, total debtors and creditors, profit or loss made or sustained for any given period and how the profits or losses came about, and the amount of capital or

deficiency Okwena et al.,(2011). If no financial records are kept, profits/losses are difficult to calculate. Under such situations, tax authorities may overestimate the profits and thus business will suffer for not having kept the business records. Mwangi (2011) argues that, if no proper financial records are kept, the business owner will fail to produce to the courts the true picture of the business when insolvent. Future business plans and policies can be planned when proper records are kept. Also ascertaining the price of business to be sold or disposed of will be not easy. Finally, Mwangi (2011) concludes that, even though one's memory can be as sharp, it is outside the capabilities of a memoriser to recall all the business transactions with back references.

The emphasis of most SMEs is to concentrate on producing and marketing their products rather than focus on accounting systems. Okpala (2012) states that the process of accounting is just as good as conducting daily business routine. Many great businesses have collapsed due to a poor book keeping system. Okpala (2012) reiterates that besides the wishes of the owner's to stay afloat in business, the legal requirement and book keeping records are the two outstanding business supervision tools.

The benefits of financial record keeping are provided by Ademola et al (2012) as follows: it reduces business failure, is beneficial for financial management planning and control, helps to make sound assessments, gives relative depiction which helps organisational change and is critical to business survival and growth. Over emphasizing the benefits of financial record keeping would be wrong thus SMEs should partake in sound accounting practices. Thus for every entity, accounting records are the lifeblood of its operations. Failure will result in the entity collapsing. Therefore, it has to be done in accordance with the accounting standards (IFRS) in order for the business to thrive.

Accounting information for SMEs is vital as it can help entities to manage their short-term problems in critical areas like costing, expenditure and cash flow by availing information to support monitoring and control. The measurement of the performance of the business by its owners is mostly obtained from proper financial records from accounting systems Karunananda & Jayamaha, (2011). Senik, Said, and Khalili (2012) add that using accounting information wrongly results in miscalculations and incorrect assessment by SMEs of financial situation, resulting in poor financial decisions, that lead to gross failure rate.

Relevant accounting information can help business, particularly SMEs to manage short-term problems and make wise decisions in areas such as costing, expenditure and cash flow, by appropriate monitoring and control, Ismail & Zin, (2009). It can also help SMEs operating in a dynamic and competitive environment, to integrate operational considerations within long-term strategic plans, Padachi (2012). This information can be obtained from proper financial records which come from effective financial management, Mohd-Fadhil & Mohd-Fadhil, (2010). Accounting information is therefore used in deciding between different courses of action and results in informed decision making. It serves to reduce the uncertainty inherent in the business environment where decisions are made about the future. It further reduces entropy based on the assumption that chaos exists where there is no information. The provision of information that is useful to the decision-making process can be recognised as the main purpose of bookkeeping.

However, according to Senik et al., (2012), the usefulness of accounting information has been hampered with the idea that information is prepared for statutory and administrative demands, such as for tax compliance, but not for decision making by managers and other interested parties. They would concentrate on the marketing and selling side as well as inflow of revenue to the business. Prihatni et al., (2012) says lack of accounting information in business institute can harm small companies. Even though, Sarapaivanich (2003) argues that the financial statements of these SMEs are not commonly prepared for decision making or control purposes but to meet the statutory and legal requirements.

Ademola et al (2012) states that it is a disadvantage not to keep proper records in business. It results in the owner failing to recognise sales trends i.e. when they are up or down if problems are not recognised on time corrective actions cannot be taken instantly leading to poor unguided decision-making and eventually bankruptcy.

Planning ahead and budgeting will not be feasible and performance cannot be measured. Mwangi (2011) reiterates that IFRS issued by IASB in July 2009 availed opportunities for SMEs to formalise their financial record keeping and reporting to be in line with the standards. This would enable them to borrow from banks. The challenges currently bedeviling the Zimbabwe economy however, is causing great challenges in the SME sector to manage the adoption of the IFRS as most of them cannot meet the amounts required to train staff and implementing the system.

2.3 The nature of financial records

The two common methods of bookkeeping are single entry and double entry system of accounting. Under single entry book keeping system, Mwangi (2011) says that, records are kept in the heads and no accounting processes are done. Information which is kept include debtors list showing dates of borrowing and likely return, this shows incomplete records. Ademola et al (2012) also voice that the basic financial record in single entry book keeping is the cash book. The cashbook assigns income and expenses to different accounts. Other accounts kept are for petty cash, creditors and debtors, inventory and other expenditures.

According to Kurniawati and Hermawan, (2010,p 28), SMEs apply “single book method” is where vital notes have full records in logbooks and subsidiary books. Maseko & Manyani (2011) concur and state that many SMES, by maintaining a cashbook can avail all the necessary information they require

Okwena (2011) note that in double-entry bookkeeping, there are always two entries required for every transaction recorded. Double-entry system of accounting, for each transaction means that every debit must have a corresponding credit balance, Noor and Rosliza, (2009). Accounting concepts, principles and bases are used in the double entry accounting. Maseko & Manyani (2011) states that the IFRS for SMEs (2009) clearly describe the concepts and procedures for preparation and presentation of annual financial statements of SMEs. According to Mwangi (2011), a cash basis means that a cost or revenue is accounted at the equivalence of cash paid or received for it. This implies that accounting on a cash basis means transactions on the financial statements are recognised when cash is received or disbursed. Mwangi (2011) further states that SMES apply the cash basis because it is simple to use and understand and manageable.

Accounting on an accrual basis means recognising the impact of transactions on financial statements in the period of time when expenses and revenues occur, not necessarily when cash exchanges hands, Mbroh and Attom (2012). Kurniawati and Hermawan (2010), add that, accrual basis is often used for financial statements preparation. Revenue is recognised when goods are delivered or services are provided and when cash is received or when there is reasonable assurance that it is going to be received. Expenses are recognised in the period they would have occurred.

A number of accounting concepts have been applied ever since financial statements were first produced for external reporting purposes, Mbroh and Attom (2012). The overriding concepts of materiality, going concern, consistency, prudence, accruals, separate determination and substance over form affect the recording and adjustment of accounting data and the reporting of accounting information.

Okwena et al. (2011) also emphasised that small scale business owners must keep source documents (invoice, receipt, bank deposit slip etc.)

A daybook is a diary-like record of day-to-day financial transactions (book of original entry) and a business must keep several daybooks. According to Ademola et al., (2012) the records to be kept by any organisation include the following: debtors accounts, creditors accounts, accruals, inventory records, bank records, sales journals, payroll records, personnel records, cash book and purchase journals

It is widely believed that many SMEs do not keep the above books of accounts. Mbroh & Attom (2012) conducted a study on accounting and control systems practiced by small and micro enterprise owners within the Cape Coast Metropolitan Area (CCMA) of Ghana. They used a survey of two-hundred and seventeen business owners within the CCMA of Ghana. Findings revealed that basic book-keeping practices were not in operation in many of the enterprises with majority frequently seeking external assistance in their business accounting. Similarly, in their study, Ademola et al, (2012) found 6% of the respondent enterprises had maintained all the required ledger accounts, with 34% seeking assistance from accounting firms.

Investigations on accounting practices of SMEs in Zimbabwe, by Maseko & Manyani (2012) showed that most SMEs kept subsidiary books of accounts, booking sales and their costs. There was however minute accounting information captured on operating expenses as evidenced by a few number of SMEs keeping books to record expenses. SMEs in the retail shops business were keeping sales day books for controlling inventory and those in the manufacturing sector keep records for non-current assets as owners try to safeguard their assets. Record keeping in SMEs was therefore not being done for the purpose of capturing accounting information for performance measurement but for security and control.

Okwena et al. (2011) note that, Peacock (2009) investigated the effects and causes of 1,000 proprietary company failures in South Australia during ten years and found that 4.6 percent of failures had inadequate or no accounting records. According to Okwena et al (2012), an evaluation by Williams (2008) of the adequacy of accounting records for 10,570 failed and surviving small enterprises operating throughout Australia found that a significant proportion of owner-managers kept inadequate accounting records. Ademola et al (2012) in a study similar to the researcher's in Ijumu local government area of Kogi state reveals that, most (87%) of the small business owners interviewed had not kept proper written records.

2.4 Challenges faced in keeping proper records

Managers/owners of SMEs face many challenges in keeping adequate financial accounting records. For example, Bowen, Morara, & Mureithi (2009) note that the perception of owners/managers of micro entities seems to be a main restrictive factor in the recording of business transactions. Mutambanengwe (2012) argues that, SMEs do not retain proper accounting records of their undertakings because of their setup. In addition they view, keeping accounts as a sheer waste of resources (time, money and effort), and to leave no trace when government agencies come to investigate.

Maseko & Manyani, (2011) concurs to the above saying for accounting practices to be exercised the incumbents should possess a certain level of accounting expertise and technical qualifications, which is not the case SMEs. Little knowledge of business understanding might be the motive behind most micro entities failing to use proper accounting practices to the fullest.

Arkoh et al., (2012)'s study exposed that, due to accounting knowledge deficiency, improper records were kept by most SMEs in the metropolis. The various business owners had no ego to get trained or attend studies because of the cost attached to training and education. Investigations of Zimbabwe's SMEs into the accounting practices, by Maseko & Manyani (2012) showed the reason why they do not keep proper accounting records as a result of little accounting knowledge and the prohibitive cost of hiring professionals. Mbroh & Attom (2012) studied the accounting and control systems practiced by small and micro enterprise owners within the Cape Coast Metropolitan area of Ghana. They found that most of the

owners lacked basic working knowledge in accounting and therefore were unable to keep simple books of prime entry and ledgers.

