Innovations

Effect of double entry bookkeeping on small and medium scale enterprises (SMES) in Osun state, Nigeria

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Abstract

This study examined the effect of double entry bookkeeping on small and medium scale enterprises in Nigeria. In doing so, the study sought to establish how books of account are kept in SMEs, examine the benefit of keeping double entry accounting records by SMEs, assess the relationship between double entry bookkeeping and growth of SMEs and problems that hinder the utilization of double entry account system by SMEs. The study employed a descriptive survey design in which a set of questionnaire was administered on the selected SMEs in Osun State. A sample of 120 respondents was selected using simple random sampling technique. The data was analyzed using descriptive statistics such as frequencies and percentages and the data was analyzed using F-Statistic (ANOVA) run on Microsoft excel and SPSS. Findings revealed that many SMEs operation in Osun State maintain single entry system. The study also show that the adoption of double entry bookkeeping enhances performance of SMEs. The study further revealed that double entry book keeping enhanced SMEs growth as revealed by (F-Observed 29.97 and 12.23>F-critical 2.87 and 5.19) respectively. The findings also indicated that the SMEs owners faced various challenges in keeping double entry accounting records which include very expensive, lack of accounting knowledge, time consuming and payment of more tax. The paper concluded and recommend that government should put in place a mechanism to make sure that SMEs keep double entry books and prepare final accounts and training should be organized for SMEs operators on the application of double entry bookkeeping, to help keep proper accounting records.

Keywords: 1.Double entry book keeping 2. book keeping small and medium scale enterprises.

1.   Introduction

Accounting plays an important and critical role in the success of failure of any business organization and more so to the small and medium organization whose business environment is prone to risks. Accounting systems are responsible for recording, analyzing monitoring and evaluating the financial status of contemporary business organizations and provide a source of information (Alhasan 2017). The importance of recording all the transactions clearly and systematically cannot be over-emphasized. Accounting records, prepared on the basis of uniform practices enable business to compare results of one period with another period. Tax authorities are also likely to believe the facts contained in the set of accounting records if they are maintained according to the generally accepted accounting principles.

According to Maseko and Manyani (2011), it provides a source of information to owners of small and medium scale enterprises for tax purposes and in measuring financial performance. Establishment of SMEs in Osun State is increasing and the basic objective is to creat e job opportunity and development   of the   state.   Some   these   enterprises   used accounting accounting system they followed is not standard accounting system (Uddin, Bi as, All and Khatun, 2017). As a result of not keeping proper books of account, many of the SMEs fall within the first three years of operation. Agreeing with this view Chelimo and (2012) posited that many SMEs recorded their transactions randomly without sticking to any established system of accounting; hence, there is difficulty in keeping track of their cash flow. Also Boachie and Marfo (2005) in, Amoako,(2013) stated that in spite of the significance of SMEs 60%'of them fail within the first five years of operation as a result of not keeping proper books of account.

SMEs in Nigeria have impacted tremendously on the economy of the stated and well being of the nation. For SMEs efficiently play the mentioned roles there' should be an orderly (method) for gathering and organizing information about the business transactions; This can only be done by the use of sound and adequate accounting system. Chepkemol (2013) opined although SMEs play a significant and critical role in the development of the economic yet, they have not been performing well probably because they lacks complete book keeping system. SMEs are required to keep proper records of financial data concerning all their receipts and payments, all sales and purchases of goods and services and all assets and liabilities from which the financial statement will be prepared (Onaolapo, Fasina, Opoola and Olakunji, 2011).

Festus and Cletus (2014) Opined that for most developing countries including Nigeria to achieve low unemployment, improved income level and poverty reduction which will lead to economic success largely depend on whether SMEs are doing well or not According to Olakunji 2013), r the Nigerian SMEs to do well, there is need for them to attract and Secure Finance. Williams, Haka, Bettner and Carcello (2010) stressed that SMEs used single-entry and since double entry is not followed, the trial balance cannot be prepared and as 'such arithmetical accuracy cannot be guaranteed and external agencies like banks cannot use the information as a result it ' - hard for SMEs to access finance since they lack pr0per accounting records as a requirement This is supported by Owusu Assabil and Asare-Kyire (2015) who argued that the inability of SMEs to access finance and expand their business as l as improve their performance can be attributed to poor record keeping.

Olaoye (2012) stressed that small businesses can have all the information they want by merely keeping a cash book and having some form of records and not necessarily in double entry system in contract. Onaolapo, Fasina Opoola and Olatunji (2012) stated that it is an absolute departure from legal requirement and requires a conversion to double entry system for meaningful reporting. This involves the preparation of a statement of affairs and installation of complete double entry system in line with the accounting standard. This shows the significance of double entry systems in enhancing the performance of SMEs.

According to Olatunji (2013), Onaolapo and Adegbite (2011), most SMEs cannot afford the complexity of a detailed accounting system and hence, the existence of single entries in their books and in some cases incomplete records. Except for statutory demands, they hardly give serious thoughts to the process of sound accounting system. Amoako (2015) stressed that the inadequacy and ineffectiveness of accounting systems have been a critical factor responsible for the untimely collapse of many of the SMEs.

Several empirical studies on SMEs have disclosed that about 60% of small business fail within the first three years as a result of management inefficiencies brought about by poor record keeping (Amoako 2013), Maduekwe and Kamala (2016), Matsoso and Benedict (2014) stressed that the absence of a well functioning book keeping and accounting systems affect the quality of decision making process in the organization. Also Germain (2010) and Kitonga (2013) opined that one major reason for the early collapse of SMEs is attributable to poor or lack of proper book keeping and accounting practices which are component of financial management practices.

