

PROPER BOOKKEEPING AND BASIC ACCOUNTING PROCEDURES IN SMALL
SCALE ENTERPRISES

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DECLARATION

I do hereby declare that this work, with exception of specified quotation and paraphrases attributed to specified sources, is entirely my own and it has not be summated for any degree in any other university.

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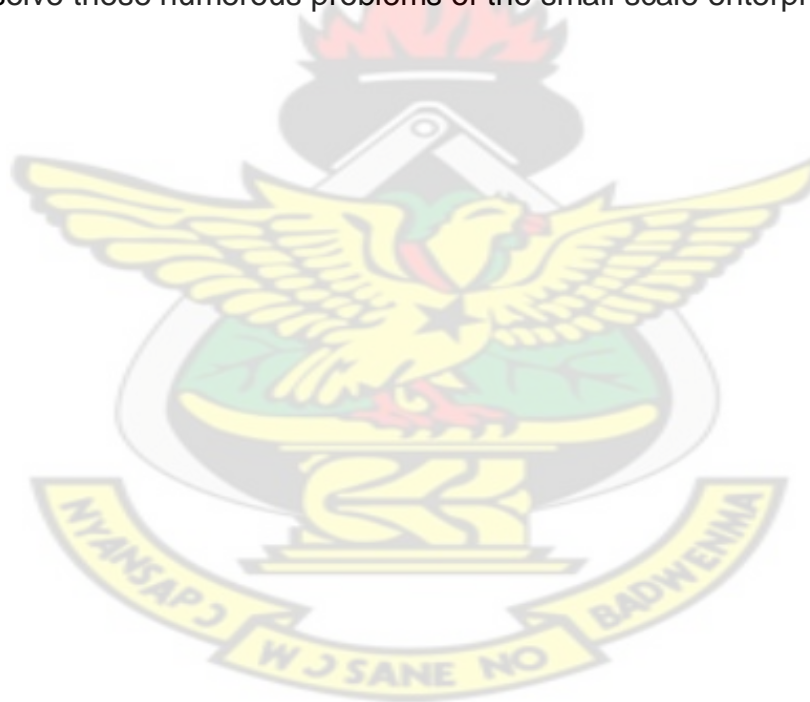
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ABSTRACT

The aim of this research is to find out the need for proper bookkeeping and basic accounting procedures in small scale enterprises. The study also looked at the problems faced by Small Scale Enterprises and the way forward. One of the key forces in the process of helping an organisation to become more competitive is how its human resource management functions is played out. This means that this function will have to serve more and more as a strategic organizational development. The researcher used qualitative method, supplemented by statistical analysis of the survey data. The findings confirmed an apparent non-existence of proper bookkeeping and basic accounting procedures in small scale enterprises and recommends that owners should be educated to keep away their personal transactions from their business entities. The study further revealed that small scale enterprises face moribund problems such as finance, technical skills, entrepreneurial skills and human resources among others and recommended that National Board for Small Scale Industries should be strengthen and resourced to solve these numerous problems of the small scale enterprises.



DEDICATION

This work is dedicated to my dear wife Halima Amissah and my lovely children Sadat, Jamila and Lauratu

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I owe deep appreciation to the Almighty Allah for his mercy and love which has guided me through my entire work and to all other people who helped me in diverse ways.

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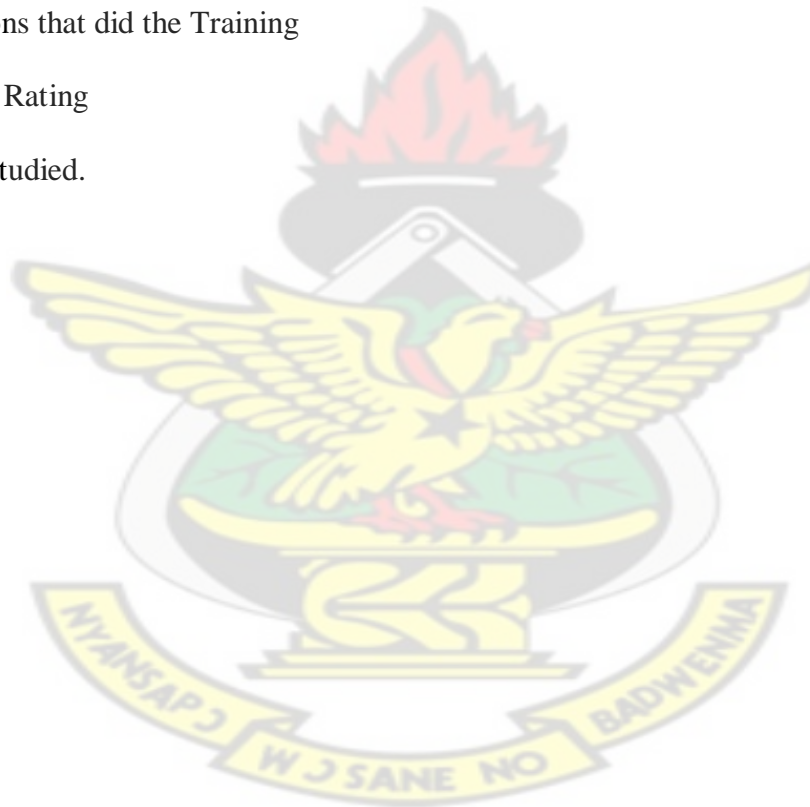
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ABBREVIATIONS

IRS	-	International Revenue Service
NBSSI	-	National Board of Small Scale Industries
CPA	-	Certified Public Accountant
IFRS	-	International Financial Reporting Standards
IASB	-	International Accounting Standard Board
GAAP	-	General Accepted Accounting Principle
SSEs	-	Small Scale Enterprise
AICPA	-	American Institute of Certified Public Accountants
FASB	-	Financial Accounting Standard Board
GDP	-	Gross Domestic Product Defense Council
EPR	-	Economic Recovery Programme
SAP	-	Structural Adjustment Programme
NFED	-	Non-Formal Education Division
GES	-	Ghana Education Service
NGOs	-	Non-Governmental Organisation
FM	-	Frequency Modulation
VAT	-	Value Added Tax
UN	-	United Nations

CHAPTER ONE

1.0 INTRODUCTION AND RESEACH CONTEXT

1.1 Background to the Study

Accounting standards are needed so that financial statements will be fairly and consistently describe as a financial performance. Without standards, users of financial statements would need to learn the accounting rules of each company, and comparisons between companies would be difficult. While keeping track of your business's finances may seem overwhelming, it's not that hard when you know the bases of accounting and bookkeeping. Bookkeeping and accounting share two basic goals:

1. To keep track of your income and expenses this would improve your chances of making profit.
2. To collect the financial information necessary for filling your various tax returns.

This sound pretty simple, it can be, especially if you remind yourself of these two goals whenever you feel overwhelmed by the details of keeping your financial records Wang, Hartmann, Gibbs & Cauley, (2009).

There is no requirement that your records be kept in any particular way. As long as your records accurately reflect your business's income and expenses, the IRS will find them acceptable. The actual process of keeping accounting books is easy to understand when broken down into three steps.

- i. Keep receipts or other acceptable records of every payment to and every expenditure by your business.
- ii. Summarize your income and expenditure records on some periodic basis (daily, weekly, or monthly)

- iii. Use your summaries to create financial reports that will tell you specific information about your business, such as how much monthly profit you are making or how much your business is worth at a specific point in time.

Whether these are done by hand on ledger sheets or use accounting software, these principles are exactly the same.

1.2 The Problem Statement.

It has been ascertained that most small-scale enterprises fail to keep proper books of account and also fail to observe basic accounting procedures. As a result, they are not able to portray the exact financial position of their businesses. This tends to impede the ability of the enterprise to obtain the much needed loans from the financial institutions and other sources for expansion and diversification. The financial statements, such as the profit and loss accounts, the balance sheet and the cash flow statement of small-scale enterprises cannot easily be prepared. Under such circumstances, annual profits cannot readily be determined.

The main research problem in this work is to account for the reason behind their inability to keep proper accounting records. It is important to state that the absence of proper records does not only impair the growth of the small-scale enterprise but also, as stated earlier, reduces their chances of obtaining credit facilities from the financial institutions and other fund lenders. It is obvious that a cash starved small-scale enterprise is bound to encounter difficulties in its attempt to expand and/or diversify its operation.

1.3 The Objectives of the Study

The objectives of this research were to consider the following:

1. To examine the importance of proper bookkeeping and basic accounting procedures in small-scale enterprises.
2. To determine the extent to which bookkeeping and basic accounting procedures have been implemented and applied in SSEs.

1.4 Research Question

1. What are the importances of basic bookkeeping to SSE?
2. What is the basic accounting procedures applied in SSEs?
3. To what extent has bookkeeping been applied in SSEs?

1.5 Significance of the Study

The significance of this study was to create through documentation, an awareness of the importance of bookkeeping and basic accounting procedures to small-scale enterprises.