In a related study of management of business challenges among small and micro enterprises in Nairobi, Kenya, Bowen et al (2009) notes that disciplined finance management was cited as one of the challenges facing SMEs. This can be closely linked with non-maintenance of a written record of all money transactions relating to business activities. The consequence being, that the proprietor is unable to trace all income and expenses. This may be due to poor memory or pilferage where one employs more than one worker without stringent record-keeping habits. According to Bowen et al (2009) only 47% of the respondents in their survey considered financial management knowledge as a hindrance to growth to the micro and small business trade. This implies that 53% did not consider financial management resulting from accounting recordkeeping as important for the success of their enterprise.

Ademola et al (2012)'s research noted that the majority of SMEs did not keep proper written records because they did not know how to keep the records. The reasons for failure to maintain records were that it is time consuming; since they were business owners they would keep the records of sales in their heads. In another Kenyan survey, Okwena et al (2011) survey exposed that the utmost challenge was little knowledge that the SMEs in Kisii Municipality had in book keeping. The conclusion was that prepared records were inaccurate and therefore the decisions arrived at would not be fitting for operational efficiency of the SMEs.

2.5 Financial record keeping and the survival and growth of businesses.

Ademola et al. (2012) notes the result of a survey of causes of business failure in the USA by a credit rating company called Dun and Bradstreet. The result showed that finance accounted for 47.3%, economic factors 37.1%, disaster 6.3%, fraud 3.8%, strategy 1.0% and experience 0.6%. This implies that management of finances was the single most among factors causing business failure in the USA.

Okwena et al., (2011)'s study found a significant element in the failure of many businesses to be the inefficient or absence of accounting records. More than half of the businesses failed were found to have no records or had only bank and taxation records. Okwena et al (2011)'s

overall study results are very vital in exploring the impact of bookkeeping system practices on success of SMEs.

Financial record keeping aids in the survival of firms. For example, Mbroh & Attom (2012) emphasised that small scale businesses must keep proper and adequate records or books not only for the orderly conduct of the enterprise but also because it helps entrepreneurs reduce the possibilities of early failure, increase chance of business survival, serve as a basis for planning and controlling business operations, increases the chances of profitability and also helps to keep business in a sound and healthy state to face competition. They emphasised that small scale business owners must keep adequate records.

Small businesses have failed in the past for ignoring record keeping practices. Oladejo (2008) claimed that for successful and development of small businesses in Nigeria, skills in accounting and procedure are necessary. Thus as a result the inability to install a proper accounting system would disallow business monitoring, reporting, and performance evaluation that are suitable to the business survival. Most small business has failed in the past for ignoring this vital measurement apparatus.

Inadequate record keeping have been cited as reasons why firms fail to access bank loans and hence no funds to grow. Ademola et al (2012) found that, out of the 80% of small businesses who had applied for a bank loan, only 15% were granted. The majority of the loan applications were rejected because the business organisations did not keep a record of their activities, there was no justification for the loan and the loan request were not properly prepared. This implies that small firms need to keep records needed by banks in making their decisions for the loan request. Entrepreneurs therefore need to acquire basic knowledge of book keeping enabling them to record their day to day transactions.

Okwena et al. (2011) found that most of the small and medium scale enterprises use manual book keeping method with 63.9%, followed by 24.7% of the small and medium scale enterprises that use all the book keeping methods. The percentage of SMEs that use manual book keeping is big enough and can be used to explain the effect of proper book keeping on the financial performance since it may not be as accurate as computerized and online book keeping. Their result seems to indicate that the use of computerised accounting system in SMEs is inevitable since improved information is got and leads to better performance.

Conclusively, Mwangi (2011) suggests that, poorly prepared accounting information render most SMEs unable to evaluate their own financial situation, or to demonstrate viability, and/or to facilitate loan financing. This situation causes improper financial decisions and ends up with low performance, low growth and high failure rate.

2.6 Appropriate Bookkeeping Practices

Mbroh & Attom (2012) concluded their research on accounting practices of SMEs by proposing several recommendations. The government was tasked with carefully organising training programmes by firstly targeting important features of book-keeping which may expose managers and accountants of SMEs to cash book preparation, purchase and expense records, debtors and creditors records, costing and pricing and stock management. The next level may look at basic accounting controls, the preparation of ledger accounts, bank reconciliation statements and the business final accounts in that order.

There are several steps for efficient bookkeeping. According to Okwena (2011), small and medium enterprises must: Maintain separate accounts for business and personal transactions. It is very vital to separate the two and it is not generally easy. Verify and find out personal expenses which cannot be put under business expenses. Get receipts or invoices for all business expenses and keep them in a monthly file. At the end of the month attach these to the bank statement, and make sure none are missing. Use this information to enter into the record keeping system or to give to an expert bookkeeper. Maintain proper order and filing system for all records. Get organized before the start of fiscal year and keep year wise records of all financial and business relevant transactions. Keep proper documentary record of assets purchased which might include vehicles, equipment, real estate etc. relevant for business. Maintain clear employee compensation records. Keep the firm's tax records year wise and up to date. It is easiest to keep these broken down by month, and file them in plastic sleeves in a ring binder or in manila folders. Keep a log of the owner's business travel in the vehicle. Note the kilometer reading on the odometer at the beginning of the financial year and then enter the kilometers by date each time the vehicle is used for a business purpose.

All of the above activities are required to maintain systematic records and hence help businesses to overcome certain challenges. This work will assess the SMEs in Mutare using

the criterion established by Norman (2004) to find out the extent of recordkeeping undertaken by enterprises in Mutare.

2.7 Summary

The chapter deliberated the importance of literature review and theoretical literature on bookkeeping practices in SMEs. It covered the following themes; the objectives of financial record keeping, the nature of financial records, challenges in keeping proper financial records, record keeping practices and growth and survival of businesses. Chapter III that follows discusses the research methodology to be utilised.

CHAPTER III

RESEARCH METHODOLOGY

3.0 Introduction

Jankowicz (2011), states that the aims of research methodology is planning the methods of research, approaches and technics commenced by the researcher. The chapter therefore looks at research philosophy, research design, population and sample techniques employed, research instruments, data collection procedures and the data presentation and analysis validity and reliability issues. The chapter ends with a summary.

3.1 Research Philosophy

A research philosophy is a belief about the way in which data about a phenomenon should be gathered, analysed and used. The understanding of research philosophies is valuable to the researcher as it assists in identifying and choosing the appropriate research design for the study (Babbie 2010). Positivism and Phenomenology are the two research processes that control literature, Saunders et al (2009).

Positivist research is scientific in approach. It aims to be objective and collects and uses numerical data (Saunders et al 2009). Babbie (2010) add that a researcher who reflects the principles of positivism will most likely adopt the philosophical stance of the natural scientist. Babbie (2010) argues that research seldom falls neatly into one of the two but research is normally a mixture between the two.

Falling into the thought that one research method is better than the other is common. Saunders et al (2009) disputes that, such rational would be not correct since the two approaches are “better” at doing different things. It is significant to note that in reality a research rarely falls into one distinct approach. Accordingly, the researcher will use the triangular approach, which is a combination of both philosophies and uses both qualitative and quantitative data. The phenomenology approach will be used to seek understanding through follow up interviews with management selected restaurants. Quantitative data will be gathered from secondary forms of data and questionnaires will collect data from managers/owners of small businesses in the sample.

3.2 Research design

Qualitative research is defined as an investigation in which the researcher attempts to understand the larger reality by examining in holistic way components of that reality within their contextual setting Combs, (2010). According to Zikmund et al, (2010) qualitative research has no statistical methods of inquiry and analysis of social phenomena. The qualitative approach in research design was partly used to provide a better understanding of efficiency and volatility where quantitative methods were not ideal in answering certain questions. In this manner qualitative approach was used to infer cause or effect on quantitative phenomena in the study.

Qualitative research uses detailed descriptions from the perspective of the research participants themselves as means of examining specific issues and problems under study (Leedy and Ormrod 2010). The perspective of the research participants is important because they are the people on the ground with all the information about the problem or situation under investigation. Detailed descriptions provide a rich source of information and also enable the researcher to probe deeper which leads to better understanding.

Although a distinction is commonly drawn between qualitative and quantitative aspects of scientific investigation, it has been argued that the two complement each other (Saunders et al., 2009).

3.3 Target Population

Statistically population can be described as all potential observations of the variable which is being investigated and from where a sample is to be drawn for data analysis (Wegner, 2010). The targeted population composition is such that all the constituency of the should be included, (Waters, 2011). The target population for this study will be composed of owners and managers of 60 small businesses at the Green Market in Mutare. These categories of respondents are seen as having adequate information to reach insightful findings and conclusions pertaining to the study. Since the study will look at an assessment of the financial record keeping practices in these small businesses, the study will assume that owners and managers possess valuable information pertaining to the study. This is because these parties are involved in one way or the other in the record keeping practices of their respective firms.

3.4 Sampling Strategy

A sample is a subgroup, subset or part of a larger population (Best, et al. 2009). The sample will be used because it is small and therefore manageable, leading to lower costs, greater accuracy of results, greater speed of data collection, and availability of population elements. The sample will enable the researcher to draw conclusions about the entire population.

Purposive sampling will be used to select an area within the Green Market in which to carry out the study. This method will be used to hand pick a businesses whose owners/manager accept to be included in the research and may be referred to as judgement or purposive sampling. It is one which allows the researchers to select individuals and sites based on judgement about some appropriate individualities required of the sample (Zikmund et al., 2010). Such respondents can purposefully inform an understanding of the research problem and central phenomenon of the study and thus, enhance the chances of data that best answers the research question, Jankowicz (2011).

Thus a sample of 38 respondents representing 63% of the total population of 60 will be selected. Wegner (2010) presents that, where the target population is between 50 to 100, sample sizes of 60% is ideal for academic researches. Against this background, the study will see 63% of the population as representative. The major operators making the population would be flea market operators, steel and metal fabricators, furniture manufacturers, suppliers and producers of hardware and food vendors.

3.5 Data Collection

Primary data and secondary data sources are the two main sources of data according to Saunders et al, (2009). For the purposes of this study the researcher used the two main sources on data collection.