Internationally, Peacock (2008) studied company failure in south Austraha, Willams (2010) researched the effect of book keeping on the performance and growth of SMEs, Mbron and Attow (2011) student the impact of accounting practices on SMEs performance, Amoako (2013) investigated the impact of sound accounting practices in Ghana, Al-smirat (2013) researched into the use of accounting information by SMEs in south Jordan and Sibanda and Manda (2016) examined the symptoms of accounting practices in South Africa.

Locally, empirical studies carried out by Okoli (2010) evaluate the accounting systems of SMEs in Enugu, Olatunji (2013) examined the relationship between accounting system and SMEs performance in Oyo State and Festus and Cletus (2018) conducted a research into the accounting system used by SMEs in Yenagoa.

While it has been established that the use of double entry book-keeping practices are important to the survival of SMEs, scarcely will you find sufficient reported research on the subject particularly in Osun State. Despite the importance of double entry book keeping, a number of SMEs in Osun State have not given it much attention, in view of this, this study is aimed at addressing the effect of double entry book keeping on small and medium scale enterprises in Nigeria.

The general objective of this study was to investigate the effect of double entry book keeping on SMEs. Other specific objectives are: To examine if small and medium scale enterprises keep proper and accurate double entry book keeping accounting record of their transactions, to ascertain the benefit of double entry bookkeeping on SMEs, to find out the impact of double entry bookkeeping on the growth of SMEs, to ascertain the problems that hinder the utilization of double entry accounting systems by SMEs in Osun State.

Accounting systems are responsible for recording, analyzing monitoring and evaluating the financial status of contemporary business organizations (Alhasan (2017). The importance of recording all the transactions clearly and systematically cannot be over-emphasized. Accounting records, prepared on the basis of uniform practices enable business to compare results of one period with another period. Tax authorities are also likely to believe the facts contained in the set of accounting records if they are maintained according to the generally accepted accounting principles.

(Maseko and Manyani, 2011). Establishment of SMEs in Osun State is increasing every day and the basic objective is to create job opportunity and development of the state. Some of these enterprises used accounting system but they used it without having knowledge, this indicates that they used voucher, prepare income statement, cash flow and also double entry system as per their needs but they do not know it is called accounting system. The accounting system they followed is not standard accounting system (Uddin, Biswas, All and Khatun 2017). Establishment of

SMEs has impacted tremendously on the economy of the state and well being of the nation. For SMEs to efficiently play the mentioned roles there should be an orderly method for gathering and organizing information about the various business transactions. This can only be done by the use of adequate accounting system. These enterprises may lack the ideas and experiences required to apply the detailed accounting processes, still the value of accounting systems to small and medium scale enterprises is quite and highly profound (Olatunji, 2013).

Basically, there are two types of accounting systems commonly used, namely, single entry and double entry systems. Eric and Gabriel, (2012) describe single entry accounting system as the flow of income and expenses through the business on daily summary of cash receipts, a monthly summary of cash disbursement. In single entry book-keeping their might be single aspects of certain transactions and no record at all for some. Double entry book keeping system involves recording of financial information where a financial transaction impacts at least two different accounts. In modern accounting, this is done using debits and credits and serves a kind of error correction system. If at any point the sum of debits does not equal to the sum of credits then an error has occurred (Akesinro & Adetoso 2010 (Chelimo and Sopia (2012) opined that generally many SMEs recorded their transactions randomly without sticking to any established system of accounting, hence, there is difficulty in keeping track of their cash flows. In spite of their significance, recent studies have shown that 60% of the SMEs fail within the first five years of operation as a result of not keeping proper books of account. (Boachie and Marfo (2005) in Amoako, (2013); Chelimo and Sopia, 2013).

Studies also shown that it is hard for the SMEs to access finances since they lack proper accounting records as a requirement (Williams, Haka, Bettner and Carcello, 2010). Book keepers used single and double entry system but in single entry since double entry is not followed, the trial balance cannot be prepared, as such arithmetical accuracy cannot be guaranteed and external agencies like banks cannot use the information. A bank cannot decide either to lend money or not because of the SMEs inability, to keep proper record of their business transaction.

Olaoye (2012) stressed that small businesses can have all the information they want by merely keeping a cash book and having some form of records and not necessarily in double entry system. Onaolapo, Fasina Opoola and Olatunji (2011) stated that it is an absolute departure from legal requirement and requires a conversion to double entry system for meaningful reporting. This involve the preparation of a statement of affairs and installation of complete double entry system in line with the accounting standard. This shows the significance of double entry systems in enhancing the performance of SMEs.

Onaolapo and Adegbite (2011) Stated that majority of SMEs cannot afford the complexity of a complete accounting system if even they would have. Hence, the existence of single entries in their books and in some cases, incomplete records. Mukaila and Adeyemi (2011) stressed that audits of small and medium scale businesses have proven to be difficult because of the inadequacy of the internal control. Except for statutory demands, they hardly give serious thoughts to the process of sound accounting system, Hence, the inadequacy and ineffectiveness of accounting systems have been a critical factor responsible for the untimely collapse of many of the SMEs (Amoako, 2015). Although SMEs play a significant and critical role in the development of the economy, most researches pointed out that they have not been performing well. Studies have shown that most probable cause is lack of complete book keeping (Chepkemoi, 2013). SMEs are required to keep proper records of financial data concerning all their receipts and payments, all sales and purchases of goods and services and all assets and liabilities from which the financial statement will be prepared.