In addition it will be a source of knowledge to small-scale enterprises (SSE) on how to maintain proper accounting records. The result will greatly facilitate the work of the Internal Revenue Services and the Value Added Tax officials in developing strategies to extend the tax net to cover such enterprises which form significant proportion of the Ghanaian business community. This study will also be of great significance to policy analysts since it will assist in analyzing the effectiveness and success of the work of the National Board for Small-Scale Industries (NBSSI). The National Board for Small-Scale Industries was established with the prime objective of providing an umbrella institution that would address SSEs their financial operation/technical and documentary problems so as to enhance their opportunities to grow.

It will therefore equally be of immense help to the National Board for Small-Scale Industries, in evaluating the success of its activities with specific reference to the problem of poor bookkeeping and basic accounting procedures in such industries. It would also assist the boards in determining or formulating their future plans.

It will be of use to the student, the existing and prospective entrepreneur as well as any interested party.

It will assist students in their knowledge build-up and appreciation of the practical accounting situation of the SSE.

It will assist the entrepreneur in elucidating one of the prime causes of the failure of small-scale enterprises

1.6 The Limitations of the Study

As with all studies, limitations exist and must be acknowledged. First of all time did not allow the researcher to glean information from all the SSEs and all institutions under NBSSI. Again the outcomes were based on the information solicited from the respondents and such might be subjected to human errors, omissions and possible mis-statements.

However, in spite of the above, the researcher ensured that the research met all the relevant requirements for a scientific research and thereby reducing errors to the barest minimum.

The limited time within which the research was undertaken was a major constraint.

1.7 The Scope of the Study

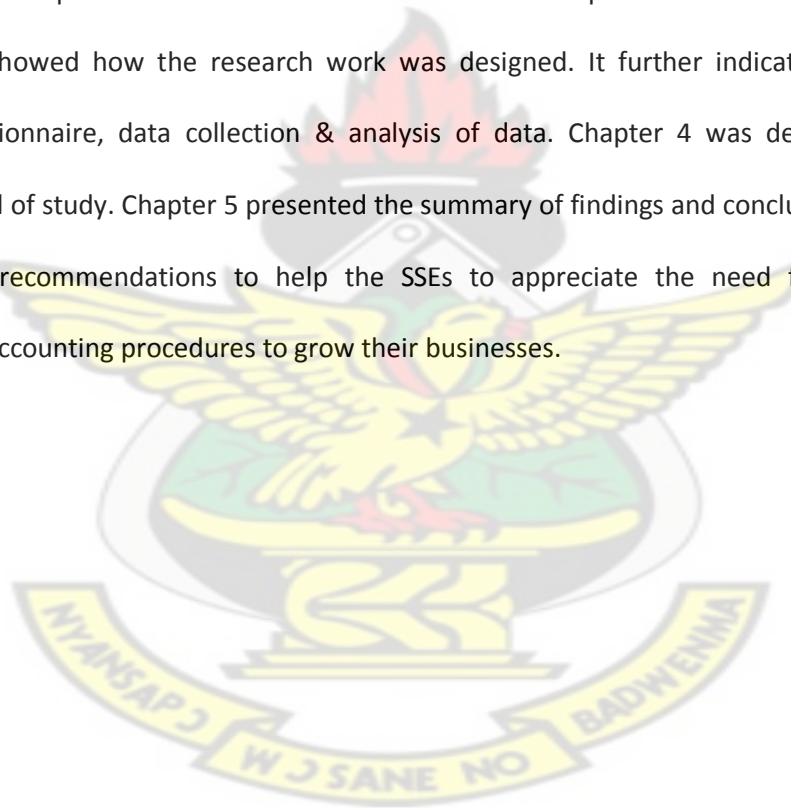
Conceptually the study hovers around the implicit role proper basic bookkeeping and accounting procedures play as far as SSEs were concern. The activities of the regulating body National Board for

Small Scale Industries were considered alongside with SSEs' keeping basic bookkeeping records and using basic accounting procedures.

The research was limited to small scale enterprises in Accra due the schedule of the researcher.

1.8 Chapter Organization

The research project covered five chapters. Chapter 1 was about the introduction of the study, the statement of the research problem, research objectives and research questions of the study and the scope of the study. Chapters 2 dealt with the literature review and provide information on the areas of study Chapter 3 showed how the research work was designed. It further indicates the method of sampling of questionnaire, data collection & analysis of data. Chapter 4 was devoted to research findings of the field of study. Chapter 5 presented the summary of findings and conclusions to the study. There were also recommendations to help the SSEs to appreciate the need for effective basic bookkeeping and accounting procedures to grow their businesses.



CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

Irwin; (1993) described proper bookkeeping procedure as one of the ways through which an organization can keep track of its financial activities in order to ensure proper financial discipline. There is no proper definition of small-scale enterprise; however, it may be defined as one that is independently owned and operated and it is non-dominant in its field of operation ((Meggenso et al; 1994). There are also certain peculiarities that differentiate the small-scale enterprises from other enterprises. It is independently owned and operated and does not therefore form part of any larger enterprise. It is usually managed by its owner(s) in a personalized way without the need for a formalized management structure (Broom et al; 1993).

There are a few things one needs to understand in order to make setting up your accounting system easier. They are basic and they will probably clear up any confusion you may have had in the past when talking with your Certified Public Accountant (CPA) or other technical accounting type.

2.2 History of Bookkeeping

Bookkeeping has certainly been practiced many years ago: for we read of it amongst the Ancient Romans in J. Caesar' time; but should not be supposed, that it ever arrived to the perfection, as now it is. The Italians were the first merchants, we read of in Europe, and first invented this exact way of keeping accounts, now in use amongst all. Amsterdam has been a great nursery of this science, since it was brought there (Yamey et al; 1963). Appeals to the long history and early origins of accounting, whether as a generic activity or a specific practice such as double-entry bookkeeping, have served a number of purposes. First, they were seen by several writers of early treatises on accounting as ways of

convincing their potential audience of the value and relevance of the methods that the writers wished to reveal and promote.

This study is grounded on the compliance theory of Rautiala; (2000). This theory is relevant in the context of adherence of SSEs to accounting. Raustiala grouped compliance theories into rationalist and normative models. Rationalist models focus on cooperation to prevent non-compliance. Under the rationalist model called the deterrence theory, costs open up a range of enforcement options and address the corporate non-compliance with domestic rules. Cost to the firm is relevant to the SSEs. Another rationalist model described by Raustiala; (2000) is the behavioural decision theory, which acknowledges that people act according to their rational calculation of how a particular choice is framed. The awareness of the accrual and cash bases of accounting sets the frame of choice between the two methods to be applied. On the other hand, one of the normative models called the complexity critique focuses on the capacity of the regulated firm. Complexity charges regulations as too numerous, too difficult to understand, and too fluid or ever changing. This would particularly be the case for SSEs, which generally lack the resources to stay apprised of complicated, changing regulatory requirements.

2.3 FACTORS THAT DETERMINE ACCOUNTING STANDARDS AND PROCEDURES

The set of globally recognised accounting standards and procedures relating to the presentation of financial statements are called International Financial Reporting Standards (IFRS). When the International Accounting Standards Board (IASB) sets a brand new accounting standard, a number of countries tend to adopt the standard, or at least interpret it, and fit it into their individual country's accounting standards. These standards, as set by each particular country's accounting standards board, will in turn influence what becomes Generally Accepted Accounting Principles (GAAP) for each particular country. GAAP are imposed on companies so that investors have at least a minimum level of consistency in the financial statements they use when analysing companies for investment purposes. Accordingly,

the constant evolution of GAAP, therefore, fulfills its mission to disseminate quality financial information. This information obtained from the financial statements, earning in particular, facilities investors' valuations and the monitoring of management.

The issue of application of accounting to small and medium enterprises has been the subject of numerous studies around the world (Allister; 1995). Fundamentally, general-purpose financial statements are prepared on the assumption that there are no basic differences in the needs of those who will use them. However, small companies' accounts are prepared primarily for the benefit of owner-managers, their bankers and the revenue authorities who have little in the kind of information aimed at users of public companies' statements. The board of directors or equivalent governing body controls the circulation of financial statements of non-publics entities (Mersereau; 2002). Such financial statements are generally restricted to management and leading institutions. Jankovic; (2007) enumerated several reasons why the application of IFRS is inadequate. These are:

1. Users of SSEs' financial statements need less information compared to the users of financial statements of listed companies;
2. Particular transactions in IFRS occur seldom, if ever, in SSEs;
3. The cost/benefit ratio of financial reporting is more favourable in large companies than in SSEs; and
4. IFRS are prone to changes unlike national standards, which results in higher costs of IFRS implementation.