3.5.1 Primary Data

Field research data is original unprocessed information gathered for the first time for the intended purpose of the researcher. It may be collected through any data collection tool Waters, (2011). The main benefits of using primary data are that data collected by the researcher will be current, and suit the intended requirements of the researcher, Waters, (2011).

3.5.2 Secondary Data

Data collected by others for a purpose other than the problem at hand is called secondary data. Such data are already in existence having been collected by other institutions for other reasons, Zikmund et al., (2010). Waters (2011) recommends that if data is in existence, the researcher should use the data since there is the advantage of cost and time saving rather than to research for new data. The main drawback this type of data is that the existing data may not suit the research at hand, Zikmund et al, (2010).

Waters (2011) advocates for the combination use of primary and secondary data since if combined together the use of the two data sources will outweigh the quality of data when one is used.

3.6 Research instruments

Two methods of data collection that is the questionnaire and the interview will be used by the researcher.

3.6.1 Questionnaires

Combs R and Onwuegbuzie G (2010) defines questionnaires as a written list of questions, the answers to which are recorded by respondents. The questionnaire has the advantage that it is cheaper than other methods, saves time and its anonymity facilitates the obtaining of honest responses. However, the percentage returns can be very low if not diligently followed up and the use of close ended questionnaire limits the responses to what the researcher perceives as the answers to the question (Watters, 2011; Saunders, 2009). A combination of open ended and closed ended questions will be used.

3.6.2 Likert scale

The itemised guidelines that are used in the questionnaire to seek responses of agreement in categories are called likert scale. Respondents indicate their degree of agreement in the boxes available, (Saunders et al 2009). The system will be applied on some questions on the questionnaire.

3.6.3 Interviews

Follow up interviews will be done with 5 managers/owners/book keepers who will not have completed questionnaires. These interviews will clarify grey areas after the administering of questionnaires. An interview is a focused face to face interaction that is done between two people that is the interviewer and the interviewee, in which questions asked by the interviewer are answered by the interviewee (Waters, 2011, Zikmund et al, 2010). The interview will follow the structured interview questions/form.

The interview schedule will be used to check on information obtained by questionnaires, thus it will be used to supplement the questionnaire. Thus it enables the interviewer to probe further questions to seek clarifications which is unlike the questionnaire. The interviewer can get immediate feedback and see body language from the interviewee.

One of the drawbacks of interviews is that data may be collected and arranged in an unorderly manner such that analysis will be difficult. The researcher will therefore use a structured interview, consisting of a series of questions that will be consistently asked to each and every interviewee, in order to increase accuracy and reliability. Time periods are needed to complete interviewing the respondents. The researcher will therefore choose a small representative sample (five) and arrange a timetable to complete the interviews in a short space of time since the respondents are the same people who will be doing their daily work and need no much disturbances.

3.7 Data Presentation

This calls for the application of mathematical techniques to present the individualities and features of gathered data sets and highlighting its pattern. (Waters, 2011). Data can be presented in different forms such as tables, graphs, histograms and pie charts. The study will focus on use of tables, graphs and pie charts.

3.8 Data Analysis

Drawing conclusions from the gathered information is vital and is realised through data analysis, defined by Saunders et al, (2009) as, a science of evaluating collected raw data and scrutinising each data set systematically. It is divided into two types which are the quantitative and qualitative data analysis (Waters, 2011). Qualitative data analysis combines

with qualitative research techniques and produces non-numeric data (Saunders et al, 2009). Both qualitative and quantitative methods complement each other and are considered suitable Combs and Onwuegbuzie, (2011). The researcher used both qualitative and quantitative methods in data analysis whereby empirical evidence was collected using questionnaires and tabulated into meaningful information mathematically by way of graphs and pie charts to express the quantitative relationship. Interview responses are summarised.

3.9 Reliability and Validity

Research instruments used by the researcher ought to be able of producing research findings which are valid and reliable (Saunders, et al., 2009). Validity refers to which degree the research reflects the given research problem and there are many types of validity that include external and internal, to name but a few. According to (Smith, 2012; and Saunders et al., 2009) validity can be debated in two ways that is internal validity (validity of the research findings), and external validity (the degree to which the research findings can be universal to similar research settings) e.g. to similar institutions.

Reliability is how consistent a set of measurements are. Reliability is how often we would always get the same results if we did everything exactly the same all over again (Saunders, et al., 2009). Put in pedestrian terms external validity is the degree to which the conclusions in a study would hold for other persons in other places and at other times. Due to the fact that purposive sampling was used there was a sampling bias, however, almost all business types at the green market complex were approached with the same questionnaire to ensure valid and reliable results.

The researcher will exercise great care in the language and phrases to be used for the research to be understood clearly by participants. No ambiguous terms will be used and all terms will be clearly defined. Interviews will help in assuring validity as feedback is got immediately and body language from interviewee can lead the interviewer as well as probing further questions.

3.10 Ethical considerations

Since the research is done through data collection using tools like questionnaire and interviews from private entities, ethical approval from all these entities shall be obtained before the survey (Saunders, 2009). All those to take part will be conversed with the benefits and objectives of the study. Researcher seeks approval from respondents before the study is done. All information obtained shall be treated as confidential such that those to take part will remain confidential and all the data that would have been collected will be securely stored so that it can only be accessible to the researcher alone.

3.11 Summary

This chapter has discussed in detail on the research design adopted, research method, targeted population, research sampling and data collection techniques to be used. It also discussed on the research instruments to be used, data analysis, research presentation, credibility of the research study and finally on compliance with ethics. Chapter Four that follows will provide data presentation and data analysis.

CHAPTER IV

DATA PRESENTATION AND ANALYSIS

4.0 Introduction

This chapter presents descriptive findings on the impact of bookkeeping on the survival and growth of small and medium enterprises at the Green Market in Mutare. The chapter discusses the socio-demographic data, the objectives of financial record keeping by the respondents, the nature of financial records kept by the respondents for their businesses, the challenges the respondents faced in implementing bookkeeping systems and the techniques found useful by the respondents. The chapter ends up with a summary.

4.1 Data Presentation

Questionnaires and interviews were used as primary data collection instruments.

All the distributed questionnaires were completed and returned since purposive sampling was used, signifying a high response rate of 100%. The response rate may be as a result of the researcher managing to sell the research idea to the target population and a thorough follow up. The 100% rate could also be as a result of the respondents being geographically located at the same business complex and that the sample size was small but big enough to provide the required information. According to Howard et al (2005) questionnaire response rate should constitute at least 75% of the sample.

4.2 Analysis of questionnaire responses

4.2.1 Question 1. Gender

Questionnaires were administered to 33 respondents. These were the owners, managers or bookkeepers of small businesses at the Green Market. These participants were selected since they were involved in the total management of their businesses including the record keeping aspect.

Table 4.1 Respondents by gender

Sex	Number
males	20
females	13
Total	33

Table 4.1 shows that 20 out of 33 respondents were males and 13 out of 33 were females.

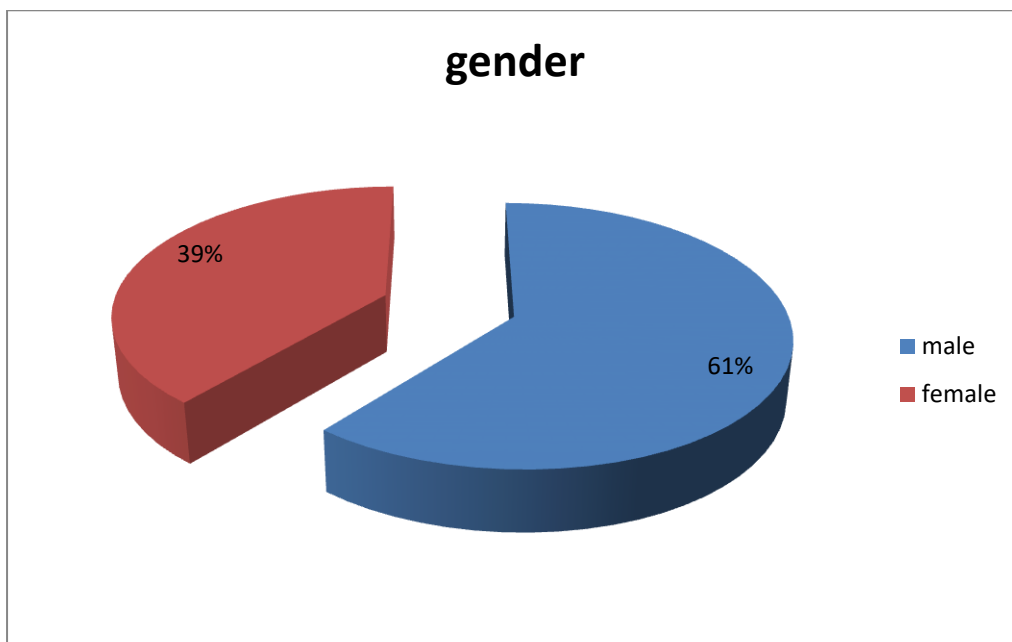


Figure 4.1: Respondents by gender N=33

From figure 4.1, 61% of the respondents were males and 39% females indicating male dominance in the sectors implying that entrepreneurship in Zimbabwe is biased towards males.

4.2.2 Question 2. What is your position in the business

Table 4.2: Position in the business N = 33

Position	Number	Percentage
Owner	2	6
Manager	5	15
Owner/manager	25	76
bookkeeper	1	3
Total	33	100

Table 4.2 shows that, 76% (25 out of 33) were owner/managers, 15% (5 out of 33) were managers 6% (2 out of 33) of the respondents were owners, and 3% (1 out of 33) were bookkeepers. This implies that the majority of the respondents were owners as well as managers of their businesses. The results also imply that a minority of the respondents were bookkeepers. A possible explanation of this could be that most small business cannot afford to employ qualified bookkeepers and the owners doubled as managers and bookkeepers.