The place of double entry book keeping accounting system in any business, irrespective of the scale of business cannot be overemphasized. For most developing countries including Nigeria achieving low unemployment, improved income level and poverty reduction which will

eventually lead to economic success largely depends on whether SMEs are doing well or not. For the Nigerian SMEs, to do well there is need for them to attract and secure finance (Olatunjui, 2013). The high incidence of failure among the SMEs in Nigeria necessitated this study. The failures are attributed to the poor accounting systems used by these enterprise. Olatunji (2013) opined that most SMEs cannot afford the complexity of a detailed accounting system and hence, the existence of single entries in their books and in some cases in complete records and the inadequacy and ineffectiveness of accounting processes have been a critical factor responsible for untimely collapse of many of them (Mukaila and Adeyemi, 2011).

Studies on SMEs have disclosed that about 60% of small businesses fail within the first three years as a result of management inefficiencies brought about by poor record keeping (Amoako 2013). This is because the absence of a well functioning book keeping and accounting systems affect the quality of decision making process in the organization (Barbara, 2010; Boame 2014, Karadag 2015, Matsoso and Benedict, 2014).

On top of the conflicting viewpoint, there, has been very little interest on the impact of sound accounting system on the performance of small and medium scale enterprises in Osun State, Nigeria. The few studies in this area in Nigeria are those of Okoli (2011), Festus and Cletus (2018) Raymond, Ezenyirimba and Moses (2014), Olatunjui (2013), Ademola (2012), Akesinro and Adetoso (2016) and Okafor and Daferighe (2019) that focused on accounting practices and performance of small and medium scale enterprises.

Important studies of this nature have not been conducted in Osogbo, Osun State where businesses are predominantly on small and medium scale basis. This study, however fill the gap in literature by examining the effect of double entry bookkeeping on small and medium scale enterprise in Osogbo Osun State.

Despite the importance of double entry book keeping, a number of SMEs in Osun State have not given it much attention, in view of this, this study is aimed at addressing the effect of double entry book keeping on small and medium scale enterprises in Nigeria.

The general objective of this study was to investigate the effect of double entry book keeping on SMEs.

Other specific objectives are: To examine if small and medium scale enterprises keep proper and accurate double entry book keeping accounting record of their transactions, to ascertain the benefit of double entry bookkeeping on SMEs, to find out the impact of double entry bookkeeping on the growth of SMEs, to ascertain the problems that hinder the utilization of double entry accounting systems by SMEs in Osun State.

2.   Literature Reviews:

The definitions of both small and medium scale business are multi dimensional as various scholars defined it according to their own perspective. For instance Festus and Cletus (2014) regarded it as the engine of economic growth and equitable development of developing countries. They are labour intensive, capital saving and capable of helping create new jobs. Chelimo and Sopia (2014) stressed that businesses with less than 10 employees are micro, while those with more than 10 but less than 50 are classified as small and those with workers more than 50-250 are medium enterprises. According to Ademola, Samuel & Ifedolapo (2012) small and medium scale enterprises are catalysts for world's economic growth and development which have to greater extent dominated the industrial sector of both developed and developing countries. The international finance corporation (IFC) and Corporate Affairs Commission in 2001 justified that Nigeria's industrial sector is dominated by SMEs, estimated to be about 90% of the

sector employing less than 50% of the people – (HPAC 1 2002). Given the importance of SMEs in Nigeria's industrial sector, it is expected that the success of her economy would be partly dependent on the success of the SMEs but many of them failed due to lack of complete or sound accounting system (Akesinro and Adetoso, 2016). It has been discovered that many small and medium scale enterprises failed or shut down before they can achieve their goals as a result of poor management from weak accounting system (Olatunyi 2013, Safiriyu, 2012).

The basic objective of double entry bookkeeping therefore is to ensure that established system of accounting that is not in absolute departure from the legal requirement are kept for meaningful reporting(Onaolapo, Fasina, Opoola and Olatunji, 2011).

(William, 2008). Stressed further that complete record keeping have the following objectives;

To provide an accurate, and thorough picture of operating results, to permit a quick comparison of current data with prior year's operating results and budgetary goals,to offer financial statement for use by management, bankers and prospective creditors.

To facilitate the prompt filing of reports and tax returns to regulatory and tax collecting agencies of government,to reveal employees fraud, theft, waste and record keeping errors,to allow for fast, accurate and reliable access to records.

It is important when a firm is seeking fund from a bank for expansion – the benefit of record keeping is critical to the performance of SMEs. This is because without it, it will be highly impossible to ascertain, the level of profitability and the level of business susceptibility to fraud (Ademola, 2012).

According to Ademola, Samuel and Ifedolapo (2012), the specific benefits of sound record keeping stressed to be the following:

It helps to avoid business failure

It is useful for financial management planning and control.

It helps to make sound decisions

It is critical to business survival.

2.1   Book Keeping Methods

Book keeping is the recording of business transactions in a systematic and orderly manner while accounting is the classification, analysis and interpretation of the business record for decision making (ICAI, 2016). Basic accounting skills is required in order to ensure sound and complete accounting records. There are two basic types of book keeping methods. They are single entry and double entry systems.

