**Original Research Article**

**Accounting record-keeping in Small and Medium Enterprises in Nigeria: a source of enhanced business performance**

# Abstract

The study examined the influence of accounting record-keeping on the business performance of Small and Medium Enterprises (SMEs) in Nigeria. The specific objective was to determine the extent to which SMEs in Nigeria keep accounting records of their business activities; and to ascertain the extent to which the accounting records of SMEs in Nigeria improve their business performance. Survey research design was adopted in the study. The target population for this study comprises 670,447 SMEs operating across Nigeria. A sample size of 278 respondents was selected across the geopolitical zones of Nigeria. Structured questionnaire was used to collect primary data for the study. Reliability was assessed using Cronbach’s Alpha to determine the internal consistency of the items under each variable. The responses to the research questions were analysed using frequency distribution. The first hypothesis was tested using the Chi-square test to determine whether the extent of accounting record-keeping among SMEs is significantly low or otherwise. The second hypothesis was tested using simple linear regression to evaluate whether accounting record-keeping significantly improves business performance. The study found that: SMEs in Nigeria keep accounting records to a large extent (χ² = 96.593; p = 0.000); accounting record-keeping of SMEs in Nigeria significantly improves their business performance (β = 1.138; p = 0.000). In conclusion, businesses that prioritize proper accounting practices are more likely to achieve financial stability and growth. The study recommends that SME owners and managers in Nigeria should institutionalize comprehensive accounting record-keeping systems within their businesses as well as incorporate detailed financial tracking methods that align with international standards.

*Key words:* Accounting Record-Keeping, Business Performance, Small and Medium Enterprises

# 1.0 Introduction

Small and Medium Enterprises (SMEs) play a vital role in the economic development of countries around the world, including Nigeria. As the mainstay of most developing economies, SMEs contribute significantly to not just employment generation, but also poverty reduction, and innovation (Abisuga-Oyekunle, Patra & Muchie, 2020). In Nigeria, SMEs while contributing 48% to the Nigerian GDP (Jacob, Abbah & Ahmed, 2024) also account for over 90% of businesses worldwide and employ about 50% of the workforce in the formal sector (Olubiyi & Itai, 2025). Despite their enormous contributions, many Nigerian SMEs struggle with growth, sustainability, and long-term survival due to a variety of challenges such as poor financial management, lack of access to credit, inadequate infrastructure, low technological adoption, and weak managerial capacities. Among these challenges, poor accounting practices and inadequate record-keeping stand out as a fundamental issue affecting the ability of SMEs to manage resources effectively, attract funding, plan for the future, and comply with tax and regulatory requirements (Ogunmola, Okpala & Orobor, 2024). In the context of an increasingly dynamic and competitive business environment, the importance of sound financial record-keeping has become more pronounced. It is within this broader context that this study explores the theme of accounting record-keeping in SMEs in Nigeria as a source of enhanced business performance.

Effective accounting record-keeping is essential for businesses of all sizes, but it is particularly critical for SMEs, which often operate with limited financial and managerial resources (Khadim & Choudhury, 2024). Harahap, Halim and Prayoga (2022) submitted that accounting records, which include income statements, balance sheets, cash flow statements, ledgers, and journals, serve as the backbone of financial transparency and accountability in any organization. In today’s business environment, where information-driven decisions are key to success (Nworie, Okafor & John-Akamelu, 2022), having accurate and timely financial records enables SME owners and managers to assess their financial position, manage working capital, control costs, and detect anomalies or inefficiencies. Additionally, proper record-keeping is vital for tax compliance, access to loans and grants, and the preparation of business proposals or investment pitches (Nooney, Al Abri, Al Shereiqi, Al Haji, Ali Al-Busaidi & Al Kharusi, 2024). In many cases, SMEs that maintain well-organized financial records enjoy improved credibility with investors, financial institutions, and regulatory bodies. Moreover, as digital transformation continues to shape the modern economy, accounting software and cloud-based record-keeping tools are becoming more accessible and affordable for small businesses. These advancements provide SMEs with the opportunity to streamline their operations and make more informed financial decisions. However, despite these benefits, many SMEs in Nigeria still rely on informal or manual methods of record-keeping, which are often prone to errors, loss of information, and inefficiency (Hamid, Maigoshi & Abdullahi, 2023). This gap between the potential benefits of proper accounting and the reality on the ground calls for a deeper investigation into how improved record-keeping practices can lead to enhanced performance in SMEs.