4.2.3 Question 3. Number of years in business

Table 4.3: experience in operating business

Years in business	Number	Percentage
Less than 1 year	9	27
1-5 years	17	53
5 – 10 years	5	16
10 or more years	2	6

Table 4.3 indicates that, 53% (17 out of 33) had 1 – 5 years, 27% (9/33) respondents operated up to a year in business, , 16% (5/33) with 5 – 10 years of operation, and 6% (2/33) with 10 years in business. In all 80% of the businesses operated for 5 years or less signifying infancy of players in a sector which has been operating for more than three decades. Individuals gain experience in various aspects of their operations with time. In view of this, it is expected that, the longer a business entrepreneur operates, the better positioned she/he is to implement relevant bookkeeping systems in the business. In accordance to Maseko and Manyani, (2011) little business ideologies might be one of the reason why micro entities are failing to apply proper accounting systems to the fullest.

4.2.4 Question 4. Level of education

Table 4.4: Level of education of respondents

Qualification	Number	Percentage
GCE O/A Level	24	73
Certificate/Diploma in bookkeeping/accounting	1	3
Certificate/Diploma	8	24
Degree	0	0
Other	0	0
Total	33	100

Table 4.4 shows that, 73% (24 out of 33) of the respondents had an O/A level certificate, 24% (8 out of 33) had a certificate/Diploma in different academic fields and 3% (1 out of 33) had an accounting certificate/diploma. The results also show that none of the respondents had attained a university qualification or had other qualifications. The results imply that most of the small business owners/managers/bookkeepers were lowly qualified and most have no qualification in accounting hence lacked the expertise in record keeping which is necessary for their business survival and growth.

Maseko and Manyani, (2011) argue that bookkeeping information will only apply if SMEs have a some degree of accounting knowledge and technical competence, which is not the

position on the ground in businesses. Senik et al. (2012)'s findings established SMES managers in Malaysia had less skills and qualifications to apply the accounting practices. When educated one can appreciate the dynamics and challenges businesses possesses. Thus its beyond expectation that if the owner/manager has some education background he will be able to implement directly or indirectly accounting practices their business.

4.2.5 Question 5. Type of business

Table 4.5: Types of businesses N=33

Type Of Business	Number
Flea market operators	6
Food vending	3
Steel and metal fabrication	4
Furniture manufacturer	9
Suppliers and producers of hardware	10
other	1
Total	33

From table 4.5 suppliers of hardware and manufacturers of furniture contribute the largest number of operators (10 and 9) respectively. Other players are flea marketers (6), Steel and metal fabrication (4), food vendors (3) and other is for CD and airtime vendors.

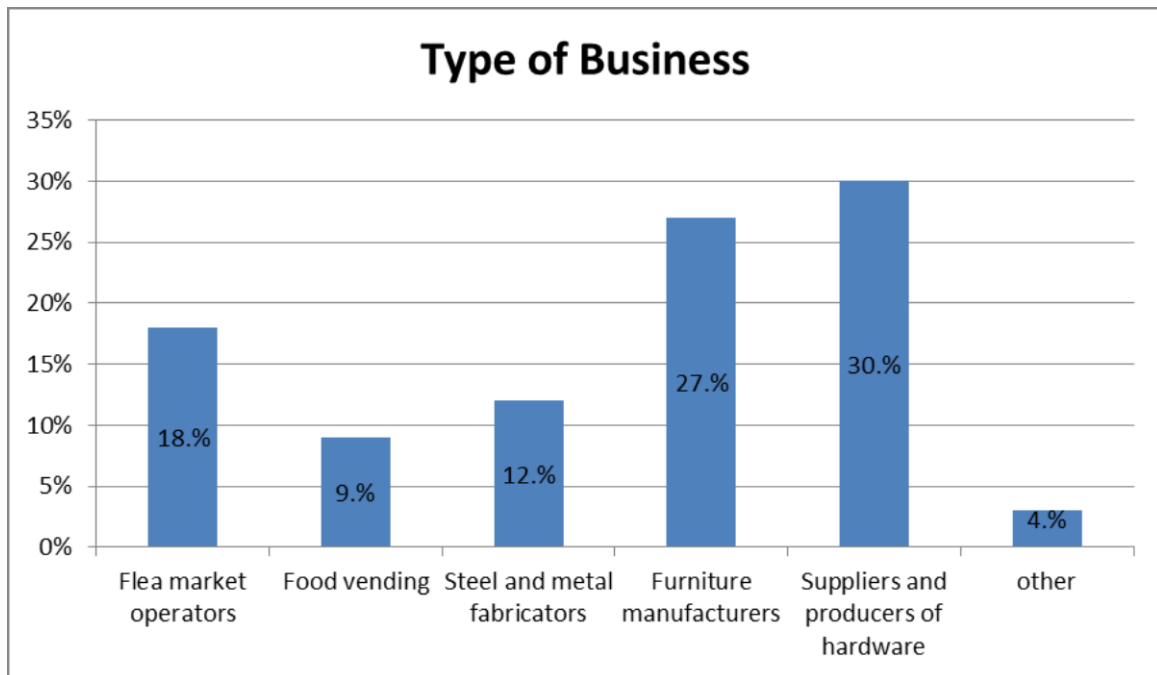


Figure 4.2 Types of businesses at Green Market Mutare

From figure 4.2 30% (10 out of 33) constitute suppliers and producers of hardware, 27% (9 out of 33) furniture manufacturers, 18% (6 out of 33) were flea market operators, 12% (4 out of 33) steel and metal fabricators, 9% (3 out of 33) food vending, and 4% (1/33) were music/video/ CD and air time vendors.

4.2.6 Question 6. The objectives of financial record keeping in my business are:

The study participants were asked what they intended to achieve through financial record keeping in their businesses. The following results were obtained:

Table 4.6 Objectives of financial record keeping

objective	Strongly agree	agree	Neither agree or disagree	disagree	Strongly disagree	Total
To provide financial information for decision making	3	23	4	3	0	33
To ascertain business property and liabilities	4	11	15	3	0	33
It is a legal requirement	0	10	13	7	3	33
Used in the measurement of financial performance	3	17	2	8	3	33
To ascertain what the business owes/ is owed	4	5	0	18	6	33
To ascertain the business revenue and expenses	7	19	3	4	0	33

Table 4.6 shows the absolute responds to objectives of financial record keeping. The corresponding percentages are outlined in the next paragraph.

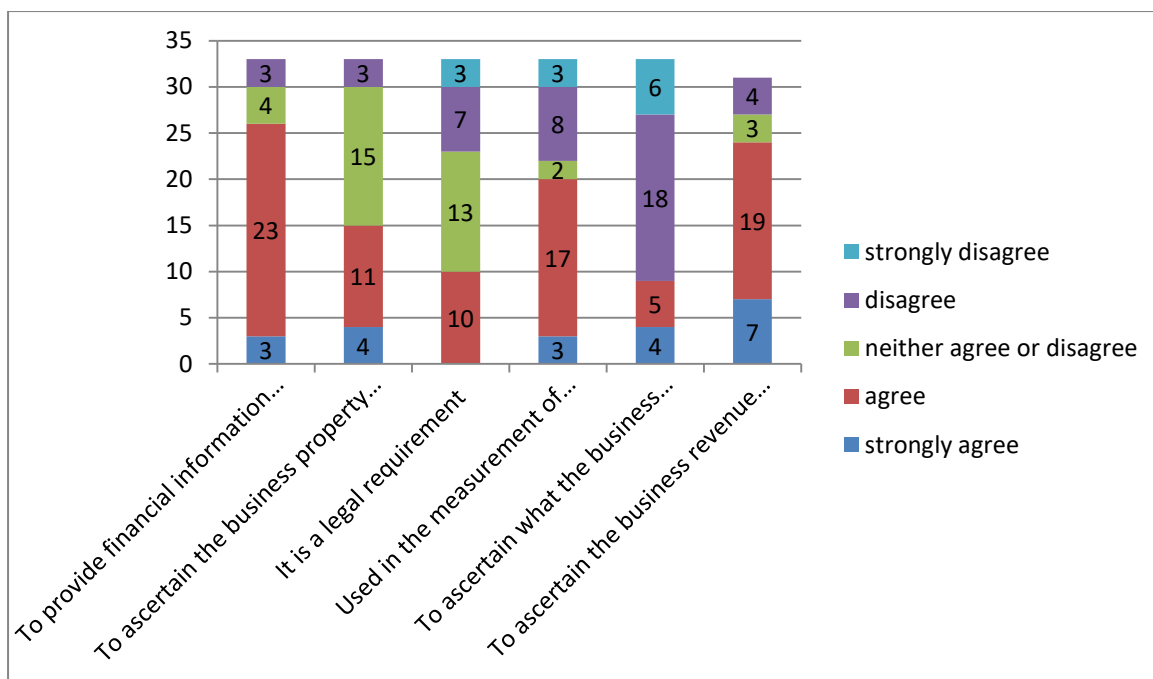


Figure 4.3: Objectives of record keeping in small businesses

Figure 4.3 show that the majority of respondents, 70% (23 out of 33) agreed that one of the objectives of financial record keeping in their businesses was to provide financial information for decision making. This implies that, planning was a major objective influencing bookkeeping practices in most small businesses. According to Prihatni et al. (2012), the basic objectives of accounting are to provide financial information to the managers, owners and the stakeholders that are the parties who are interested in an organization, to help them reduce uncertainty in decision-making. This implies that record keeping in most SMEs was done to provide financial information for decision making.

Figure 4.3 further shows that, another major factor motivating managers of SMEs to practice book keeping was to ascertain the business property and liabilities (33% agreed and 12% strongly agreed). However, 45% (15 out of 33) neither agreed nor disagreed. This suggests that, whilst a considerable number of small business owners acknowledge the importance of records in ascertaining the business property and liabilities, the rest were unsure. Many researchers highlight that business records show how much the firm is owed; how much it owes others.