Single Entry Bookkeeping Systems

The single entry system is an "informal" book keeping system where a user of this system makes only one entry of a business transaction. It generally includes a daily summary of cash receipts and a monthly record of receipts and disbursement (Eric and Gabriel (2012). A cheque book for instance, is a single entry book keeping system where one entry is made for each deposit or cheque written. The receipts are entered as a deposit and a source of revenue. Cheques and withdrawal are entered as expenses. If a manual system is used in order to determine revenues and expenses, you have to prepare worksheets to summarize income and expenses (Chelimo and Sopia, 2012). The importance of this system is placed on determining the profit or loss of a business (chepkemoi, 2013). It got its name because you record each transaction only once as either revenue (deposit) or as an expense (check). Since each entry is recorded only once, debits

and credits are not used to record a book keeping event (recording method required for the double entry system). While the single entry system may be acceptable for tax purposes, it does not provide a business with the entire book keeping information needed to adequately report the bookkeeping affairs of a business With the introduction of IFRS to the small and medium enterprise, in the near future, there will probably be no single entry system (Aboagye-Obihere & Agbeifor, 2012). According to Barbara (2010), this system uses cash receipts journal and a cash disbursements journal in addition to the checkbook. All transactions are recorded in one of these journals. It records, the flow of income and expenses and is practical for small business jousting standing out. The cash receipts all cash received while cash disbursement journal records the money spent. According to ICAI (2016) the specific benefits of single entry are: - It is quick and easy to maintain, one does not require employing a qualified accountant, it is extremely useful where the volume of activity is not large and it is economical as it does not need a comprehensive record keeping.

The weaknesses of single entry are: (1) It is very difficult to detect fraud and errors (ii) As principle of double entry is not followed, the trial balance cannot be prepared. As such arithmetical accuracy cannot be guaranteed. (iii) Profit or loss can be found out only by estimates s nominal accounts are not maintained. (iv) It is not possible to make a balance sheet in absence of real accounts. (v) The external agencies like banks cannot use financial information. A bank cannot decide whether to lend money or not.

Double Entry Bookkeeping Systems

According to Chelimo and Sopia (2012) the double entry system is the standard system used by businesses to record book keeping transactions. Since all business transactions consist of an exchange of one thing for another, double entry bookkeeping using debits and credits, is used to show this twofold effect. Debits and credits, are the device that provides the ability to record the entries twice. It has built in check and balances. He stated further that due to the use of debits and credits, the double entry system is self balancing. The total of the debit values recorded must equal the total of the credit values recorded. Cohen (2005) opined that the system has worldwide support as it is used by businesses for recording their book keeping transactions. It got its name according to Cohen (2005) because each transaction is recorded in at least two places using credit and debits.

2.1.2 Fundamental Principles of Double Entry SystemScott (2018) Opined that:

Double entry system is a scientific, self sufficient and reliable system of accounting. As a result in one side arithmetical accuracy of the transaction is ensured and on the other side ascertainment of the financial position of the business is easily possible. Scott (2018) outlined the following characteristics.

(1) **Two Parties:** Every transaction involves two parties-debit and credit.
(2) **Giver and Received**: Every transaction must have one giver and one receiver.
(3) **Exchange of Equal Amount:** The amount of money of a transaction the party gives is equal to the amount the party receives.
(4) **Separate Entity**: Under this system business is treated as a separate entity from the owner.
(5) **Dual Aspects**:- Every transaction is divided into two aspects. The left side of the transaction debit and the right side is credit.

(6)   **Results:-** Under double entry system totality of debit is equal to the totality of credit. In it, ascertainment of the result is easy.

(7)   **Complete Accounting System:** Double entry system is a scientific and complete accounting system. Through this system the account is kept completely and no party is ignored organized and profitable (Chelimo and Sopia, 2014).

2.1.3   Benefits of Book Keeping and Accounting Record Keeping of SMEs

Bookkeeping practices, according to Chelimo and Sopia (2012) is the heart of business activities as it serves as the asis for paper planning and management activities. As a result, every business must as a matter of fact be able to maintain proper and sound bookkeeping records of his or her business transactions. Proper bookkeeping is critical and important in sustaining a business (Adejare, 2014, Maseko and Maoyani (2011). Without it, SMEs run the risk of hitting cash flow crunches, wasting money and missing out opportunities to expand the business. When proper books of accounts or records of business transaction are done, you will properly position your business for proper business evaluation and see how the business is fairing. Chepkomoi (2013) opined that it is important to keep business records because without them you will not know how to break even. He stressed further that effective and efficient record keeping practices secure your business from internal thief and dishonest employees. Keeping accurate records is highly fundamental for a successful business to stay.

Bookkeeping allows SMEs owners to determine whether they are making profit or loss (Owusu, Assabil, and Asare-Kyire, (2015), Abdul-Rahamon and Adejara (2014) stressed the importance of book keeping to include improving efficiency and productivity and meeting regulatory requirement. There is need to compel SMEs to keep proper and sound books of accounts in order to get access to credit facility from banks, micro finance institutions or venture capital funds (Musah and Gakpetor, 2017). Despite the illegal requirement on all business registered as companies which SMEs fall under, most of them do not comply with the legal requirement because of poor and weak enforcement regime in Nigeria. Mutua (2015) opined that proper and complete book keeping will help SMEs greatly to control their activities and as well help managers to reduce cost and expenses. He stressed further that the problem that most SMEs owners have is which kind of accounting system is needed to support their business operations as it is expensive to set up and manage a complete and sound accounting information system for a new business.

Mutua (2015) is in support of a view that financial institutions and credit providers should require financial statement as a basis of evaluating SMEs for credit facilities. This study will help managers to identify their inadequacies and then take corrective actions to improve the situation.

2.2 Empirical Framework

Several studies have been conducted to determine the impact of bookkeeping practices and SMEs performances indifferent countries and few ones in Nigeria over the last few decades. Their findings emphasized the need for proper, sound and complete accounting and record keeping practices for SMEs in order to enhance their growth and performance.