Accounting record-keeping is not merely a compliance or administrative requirement; it is a strategic tool that can significantly enhance business performance. Accurate and up-to-date accounting records provide a solid foundation for financial planning, budgeting, and forecasting, all of which are essential for business growth and sustainability (Ogunmola, Okpala & Orobor, 2024). When SMEs maintain reliable records, they are better positioned to evaluate their profitability, measure productivity, and identify opportunities for expansion. Good accounting practices also help in monitoring cash flow, which is critical in avoiding liquidity problems—a major reason for the failure of many small businesses. Furthermore, with clear financial records, SMEs can implement cost control measures, reduce waste, and optimize resource allocation. In the absence of proper records, decision-making becomes speculative and reactive rather than proactive and data-driven. This often results in missed opportunities and financial mismanagement. From a performance measurement standpoint, accounting records enable business owners to track performance indicators over time, assess whether they are meeting strategic goals, and take corrective actions where necessary (Hamid, Maigoshi, & Abdullahi, 2023). In addition, when SMEs have reliable financial data, they can benchmark themselves against competitors or industry standards, which provides further insight into areas that require improvement. Therefore, accounting record-keeping should not be seen as a burden but as a driver of competitive advantage and long-term success.

However, in Nigeria, a large number of small business owners operate without maintaining proper accounting records, relying instead on informal methods such as memory, paper notebooks, or unstructured documentation (Ukwueze, Eke & Chidiebere, 2022; Ogunmola, Okpala & Orobor, 2024). Many entrepreneurs lack the financial literacy or accounting skills necessary to implement standard record-keeping systems. Some consider it time-consuming, expensive, or unnecessary—especially in micro and sole proprietorship settings. In other cases, inadequate awareness, lack of access to accounting tools, and the absence of regulatory enforcement contribute to the neglect of proper financial documentation. As a result, many Nigerian SMEs operate in a financial blind spot, unable to track their cash flow accurately, evaluate their profitability, or prepare credible financial statements when needed. Without reliable financial data, SMEs are unable to assess their true financial health or make informed decisions, which increases the risk of mismanagement and business failure (Akosile & Oladele, 2023). Poor accounting practices also hinder access to external financing, as banks and investors require accurate financial records to evaluate creditworthiness or investment potential. Ultimately, the lack of proper accounting record-keeping poses a significant barrier to improved business performance and long-term success among Nigerian SMEs.

# 1.1 Objectives of the Study

The main aim of the study is to examine the influence of accounting record-keeping on the business performance of SMEs in Nigeria. The specific objectives are as follows:

1. To determine the extent to which SMEs in Nigeria keep accounting records of their business activities.

2. To ascertain the extent to which the accounting records of SMEs in Nigeria improve their business performance.

# 1.2 Hypotheses

H01: There is a low extent to which SMEs in Nigeria keep accounting records of their business activities.

H02: The accounting records of SMEs in Nigeria do not significantly improve their business performance.

# 2.0 Literature Review

# 2.1 Conceptual Review

# 2.1.1 Accounting Record-Keeping

Accounting record-keeping refers to the systematic documentation, organization, and maintenance of financial transactions and information related to a business's operations (Khadim & Choudhury, 2024). It involves capturing every financial activity such as sales, purchases, income, expenses, assets, and liabilities in an accurate and orderly manner (Ogunmola, Okpala & Orobor, 2024). The primary goal of accounting record-keeping is to provide a clear, comprehensive, and traceable history of all monetary dealings that take place within an enterprise. This allows business owners, managers, investors, and regulators to assess the financial condition and performance of the business over time. The process of record-keeping serves as the foundation for preparing financial statements such as the income statement, balance sheet, and cash flow statement.

Accounting record-keeping ensures accountability and transparency in business operations. It allows a business to track its financial inflows and outflows, identify trends, and evaluate how resources are allocated and utilized (Akosile & Oladele, 2023; Nketsiah, 2018). By documenting every transaction in real-time or at regular intervals, businesses are better positioned to detect discrepancies, errors, or fraudulent activities. Moreover, keeping reliable and accurate records is a legal requirement in most jurisdictions, ensuring compliance with tax laws and financial regulations. In this context, accounting record-keeping becomes more than just a clerical task; it is a strategic tool for monitoring business health, guiding decision-making, and sustaining long-term growth (Ukwueze, Eke & Chidiebere, 2022).

For small and medium enterprises (SMEs), accounting record-keeping plays a critical role in day-to-day operations. Many SMEs operate with limited financial margins and resources, making it essential for them to manage their finances prudently (Ogunmola, Okpala & Orobor, 2024). Proper record-keeping helps these businesses avoid overspending, identify unnecessary costs, and ensure that capital is used efficiently. It also assists in budgeting, forecasting, and preparing for financial obligations such as loan repayments or tax remittances. Importantly, businesses that maintain organized financial records are more likely to gain the confidence of lenders, investors, and partners, who rely on documented evidence to assess the credibility and viability of a business. In today's business environment, technological advancements have made accounting record-keeping more accessible. With the aid of accounting software and digital tools, even small firms can maintain precise and real-time financial records without the need for sophisticated infrastructure (Khadim & Choudhury, 2024). However, the effectiveness of record-keeping still depends on the knowledge, discipline, and commitment of the business owner or manager. When approached diligently, accounting record-keeping can serve as a valuable asset that not only safeguards a firm’s financial integrity but also facilitates its path to stability and growth.