The results also show that the majority (39%) neither agreed nor disagreed with the fact they kept records as a legal requirement. However, 33% (11 out of 33) agreed that they prepared records as a legal requirement. This shows that micro entities were not aware of the legal requirement to prepare records. If no records are kept, it will be difficult to find accurate net profit. Under such circumstances, tax authorities may overestimate the profits and thus a trader will suffer for not having kept the financial business records. Besides the interest of the business owner to survive, the statutory requirement and financial records are an exceptional business supervision tool Okpala, (2012).

Further, study results show that 52% (17 out of 33) agreed that financial records were kept with the objective of measuring financial performance. This means that small business owners were concerned about the performance of their firms. This is supported by Prihatni, et al (2012) who notes that, at present, accounting has many objectives, including letting people and organisations know if they are making a profit or a loss. Figure 4.3 also shows that, 55% (18 out of 33) disagreed that they kept records to ascertain what the business owes/is owed. This could imply that most businesses did not transact business on credit basis. However, the basic accounting started as a result of the need by business owners to record transactions and know their business worth. Ademola, et al (2012).

Finally figure 4.3 show that 58% (19 out of 33) of the respondents said that they kept financial records to ascertain the business revenue and expenses. According to Akande (2011), a basic bookkeeping report, when done correctly, should be able to answer the question: how much income is the business generating every month and how much expenses are incurred every month?

By maintaining proper books of accounting, a business can at any given time establish its financial position, profit or loss for the period, cash flow its changes in wealthy Okwena et al, (2011).

4.2.7 Question 7. Which accounting method does the business use

Table 4.7 Accounting method used

Accounting method	number	percentage
Single entry	26	79
Double entry	4	12
None at all	3	9
Total	33	100

Table 4.7 shows that 26 out of 33 use single entry system of accounting and 4 out of 33 use double entry and 3 out of 33 used no method of financial record keeping.

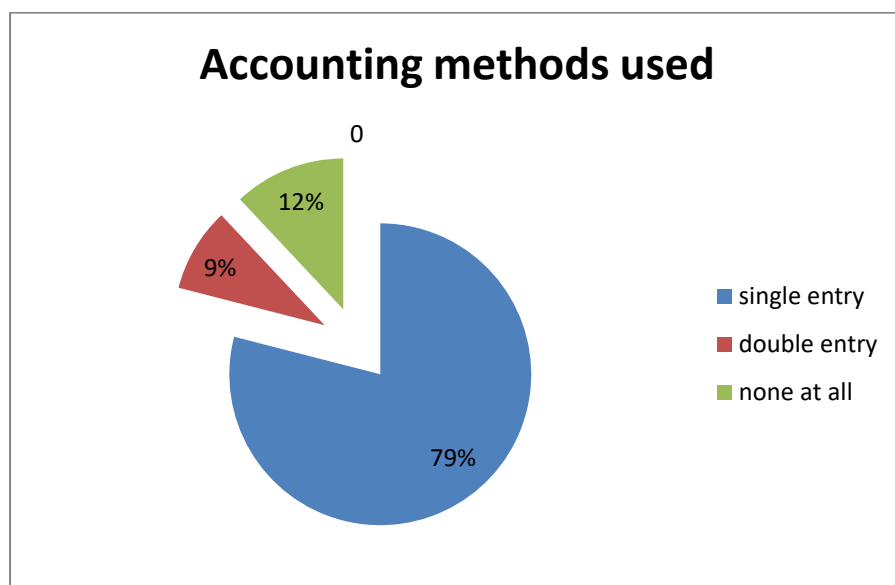


Figure 4.4: Accounting method used

Figure 4.4 shows that, 79% of the respondents used single entry, 9% used the more superior double entry system and 12% used neither. Thus most of the traders applied the single entry

system and a significant number did not know what system they were using. Interview results confirm that, in some firms, there were no records of outstanding debtors or creditors, or of stock, or what receipts and payments have been received and paid, or, in some cases, of the split between revenue and capital items. Interview participants in question 2 revealed that such records were kept in their memory as their transactions were very few to warrant recording. It was also revealed that credit transactions were only done with people personally known to the owners of the businesses.

Kurniawati & Hermawan, (2010 :) lament that; using incomplete records cannot give an accurate picture of period end financial statements as they do not tell the whole story. Some previous researches produced similar results to this study's findings. Okwena et al. (2011)'s survey in Kenya found that majority of small and medium scale enterprises used single entry book keeping system. Related to this, Arkoh, et al (2012) examined the bookkeeping practices among small scale business in Ghana and established that there were no proper financial records within the SMEs in the metropolis. In a related survey in Australia, 57% of the respondents were found to use the double entry system, Okwena (2011). In another survey in the Czech Republic, Šteker & Otrusínová (2012) states that the majority of small enterprises (90%) practiced double-entry bookkeeping.

These findings are rather in contrast to this research's findings of accounting methods used by informal traders, where only 4% of SMEs used double entry systems. A possible explanation to this could be that SMEs in Australia and Czech Republic, which are more developed, could have a more developed accounting system than those in Zimbabwe.

4.2.8 Question 8. Which accounting base does the business use?

Table 4.8: accounting bases used

Accounting Base	Number	Percentage
Cash	30	91
Accrual	3	9
Total	33	100

From Table 4.8, 91% (30/33) of those that responded adopted cash basis of accounting with 9% (3 out of 33) practising accruals basis. This implies that the most of small business owners/managers/bookkeepers are understand the cash basis. This is supported by European Commission (2008) position for cash basis of accounting to be adopted in small businesses. In the study, most of the small businesses recognised a transaction only when cash was received or paid.

Maseko & Manyani (2012) in conclusion of their study said SMEs favour most the cash basis of accounting, and this cash basis to be adopted by SMEs in their accounting. Mwangi (2011) also noted why most SMEs prefer cash basis of accounting because of its simplicity in application. This draws the idea why in Zimbabwe most SMEs use incomplete record of accounting.

4.2.9 Question 9. The accounting records that I keep in my business are

Table 4.9 Accounting records kept

Accounting record	Strongly agree	Agree	Neither agree nor disagree	disagree	Strongly disagree	Total
daybook	5	24	3	1	0	33
Ledger accounts	0	0	0	29	4	33
Cash book only	0	3	0	27	3	33
Asset register	5	17	7	7	1	33
Personal jotter/notes	7	24	2	0	0	33

Table 4.9 shows the responses to the type of accounting records that are kept by the SMEs at the Green market in Mutare

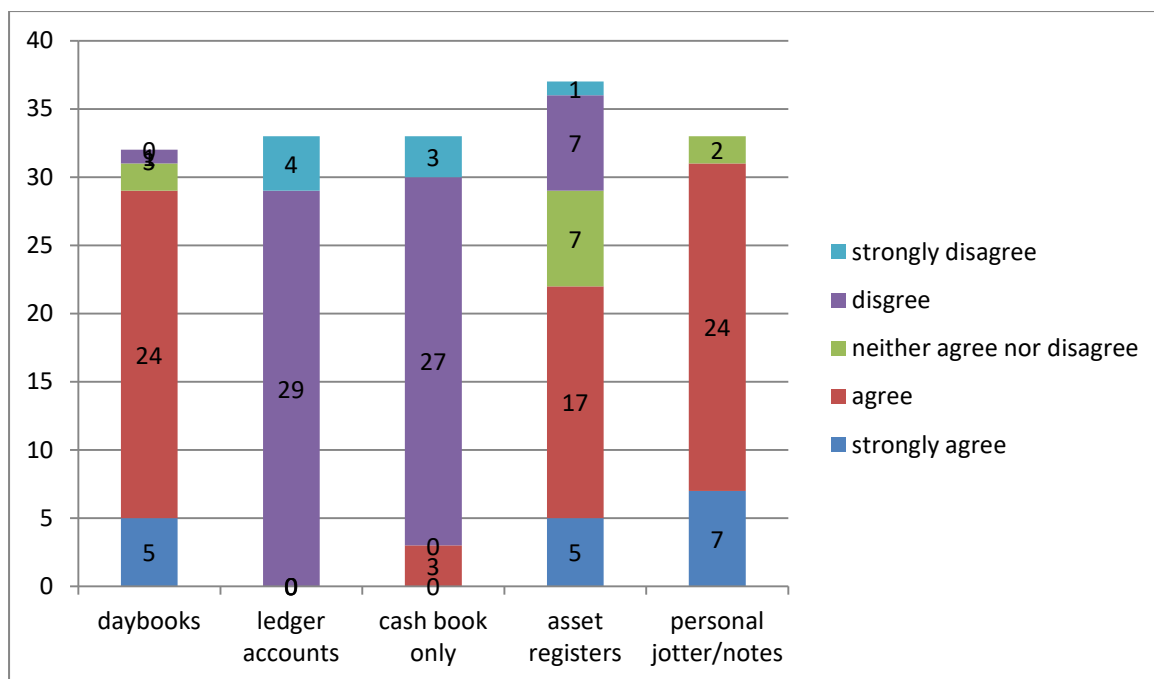


Figure 4.5: Accounting records kept

Figure 4.5 show 73% (24 out of 33) of the respondents who strongly agreed and 15% (5 out of 33) who agreed that they used daybooks. The results also show that, 52% (17 out of 33) agreed that they kept asset registers and 73% (24 out of 33) agreed that they single books or notes. This suggests that the majority of the businesses had some form of recording systems in place, providing them with information for decision making.

The study findings also show that, 88% (29 out of 33) of the respondents disagreed that they kept ledger accounts. This could mean that double entry system which depends on ledger accounts could not be practiced. This can make the preparation of final accounts difficult. Sathyamoorthi (2001:103) established that 6% of the studied businesses had kept all the necessary ledger accounts. Reed (2005) emphasised that SMEs must keep source documents which are recorded in subsidiary books and posted to different ledgers, from which financial reports are prepared if they are to succeed. Ademola et al., (2012) also recommend firms to keep such a complete set of accounting records.