In a study of company failure in south Australia, Peacock (2008) revealed the bankruptcy report of 418 unincorporated business for four years and found that 50.5% of this used single entry system of book keeping whereas 2.1 percent utilized double entry and 32.8% used bank

and taxation record. He recommended further research to be conducted on double entry systems of recording in companies.

Williams (2010), in his survey of accounting information requirements of 928 SMEs in Sidney found out that 57% of the respondents used the double entry systems. This finding is in contrast to the previous findings of types of records maintained by failed enterprises, where only 2.1% of respondents were found to use double entry systems. He recommended for further research on the effects of book keeping on the performance and growth of SMEs.

Mbroh and Attom (2011) studied 217 out of 250 SMEs in Ghana and reports that 59% do not practice formal accounting at all. The reason was due to low levels of education and inadequate knowledge in accounting which makes it difficult for them to appreciate the need to practice accounting in their business.

Festus and Cletus (2018) examined a study on the evaluation of the accounting systems used by small and medium scale enterprises in Yenagoa metropolis, Bayelsa State, Nigeria. The instrument employed for the study was a structured questionnaire. Data were analyzed using mean and standard deviation and results revealed that several accounting systems were available for use to small scale enterprises in Yenagoa Metropolis, significant number of small and medium scale enterprises uses the single entry system of accounting and that keeping of proper accounting records enhances profitability. It was concluded that significant number of small and medium scale enterprises in Yenagoa Metropolis use the single entry accounting system because of its simplicity and that there was correlation between proper record keeping and profitability of small and medium scale enterprises. The present study is related to that of Festus and Cletus in that both focus on the accounting systems used by small and medium scale enterprises but the reviewed study was a case study of selected SMEs in Yenagoa in Bayelsa State while the current study used F-Statistic. (ANOVA) to analyse data gathered in Osogbo, Osun State Nigeria.

Raymond, Ezenyirimba and Moses (2014) carried out a study on the relevance of accounting records in small scale business. The Nigerian experience Survey method was adopted and data were collected through the use of questionnaire. Data generated were analyzed with means, standard deviation and weighted value and the hypotheses were tested using Z-test statistical method. The results showed that the training of accountants by these institution and the various professional institutes should focus more on practical means of solving accounts reporting needs of small and medium scale enterprises and that government should provide adequate financial assistance to small and medium scale enterprise. The main similarity of this study and current study is that both studies were carried out in the context of Nigeria factor. On the other hand the study was different from the present study in terms of methology. While the previous study used Z-test statistical tool to estimate data the current study used F-Statistic (ANOVA).

Olatunji (2013) Conducted a study on the impact of accounting system on the performance of small and medium scale enterprises in Nigeria: A survey of SME's in Oyo State-Nigeria. This was done by a survey carried out through questionnaire and analyzed by using the F-statistic (ANOVA). The results revealed that adoption of sound accounting system enhances performance of small and medium scale business. It was concluded that accounting professionals should customize accounting system and audits to the need and capacity of these categories of businesses. This study just like the current study uses the same design methodology and in the context of Nigeria factor. However, the present study is delimited to small and medium scale enterprises in Osun State-Nigeria while the previous study was on selected SMEs in Oyo State, Nigeria as well.

Akesinro and Adetoso (2016) carried out a study on the imperatives of accounting and financial records in the development of small scale enterprises in Nigeria. The study adopted survey design to gather data through the administration of questionnaire. Data collected were analyzed using regression analysis through SPSS and the results showed that accounting and

financial record keeping in small scale enterprises is significant to effective performance and profitability of the enterprises although not all the selected industries maintained accurate financial record. The study concluded that relationship exists between the accurate and regular accounting record keeping and profitability and performance of small scale enterprises in Nigeria and also between accounting record keeping and investment decision making and development cum profitability of small scale enterprises in Nigeria as in developed countries of the world. The present study is related to the reviewed study because both focus on the importance of accounting and financial records in the development of SMEs. However, the present study differs from the previous study because it is entirely a case study of SMEs in Osogbo, Osun State Nigeria while the previous study was a case study of small scale enterprises in Nigeria. Also, the reviewed study used regression analysis to estimate data while the current study used F-statistic (ANOVA) to analyse data gathered.

Chelimo and Sopia (2012) investigated the effects of bookkeeping on growth of small and medium business enterprise in Kabarnet Town Baringo Country, Kenya. The study was based on a descriptive survey design and data was analysed using descriptive statistics and using percentages. The results revealed that many SMEs operations in Kabarnet town maintained sales record books using the double entry system. The study also shows that book keeping positively enhanced SMEs growth as measured by profitability and increase business expansion in Kabarnet town. It was concluded that bookkeeping could be used as a tool to monitor business transactions in SMEs although many traders do not use it for this purpose. This study compares well with the current study, the study carried out its research in developing country while the current study investigated its study in developing country as well precisely Nigeria. However, the methodological aspects are different. The present study used statistical analysis modeling in the form of F-statistic (ANOVA) while the previous study was only based on descriptive.

Uddin, Biswas Ali and Khatun (2017) studied accounting practices of small and medium enterprises in Rangpur, Bangladesh. The empirical study was based on the primary and secondary sources of data and data were analyzed using correlation analysis and chi-square techniques. Findings revealed that only 20% of enterprise followed the accounting system directly and the other 80% follow the accounting system indirectly. Correlation analysis signposted that selected enterprises keep accounting records, prepare financial statement quality information and basis of accounting had significant positive associations with the accounting system. The study concluded that SMEs in Rangpur follow accounting system directly or indirectly.

Both studies focused on accounting practices of small and medium scale enterprises. However, both studies differ in terms of methodology. While the current study employed F-statistic (ANOVA) to analyze data the previous study adopted correlation analysis and chi-square techniques. Also, the findings of the previous study is very vital only that difference in political and economic conditions may not allow their findings applicable in Nigeria.