# 2.1.2 Business Performance of SMEs

Business performance of SMEs refers to the overall effectiveness and efficiency with which these businesses operate and achieve their goals, particularly in terms of financial results, market position, customer satisfaction, and organizational growth (Sardana, 2009). It encompasses both quantitative indicators such as revenue, profit margins, cost efficiency, and return on investment, as well as qualitative aspects like innovation, employee engagement, and customer loyalty. Performance in this context is not only about surviving in a competitive market but also about creating value, expanding capacity, and sustaining profitability over time (Esiebugie, Richard & Emmanuel, 2018).

In the context of SMEs, business performance is a measure of how well these enterprises utilize their limited resources to produce desired outcomes (Rekarti & Doktoralina, 2017). Since SMEs typically operate under constraints such as low capital, limited workforce, and restricted market access, their performance is often closely tied to how effectively they manage these constraints. Good performance implies that an SME is achieving its objectives, growing its customer base, maintaining operational stability, and delivering value to stakeholders (Khadim & Choudhury, 2024; Ogunmola, Okpala & Orobor, 2024). Conversely, poor performance may signal inefficiencies, declining revenues, high operational costs, or an inability to compete in the market.

Assessing the performance of SMEs involves analyzing both financial and non-financial indicators. Financial performance is often the most visible aspect and includes metrics such as sales growth, net income, and return on assets. However, non-financial elements like customer retention, product quality, innovation, and employee morale are equally important, especially for long-term sustainability. The balance between these factors provides a holistic view of an SME’s overall performance (Abdullahi, Ardo, Hassan & Ibrahim, 2021). For example, an SME may report strong sales figures, but if it suffers from high employee turnover or poor customer satisfaction, its long-term viability may be at risk. The performance of SMEs is also influenced by internal factors such as leadership style, business strategy, operational efficiency, and workforce competence, as well as external factors like market trends, regulatory environments, and economic conditions. Since SMEs are often more vulnerable to these external shocks than larger corporations, their ability to adapt and respond to changes can significantly affect their performance outcomes (Esiebugie, Richard & Emmanuel, 2018). Therefore, regular performance evaluation becomes essential for identifying strengths, addressing weaknesses, and making informed strategic decisions.

# 2.2 Theoretical Framework

The Decision-Usefulness Theory emerged as a dominant approach in accounting research during the late 1960s and early 1970s, particularly following the influential works of scholars such as George Staubus in 1961 and further developments in the Financial Accounting Standards Board (FASB) Conceptual Framework in the United States (Staubus, 2013). This theory marked a shift from traditional stewardship accounting toward a focus on how financial reports can aid users—especially investors and creditors—in making informed economic decisions.

Decision-Usefulness Theory postulates that the primary objective of financial reporting is to provide information that is useful for making economic decisions (Lee, 2015). This includes decisions related to investment, credit, management, and resource allocation. The theory emphasizes that accounting information should be relevant, reliable, timely, and comparable to meet the informational needs of various stakeholders (Staubus, 2013). It also supports the idea that different users rely on financial data to evaluate the financial health, performance, and future prospects of a business entity.

The Decision-Usefulness Theory is particularly relevant to this study on accounting record-keeping in SMEs in Nigeria because it underscores the importance of maintaining accurate and timely records that can support both internal and external decision-making. For SMEs, sound accounting practices are vital not only for tracking income and expenses but also for strategic planning, accessing finance, ensuring compliance, and evaluating performance. When SMEs adopt proper record-keeping systems, they generate financial data that enhance transparency, reduce uncertainty, and improve the quality of decisions—factors that collectively contribute to improved business performance. Thus, the theory provides a strong foundation for examining how accounting records serve as a valuable source of economic decision-making and sustainable growth for SMEs.

# 2.3 Empirical Review

Nwanmuoh, Okolo-Obasi, Ebisi, Ozumba, Onodugo, Kelvin-Iloafu, and Edeh (2025) explored the influence of proper record keeping on the longevity and seamless generational transfer of family-owned businesses among the Igbo ethnic group in Nigeria. Employing a descriptive research design, the study applied both descriptive and inferential statistics to address four research questions and corresponding hypotheses. Primary data were gathered from 768 participants selected through a combination of sampling techniques across southeastern Nigeria and commercial hubs in other regions. Findings from the logit regression analysis indicated that effective record-keeping practices have a significant and positive influence on the sustainability and generational succession of family businesses in the region.

Khadim and Choudhury (2024) investigated the relationship between record keeping and the performance of Micro and Small Enterprises (MSEs), focusing on businesses located in the Karimganj District of Assam. Data for the study were collected through a basic survey involving 268 enterprises. Multiple regression analysis conducted using SPSS 21 revealed a positive correlation, with an R-squared value of 0.460. This suggests that 46% of the variation in enterprise performance could be attributed to the practice of proper record keeping in that locality. Additionally, the study noted a low rate of female participation in business within the area.