Lastly, figure 4.5 show that 73% (24 out of 33) of the respondents disagreed that they kept the cash book only. This could mean that they also kept other types of records beside the cash book. Maseko & Manyani (2011) concur with such a result and state that, therefore, small businesses, can have all the information they want by only maintaining a cash book and having some form of record, not necessarily in double entry form, of their debtors and creditors. This also concurs with the responses given in interview question 2 were the

interviewee said they would not maintain any form of accounting records instead they keep the information in their heads.

4.2.10 Question 10. The following are challenges that I faced in implementing bookkeeping

The following are views of research participants on challenges that they faced in implementing appropriate book keeping systems in small businesses:

Table 4.10 Challenges in implementing appropriate bookkeeping

Challenges	Strongly agree	Agree	Neither agree nor Disagree	Disagree	Strongly disagree	Total
Lack of basic knowledge in accounting	12	9	3	5	4	33
The high cost of hiring professional accountants	7	21	0	3	2	33
Keeping of records is time consuming for me	3	18	3	6	3	33
I can remember all transactions	1	23	2	4	3	33
I don't like book keeping	4	16	3	7	3	33
It's too involving to keep business records	6	17	4	5	1	33

Table 4.10 shows the responses to the challenges that the SMEs businesses face in trying to implement appropriate bookkeeping practices to their best knowledge. The response percentages are detailed in the next paragraph.

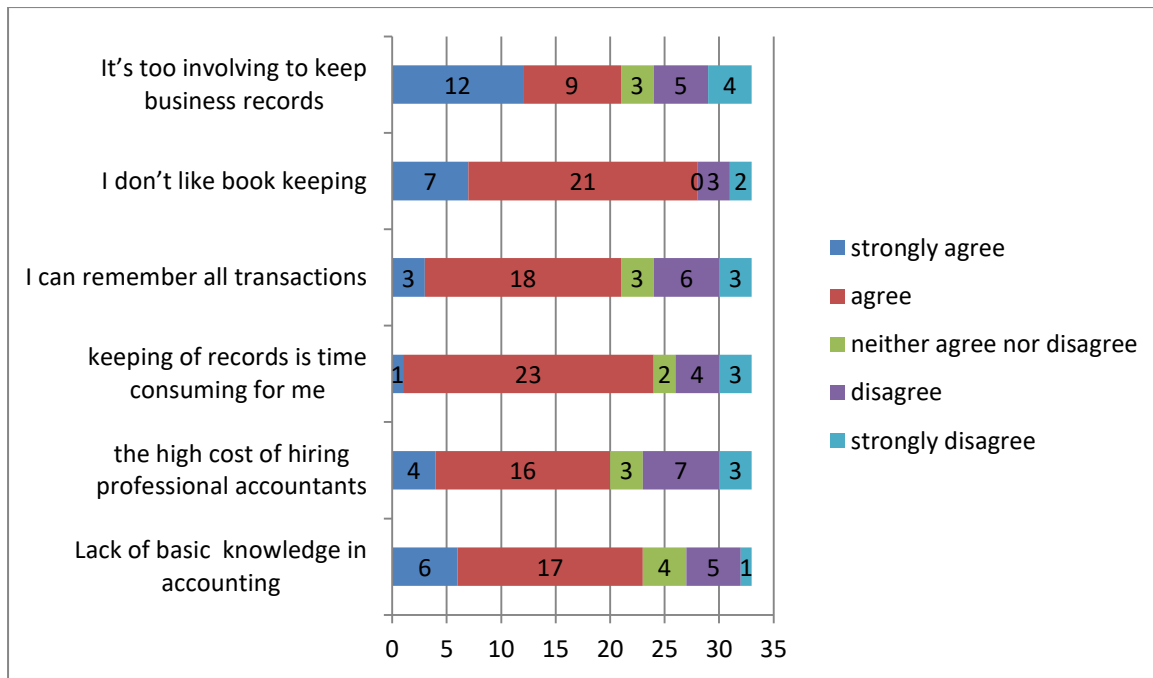


Figure 4.6: Challenges in Implementing Appropriate Book Keeping Systems

The results above show that 6/33 (18%) of respondents strongly agreed and 17/33 (52%) agreed it's a challenge lack of basic knowledge in accounting in implementing bookkeeping system. This could lead record keepers to incompletely record accounting information.

This result is supported by Okwena et al (2011) who had similar studies of SMEs in Kenya. The study showed that the greatest challenge in accounting practice was lack of understanding in book keeping. Also Mbroh & Attom (2012) discovered that most SMEs owner/managers usually had not basics of education or working experience in accounting. Ademola et al (2012) concluded that, at large SMEs failed as soon as they establish because of lack of knowledge of accounting as well as those they task with the duties. In Zimbabwe, Maseko & Manyani's (2012) study revealed that SMEs do not keep complete accounting records because of lack of accounting knowledge.

The results further show that 4/33 (12%) strongly agreed and 16/33 (48%) of respondents agreed that the high cost of hiring professional accountants is a challenge in implementing bookkeeping practices. This concurs with research results of Maseko & Manyani (2012) which states that SMEs fail to maintain accounting records since the cost of hiring professional accountants is prohibitive. Also Mbroh & Attom's (2012) shows that most SME owners are reluctantly willing to go for accounting training or further studies in accounting because of the costs involved.

1 out of 33 (3%) strongly agreed and 23 out of 33 (70%) agreed to the fact that keeping of records is time consuming for them. The explanations seems to concurs with Mutambanengwe (2012)'s view that keeping books of accounts is taken by SMEs as a sheer wastage of resources (time, money and effort).

Figure 4.6 also shows that, 55% (18 out of 33) of the respondents agreed to the fact that they can remember all transactions, so they felt no urge to do book keeping. 64% (21 out of 33) of respondents agreed that they don't like book keeping. It also shows that 36% (12/33) and 27% (9/33) all are in agreement that it's too involving to keep business records.

It seems that, negative perception towards book keeping is one of the major problems faced. As Mutambanengwe (2012) puts it the insight of owners/managers/book keepers of SMEs looks like it is main restraining factor in the use of effective procedures. Ademola et al (2012) in addition says that the other reasons for not keeping proper financial records is that managers/owners of SMEs can keep the records of transactions.

4.2.11 Question 11. Has bookkeeping systems used by small businesses improved their survival and growth?

Table 4.11 whether record keeping has improved growth and survival of SMEs

Strongly agree	2
agree	4
Not sure	5
Disagree	19
Strongly disagree	3
Total	33

Table 4.11 shows responses to whether bookkeeping practices have improved the survival and growth of the SMEs at the Green Market Complex in Mutare. The respondents 22 out of 33 are in disagreement with the statement.

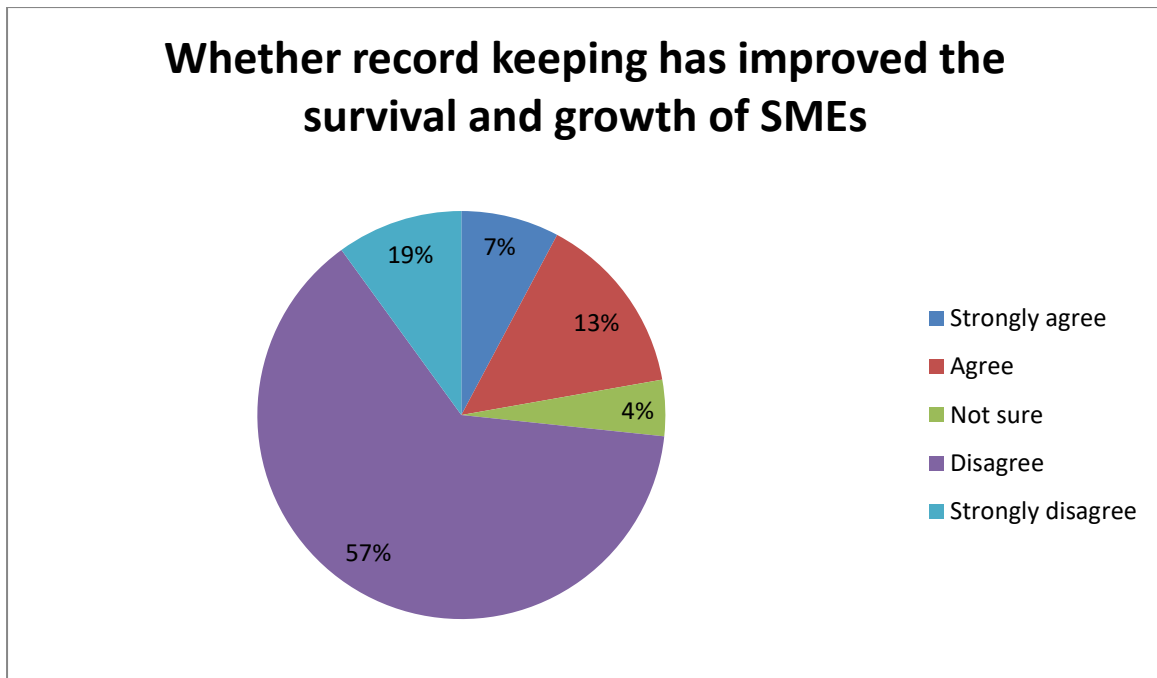


Figure 4.7: Whether Book keeping systems has improved the survival and growth of small and medium businesses

The results were that 57% (19 out of 33) disagreed and 19% (6 out of 33) strongly disagreed and 13% agreed that book keeping systems used by small businesses has improved the survival and growth of their businesses. However, 4% of respondents were uncertain and 7% strongly agreed that record keeping systems they used in their businesses has enhanced business survival and growth. This suggests that the majority of small businesses were not quite acquainted with the proper bookkeeping expected of their businesses hence the lack of appreciation so as to effectively improve their survival and growth.