Maseko and Manyani (2011) conducted a research on accounting practices of SMEs in Zimbabwe: An investigative study of record keeping for performance measurement (A case study of Bindura). A structured questionnaire was used to collect primary data from the respondents which was analyzed to generate frequencies and percentages. The results revealed that the majority of SMEs do not keep complete accounting records because of lack of accounting knowledge and as a result there is inefficient use of accounting information in financial performance measurement. The study concluded that the national regulators must develop specific accounting guidelines for SMEs and develop accounting training programmes for the entrepreneurs in small business. Both studies were carried out in developing countries. However, the study contrast significantly with the present study in terms of methodology. While the present

study used F-statistic (ANOVA) to estimate the data gathered the previous study was based on descriptive.

Okafor and Daferighe (2019) examined accounting practices and performance of small and medium scale enterprises in Akwalbom State. The data collected through structured questionnaire were analysed using mean scores and percentatges and regression analysis was adopted for the estimation of the model formulated. The results revealed that a significant positive relationship exist between cash, tangible non current assets, inventory management practices and return on capital employed. The results showed a strong linear relationship between accounting practices and performance by small and medium scale enterprises in Akwalbom state. The study concluded that applying accounting practices are significant to the overall wellbeing of SMEs yet the practices are still very low among those operating in Akwalbom. Also, an increase in the level of accounting practices has the capacity to reduce failure rate among SMEs in the state. The previous study was on small and medium scale enterprises in Akwalbom state of Nigeria while the present study is on small and medium scale enterprises in Osogbo, Osun State, Nigeria. In addition, the previous study adopted regression analysis for the estimation of the model estimation while the present study used F-statistic (ANOVA) for data estimation.

Noor, Nur, Umi and Ahmad (2019) examined the analysis of basic accounting practices of micro enterprises. The data gathered through a structured questionnaire were analysed in frequency and percentage form by using statistical package for social sciences (SPSS) and the results showed that most of the microenterprises practiced a very basic accounting system, maintained both cash and accrual accounting and practiced recording both electronically and manually. The survey also showed that most of the microenterprises completed the accounting cycle by keeping records of their daily transactions and do prepare the financial statement at the end of period mostly an income statement and statement of cash flow. The previous study focused its investigation only on micro-enterprises while the current study focused on small and medium scale enterprises. The present study used F-statistic (ANOVA) to analyse data while the previous study was only based on descriptive. This study just like the current study were carried out in the developing countries.

Zotorvie (2017) examined the financial accounting practices of small and medium scale enterprises in HO municipality, Ghana-Descriptive statistics mainly frequency tables and percentages were the medium used for the analysis. The software used was the IBM statistical package for social science (SPSS) version 20. The results revealed that the majority of SMEs failed to keep proper accounting records pertaining to their businesses and consequently it was difficult for the owner managers to determine the profit earned or loss suffered in the business during a particular accounting period in addition to the position of assets and liabilities to be able to strategize and make certain adjustment on their businesses. Both studies were investigated in developing countries but differ in terms of methodology. While the previous study used descriptive statistics to analyse data gathered the present study utilized F-statistic (ANOVA) to estimate data.

Sibanda and Manda (2016) examined the symptoms of accounting practices that contribute to the failure of SMEs in South Africa. Data were presented in forms of tables, frequencies and figures such as bar and pie charts. The data was analysed using statistical package for social sciences (SPSS) and Microsoft excel package to create graphs, tables and diagrams. The study revealed that majority of SMEs do not keep proper books of accounts and had relatively affected their growth and performance. Sibanda and Manda (2016) studies was compared with the present study where both studies focus on accounting practices that contribute to the failure of SMEs. On the other hand the study differs from the present study in terms of methodology. The present study used F-statistic (ANOVA) to analyse data collected while the previous study was only based on descriptive statistics.

Amoako (2013) investigated the impact of sound accounting practices on SMEs in Kumasi Ghana. Using descriptive statistics techniques and measure of central tendency, the results of the study revealed that most of the SMEs in Kumasi, Ghana failed because they do not keep and maintain complete accounting records. The two studies are conducted in developing countries. However, they differ in terms of methodology. While the present study utilized F-statistic (ANOVA) as a tool for data estimation the previous study was based only on descriptive.

Okoli (2011) conducted a study in Enugun, South East, Nigeria to evaluate the accounting systems of SMEs, due to the high failure rate. Data were analysed using mean and standard deviation and t-test, the results of the study revealed that a significant number of enterprises followed single entry accounting system as a record keeping tool for the flexibility of its usage and for ensuring profitability. The reviewed study was a case study of selected small and medium scale enterprises in Enugun State while the current study is a case study of selected small and medium scale enterprises in Osun State. While the present study used F-statistic (ANOVA) to analyse data the previous study adopted t-test as a technique of data estimation.

Ademola Samuel and Ifedolapo (2012) also conducted a study titled "the role of record keeping in the survival and growth of small scale enterprises in Ijumu Local Government Area of Kogi State. Using descriptive statistics found out that only 22.1% of small scale enterprises keep accurate accounting record of their businesses. Important studies of this nature have not been conducted in Osogbo, Osun State where businesses are predominantly on small and medium scale basis. This study, however fill the gap in literature by examining the effect of double entry bookkeeping on small and medium scale enterprise in Osogbo Osun State.

Hence it is against the aforementioned conflicting results that the study investigates the effect of double entry book keeping on small and medium scale enterprise.