A survey sponsored by the American Institute of Certified Public Accountants (AICPA) revealed that respondents said that certain GAAP standards are not relevant and useful enough to help SSEs make management, credit and investment decisions (Tie; 2005). Alerding; (2003) believed that SSEs have been caught in the wake of increasingly complex accounting and disclosure requirements following the wave

of laws and new accounting pronouncements. Consequently, the Financial Accounting Standards Board (FASB) continues to address the complexity of the GAAP hierarchy in the standards it has issued (Fitzsimons & Thompson, (2005). Ever so often, debate arises as to whether separate accounting and reporting rules should be set for SSEs (Sayther; 2004). The debate has risen as to whether SSEs should adopt a different set of accounting rules due to reasons such as differing needs of financial uses, rapid and widespread developments in financial reporting, compliance costs, and statutory requirements.

Most companies have only a few income accounts. That is really the way you want it. Too many accounts are a burden for the accounting department and probably don't tell management what it wants to know. Nevertheless, if there's a source of income you want to track, create an account for it in the chart of accounts and use it.

2.3. SMALL SCALE ENTERPRISE

Small-scale enterprise development is not for everyone, it is high level of discipline, dedication, persistence and creativity as well as a lot of work. The micro-entrepreneur must be capable of decision-making and have the ability to manage employees (if any) and accounts. Small-Scale Enterprise can be found in almost every community in a country. SSE cannot be uniquely defined. It is variously defined in terms of the characteristics and relation to the geographical location and economic environment within which the enterprises operate. In the words of Meggenson et al; (1994) “what may be regarded a small industry in an industrialized country in Europe, may be regarded a large industry in a less developed country in Africa”. In terms of size of workforce, Broom et al; (1993) views small scale business as a firm employing less than hundred workers. In country like Ghana, it will be appropriate to consider SSE as those firms with workforce of less than thirty employees. (Awuah; 1996)

SSE has location flexibility by their small nature and size. They employ a small number of people mostly between 10 – 30 people and largely adopt labour intensive techniques of production with small capital base.

According to survey conducted in 1989 by the National Board for Small-Scale Industries, 97.5% of small scale enterprises in Ghana had total assets valued at 2 million Ghana cedis, which is obviously insufficient to take advantage of economies of scale. NBSSI; (1989) In view of Balasuriya; (1993) as quoted in the National Development Planning Bulletin, (1997), small-scale industries contribute more to Gross Domestic Product (GDP) of a country than their larger counterparts. They are also capital productive and generate more employment, spread development to all regions, foster and expand the learning curve of industrial skills and know-how among the broad spectrum of the population and contribute to a more equitable distribution of income in a country. (Balasuriya; 1993)

2.4.0. PROBLEMS OF SMALL-SCALE INDUSTRIES

Many attributes of small scale enterprises have long be recognised. SSE sector however, has several major problems that hinder it from achieving its goals. Among these are:

2.4.1. FINANCE

The most serious problem facing SSEs and thus hindering the progress of their operations is inadequate financial resources. As stated by Steel; (1997), access to credit through the financial system is limited almost exclusively to modern large firms, which qualify for special incentives and loans. Steel added that the financial institutions have been discriminating against SSEs in the provision of loans. They consider lending to SSEs more risky and administratively costly.

The result of survey conducted by the NBSSI; (1989) in Ghana revealed that: “the difficulty of small scale enterprises in obtaining funds emanates from the fact that their inherent sizes, weak financial base,

inadequate accounting system, our area of concern, weak financial base and lack of financial collateral securities have denied them access to credit from the banking institutions”. The small entrepreneurs’ inability to have access to credit from banks and the general absence of viable alternatives, have led many small-scale enterprises to the informal sources of finance. The informal financial intermediaries’ interest rates have traditionally been higher than the normal bank rates, and these results in the inability of SSEs to raise more funds for expansion. This cycle of limited financial resource and increase dependence on the formal money market has therefore hampered the development of SSEs in Ghana.

2.4.2 SKILLED MANPOWER

SSEs face special difficulties in attracting and retaining skilled labour. They are unable to pay for the services of qualified personnel. Bosworth and Jacobs; (1989) also noted that there is high labour-turnover in SSEs than in large enterprises.

2.4.3 MANAGEMENT AND ENTREPRENEURSHIP SKILLS

According to a World Bank Report; (1989) and emphasised by Kauda; (1990) in the journal of management studies, the problems facing entrepreneurs is not so much lack of funds, but it is the inability to properly manage financial, material and human resources efficiently. Theodore and Armstrong; (1964), in a report on Development of African Private Enterprises, noted that the attitude of management of most private enterprises affects the management of financial resources. They observed that most entrepreneurs regard loans as gift and thereby misappropriate such loans for personal affairs because proper accounting procedures were not in place. Theodore and Armstrong; (1964) also emphasised that the management of SSEs is influenced by the natural values of society.

Inadequate management in the form of limited business knowledge, poor management practices, inadequate planning and experience is another problem facing SSEs. Many of them tend to relay on one-

man management and seem reluctant to vary their managerial pattern. “They tend to guard jealously their position and may not select qualified employees or give them enough authority and responsibility to manage adequately. Most SSEs are started because someone is good at specific activity, and not because the possession of managerial skills” (Megginson et al; 1994).

2.4.4 MARKETING

McGee; (1989) view the marketing of SSEs businesses’ products is that the entrepreneurs of these firms have an advantage in that only need relatively narrow markets which is not replicated by large competitors. This notwithstanding, the problem of marketing is a major obstacle to the development of SSEs. The problem is more pronounced due to the poor quality products from SSEs couple with the influx of cheap imported products. (Awiah; 1996) The marketing problem of SSEs is multifaceted and inter-connected. The components of these problem includes: poor quality of products, poor communication net work, trade liberalisation of government and lack of cost accountant, all work to disadvantageous position of SSEs in the marketing scene. (NBSSI News volume Number 3 July-September; 1994)

2.4.5 GOVERNMENT ATTITUDE

General government policies and activities have for sometime neglected the informal sector including SSEs. Kauda; (1980) recognises the important role these informal industries play in terms of employment. He however lamented that: “The neglect of this socio-economically important segment of the industry has resulted in low productivity”. Killick; (1978) stated that, the neglect has often been deliberate, as he quotes Dr. Kwame Nkrumah “Secondary (informal) industries, important as they are in

making us economically independent, we leave us heavily reliant on outside sources and skills unless we build up those heavy industries which alone provide the fundamental basis for industrialisation". Therefore, since independence, the informal sector has little place in government policy. Thormi and Yankson; (1985) pointed out that developing strategies adopted by developing countries in the 1950's and 1960's revolves around rapid industrialisation with emphasis on key industries with the exception of the spill-over or trickle-down effect later spreading to other parts of the country. This led to the problem such as rural migration and unbalanced regional development.

2.4.6 PROSPECTS

In their book "Small Business Management" Longneck and Moore; (1988) stated that for a balance and weighted assessment of the magnitude of the difficulties of the small businesses, there is the need to examine the bright side of the small firms. They pointed out that it is the view of many that small firms must produce the lion share of the new jobs. Recent researches have confirmed this view. According to Birch; (1990) in "The High Priest of Small Business" the vast majority of American companies are small businesses, employing lower than 100 workers. This hidden economy as Birch terms it created 17 million jobs in the period 1980-87 more than larger companies in Europe or Japan. (Moore; 1992), in his article, "The Smaller They Are, The Better They Grow" stated that, during the economic contraction from 1988-1990, small businesses created over 3 million new jobs, and from 1988-1991, small companies added all new jobs in the United States of America.

According to the United States Bureau of Labour Statistics figures, as cited in (Megginson et al; 1994), indicate that around 71% of the future employment in fast growing industries will likely come from small businesses. In the view of Galanter; (1986) in an article "Corporate Executive Quitting to Buy Rust Belt Business" published in the Wall Street Journal, The growth rate for self-employment is greater than the growth rate of general work force. Small business grew rapidly in the mid-to-late 1980's. Investors

became more willing to assume the risk of starting or revitalising small businesses. Galater added that many of these middle-aged executives from larger corporations were eager to put their management skills to work in reviving small businesses. (Megginson; 1994) also asserted that small-scale enterprises serve as training grounds for employees who then go into larger businesses as experienced workers.

In assessing the importance of small-scale enterprises to their economies, (Vep; 1970) in his book, "Small Industries in the 1970's" stated that in the 1960's interest was shown in the small enterprises by developing countries as a way of offering the best way to achieve prosperity. The writer pointed out that the "Japan miracle" in development which astonished the world stemmed from the "Meeji Restoration", a programme which concentrated on the growth of small-scale industries as providing the base for socio-economic development. In a Graphic report of July 31, 1986, the chairman of the Board of Directors of the National Board for Small-Scale Industries (NBSSI), Nkuakotse said that present day economic reform in the world is one based on small-scale businesses, adding that 96% of Britain's business population is made up of small-scale enterprises.