Okwena et al., (2011)'s study discovered that the most common element of failure in many trades to be absence of accounting records and inefficiency. More than half of the businesses failed were found to have no records or had only bank and taxation records. Mbroh & Attom (2012) emphasised that small scale businesses must keep proper and adequate records or books not only for the orderly conduct of the enterprise but also because it helps entrepreneurs reduce the possibilities of early failure, increase chance of business survival, serve as a basis for planning and controlling business operations, increases the chances of profitability and also helps to keep business in a sound and healthy state to face competition. They emphasised that small scale entrepreneurs must keep adequate records.

4.2.12 I have found the following techniques to be effective in bookkeeping system in my business:

Lastly, participants were asked about the effective bookkeeping systems they used in their businesses. Their responses are depicted in the table and figure below.

Table 4.12 Bookkeeping systems considered effective.

Tips to ensure better bookkeeping systems	Strongly agree	Agree	Neither Agree nor Disagree	Disagree	Strongly disagree	Total
I maintain separate accounts for business and personal provisions	3	21	3	3	3	33
I maintain proper order and filing system for all records.	2	24	0	6	1	33
I use the services of an expert bookkeeper	5	4	0	19	5	33
I use double entry system always	0	4	2	25	2	33
I keep proper documentary record of assets purchased	4	15	7	4	3	33

Table 4.12 showing (21/33) of the respondents agreed that they found maintaining separate accounts for business and personal provisions to be an effective strategy for book keeping. 24/33 and 15 out of 33 agreed that maintaining proper order and filing system for all records, and keeping proper documentary record of assets purchased, respectively, were effective record keeping systems.

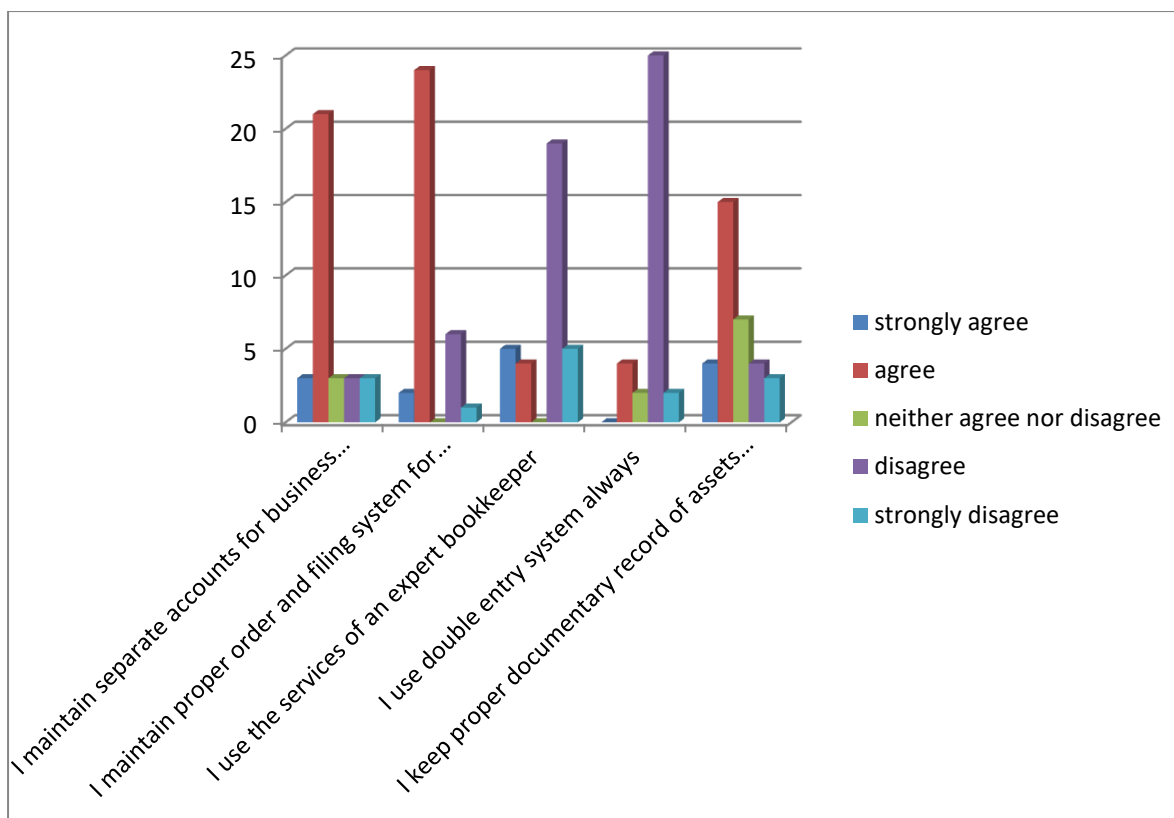


Figure 4.8 Effective bookkeeping systems

Figure 4.8 and table 4.12 show that 64% (21 out of 33) agreed that that they found maintaining separate accounts for business and personal provisions to be an effective strategy for book keeping. Figure 4.8 and table4.12 also shows that 73% (24 out of 33) and 45% (15 out of 33) agreed that maintaining proper order and filing system for all records, and keeping proper documentary record of assets purchased, respectively, were effective record keeping systems.

These good practices for the recording of business transactions were concurred by other researchers as appropriate on different situations:

- Keeping separate accounts for personal issues and those for the business separately is very important to distinguish the two. Okwena (2011).
- Identify personal expenses that cannot be included under business expenses, Mbroh & Attom (2012).
- Maintain accurate record of assets for business. Maintain clear employee compensation records, Norman (2004).

Lastly, figure 4.8 shows that 15 % (5 out of 33) and 12% (4 out of 33) of the participants strongly agreed that using the services of an expert bookkeeper, using the double entry system, respectively were effective strategies they used in book keeping. These percentages are considerably low, implying that few businesses were utilizing these strategies. This could be the reason why most small businesses were not surviving beyond five years as well as failing to grow into medium and large businesses.

4.3 Analysis of interview responses

Five Interviews were targeted and 5 managers/owners/book keepers who did not participate in completing questionnaires were interviewed. This represents 100% response rate. The main purpose was to probe further into what they did concerning book keeping in their businesses.

4.3.1 Question 1. What are the objectives of record keeping in your organization?

All those interviewed said that they practices record keeping because they needed to know if they are making a profit or a loss; what their business is worth; what a transaction was worth to them; how much cash they have; how wealthy they are; how much they are owed; how much they owe to someone else; and know enough information so that they can keep a financial check on the things they do. This confirmed results from questionnaires question number 6 where 70% of the respondents agreed that one of the objectives of financial record keeping in their businesses was to provide financial information for decision making. In areas of expenditure, costing and cash flow accounting, SMEs can make use of accounting information to address by monitoring and controlling such problematic issues (Karunananda & Jayamaha, 2011).

4.3.2 Question 2. What is the nature of records kept in your organization?

All the respondents confirmed that they kept the cash book and personal notes. However the majority did not keep any ledger accounts and were not familiar with such type of record keeping. They said they would keep the records in their memory as the transactions are generally few to warrant any recording. Some said they transact on credit, on rare occasions, with those people they personally know and this would be kept in the head. A few participants recalled double entry system from their college studies in their respective fields

of work but confirmed that they did not use the system because it was time consuming and needed a lot of resources. This prompted the researcher to probe further in asking their levels of qualifications and their related fields. Amongst the interviewees there was no one with an accounting or bookkeeping qualification. This has a link results from questionnaires question number 12, where 79% of the respondents agreed to using single entry and 88% disagreed that they kept ledger accounts maybe mainly because of lack of accounting background. According to Kurniawati & Hermawan, (2010), SMEs apply a one jotter arrangement where important issues are recorded fully. Maseko & Manyani (2011) concur and state that, therefore, many small firms, especially retail shops, can have all the information they want by merely keeping a cash book and having some form of record, not necessarily in double entry form, of their debtors and creditors.

4.3.3 Question 3. What are the challenges that you have faced in implementing bookkeeping systems in your organisation?

The majority of small business managers/owners/book keepers interviewed revealed that they faced several challenges in the recording of financial transactions. Chief among them was the sheer lack of knowledge of book keeping since their qualifications diploma/certificate is for the relevant trade thus they have little knowledge in bookkeeping or accounting. Other problems noted included time to do the paperwork of recording transactions each time they occur since most of them also perform the major cores of the business and cost constraints of buying extra stationery and hiring or employing bookkeepers and the negative perception towards book keeping.

This result is supported by findings of several researchers. Bowen et al (2009) note that, the insight of managers/owners/book keepers of SMEs seems to be the main hindrance in the recording of business transactions and that hiring professional accountants is costly. Arkoh et al., (2012)'s study highlighted that improper financial records kept were as a result of little knowledge in the accounting field. The interviewer asked further whether there are any programs put in place by the Green Market Association to train the members in financial record keeping for which the answer was negative. They said even the provincial committee of the SMEs had no such plans for its members.

4.3.4 Question 4. Does the bookkeeping system you use affect the survival and growth of your business in any way? Elaborate.

Some of the interviewees revealed that their businesses were struggling to survive and grow and this could, to some extent be linked to the inadequate record keeping system they used. Most of them however said that, they were struggling to survive and grow, but this could not be attributed to their nature of record keeping, but to myriad of other factors such as, lack of financing, and the poor economic environment currently prevailing in the country.

One of the interviewees said that the type of financial record keeping was putting their survival at risk since the requirements by ZIMRA for the records are standardised thus failure to keep them to the standard will result in Zimra requiring presumptive tax or estimating tax to be paid where in actual fact one might have made little profit or losses. The interviewee said their type of financial record keeping was not helping in any way in the growth of their business since sourcing finance (loans from the banks) require proper financial statements. This tallies with the findings by Ademola et al (2012) were they say inadequate record keeping have been cited as the reason why firms fail to access bank loans and hence funds to grow.