3. Methodology

The study was based on a descriptive survey design. In this design, self administered questionnaires were used to collect data. The design was considered appropriate because it enables the researcher to collect factual information from the respondents in order to establish the effect of double entry book-keeping on small and medium scale enterprises-The study was carried out in Osun State, Nigeria. The study area was chosen because the researcher had observed that most SMEs were not doing well or closing down possibly due to the failure to keeping complete business records. The target population for the study included all the operators of SMEs in Osun State. A sample size of 120 registered SMEs operators was used and this was selected randomly from Osun East senatorial district of the state. Data was collected with the help of questionnaire. In all 120 questionnaires were sent out to collect the necessary data for the study. 103 of the questionnaires were returned which gives a return rate of 85.8%. Data were analyzed using descriptive techniques such as frequencies, percentages, averages, standard deviation and coefficient of variation while hypotheses testing were done using the one way ANOVA technique through Microsoft excel and SPSS at 0.05 level of significance. Ho is accepted where F-observed is less than F-table. Items such as respondents gender category, educational level, level of account skills and form of business ownership were so analysed and their percentage distribution were shown.

4. Presentation of Data
Types of Book Keeping Systems Among SMEs in Osun State.

Different aspects of book keeping were investigated in response to the first objective of the study. First, the study sought to establish whether SMEs operators in Osun State keep single entry or double entry book keeping system.

Table 1:   Types of Book Keeping Systems Among SMEs in Osun State.

Types of bookkeeping	Frequency	Percentage
Double Entry	38	36.9
Single Entry	65	63.1
Total	**103**	**100**

Survey Analysis 2019.

It is evident from the above table that 36.9% of the respondents maintained double entry systems of book keeping compared to 63.1% who reported that they maintained single entry system. This shows that fewer SMEs appreciates the importance of double entry systems of book keeping. This is consistent with the findings of Adetoso and Akesinro (2016), Festus and Cletus (2018) and Chelimo and Sopia (2012).

The Purpose of Keeping Double Entry Book Keeping System on SMES

The Second objectives sought to find the benefits of keeping double entry accounting records on SMEs under the following reasons, payment of tax requirement, ascertainment of financial position of the business, to have access to credit, to facilitate the management of debtors and creditors and for decision making. As a result, the table below show the empirical observation of the respondents on the subject matter.

Table 2:   Benefits of Keeping Double entry book keeping

S/N	Double Entry Bookkeeping Facilitate Performance of SMEs	5 %	4 %	3 %	2 %	1 %
1.	Taxation purpose	46.6	24.3	13.6	10.7	5
2.	To determine Financial position of the business	54.4	34	11.6	0	0
3.	To have access to credit	24.3	48.5	17.5	9.7	0
4.	To facilitate the management of debtors& creditors	41.7	36.9	21.4	0	0
5.	For business decision making	41	29.1	17.4	8.7	3.8

Survey Analysis 2019.

The table above empirically submits that, most of the SMEs strongly agree that, double entry accounting records guide in discharging accurate tax payment with 46.6% respondents attesting to that fact. Then followed by 48.5% who agree, it helps to access credit from the financial institutions. Lastly, an estimate of 41% strongly agrees that double entry accounting records aid in business decision making.

Table 3: Double Entry Book Keeping and Growth of SMEs

S/N		5	4	3	2	1
	Double Entry Bookkeeping Facilitate Growth of SMEs	%	%	%	%	%
1.	Double entry book keeping help to ascertain financial position of SMEs.	56.3	10.7	26.2	6.8	0
2.	Double entry book keeping improves growth of SMEs	9-7	41.7	34	14.6	0

Survey Analysis 2019.

The third objective sought to find out whether double entry bookkeeping influence the growth of SMEs. When asked to indicate how often double entry bookkeeping helped SMEs operators in assessing their profits. The findings presented in table above show that 56.3% of the respondents strongly agree that double entry book keeping records guide in the determination of the financial position of the business. In regard to whether double entry bookkeeping records improves the growth of SMEs, the results obtained indicated that 41.7% of the respondents attested to the fact that it could be used to enhance business growth.

Table 4: Challenges of Using and Keeping Double Entry Bookkeeping

S/N		5	4	3	2	1
	Factors Hindering the Implementation of Double Entry Bookkeeping	%	%	%	%	%
1.	Keeping double entry accounting record is time consuming	29.1	41.0	8.7	17.4	3.8
2.	Keeping double entry accounting record is expensive	11.6	24.3	0	9.7	54.4
3.	Keeping double entry accounting record requires technical knowledge	41.7	36.9	13.6	4.9	2.9
4.	Keeping double entry account record makes SMEs to pay more tax	27.2	62.1	0	2.9	7.8

Survey Analysis 2019.

The fourth objective of this study was to find out the problems that hinder the utilization of double entry accounting systems by SMEs in Osun State. In line with this, the respondents were asked to describe the challenges they face. The results from the data analysis in table above showed that 41% of the respondents agreed that keeping double entry book is time consuming, 54.4% of the respondents disagreed the fact that keeping double entry accounting records is expensive. 41.7% of the respondents strongly agreed that keeping double entry account record requires technical knowledge while 62.1% agree to the fact that keeping double entry account record will make SMEs to pay move tax. The result partly agreed with Festus and Cletus (2018) who noted that most SMEs make use of single entry system of accounting. The reason behind the use of single entry system of accounting was probably due to its simplicity and low level of accounting knowledge.

Test of Hypotheses

This section deals with statistical testing of hypotheses formulated for this study making use of one way ANOVA technique through Microsoft excel and SPSS at 0.05 level of significance.