The potentials of the small-scale enterprise and the private sector as a whole was re-echoed in 1988 by Mr. Adamu, the then PNDC secretary for Mobilisation and Social Welfare. In an interview with the U.N Population Project, he observed that entry into the informal sector of Ghana's economy has to be encouraged by the sector because the total number of persons employed in the sector was more than the number employed in the formal sector of the economy. In a news story in the "Daily Graphic" of July, 4, 1985, Arthur reported that there were 4342 factories scattered all over the country, some closed down for lack of equipment, proper managerial skills, spare parts, and imported raw materials. Since the small-scale enterprises use local raw materials and resources to produce, they should be given the necessary encouragement.

According to Frimpong; (1997) in his article Change Agent in Small-Scale Industries Development Planning Bulletin Vol. 1 P. 33, the positive impact of small-scale businesses in Ghana became apparent during the economic recession period of the 1970's and 1980's. Small-Scale industries were able to fill the industrial gap created by the poor performance of the large-scale industries. They were able to cannibalise broken down vehicles to make spare parts from machines that could no longer be imported and they used local materials to produce essential goods that could no longer be imported or manufactured by large-scale enterprises.

Sowa et al; (1992) examined the impact of Ghana's Economic Recovery Programme (ERP) and Structural Adjustment Programme (SAP) on growth and adjustment of small-scale enterprises using output and employment as indices for examination. The survey showed that large number of small-scale enterprises had been established during the Economic Recovery Era and this trend is expected to continue. In their opinion, policies that might have triggered off the rapid growth in the small-scale industries are the liberalization of the economy, privatization action of the state owned enterprises, redeployment, retrenchment and the lack of employment opportunities in the public sector. Thus, for want of independence and job security, many people prefer to be self-employed by undertaking small-scale industrial activities. Hence the rapid increases in number of small-scale business in the country.

The filtering prospects and importance of small-scale industries in the economic development of a country, prompted the government of Ghana to encourage and stimulate the growth of small-scale enterprises by introducing the Business Assistance Fund of ₵50 billion in 1994, to offer loans to enterprising small-scale firms among others. The then vice-president of the Republic of Ghana, Mr. Ekow Ackah in his speech to launch the Business Assistance Fund in August, 1994 reiterated the prospects of small-scale industries by stating:

“We consider the small-scale industrial sub-sector as the score of our individual development. Its successful nurturing will not only lead to employment, income generation and export promotion but will also help to curb the drift of the rural population to the urban centres. It will also ensure that spatial distribution of enterprises is achieved for a balance regional growth.

The greater potential of the small-scale industries resulted in the establishment of a number of institutions whose key functions among others, is to cradle the transformation of the small-scale industries to a more vibrant sub-sector. One such institution in Ghana is the National Board for Small-Scale Industries (NBSSI).

2.5.0 CHARACTERISTICS OF SSEs

A distinguish feature of SSEs from larger firms is that, the latter have direct access to international and local markets whereas the former are excluded because of the higher international costs of small projects. According to Mark et al; (1998), SSEs can be categorised into urban and rural enterprises. The former can be sub divided into organized and unorganized enterprises. The organized enterprises tend to have paid employees with registered office whereas unorganized ones are made up of artisans who work in open structures, or at home and employ little or in some cases no salaried workers.

Another feature about SSEs has to do with the fact that operators of SSEs rarely records transactions. This is due to the fact that there is a high level of illiteracy associated with most of them. Besides this they have limited or no access to financial services. Most of their capital is generated from within. This seriously affects economies of scale (Mwanki; 2006).

SSEs lack the conventional collateral demanded by banks. In order to support them, innovative, alternative forms and substitutes such as proper bookkeeping and basic accounting principle must be kept, by SSEs however this has not been the practice. The enterprises of micro and small entrepreneurs

have limited capital and as a result they are generally unstable. They really use technology and when they do, the technology itself is simple and rudimentary. Majority of SMEs are sole proprietorship and family based enterprises. High illiteracy levels abound among SSEs especially the smallholders. Many are in business for survival. They lack even basic skills in entrepreneurship and business management Mwaniki; (2006).

Due to lack of capital, entrepreneur skills and capacity, SMEs tend to remain basic and with low rates. Notwithstanding all these challenges, some SMEs are both innovative and dynamic. They are able to survive in volatile and competitive environments. Sometimes they combine different business activities in order to stay alive. Lukàcs; (2006)

2.6.0 Importance of Good Records

Authorities in bookkeeping and accounting procedures have provided some importance of good records keeping to include the fact; unless your business is accounting or bookkeeping, keeping financial records is probably not what you do best. Most likely, you would rather spend your time selling your product or service. However, if you are going to run a successful business, accurate and timely financial information is a must.

Malcolm, McDonald & Cavusgil; (1990) again, provide some reasons for a good financial record keeping to include:

- i. How to monitor the success or failure of your business.
- ii. It is hard to know how a business is doing without a clear financial picture.
- iii. Is the business bringing in enough money?
- iv. Are sales increasing?
- v. Are expenditures increasing faster than sales?

- vi. Which expenses are too high based on levels of sales?
- vii. Does some expenditure appear to be "out of control?" Smith, Keith, & Stephens (1989).
- viii. Furthermore, accounting Longneck and Moore; (1988) evaluating the financial consequences is part of every business decision made. Without accurate records and financial information, it may be hard to know the financial impact of a given course of action.

They go on to say that, a bank will usually want to see financial statements for the most current and prior years, as well as your projected statements showing the impact of the requested loan. A bank may even want to see some bookkeeping procedures and documents to verify whether the business is being run in a sound and professional manner

Smith et al; (1989) assert that if a business has reached the point where there is the need to take in a partner, any prospective partner will want to become intimately familiar with the financial picture of the business. If it needed a capital and taking in an outside investor, a lot of financial information need to be produced. Even suppliers and other creditors may need certain financial records. Such information may be produced by an outside accountant.

- Smith et al; 1989 further state that, all businesses use budgets for planning purposes. A budget helps keep businesses on track by forecasting cash needs and helping control expenditures. In addition, if the business is seeking bank financing or other sources of capital, a bank or a prospective investor will probably want to see the budget as evidence that the business is well planned and stable. Solid financial information is needed prepare a meaningful budget.
- According to Longneck et al; (1988) preparing income tax return whether a business is a sole proprietorship or corporation it must file an income tax return and pay income taxes. With good records, preparing an accurate tax return will be easier and it is more likely to be able to be on

time. Poor records may result in underpaying or overpaying taxes and/or filing late (and paying penalties). If the accountant prepares the income tax return, poor records will almost certainly result in paying higher accounting fees. If the business is a partnership, not only will it have to prepare a partnership tax return, but partnership return amounts will pass directly to the tax return of each partner. So record keeping will directly affect the tax return of each partner.

2.6.1 Getting Records Ready

According to International Marketing Digest edited by Malcolm, McDonald and Cavusgil; (1990) SMEs can save themselves some cash by doing as much of their own bookkeeping as possible. Accountants prefer that SSEs do not drop a shoe box of receipts and records in their offices. Such a strategy will cost them a lot of money in accounting fees; they do not want to pay their accountant for routine clerical work. They should be able to keep track of their day-to-day transactions and have a preliminary general ledger ready for their accountant. If they keep good records, their accountant will produce more accurate financial statements and/or tax returns, and will do it faster and cheaper. They should get their records ready and set up an appointment with their accountant as early as they can. They should not wait until they are close to an upcoming deadline. If they get their records to their accountant early, they will give them better service for their money. Many SSEs wait until the last minute.

With the proliferation of personal computers and software, there are many programs on the market to help them automate their accounting procedures. Their accountant may want them to use a program that is compatible with the system they use. In many cases, they may be able to keep most of their records on their computer, and simply hand their accountant a disk, flash drive or memory stick whenever they need their records. Accounting is the method, in which financial information is gathered, processed, and summarized into financial statement Longneck et al; (1988) and reports. An accounting system can be represented by the following graphic, which is explained below.

1. Every accounting entry is based on a business transaction, which is usually evidenced by a business document, such as a check or a sales invoice.

2. A journal is a place to record the transactions of a business. The typical journals used to record the chronological, day-to-day transactions are sales and cash receipts journals and a cash disbursements journal. A general journal is used to record special entries at the end of an accounting period.

3. While a journal records transactions as they happen, a ledger groups transactions according to their type, based on the accounts they affect. The general ledger is a collection of all balance sheets, income, and expense accounts used to keep a business's accounting records. At the end of an accounting period, all journal entries are summarized and transferred to the general ledger accounts. This procedure is called "posting." Smith et al; (1989)

4. A trial balance according Longneck et al; (1988) Small Business Guide is prepared at the end of an accounting period by adding up all the account balances in their general ledger. The sum of the debit balances should equal the sum of the credit balances. If total debits don't equal total credits, they must track down the errors.