Wahome (2024) studied how record-keeping practices influence business performance among small-scale dairy farmers in Kiambaa Constituency, Kiambu County. The study assessed the types of records maintained, how frequently records were updated, and the methods used to store this information. Business performance was evaluated using annual milk revenue as the performance metric. The study was grounded in theories of profit maximization and competition, as well as Porter’s generic strategies. A total of 400 dairy farmers were randomly selected from a pool of 4,800 members of the Kiambaa Dairy Farmers Cooperative Society. Using factor and regression analysis conducted through SPSS, the study found that record type, method, and frequency of record keeping had a statistically significant and positive impact on the business performance of dairy farmers.

Adela, Agyei, Frimpong, Awisome, Bossman, Abosompim, and Ahmed (2024) examined the mediating effect of SME owners’ accounting competence on the relationship between bookkeeping practices and SME performance in the Ho Municipal Assembly of Ghana. Data were collected from 296 SMEs, and the study utilized a structural equation modeling approach through the Smart-PLS software. Results demonstrated that both bookkeeping practices and the accounting skills of SME owners significantly contributed to improved business performance. More importantly, the findings confirmed that owners’ accounting knowledge plays a crucial mediating role, enhancing the positive relationship between bookkeeping and business performance when present at a higher level.

Ogunmola, Okpala, and Orobor (2024) identified practical strategies to enhance the accounting practices of Small and Medium Enterprises in Awka South Local Government Area of Anambra State. The research adopted a descriptive survey design and involved a population of 1,396 SME owners and staff. A proportionate sampling method was employed to select 140 respondents, representing 10% of the population. Data collection was carried out using a structured 24-item questionnaire, validated by three experts, with a reliability coefficient of 0.89 obtained using the Cronbach Alpha method. Analysis using mean scores and standard deviations indicated that essential strategies for improving accounting practices include maintaining structured budgeting records, separating personal and business accounts, and safeguarding financial information. The study advised SME operators to adopt systematic record keeping as it significantly contributes to enhanced financial decision-making and business growth.

Hamid, Maigoshi, and Abdullahi (2023) explored how accounting record keeping influences the sustainability of small-scale enterprises in Kano metropolis. The study targeted small businesses operating within the eight local government areas of Kano metropolis. A total of 439 structured questionnaires based on a five-point Likert scale were distributed to selected business owners, out of which 437 were returned completed. The questionnaire focused on accounting practices, business performance, environmental attitudes, and community engagement. Data analysis was conducted using Structural Equation Modelling (SEM) via the Partial Least Square (PLS) approach. The study concluded that effective record-keeping practices significantly and positively contribute to the sustainability of business entities, suggesting that improving these practices enhances long-term business viability.

Okoh, Amahi, Agbadua, Atokpe, and Nwajei (2023) investigated the influence of accounting records and financial literacy on the financial performance of selected small and medium enterprises in the Federal Capital Territory, Abuja. A survey design was employed, and primary data were collected using validated and reliable structured questionnaires distributed to SME operators. Frequency tables, percentages, and simple mean were used for data analysis. Findings indicated that SME operators in Abuja are financially literate, enabling better financial planning and business control. Additionally, accurate accounting records were shown to significantly enhance financial performance by helping owners track income, monitor expenses, manage assets, and prepare financial reports and tax returns effectively.

Akosile and Oladele (2023) examined the impact of accounting records on business performance, specifically focusing on turnover, profitability, and return on assets among SMEs in Osogbo, Osun State. The study adopted a descriptive design and utilized questionnaires distributed to 146 randomly selected registered SMEs, of which 108 were returned and used for analysis. Both descriptive and inferential statistical tools were applied. Results demonstrated that maintaining proper accounting records positively influences turnover, profit margins, and return on assets. The study concluded that adherence to accounting standards in record keeping significantly improves business outcomes and recommended that SMEs maintain systematic financial documentation to enhance performance.

Boma (2023) evaluated how business record keeping affects the growth of small and medium enterprises in Tanzania. The research aimed to assess record-keeping practices, their impact on enterprise growth, and the challenges faced by SMEs in maintaining efficient records. A mixed-methods approach was employed, combining descriptive design with data collected through questionnaires administered to SME owners, managers, and finance officers. Sampling was carried out using purposive and random techniques. The study applied the Provenance Theory, Records Continuum Theory, and Records as Evidence Theory for conceptual grounding. SPSS was used for data analysis. The findings revealed that record-keeping practices are relatively common, with 65.67% of participants confirming consistent documentation. The study also found that a majority of enterprise owners were male and that regular record keeping supports growth and competitiveness.

Ukwueze, Eke, and Chidiebere (2022) investigated the effect of accounting records on the development of small business start-ups in Ebonyi State. A survey approach incorporating personal interviews and questionnaires was employed. The study involved 6,455 small businesses, from which a sample of 363 was drawn using stratified sampling and statistical formulae. With 348 complete responses, the research achieved a 96% response rate. The instrument’s reliability, confirmed by a coefficient of 0.83, was deemed acceptable. Data were analyzed using mean scores and standard deviation via the Sprint Likert Scale, while the Z-test was used to test hypotheses. The results indicated that proper documentation of financial transactions, including checks, invoices, and tracking of assets and liabilities, had a significantly positive impact on the performance and development of small businesses in the region.