Ho$_1$:   Double entry accounting records keeping does not have any benefit on SMEs.

Analysis of data

Table 5: Analysis of Responses on the benefit of Double Entry Bookkeeping Accounting Systems on SMEs

S/NO	Purpose of Double Entry Bookkeeping	Mean	Std. Dev	Coeff. Of Var
A	Taxation purpose	20.6	16.95	0.8228
B	To determine financial position	20.6	24.409	1.185
C	To have access to credit	20.6	18.889	0.9169
D	To facilitate the management of debtors & creditors	20.6	20.342	0.9874
E	For business decision making	20.6	49.071	2.3821

Survey Analysis 2019.

Table 6:Anova: Single Factor

Groups	Count	Sum	Average	Variance
Count 1	5	214	42.8	129.7
Count 2	5	178	35.6	89.3
Count 3	5	84	16.8	15.2
Count 4	5	30	6	30.5
Count 5	5	9	1.8	6.2

Survey Analysis 2019.

Source of Variation	SS	Df	MS	F	P-value	F-crit
Between Groups	6494.4	4	1623.6	29.96678	3.42E-08	2.866081
Within Groups	1083.6	20	54.18			
Total	7578	24				

Ho$_2$:   The hypothesis is tested at alpha of 5% and (n-1) degree of freedom. Findings revealed that F observed is 29.97 while F-table is 2.87. Since F-observed is greater than F-table, the null hypothesis is hereby rejected while the alternative hypothesis is accepted. This implies that double entry bookkeeping in SMEs has profound benefit on SMEs. This is consistent with the work of Olatunji (2013) Akesinso and Adetoso (2016) and Amoako (2013).

Hypothesis 2

Table 7:Double Entry Bookkeeping does not Influence Growth of SMEs

S/NO	Double Entry Bookkeeping Facilitate Growth of SMEs	Mean	Std. Dev	Coeff. Of Var
A	Double entry book keeping help to ascertain financial position of SMEs	20.6	23.137	1.1232
B	Double entry book keeping improve growth of SME	20.6	17.869	0.8674

Survey Analysis 2019.

Table 8:   Anova: Single Factor

Groups	Count	Sum	Average	Variance
Count 1	2	68	34	1152
Count 2	2	54	27	512
Count 3	2	62	31	32

Count 4	2			22	11	32
Count 5	2			0	0	0

Survey Analysis 2019.

Source of Variation	SS	Df	MS	F	P-value	F-crit
Between Groups	1690.4	4	422.6	12.22801	0.406277	5.192168
Within Groups	1728	5	345.6			
Total	3418.4	9				

Hypothesis 2

Ho₂: The hypothesis is tested at alpha of 5% and (n-1) degree of freedom. Findings revealed that F observed is 12.23% while F-table is 5.19% Since F-observed is greater than F-table, the null hypothesis is hereby rejected while the alternative hypothesis is accepted. This implies that double entry bookkeeping in SMEs has great impact on growth of SMEs. This is in congruence with the work of Chelimo and Sopia (2012).

5.   Conclusion and Recommendations

The study examines the effect of double entry bookkeeping on small and medium scale enterprise in Nigeria. To accomplish this task questionnaire comprising various aspect of accounting system of SMEs were administered in the course of data collection. Hypotheses were formulated and tested using F-statistic (ANOVA) through Microsoft excel and SPSS where the alternative hypotheses was selected. Findings revealed that an effective double entry accounting records has a significant impact on the success of SMEs. There is need for the SMEs operators to embrace double entry book keeping records practices in order to be successful and enhance the growth of their businesses. There is a direct relationship between double entry bookkeeping and growth of SMEs and as a result of the simplicity of single entry accounting system, SMEs operators are more inclined to adopt single entry accounting system if properly maintained, double entry bookkeeping would lead to increased profitability and expansion of SMEs in Osun State. Based on the conclusion drawn from the study, it was recommended that double entry record keeping in SMEs should be made mandatory to enhance their accounting practices and increase chances of sourcing for finance from financial institutions. The government should put in place a regulatory body to make sure that SMEs keep double entry books and prepare final accounts and proper monitoring be put in place to ensure absolute compliance. Lastly training should be organised for the SMEs operators on the application of double entry bookkeeping, to help keep proper accounting records via symposiums, conferences and open forums.

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Appendix

Profile of Respondents and SMEs Characteristics

The back ground information of respondents was necessary because the ability of the respondents to give satisfactory information on the study variables greatly defends on their background. A summary of findings on respondent's gender and level of education has been presented. The back ground information of SMEs presented included, level of accounting skills of respondents and forms of business ownership.

Table 9: Respondents Gender Category

Gender	Frequency	Percentage
Male	35	34%
Female	68	66%
Total	**103**	**100.0**

Survey Analysis 2019.

Table 10: Respondents' Educational Level

Qualification	Frequency	Percentage
No Formal Education	8	7.8%
SSCE/WASCE	60	58.2%
HND/Bachelors Degree	25	24.3%
Masters Degree	10	9.7%
Total	**103**	**100.0**

Survey Analysis 2019.

Table 11: Level of Accounting skills of Respondents.

Level of Accounting Skill	Frequency	Percentage
Low skills	50	48.5%
Below Average	22	21.3%
Average	15	14.6%
Above Average	11	10.7%
High skills	05	4.9%
Total	**103**	**100**

Survey Analysis 2019.

Table 12: Forms of Business Ownership

Ownership	Frequency	Percentage
Sole proprietorship	90	87.38
Limited liability	9	8.74
Partnership	4	3.88
Total	**103**	**100**

Survey Analysis 2019.