5. Finally, financial statements are prepared from the information in their trial balance. Their accounting records are important because the resulting financial statements and reports help SSs' plan and make decisions. They may be used by some third parties (bankers, investors, or creditors) and are needed to provide information to government agencies, such as the Internal Revenue Service. Longneck et al; (1988)

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 INTRODUCTION

Each research problem is in some form unique and thus requires a custom-made research procedure. In this chapter, the research method that was used to collect, manage and analyze the data is presented. In other words, the chapter discusses the methodology of the study including the source of data, sample and sampling technique, data instrument, pilot testing of instrument, data distribution and collection as well as data management and analysis tool are described in this section.

To be able to accomplish the task at hand, there is the need to gather adequate and comprehensive data on Small-Scale Enterprises and National Board for Small-Scale Industries (NBSSI). This chapter seeks to explain the research instruments used in collecting data, the population of the research, sampling procedure, the type of data collected and the difficulties encountered during the survey.

3.2 RESEARCH DESIGN

The research was designed to cover the activities of two hundred (200) Small-Scale Enterprises (SSE's) and key personnel from National Board for Small-Scale Industries were interviewed. They were; the director of research, public relation officer, the director of education, two field officers at the head office, district coordinators of Kanashie, Accra central, Madina, North Industrial Area and Tema. The survey method was used in gathering information from respondents. This included direct visits, observations, interviews and administration of questionnaires. The field data were edited, coded and punched. Frequencies, percentages and tabulations were used to score the data.

Questionnaires and personal interviews were the methods employed in gathering the field data.

A personal administration of the questionnaires was employed because of the time constraints on the part of these businessmen. As a prelude to the questionnaires personal interviews and discussions were conducted to prepare the minds of respondents and also to serve as a check on inconsistent and/or conflicting response. Personnel of NBSSI were interviewed to determine the extent to which they assist SSEs.

3.3. POPULATION AND SAMPLE SIZE

For the purpose of this study, the author was able to identify a population of three fifty (350) small-scale enterprises (SSE's) from which two hundred (200) was selected for the research. Key personnels from NBSSI were also interviewed to determine the extent to which they help SSEs in recording their financial transaction.

3.4. SAMPLING PROCEDURE

The first two questions most researchers ask once a research project has been defined are "How many subjects will I need to complete my study, and how will I select them?" Researcher have developed a number of techniques where only a small portion of the total population is sampled, and attempts to generalise the results and conclusion for the entire population is made. There are some distinct advantages and disadvantages in using samples. Advantages include that sampling involves a smaller number of subjects and is more time efficient, less costly and potentially more accurate. Disadvantages include potential bias in the selection of subjects, which may lead to error interpretation of results and decrease in ability to generalise the results beyond the subject actually studied.

The process of defining a representative subpopulation to study is called sampling. There are two main categories of sampling, probability and nonprobability. For the purpose of this study the nonprobability category was used. Convenience sampling was used. Subjects were selected because of their convenient

accessibility to the researcher. The subjects were chosen simply because they were the easiest to obtain for the study. This technique was used because it was easy, fast and usually the least expensive and troublesome.

The population from which the samples were drawn was categorised as: textile/clothing, food processing; wood processing/carpentry; metal works, handicraft and hairdressing. This classification was done to enable the author cover businesses in each category. Since coverage of all the various areas of the targeted area could not be taken, selections of the following areas were made: Tema, Kaneshie, Ashiaman, Kokompe and Dansoman. In all 200 SMEs were selected from these areas. The authors' discretion in selecting these areas was due to the fact that such areas were noted for the concentration of various small-scale entrepreneurial activities.

3.5. SOURCES OF DATA

The collection of data represents a pre-requisite for carrying out a research and can be derived from a number of sources. These sources are classified into secondary and primary data (Clarke and Dawson, 1999).

Neil (1985), pointed out that secondary data is material that has been gathered previously and primary data consists of new material collected by the researcher for the purpose at hand by the use of questionnaires, interview schedules, observation, participation etc.

3.5.1. TYPES OF DATA COLLECTED

The primary source of data is the field survey conducted by the author.

The source of primary data is from the personnel of the Headquarters of National Board for Small Scale Industries (NBSSI) and SSEs through the use of questionnaires.

In all the above cases, the data collected were in the form of descriptive data.

A structured questionnaire was used to gather data from the respondents. The questionnaire had both close-ended questions.

The questionnaire sought to obtain information on the following variables:

The full details of the questionnaire are presented in Appendix 1.

The questionnaire comprised five pages including the cover sheet. The cover page provided the respondent with information about the content, the rationale for the research and carried a statement of assurance of confidentiality of the results to the respondents.

3.5.2. PILOT TESTING

A pilot study was conducted to test the validity and reliability of the questionnaire.

First, the expert views, suggestions and correction of the researcher's supervisor were taken into consideration in restructuring of almost all the statement that was found to be ambiguous and irrelevant. Therefore, 10 SMEs were selected to test the questionnaire. The test was aimed to reveal problems in understanding the questions as well as other problems which have to be solved before sending the questionnaire out to respondents. To minimize misinterpretations and misrepresentation the questions as well as the instructions have to be designed in a clear and precise way so that different persons would not interpret them differently. Predominantly fixed alternative question but also open-ended questions albeit to a minor extent were used to gather the data. Consequently, 21 question items out of the original 48 making nine pages were dropped from the initial draft. These were done to ensure that the statements would convey the appropriate meaning as well as measure the variables accurately.

An item by item scrutiny of the remaining responses did not show any evidence of respondents' misunderstanding of any item. Therefore the instrument was deemed to offer a guarantee of readability and usability.

3.6. DATA MANAGEMENT AND ANALYSIS TOOL

Collected questionnaires have to be managed properly if any use has to be made of it. It is important that raw data is handled properly and processed in order to transform it for the purpose of extracting conclusive information. Data collected for this research was analyzed qualitatively and quantitatively. A very good care was taken through the answered questionnaire to verify clarity of expressions, legibility, unanswered questions and other discrepancies. This was done to facilitate consistency of thought as well as to make coding and analysis easier.

Each questionnaire item was vetted and numbered serially according to sequence in which they were received. The field data was presented in the form of tables, charts and frequency tables.

3.7. ETHICAL ISSUES.

Generally, business people are hospitable and will easily give any relevant information to interested people provided their time and confidentiality were upheld. In this case for instance, many of small-scale businesses did not like to answer questions that tried to probe into their incomes, earnings from their businesses, family life and expenditure. I tried throughout my interactions with them to avoid asking respondents such questions.

3.8. PROBLEMS ENCOUNTERED DURING THE STUDY

The major problems the researcher encountered were in the area of data collection. Most of the respondents were sceptical and thought that the research was made to make them pay more taxes to

the government. It was not easy convincing some of them to understand that the purpose of the research was not for taxation.

Interestingly, however, most of the respondents were more than willing to provide information about their enterprises, especially in enumerating their problems.

Another limitation of this study was inconsistency of answers. Most of the respondents initially were inconsistent with their answers, so the researcher had to go through various processes by asking further questions before the right answers were given.

The researcher took interest to explain to the respondents that, the research is mainly an academic exercise, which is a requirement for the award of a degree, and that it had nothing to do with the government or of any commercial motive.

Financial and time constraints also presented a limitation in the sense that a more elaborate and detail study into the report could not be permitted than what is presented here.

In spite of all these problems faced by the researcher, the study was a good experience and a basis for further research into the research topic.

3.9. A SHORT INTRODUCTION TO NBSSI AND ITS MISSION

The National Board for Small Scale Industries (NBSSI) is the apex governmental body for the promotion and development of the Micro and Small Enterprises (MSE) sector in Ghana. It was established in 1985 by an Act of the Parliament of the Third Republic of Ghana (Act 434 of 1981) because the government viewed the sector as having the potential to contribute substantially to reducing the high unemployment rate and to the growth of the economy of Ghana. MSEs account for a significant share of economic activity in Ghana and can play an important role in achieving the Millennium Development Goals (MDGs).

The long-term goal is for MSEs to maximize their contribution to the country's economic and social development with respect to production, income distribution and employment and the closer integration of women and people in rural areas within the national economy.

The following objectives guide the operations of NBSSI:

- To contribute to the creation of an enabling environment for the development of small-scale enterprises.
- To contribute to the development of an entrepreneurial culture in Ghana.
- To facilitate access to credit for small enterprises.
- To provide non-financial support for sustainable small-scale enterprise development.
- To facilitate the growth of enterprise sector associations.

The activities of NBSSI fall into two broad categories: financial and non-financial services.

The main function in the provision of financial services is to improve its clients' banking culture and accounting practices. Financial services also include extending credit through its loan schemes to entrepreneurs for both working capital and the acquisition of fixed assets. The interest rate on loans granted by the NBSSI is 20% and repayments are through monthly installments to ease the burden of loan repayment. Borrowers are usually granted between two to four months grace period. Personal guarantors are accepted as security since small-scale entrepreneurs do not usually have collateral security. Beneficiaries are encouraged to open accounts with the bank and transact their business, especially the loan repayment, through the bank so that they get acquainted with the banking culture.