# 2.4 Gap in Literature

Although several studies have explored the relationship between accounting record-keeping and business performance across various contexts, a critical gap remains in terms of capturing the depth and scope of such practices among SMEs in Nigeria. Nwanmuoh, Okolo-Obasi, Ebisi, Ozumba, Onodugo, Kelvin-Iloafu, and Edeh (2025) concentrated on family-owned businesses in the southeastern region of Nigeria, focusing primarily on succession and longevity rather than the broader performance implications of accounting records. Similarly, while Khadim and Choudhury (2024) demonstrated a significant relationship between record keeping and performance among Micro and Small Enterprises in Karimganj, their findings are localized to a specific district in India and may not reflect the nuanced realities of Nigerian SMEs. Studies by Wahome (2024) and Adela, Agyei, Frimpong, Awisome, Bossman, Abosompim, and Ahmed (2024) addressed agricultural and Ghanaian SMEs respectively, using performance metrics and mediating variables such as owner competence, which although valuable, do not provide direct empirical insights into the extent of record-keeping practices among Nigerian SMEs or how these practices enhance business outcomes.

In the Nigerian context, the works of Ogunmola, Okpala, and Orobor (2024), Hamid, Maigoshi, and Abdullahi (2023), and Okoh, Amahi, Agbadua, Atokpe, and Nwajei (2023) have focused more on descriptive analysis, accounting strategies, and sustainability without adequately quantifying the degree of record-keeping adoption or directly linking these practices to business performance metrics. Furthermore, studies like those of Akosile and Oladele (2023), Boma (2023), and Ukwueze, Eke, and Chidiebere (2022) have touched on accounting records' effects on turnover, profitability, and growth, but have not comprehensively investigated how frequently and systematically SMEs actually maintain records or the specific channels through which these records contribute to enhanced decision-making and business performance. There remains a paucity of research that combines both the extent of record-keeping practices and their influence on performance outcomes among a broader representation of Nigerian SMEs across diverse sectors and regions. This gap justifies the current study’s focus on examining both the level of accounting record-keeping and its influence on the business performance of SMEs in Nigeria.

# 3.0 Methodology

Survey research design was adopted in the study to examine the influence of accounting record-keeping on the business performance of small and medium-sized enterprises (SMEs) in Nigeria. A survey design is appropriate for this study because it enables the researcher to systematically collect data on the practices, experiences, and views of SME operators through a standardized questionnaire. It provides a structured approach to gathering quantifiable data directly from respondents, making it suitable for investigating the specific objectives of this study.

The target population for this study comprises owners, accountants and managers of SMEs operating across Nigeria. These individuals are considered appropriate respondents as they are directly responsible for financial decisions and record-keeping activities within their firms. The SMEDAN 2020 survey puts the total number of SMEs in Nigeria to be 670,447 (Market Bite Nigeria, 2022).

To calculate the sample size, Taro Yamane formula was used as follows:

S = N

 1 + N(e)2

Where; N = Population (670,447)

 S = Sample Size

 e = Error term (0.6)

 1 = Constant

S = 670,447

 1 + 670,447(0.06)2

S = 278

The study employs the snowball sampling technique. This non-probability sampling method is suitable for hard-to-reach populations where initial subjects refer the researcher to other potential respondents. The use of snowball sampling ensured that experienced and knowledgeable participants were included, thereby enhancing the credibility of the data collected.

Structured questionnaire was used to collect primary data for the study. The electronic questionnaire was designed to capture information relevant to the study’s two main variables: accounting record-keeping and business performance. Items were measured using a 5-point Likert scale, ranging from:

* No Extent (1)
* Very Low Extent (2)
* Low Extent (3)
* Large Extent (4)
* Very Large Extent (5)

To ensure validity, the questionnaire underwent face and content validation through expert review. A pilot test was carried out by administering 40 copies of the research instrument to a pilot sample of 50 workers in the manufacturing sector. Reliability was assessed using Cronbach’s Alpha to determine the internal consistency of the items under each variable. The reliability coefficients are as follows:

**Table 1 Reliability Test**

|  |  |
| --- | --- |
| Variable | Cronbach’s Alpha Value |
| Accounting Record-Keeping | 0.911 |
| Business Performance | 0.790 |

*Source: Author’s Calculation Using SPSS v.26 (2025)*

Both values exceed the 0.7 threshold, indicating strong internal consistency and reliability of the instrument.

The responses to the research questions were analysed using frequency distribution. The first hypothesis was tested using the Chi-square test to determine whether the extent of accounting record-keeping among SMEs is significantly low or otherwise. The second hypothesis was tested using simple linear regression to evaluate whether accounting record-keeping significantly improves business performance.