4.3.5 Question 5. What are the techniques that have proved to be effective in bookkeeping systems in your business?

The most popular technique that emerged were; getting organised before the start of period and keeping all information all financial and business relevant transactions. Other techniques were keeping a log of the owner's business travel in the company vehicle, verifying and finding out personal expenses which cannot be put under business expenses. This technique concurs with the responses given in question 12 of the questionnaire were 64% agreed that maintaining accounts for personal provisions and those for business separately is an effective strategy for bookkeeping.

4.4 Summary

The chapter discussed the socio-demographic data, the objectives of financial record keeping by the respondents, the nature of financial records kept by the respondents for their

businesses, the challenges the respondents faced in implementing bookkeeping systems and the techniques found useful by the respondents. The next chapter summarises the chapters, makes the research conclusions and gives recommendations.

CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

The chapter has three sections that conclude the research report and they are summaries of the whole project and major findings of the study, the research conclusions based on the findings and the recommendations on the way forward. These sections shall discuss the research problem tackled, major findings of the study and their implications for practice.

5.1 Summary of chapters

In Chapter 1, the study set out to investigate the impact of bookkeeping practices on the survival and growth of SMEs at the Green Market in Mutare. The following objectives had to achieve it: to examine the objectives of financial record keeping by small organizations, identify the nature of financial records kept by small organisations, examine the role of financial record keeping to the survival and growth of SME.

Chapter 2 explored literature review related to the impact of bookkeeping practices on the survival and growth of small businesses. Book keeping has many objectives but the prime objective is to know enough information so that a financial check on business transactions is kept, Prihatni, et al (2012). However, the primary aim of bookkeeping is to offer financial information for decision making. Karunananda & Jayamaha (2011), and Bruce, (2011) all emphasised that small scale entrepreneurs must keep records which arise out of the use if the double entry system.

Managers/owners of SMEs face many challenges in keeping adequate financial accounting records. Such challenges include the perception of owners/managers of micro entities, little or no knowledge of accounting and inhibiting costs of outsourcing the services or employing accountants {Bowen, et al (2009) Maseko & Manyani (2012) Ademola et al (2012)}.

Financial record keeping was seen to aid in the survival of firms, Mbroh & Attom (2012) Conclusively, several researchers {Mwangi (2011), Ademola et al (2012), Bruce (2011) and Prihatni et al (2012)} suggest that, poorly prepared accounting information render most

SMEs unable to evaluate their own financial situation, ending in improper financial decisions, low growth and high failure rate.

Chapter 3 explored descriptive survey methodology used. Quantitative and qualitative methods was used for the study. By using the descriptive survey, it was possible to use a sample, questionnaire and interview. A sample of 33 owner/managers/book keepers of small businesses was used. Purposive sampling was used to select an area within the Green Market in which to carry out the study. This method was used to hand pick businesses whose owners/manager/accountant accepted to be included in the research.

Chapter 4 dealt with the presentation and analysis of data obtained on the survey carried out. The targeted samples responded positively an no challenges were met in collecting data. Data was presented systematically and analysed according to the intended objectives.

5.2 Major Findings

To examine the objectives of financial record keeping by small organizations.

The study reveals that the majority of small business at the Green Market in Mutare kept business records with the basic objectives of providing financial information to the managers or owners to help them reduce uncertainty in decision-making. In small businesses, book keeping has many objectives, but mainly it is there to keep the owner abreast of the net worth of the business.

To identify the nature of financial records kept by small organizations.

This study has shown that the majority of the small businesses use the single entry system rather than double entry book keeping which could enable them to produce reliable financial statements. The study also found that the majority of the respondents use cash book only, asset registers, and personal jotters or notes, whilst an insignificant number kept day books and complete ledger accounts. Most transactions are therefore not captured in business records.

To examine the role of financial record keeping to the survival and growth of small scale enterprises.

The findings revealed that the book keeping strategies used by the majority of small businesses were not effective enough to improve survival and growth. The study exposed that SMEs do not keep comprehensive accounting information because managers/book keepers had limited knowledge in financial record keeping and the process of book keeping and/or cost of hiring professional accountants were deemed to be expensive. Thus, the book keeping systems applied did not in any way help improve the survival and growth of these businesses as shown in table 1.1 as most players are new in the business signifying high turnover of new businesses and those exiting.

5.3 Conclusion

This research study was successful and the objectives arrived at with notable contributions to existing information in the field of SMEs book keeping application. The success of the research is attributed to the appropriate research methods employed by the researcher.

Several challenges that face SMEs were revealed in the study and from the findings not only financial record keeping is the only determinant in the survival and growth of SMEs but there are other determinants such as financial constraints, lack of borrowing capacity and the current economic conditions prevailing in the country. It is clear therefore that financial record keeping is one of the factors that contributes to the survival and growth of SMEs in Zimbabwe.

5.4 Recommendations.

The findings of this study have implications for practice.

- The majority of the respondents were owners as well as managers of their businesses and a minority of the respondents were bookkeepers. This research therefore recommends small businesses to employ experienced bookkeepers or outsource the book keeping function so that it is done properly according to IFRS published by IASB in July 2009 (the required accounting practices). Maseko and Manyani, (2011) argue that proper accounting in SMEs can be achieved if they have accounting

background and technical qualification which is not the case with most of them. Most small businesses applied single entry accounting. As a result incomplete records are the order of the day and no precise periodic financial statements can be shown. Micro entities are therefore encouraged to apply double entry accounting since it provides proper information to prepare period end financial statements. Kurniawati & Hermawan, (2010) in contrast to the use of incomplete records in accounting says that incomplete records do not say the actual story of the business at the end of the period.

- The results revealed that a few business owners had an accounting qualification. There is therefore need to impart accounting skills in these business owners by some other means. Government could provide training programmes in book keeping skills for the owners/managers/book keepers of small businesses. These programs can be initiated by the SMEs association committee for the benefit of their members with the assistance of the government. The government through ZIMRA should organise free seminars that will teach entrepreneurs of these SMEs on how to keep proper written records. Entrepreneurs themselves as a matter of policy should on their own go for seminars that would teach them to improve their record keeping knowledge.
- The findings showed that inadequate records were kept by small business owners. Government could thus make record keeping in SMEs mandatory to improve their book keeping practices. The other recommendation is that the authorities should introduce accounting guidelines for SMEs or in the form of templates for easy use. According to Mwangi (2011), this is expected to create a platform for small businesses to recognise accounting systems properly and adhere to government statutes and provide necessary information required by lenders and other stakeholders.
- The research highlighted that amongst the major challenges faced by small business owners was lack of adequate time to concentrate on record keeping. In such a scenario, Ademola et al (2012) recommended that small businesses should outsource the whole book keeping function (if they can afford it) or employ clerks, who have knowledge of book keeping and they should cultivate the habit of separating business issues with personal transactions.

5.4 Areas of further study

These may include studies on revenue contribution by SMEs through taxes and levies to the government and the impact of government assistance to the SMEs in relation to revenue collection by Zimra.

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APPENDIX A

Letter

Midlands State University

P. Bag 9055

Senga road

Gweru

Dear Respondent

I am carrying out a research entitled “The impact of bookkeeping on the survival and growth of small and medium enterprises: a case of the green market complex in Mutare, Zimbabwe”. This research is specifically for academic purposes and your response and information you provide will be confidential.

Thank you for taking your time to help me.

Kudzanai Nyakatswau

Appendix B

Questionnaire

Instructions

Please put a tick (✓) against the appropriate answer in the box provided. Where space is provided, write additional information needed if any.

1. Gender Male

Female

2. What is your position in the business? Owner

Manager

Owner/manager

Bookkeeper

3. Number of years in business less than 1yr

1 – 5 yrs.

6 – 10 yrs.

11 + years

4. Level of education : GCE O/A Level

Certificate/Diploma

Certificate/Diploma in bookkeeping/accounting

Degree

Other

(Specify).....

5. Type of business

Flea market operator

Food vending

Steel and metal fabricator

Furniture manufacturer

Supplier and producer of hardware

Other

(Specify).....

9. The accounting records that I keep in my businesses are:

Type of books	Strongly agree	Agree	Neither Agree nor Disagree	Disagree	Strongly disagree
9.1 Day books					
9.2 Ledger accounts					
9.3 Cash book only					
9.4 Asset registers					
9.5 Personal jotter/notes					

10. The following are challenges that I faced in implementing bookkeeping systems:

Challenges	Strongly agree	Agree	Neither agree nor Disagree	Disagree	Strongly disagree
10.1 Lack of basic knowledge in accounting					
10.2 the high cost of hiring professional accountants					
10.3 keeping of records is time consuming for me					
10.4 I can remember all transactions					
10.5 I don't like book keeping					
10.6 It's too involving to keep business records					

Other challenges (specify)

.....

11. Bookkeeping systems used by small businesses has improved the survival and growth of the small businesses;

Strongly agree		Agree		Not sure		Disagree		Strongly disagree	
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12. I have found the following techniques to be effective in bookkeeping systems in my business:

Tips to ensure better bookkeeping systems	Strongly agree	Agree	Neither Agree nor Disagree	Disagree	Strongly disagree
12.1 I maintain separate accounts for business and personal provisions					
12.2 I maintain proper order and filing system for all records.					
12.3 I use the services of an expert bookkeeper					
12.4 I use double entry system always					
12.5 I keep proper documentary record of assets purchased					

APPENDIX C

INTERVIEW GUIDE

Purpose: The purpose of this oral interview is to clarify issues that cannot be clearly resolved from the analysis of the questionnaires. It also strengthens the results obtained from the questionnaires. The interview will be guided by the following questions:

1. What are the objectives of financial record keeping in your organization?
2. What is the nature of financial records kept in your organization?
3. What are the most important factors that have determined the success of bookkeeping systems in your enterprise?
4. What are the possible challenges that small businesses could face in implementing bookkeeping systems?
5. Does the bookkeeping system you use affect the survival and growth of the business in any way? Elaborate.
6. What are the techniques that have proved to be effective in bookkeeping systems in your business?