The Business Advisory Centres (BAC) of the NBSSI carries out the non-financial services. As at December 2007, the Board had BACs in 110 district capitals. The BACs are the extension wing of the NBSSI through

which relevant information, training and guidance is provided to individuals that will make the entrepreneur a well-rounded, competent and confident businessperson.

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CHAPTER FOUR

4.0. DATA PRESENTATION AND ANALYSIS

4.1.0 INTRODUCTIONS

This chapter seeks to analyse data collected from small-scale enterprises and National Board of Small-Scale Industries on their activities. As stated in the preceding chapter, a sample of 200 small-scale enterprises and personnel of NBSSI were interviewed. The information were analysed both qualitatively and quantitatively in this chapter.

In order to get a comprehensive and orderly analysis of the data collected from the Small-Scale Enterprises (SSE's). The following parameters were use:

- Characteristics of owners and their businesses;
- Types of accounting and basic bookkeeping uses;
- Initial problems faced in running their businesses using basic bookkeeping and accounting procedure;
- Whether assistance is received from NBSSI on basic booking and accounting procedures and the form(s) of such assistance;
- Major problems facing SMEs in securing the services of accounting personnels and/or services.

Activities of NBSSI in relation to Small-Scale Enterprises in the country as a whole was also analysed on the following parameters;

- Whether NBSSI offer assistance to SSE's and the form(s) of such assistance;
- Selection criteria
- Collaboration among NBSSI and other governmental agencies and

- Problems hindering the NBSSI in carrying out its activities in the country.

4.2.0 ANALYSIS OF DATA ON SMALL-SCALE ENTERPRISES' ACTIVITIES.

4.2.1 CHARACTERISTICS OF OWNERS AND BUSINESSES

With the 200 Small-Scale Enterprises covered in the study area, it was found that majority of owners of businesses were women within the ages of 30 and 45. 125 of the businesses covered, representing 62.5% were owned by women and about 50% of these women were in the 30-45 age group. Only businesses such as wood processing and carpentry were owned by men as obtained from the study.

Information gathered from the study indicates that Small-Scale businesses had been in existence for a long time. Responding to a question on date of formation, 105 of the businesses representing 70% of the 200 businesses contacted indicated that they had been operating for not less than 15 years. Only activities such as cloth making and hairdressing appeared to be new and emerging.

Sole proprietorship was the predominant feature of Small – Scale Enterprises. It is only in the areas of Carpentry and Auto Mechanics that men numbering about 8 to 10 come together in most cases to form co-operatives as indicated in the study. The reasons why co-operatives are formed in these two (2) areas of activities include the fact that they involve tedious work and also require huge capital outlay.

The survey of the 200 businesses covered indicated that 50 and 40 engage in Auto Mechanics and textile/cloth making respectively. Hair dressing businesses covered in the study numbered 25, representing 16.67%. Food processing and soap making businesses were 20 or 13.33%. The result shows that, wood processing and metal works are the activities least engaged in, as indicated in the table that follows:

TABLE 1: DISTRIBUTION OF BUSINESSES BY ACTIVITIES UNDERTAKEN

BUSINESS AREA	FREQUENCY	PERCENTAGE
Textile/clothing	125	22.5
Food processing	25	12.5
Wood processing	15	7.5
Metal works/blacksmithing	15	7.5
Hair dressing	35	17.5
Auto Mechanics	40	20
Soap making	25	12.5
Total	200	100

SOURCE: FIELD SURVEY, 2010.

The table 1 above and figure below show that textile/clothing industry representing 22.5% was the dominant area among the respondents, followed by auto mechanics being 20%. Hair dressing was next with 17.5%. Next important field was the food and soap making scoring 12.5%. Wood processing and Metal works/blacksmithing representing 7.5% were captured.

4.2.2 OWNERS' REASONS FOR ENGAGING IN BUSINESS

An examination of the factors, which led to the establishment of various businesses, revealed a variety of reasons. Most of the respondents indicated that they have been engaged in self-employment to generate income to cater for their families. Some also did that to diversify their resources into other

areas to supplement the sources of income they have already. The former category represented 55% with the latter representing 25%, while the remaining stated other varying reasons as indicated in the table below:

TABLE 2: REASONS FOR ENTERING INTO BUSINESS

REASON	NO. OF RESPONDENTS	PERCENTAGE
Self Employment	110	55
Diversification	50	25
Other Reasons	40	20
Total	200	100

SOURCE: FIELD SURVEY, 2010.

From the table 2 above and figure 2 below it is clear that majority set up these businesses for the desire to be self-employed, they accounted for fifty-five percent of the respondent. This is followed by diversification which represents twenty-five percent and other reasons had twenty percent. This shows us that majority of owners of SMEs set up their businesses because of the desire to be one's own boss.

4.2.3 INITIAL PROBLEMS IN RUNNING BUSINESSES

Varied problems were given by most of the 200 businesses covered in the study. Apart from 10 businesses that indicated that they did not face any significant problems, 85 indicated they faced either 3 or 4 types of problems. The remaining 55 faced 1 or 2 problems during their initial stages.

Problems indicated include lack of capital, marketing problems, lack of technical knowledge among others.

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4.2.4. HOW DO YOU DETERMINE YOUR PROFIT MARGIN?

TABLE 3

How do you determine your profit margin?	Number	Percentage
Selling Price Minus Cost Prices	120	60
By guessing	80	40
Total	200	100

SOURCE: FIELD SURVEY, 2010

On the subject of how business owners determine their profit margin varied views was express by the firms. 80 representing 40% of the entrepreneurs and managers interviewed indicated that they determine their profit by deducting their cost price from their selling price and 120 representing 60% does it by guessing.

4.2.5: ON HOW THEY CALCULATE THEIR TAX LIABILITIES

150 representing 80% of the entities surveyed do not pay tax at all with the explanation that they were not suppose to pay since they were not making enough money from their businesses. 50 firms

representing 20% pay tax by the flat rate regime because Internal Revenue Service personnel came to register them and collected the tax from them.

4.2.6: ON THE QUESTION OF HOW THEY RECORD THEIR PROCEEDS

60 firms, that is, 30% of SMEs surveyed record their proceeds in an ordinary notebook and 140 representing 70% do not record their proceeds at all. Their reasons were that they do not see the need and others said they do not know how to go about it.

4.2.7. ON THE ISSUE OF WHO DOES THE RECORDING

On the question on who does the recoding, 75% of respondents do the recording themselves and the remaining 25% have personnel that takes up the recordings.

TABLE 4: WHO DOES THE RECORDING?

If books are kept who does the recording in the books?	NUMBER	PERCENTAGE
Myself	134	75
Employee account clerk	66	25
Total	200	100

SOURCE: FIELD SURVEY, 2010

From the table 4 above 75% of the respondents do the recording by themselves, which shows that majority of the respondents do the recording of their financial transactions themselves even though they do not have enough knowledge in basic accounting procedures and bookkeeping principles.

4.2.8: ON THE QUESTION OF RECEIVING ANY TRAINING IN BOOKKEEPING

Most of the 200 Small-Scale Enterprises (SSE's) contacted stated that; they had little or no training in basic bookkeeping and accounting procedure.

60 of the 200 businesses had some form of training. 140 which form the majority had no training in the subject matter.

Another major problems most of them mentioned is the lack of technical skills in going about their work. 145 out of the 200 businesses said they lack technical training in business and accounting management among other problems.

4.2.9: ON THE ISSUE OF HOW FINANCIAL RECORD KEEPING HELPED THEIR BUSINESS

To the question of how financial record keeping helped their businesses, 75% of those who kept some sort of financial record stated that it helped them to determine their profitability and improved their business dealings. However none could indicate this helped them determined their tax obligations since majority of them do not pay tax. Few that pay tax subscribe to the flat rate regime.

4.2.10: PREPARATION OF THEIR ACCOUNT AT THE END OF THE PERIOD

All the respondents indicated that they do not prepare periodical accounts; they do these on ad hoc bases, that is, when the need arises. For example, when they were seeking finance assistance from financial institutions.

4.2.11: PERSON RESPONSIBLE FOR THE PREPARATION OF THE ACCOUNT

To the question of who prepares the account all the respondents indicated that they employed the services of professional accountants to do these for them since they do not have the competence to handle it.

4.2.12: REASONS FOR PREPARING ACCOUNTS

On the reasons for preparing accounts, 100 representing (50%) indicated that they use the accounts to determine their profitability. Another 10 representing (50%) does that as a condition for obtaining loans from financial institutions. None of them indicated that they do it to determine their tax obligation or as a statutory obligation.

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TABLE 5: ACCOUNT PREPARATION

REASONS FOR PREPARING ACCOUNTS	NUMBER	PERCENTAGE
To determine profitability	100	50
For tax purposes	0	0

For loan requirements	100	50
As a statutory obligation	0	0
TOTAL	200	100

SOURCE: FIELD SURVEY 2010

From the table 5 above, the reasons stated by the respondents on why they prepare their accounts were to determine profitability and for loan requirement shared these fifty percent. The respondents claimed tax purposes and statutory obligation were not the reasons why they prepare their accounts.