The regression model is specified as:

BUP = β₀ + β₁ARK + ε\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_eqi

Where:

BP = Business Performance

ARK = Accounting Record-Keeping

β₀ = Intercept

β₁ = Coefficient of Accounting Record-Keeping

ε = Error term

All hypotheses were tested at a 5% significance level (p < 0.05). If the p-value is less than 0.05, the null hypothesis is rejected, indicating a statistically significant effect. If the p-value is greater than 0.05, the null hypothesis is accepted, showing that the independent variable has no statistically significant effect on the dependent variable.

# 4.0 Result and Discussion

# 4.1 Analysis of Research Questions

The respondents expected to fill and submit the questionnaire were 278 in number but only 167 of them responded. This gave a response rate of 60.1% which them formed the empirical basis of the analyses carried out in the study.

**Table 2 Analysis of Research Questions**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **S/N** | **Accounting Record-Keeping** | **VLAE** | **LAE** | **LOE** | **VLOE** | **NE** |
| 1 | I keep accurate and up-to-date records of all my business transactions. | 52 | 93 | 0 | 8 | 14 |
| 2 | I maintain separate records for business and personal financial activities. | 77 | 68 | 4 | 0 | 18 |
| 3 | My business uses a structured system for accounting records. | 55 | 112 | 0 | 0 | 0 |
| 4 | I regularly review and update my financial records every business day. | 33 | 71 | 12 | 42 | 9 |
| 5 | I keep records of income, expenses, assets, and liabilities. | 49 | 84 | 12 | 8 | 14 |
| **S/N** | **Business Performance of SMEs** | **VLAE** | **LAE** | **LOE** | **VLOE** | **NE** |
| 6 | I am satisfied with the profitability level of my business. | 40 | 49 | 17 | 26 | 35 |
| 7 | My business has improved in customer retention and satisfaction. | 26 | 141 | 0 | 0 | 0 |
| 8  | My business has maintained stable cash flow and financial health. | 44 | 88 | 5 | 18 | 12 |
| 9 | My business has experienced consistent growth in revenue base over the past year. | 8 | 77 | 31 | 29 | 22 |
| 10 | The overall performance of my business has improved due to proper financial tracking. | 14 | 105 | 14 | 5 | 29 |

Source: Field Survey (2025)

The data presented in **Table 2: Analysis of Research Questions** reveals detailed insights into the respondents’ perceptions of accounting record-keeping practices and the performance of their small and medium-sized enterprises (SMEs). Each item demonstrates varying degrees of agreement or disagreement, expressed in frequencies under the categories: Very Large Extent (VLAE), Large Extent (LAE), Low Extent (LOE), Very Low Extent (VLOE), and No Extent (NE).

Starting with accounting record-keeping, the first item, *“I keep accurate and up-to-date records of all my business transactions,”* shows a strong inclination toward good record-keeping practices. A total of 52 respondents selected "Very Large Extent" and 93 chose "Large Extent," indicating that most SME operators in the study diligently maintain current and accurate business records. However, 14 respondents indicated "No Extent" and 8 selected "Very Low Extent," suggesting that a small portion of business owners may not prioritize this practice.

For the second item, *“I maintain separate records for business and personal financial activities,”* 77 respondents agreed to a very large extent and 68 to a large extent, affirming that most participants understand the importance of separating business finances from personal ones. Only 4 participants selected "Low Extent," and 18 responded with "No Extent," suggesting a minor but notable fraction of SMEs may still mix their finances, which could pose risks for financial management.

The third statement, *“My business uses a structured system for accounting records,”* received the most unified response. An overwhelming 55 respondents indicated "Very Large Extent" and 112 selected "Large Extent." There were no responses under any of the lower categories, meaning every respondent acknowledges the use of a structured system for accounting. This reflects a strong trend of formal record-keeping among the surveyed businesses.

However, the fourth item, *“I regularly review and update my financial records every business day,”* presents a more divided picture. While 33 respondents affirmed this practice to a very large extent and 71 to a large extent, a significant number — 42 — chose "Very Low Extent" and 9 chose "No Extent." This suggests that although many SMEs value frequent review, a considerable portion may not engage in daily updates, possibly due to limited time or resources.

The fifth and final item under accounting record-keeping, *“I keep records of income, expenses, assets, and liabilities,”* again received positive responses, with 49 indicating a very large extent and 84 selecting a large extent. Nonetheless, 12 respondents selected "Low Extent," and 14 selected "No Extent," implying that some businesses may not be capturing all key financial elements in their records.

Turning to the business performance indicators, the sixth item, *“I am satisfied with the profitability level of my business,”* shows mixed perceptions. While 40 respondents chose "Very Large Extent" and 49 "Large Extent," a substantial number expressed lower levels of satisfaction, with 17 choosing "Low Extent," 26 "Very Low Extent," and 35 indicating "No Extent." This reveals that profitability remains a concern for a significant portion of SMEs.

In contrast, the seventh statement, *“My business has improved in customer retention and satisfaction,”* reflects strong positive sentiment. A total of 26 respondents selected "Very Large Extent" and 141 selected "Large Extent," with no responses in any of the lower categories. This unanimity suggests that many SMEs are performing well in customer relations.

For the eighth item, *“My business has maintained stable cash flow and financial health,”* the results are largely optimistic, with 44 choosing "Very Large Extent" and 88 "Large Extent." However, there were 5 responses for "Low Extent," 18 for "Very Low Extent," and 12 for "No Extent," indicating that a portion of SMEs still face cash flow or financial management challenges.

The ninth item, *“My business has experienced consistent growth in revenue base over the past year,”* shows more moderate responses. Only 8 respondents strongly agreed, while 77 indicated agreement to a large extent. However, 31 selected "Low Extent," 29 "Very Low Extent," and 22 "No Extent." This implies that while some SMEs are experiencing revenue growth, a notable number are either stagnant or facing decline.

Finally, the tenth item, *“The overall performance of my business has improved due to proper financial tracking,”* is generally positive, with 14 respondents selecting "Very Large Extent" and 105 selecting "Large Extent." Nevertheless, 14 respondents indicated "Low Extent," 5 "Very Low Extent," and 29 "No Extent," showing that although financial tracking enhances performance for many, others may not see or measure its impact effectively.

In summary, Table 2 suggests that accounting record-keeping is widely practiced among SMEs, especially in terms of system structure and transaction documentation. However, gaps remain in daily updates and financial comprehensiveness. While customer satisfaction and structured systems appear to be strong contributors to business performance, profitability and revenue growth present more variability, highlighting the need for targeted financial and operational strategies.

# 4.2 Test of Hypotheses

The first hypothesis was tested using the Chi-square test to determine whether the extent of accounting record-keeping among SMEs is significantly low or otherwise. The second hypothesis was tested using simple linear regression

# 4.2.1 Test of Hypothesis I

H01: There is a low extent to which SMEs in Nigeria keep accounting records of their business activities.

**Table 3 Test of Hypothesis I**

|  |
| --- |
| **Accounting record-keeping** |
|  | Observed N | Expected N | Residual |
| Very Low Extent | 10 | 41.8 | -31.7 |
| Low Extent | 25 | 41.8 | -16.7 |
| Large Extent | 94 | 41.8 | 52.3 |
| Very High Extent | 38 | 41.8 | -3.7 |
| Total | 167 |  |  |
| **Test Statistics** |
|  | Accounting record-keeping |
| Chi-Square | 96.593a |
| df | 3 |
| Asymp. Sig. | .000 |
| a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 41.8. |

Source: Findings from SPSS Computation V. 26 (2025)

The result presented in Table 3: Test of Hypothesis I reveals a statistically significant difference in the extent to which SMEs in Nigeria keep accounting records of their business activities. The chi-square test produced a calculated value of χ² = 96.593 with an asymptotic significance value (p-value) of 0.000, which is less than the standard significance level of 0.05. This indicates that the observed distribution of responses differs significantly from the expected uniform distribution. The highest frequency was recorded under "Large Extent" (Observed N = 94) compared to the expected N = 41.8, showing a strong deviation in the positive direction. Conversely, the categories "Very Low Extent" and "Low Extent" had lower frequencies than expected, with residuals of -31.7 and -16.7 respectively, suggesting fewer SMEs reported poor record-keeping practices than anticipated.

From the statistical output, we reject the null hypothesis (H₀₁) which stated that there is a low extent to which SMEs in Nigeria keep accounting records. The results instead demonstrate that a significant number of SMEs engage in accounting record-keeping to a large extent. This positive deviation supports the conclusion that record-keeping practices among SMEs in Nigeria are more prevalent and structured than previously assumed, and this could be attributed to increased awareness of the role of financial documentation in business sustainability and performance. Having accepted the alternate hypothesis, SMEs in Nigeria keep accounting records to a large extent (χ² = 96.593; p = 0.000).

# 4.2.2 Test of Hypothesis II

H02: The accounting records of SMEs in Nigeria do not significantly improve their business performance.

**Table 4 Test of Hypothesis II**

|  |
| --- |
| **Model Summary** |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .267a | .072 | .066 | 3.23471 |
| a. Predictors: (Constant), Accounting record-keeping |
| **ANOVAa** |
| Model | Sum of Squares | DF | Mean Square | F | Sig. |
| 1 | Regression | 132.969 | 1 | 132.969 | 12.708 | .000b |
| Residual | 1726.456 | 165 | 10.463 |  |  |
| Total | 1859.425 | 166 |  |  |  |
| a. Dependent Variable: Business Performance |
| b. Predictors: (Constant), Accounting record-keeping |
| **Coefficientsa** |
| Model | Unstandardized Coefficients | Standardized Coefficients | t | Sig. |
| B | Std. Error | Beta |
| 1 | (Constant) | 13.191 | 1.288 |  | 10.242 | .000 |
| Accounting record-keeping | 1.138 | .319 | .267 | 3.565 | .000 |
| a. Dependent Variable: Business Performance |