4.2.13: TRAINING IN BASIC ACCOUNTING AND BOOKKEEPING

60 owners out of the 200 firms interviewed indicated that they had some form of training in basic bookkeeping and accounting procedures. The remaining 140 had no training at all.

TABLE 7: TRAINING

TRAINING IN BASIC ACCOUNTING AND BOOKKEEPING	NUMBER	PERCENTAGE
YES	60	30
NO	140	70
TOTAL	200	100

SOURCE: FIELD SURVEY 2010

60 respondents representing 30% the population responded yes to being trained in basic accounting procedures and bookkeeping principles while majority of the respondents numbered 140 representing 70% said no they do not have any training.

4.2.14: ON THE QUESTION OF THE NEED FOR THEIR TRAINING IN THESE PRINCIPLES

All except 50 firms representing 20% will accept to attend training modules to up-grade their knowledge in basic bookkeeping and accounting principles due to the new trend in doing business in today's world. The 50 dissenting firms cited lack of time due to the fact they were concentrating on their business to maximize returns.

4.2.15: INSTITUTION THAT DID THE TRAINING

The following institutions NBSSI, NGOs and others provided the firms with some training in basic accounting principle and bookkeeping procedures, 84 of them had their training with NBSSI, another 84 had theirs with NGOs and 32 had theirs with private accounting firms.

TABLE 9: TRAINING INSTITUTIONS

INSTITUTION THAT DID THE TRAINING	NUMBER
NBSSI	84
NGOs	84
OTHERS	32
TOTAL	200

SOURCE: FIELD SURVEY 2010

Table 9 above shows that, NBSSI and NGOs' were the leading providers of training in financial recordings to the SMEs. This indicated NBSSI was performing their mandated.

4.2.16: TRAINING RATING

When the 200 firms were asked to rate the quality of the training they had, 85 respondents representing 42.5% rated the training to be very good, 35 firms rated it to be good representing 17.5%, 50 respondents said it was average representing 25%, and 30 firms gave them a poor marking representing 15%.

TABLE 10: TRAINING RATING

TRAINING RATING	NUMBER	PERCENTAGE
Very good	85	42.5
Good	35	17.5
Average	50	25
Poor	30	15
TOTAL	200	100

SOURCE: FIELD SURVEY 2010

From table 10 above indicated that respondents were appreciative of the training they had in basic accounting principles and bookkeeping procedures, this was shown as much as 85 firms rated the training as very good. 30 respondents representing 15% cited methodology used in the training made them do not understand the principle underlining bookkeeping procedures and basic accounting principles.

4.2.17: TOPICS STUDIED

TABLE 11: TOPICS STUDIED

TOPICS STUDIED	NUMBER	PERCENTAGE
Cash book	115	58
Debt management	0	0
Stock level management	0	0
Cash Management	85	42
TOTAL	200	100

SOURCE: FIELD SURVEY 2010

From the table 11 above, it shows 115 representing 58% individuals or firms that indicated earlier that they had some form of training in basic accounting had training in cash book management and 85 representing 42% also had training in cash management techniques. None of them had training in debt management or stock level management. This indication shows that SMEs were only interested in cash book management which is a positive sign for the growth of SMEs.

4.2.18: IMPLIMENTATION OF WHAT THEY BENEFITED FROM

To those who benefitted from the training, they have incorporated what they have learnt into their business transaction and had helped them dealing with their customers on strictly business lines, for

example credit time given to their clients. It also helped them streamline their dealings with other stakeholders, for example their bankers.

4.2.19: VISIT BY TRAINER TO TRAINEES

The survey conducted shows that all the individuals and firms that had some training on basic accounting and bookkeeping were visited by their trainers. This shows that there exists a relationship with their trainees

4.3.0: ANALYSIS OF DATA ON NBSSI ACTIVITIES.

Data gathered from the interview with the 10 NBSSI officials indicated that NBSSI was set up since Ghana had its independence.

On the achievements of the NBSSI with regards to its objectives, the majority of the officials interviewed stated that not much had been achieved. However, it was clear from the interaction with the officials that entrepreneurs had been taught how to start their businesses, record keeping and to some extent awareness had been created by the NBSSI to their existence and their support activities SSEs.

Concerning problems of the NBSSI, the officials mentioned problems like inadequate budgetary support from the government, lack of logistics to reach the entire populace, lack of vehicles to move around and inadequate professional personnel.

4.3.1: ASSISTANCE OF NBSSI TO SMALL-SCALE ENTERPRISES.

Answers to the questions as to whether the NBSSI offer any kind of assistance to Small-Scale Enterprises, the officials of the NBSSI representing 100% of the total number contacted indicated that they do offer assistance.

4.3.2: FORMS OF ASSISTANCE BY NBSSI TO SSE's

From the interview it was indicated that assistance were offered by the NBSSIs to SSE's. It was learnt from the interview that these assistances were available in varying forms and combinations. They include financial and technical assistance together management.

4.3.3: REGULARITY OF ASSISTANCE FROM NBSSI TO SSEs

Results of the interview indicated that NBSSI assistance could be categorized as regular and irregular in respect of their response to the needs of SSEs. NBSSI responded indicated that they offer assistance to SSEs where it had been seen that very sensitive to the survival of the SSEs, for example how keep customer for life.

4.3.4: FOLLOW-UPS BY NBSSI TO BENEFICIARY ENTERPRISES.

Response obtained from the research indicated that NBSSI assistance to SSE's made follow-ups to find out the impact of such assistance on the beneficiaries. This was to ensure that loans for instance are paid up. With businesses in crises situation NBSSI stated that they still consider the possibility of such businesses succeeding and becoming viable after being assisted, before they offer such assistance.

4.3.5: ON THE LEVEL ASSISTANCE TO SSEs ON ACCOUNTING PRINCIPLES

On the question of assistance from NBSSI on accounting principles, they indicated that it take the form of hiring of resources personnel from both private and Business Advisory Centre of NBSSI to offer

technical as well as managerial training for SSEs. In doing this the NBSSI bear the cost of such training in most cases.

Another important organisation with whom they collaborate and through which they undertake their activities as mentioned in their responses is the Non-Formal Education Division (NFED) of the Ghana Education Service (GES). NBSSI indicated that managerial, book keeping and technical training in most cases were offered to the SSE's through the NFED. This is done by sponsoring the incorporating these skills in the instruction manuals of the NFED to be taught to these SSE's.

4.3.6: PROBLEMS FACED BY NGO's IN ASSISTING BUSINESSES

Asked to indicate what were the problems hindering NGOs assisting SSEs to acquire knowledge in basic accounting procedures and bookkeeping principles, NBSSI respondent stated that; the NGOs were interested in offering SSEs financial assistance in form of soft loans. It was however revealed that retrieving the loan back from the beneficiary businesses is a serious handicap.

4.3.7: PROSPECTS OF SSE'S AS IDENTIFIED BY NBSSI

From the interview it was gathered that NBSSI was in the process of impressing upon NGOs concern about supporting SSEs to channel some of their resources into the training of these SSEs in basic bookkeeping principles and accounting procedures. It further revealed that the prospect of SSEs growth depends largely on how they separate their own financial dealings with that of their businesses.

CHAPTER FIVE (5)

5.0: SUMMARY OF FINDING, CONCLUSION AND RECOMMENDATIONS

5.1: SUMMARY OF FINDINGS

The contribution of the small-scale enterprises have been recognized by both governmental and non-governmental agencies. The research, aimed at finding out the need for proper bookkeeping and basic accounting procedures in SSEs. The research covered 200 SSEs and an interview conducted at NBSSI headquarters.

The study found out that there was lack of managerial skills especially in basic accounting principles and bookkeeping procedure among SSEs in the country.

The study shows the illiteracy rate in financial recording is generally high and NBSSI is doing every thing possible to correct this anomaly.

The study further found out that SMEs do not attach any importance to proper bookkeeping and basic accounting principles.

The study also revealed that there is an apparent non-existence of proper bookkeeping and basic accounting procedures in SMEs.

Principal among these functions were the training of business owners on various topics. But it seems their effort of educating these business owners on the need of proper bookkeeping is not enough.

Finally, SSEs do not employ account clerks not to talk of qualified accountant to prepare their financial books for the enterprise.

CONCLUSION

Conclusion drawn from the research indicated that the major problem of management of business was how to attract and maintain middle level accounting personnels to manage their accounting records and this affects the growth of enterprises and in most cases a major cause of business failure.

The research further revealed the illiteracy on the use of basic accounting and bookkeeping procedures is generally high and it therefore suggested that NBSSI and other agencies responsible for the growth of SSEs should step up their training activities especially in basic bookkeeping procedures and accounting principles.

Though, it was identified that there exist managerial problems among owners of businesses on bookkeeping in the country, the study cannot be said to be conclusive. For instance, the study could not identify the extent to which each managerial problem identified; affected the growth of the small-scale enterprises in the country.

It is hope therefore that, further research will be conduction on the topic to determine the level of accounting principles and bookkeeping needs of businesses in the country and to determine he extent of damaging effects of poor financial records in the growth of businesses.

5.2: RECOMMENDATION

Due to the enormous contribution of small-scale enterprises to the socio-economic up-liftment of the towns and village where they are located, and the country as a whole, much attention ought to be given to proper bookkeeping and basic accounting procedures in small-scale enterprises.

SOURCE OF EMPLOYMENT

It is an undeniable fact that SSE's are great source of employment, and the development of local industrial entrepreneurship and should be encouraged to separate their personal finances from that of their business finances.

In appreciation of the contribution of SSEs the researcher put forward the following recommendations for the enhancement of SSE's in the study area.

ROLE OF NBSSI

First and foremost, NBSSI, which is the major agency, established to see to the need of small-scale industries must be the body around which other agencies can work to promote small-scale business.

Other institutions working in this direction may not even know each others existence in the country but the NBSSI can work to bring all such agencies together to ensure collaboration among them. This will eliminate duplication of activities or duties of these established organisations especially the NGO's.

ROLE OF NGOS

A major finding in the research was that other institutions like NGO's who assist SSEs rather dominate on the provision of financial and technical services ignoring the managerial needs of the SSE's. These institutions should add to their activities the provision of managerial skills especially proper bookkeeping and accounting procedures and vigorously pursue them to enable them make productive use of resources and other forms of assistance offered.

EDUCATION

Educational programmes, especially on the FM radio station through the Non-Formal Education Division (NFED) publication must be intensified to make business owners aware of the existence and activities of

NBSSI and other assisting institutions in the country. Airtime could also be assigned to educate business owners on topics in bookkeeping and principles of accounting in managing a business.

MANAGEMENT OF SMEs

To solve the problem of management, it is been suggested that, businesses in the country should embark on serious planning on how to manage their affairs. The idea of managing businesses solely by individuals is not a good practice for effective performance. Businesses should therefore form partnership-pulling together resources and expertise. They should also employ qualified persons to help them in the management of their businesses.

FINANCIAL RECORD KEEPING

Proper records and books of accounts are prerequisites for good performance and this should be encouraged. Thus, not only must they start keeping records of business transactions, but also they should separate the activities of their businesses from their personal activities. Indeed the culture of good business practices such as the above is crucial for effective business performance.

Before any assistance is given either by NBSSI or other organisations the SSEs should be contacted and studied properly to determine their needs.

Follow ups should also be made to beneficiary SSEs to determine the impact of such assistance and to also determine whether there is the need for further assistance.

Another way assistance to SSEs can be made beneficial to them is through the formation of co-operatives. SSEs should therefore be encouraged, especially those in the same area of business, to form co-operatives so that they can easily be accessed, assessed and assisted.

The NBSSI; the government and other assisting organisations should organize district and regional trade fairs to create a forum for local entrepreneurs to exhibit their wares. Furthermore, the NBSSI should make efforts to create awareness of the rich cultural and tourist potentials of the country through symposia and television broadcast for other equally interested persons can join the bandwagon SSEs to create the needed jobs for the youth.

The entrepreneurs themselves should embark on serious quality control exercise to help them outwit competitors and also to improve their sales as well. The government on his part should improve the poor infrastructural state especially the road network in the country to further ease the problems of distributions and marketing.

FOLLOW-UPS

NBSSI should follow up on enterprises trained in basic bookkeeping and accounting to ensure that the SSEs follow what they were taught.

Further, NBSSI as a matter of urgency source finance from NGOs and other agencies to help SMEs prepare their financial records so that they can meet the demands of their financial institutions.

NSSBI should ensure strict adherence to these procedures in order to qualify these SSEs for further training programmes/assistance being offered.

POLICIES

Finally, since most policies are intended to boost large-scale firms, they invariable affect the growth and development of SSE's negatively. Policy-makers must be conscious of such consequences on SSE's when formulating such policies.

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Appendix I

Questionnaires to entrepreneurs/managers

This questionnaire is designed to seek information from small scale enterprises on the need for proper bookkeeping and basic accounting procedures. The information provided will strictly be considered as confidential and used solely for academic purposes.

Q1. Gender: Male () Female ()

Q2. What is your present age?

.....

Q3. What is the name of your business?

.....

Q4. Which area of business are you operating in?

.....

Q5. For how many years have you been running your business?

.....

Q6. State briefly the reason(s) why you started this business?

.....

Q7. How do you determine your profit margin?

☐ Selling Price minus Cost Price

☐ By guessing

Q8. How do you calculate your tax liabilities?

☐ Pays flat rate

☐ Do not pay tax at all

Q9. How are your proceed recorded?

- ☐ Keep no records
☐ In an ordinary notebook

Q10. Do you keep record of your business?

- ☐ Yes ☐ No

Q11. How do you keep the records e. g books, memoir?

- ☐ In a notebook ☐ ledger

Q12. If books are kept who does there recording in the books?

- ☐ Myself ☐ Employee account clerk

Q13. Have you receive any training in bookkeeping?

- ☐ Yes ☐ No

Q14. Which of the following is the reason or which way has financial record keeping helped your business?

- ☐ Profitability ☐ Calculating Tax Liabilities
☐ To obtain loan

Q15. Do you prepare your account at the end of the period?

- ☐ Yes ☐ No

Q16. Who prepares the account?

- ☐ Personally
☐ Professional individual accountant

Q17. Why do you prepare your accounts?

- ☐ To determine profitability

- ☐ For tax purposes
- ☐ For loan requirements
- ☐ As a statutory obligation
- ☐ Chartered accounting firm

Q18. Have you ever had any training in basic accounting and bookkeeping?

- ☐ Yes ☐ No

Q19. How will you rate the training?

- ☐ Very good
- ☐ Good
- ☐ Average
- ☐ Poor

Q20. Which institution did the training?

- ☐ NBSSI
- ☐ NGO
- ☐ Others (Specify)

Q21. What areas in basic accounting and bookkeeping were you trained in during the training period?

- ☐ Cash book
- ☐ Debt management
- ☐ Stock level management
- ☐ Cash Management

Q22. Have you been practicing what you were taught during the training?

- ☐ Yes

☐ No

Q23. Do the trainers ever visit you after the training period?

☐ Yes

☐ No

Q24. How has the training benefited your business?

☐ Debt management

☐ Stock level management

☐ Cash Management

☐ Credit management

Q25. Have you been encountering problems using what you have learnt?

☐ Yes

☐ No

Q26. If Yes, which areas?

☐ Reconciling the accounts

☐ Entering the figures

☐ Balancing the books

Q27. How do you solve these problems?

☐ Do nothing

☐ Seek advice from NBSSI

KNUST



Appendix II

Questionnaires

This questionnaire is designed to seek information from staff of National Board for Small Scale Industries. The information provided will strictly be considered as confidential and used solely for academic purposes.

Q1. What is the name of your organisation?

.....

Q2. When NBSSI started its operations?

.....

Q3. Do NBSSI operate all over the country?

.....

.....

Q4. List the objectives of NBSSI.

.....

.....

Q5. What are the functions of NBSSI?

.....

.....

Q6. Has NBSSI achieved its objectives?

☐ Yes

☐ No

Q7. Do you offer any kind of assistance to Small Scale Enterprises in the country?

Yes

No

Q8. Does the assistance cover bookkeeping services?

☐

Yes

☐

No

Q9. What other form/forms does/do you assist Small Scale Enterprises in their accounting procedures?

.....

.....

Q10. How regular do you offer such assistance to the businesses?

.....

Q11. Do you make follow ups to assess the performance of beneficiary businesses?

☐

Yes

No

Q12. If you do make follow ups, do you observe any improvements in the performance of beneficiary businesses?

☐☐

Yes

☐

No

Q13. What criteria do you use in determining the needs of businesses before assisting them?

.....

.....

Q14. What selection criteria do you use in determining beneficiary businesses?

.....

Q15. Do you work in collaboration with any other government agency (ies) and/or other NGO's in the provision of assistance to Small Scale Enterprises in the country?

Yes

No

Q16. If you ☐ in collaboration with any ☐ agencies or organisations list them and specify the type (s) of collaboration.

a.

b.

c.

d.

Q17. Is there, any problems hindering your organisation's effort in assisting Small Scale Businesses in the using basic bookkeeping and accounting procedures?

Yes

No

☐☐

Q18. If any, what do you find to be the major problems hindering the growth of Small Scale Enterprise in using these principles?

.....

Q19. In your view, what were the prospects of Small Scale Enterprises in the country using basic bookkeeping and accounting procedures?

.....

Q20. What would be your recommendation to SMEs that would encourage them use basic bookkeeping and accounting procedures?

.....