Source: Findings from SPSS Computation V. 26 (2025)

The analysis presented in Table 4. Test of Hypothesis II investigates the *effect* of accounting record-keeping on the business performance of SMEs in Nigeria. The model summary shows an R Square value of 0.072, which implies that accounting record-keeping explains approximately 7.2% of the variation in business performance among the surveyed SMEs. Although this percentage appears relatively low, it confirms that accounting record-keeping has a measurable contribution to performance outcomes. The ANOVA (Prob(F-statistics) = 0.000) further validates the statistical significance of the model. Since the probability value is below the 5% threshold, the model is considered valid and statistically significant, indicating that accounting record-keeping has a significant effect on business performance overall.

From the coefficient table, the unstandardized regression coefficient (B) for accounting record-keeping is 1.138, and it is statistically significant with a p-value of 0.000. This coefficient means that for every one-unit increase in accounting record-keeping practices, the business performance of SMEs increases by 1.138 units, holding other variables constant. This demonstrates a positive marginal effect, which shows that improvements in record-keeping are associated with increased performance outcomes. Given that the p-value is less than 0.05, we conclude that the effect is statistically significant at the 5% level. Therefore, accounting record-keeping has a significant and positive effect on SME performance in Nigeria. In other words, Accounting record-keeping of SMEs in Nigeria significantly improves their business performance (β = 1.138; p = 0.000).

# 4.3 Discussion of Findings

The first major finding of the study revealed that SMEs in Nigeria maintain accounting records to a large extent, as indicated by the chi-square result (χ² = 96.593; p = 0.000). This statistically significant outcome suggests that the practice of record-keeping is widely embraced among SMEs, likely due to an increasing awareness of its importance in managing financial activities and supporting compliance with regulatory obligations. The widespread usage could also be attributed to efforts by various financial institutions, government bodies, and training programs aimed at equipping small business owners with financial literacy and administrative capabilities. As businesses strive for sustainability and credibility—especially in a competitive and evolving economic landscape—keeping proper records has become more than a necessity; it serves as a fundamental tool for planning, monitoring, and evaluation. Several empirical studies corroborate this finding. For example, Hamid, Maigoshi, and Abdullahi (2023) found that small-scale enterprises in Kano metropolis widely adopted accounting record-keeping practices, significantly contributing to their business sustainability. Similarly, Ogunmola, Okpala, and Orobor (2024) highlighted the use of structured budgeting and the segregation of business and personal accounts among SMEs in Awka South, further indicating a high prevalence of record-keeping culture. The findings of Ukwueze, Eke, and Chidiebere (2022) also aligned with this result, noting that most start-ups in Ebonyi State consistently recorded financial transactions, thereby improving business development. In another supportive study, Boma (2023) found that over 65% of SMEs in Tanzania routinely documented financial activities, reinforcing the idea that record-keeping is a common and beneficial practice across different regions. Together, these studies affirm the observed trend that accounting record-keeping is not only widespread but also viewed as an essential function among SMEs striving for growth and sustainability.

The second key finding of the study demonstrated that accounting record-keeping significantly enhances the business performance of SMEs in Nigeria (β = 1.138; p = 0.000). This positive and statistically significant relationship underscores the critical role that systematic documentation plays in facilitating better decision-making, ensuring transparency, tracking profitability, and enabling long-term planning. When SMEs maintain accurate financial records, they can more easily assess their financial health, attract investors, access loans, and comply with tax regulations. Moreover, strong accounting systems help prevent fraud, manage cash flow effectively, and support evidence-based strategies that ultimately improve performance outcomes such as revenue growth, cost efficiency, and profitability. This outcome is strongly supported by multiple empirical studies. For instance, Adela et al. (2024) found that both bookkeeping and the accounting competence of SME owners were positively associated with improved performance, emphasizing that accounting skills amplify the benefits of record-keeping. Khadim and Choudhury (2024) reported that 46% of the variance in business performance among MSEs in Assam could be explained by proper record-keeping practices, confirming a robust link between documentation and performance. Similarly, Wahome (2024) concluded that the type, frequency, and method of record-keeping had a significant impact on business outcomes such as annual dairy revenue among farmers in Kenya. In Nigeria, Akosile and Oladele (2023) demonstrated that accurate financial records positively influenced turnover, profit margins, and return on assets among SMEs in Osogbo. Okoh et al. (2023) also reported that accounting records improved financial planning and enabled better business control among SMEs in Abuja. Furthermore, Nwanmuoh et al. (2025) provided insight into how effective record-keeping not only supports performance but also promotes generational continuity of businesses among the Igbo ethnic group. Collectively, these studies validate the conclusion that accounting record-keeping serves as a critical driver of business success in various contexts.

# 5.0 Conclusion and Recommendation

SMEs that maintain proper accounting records provide accurate, timely, and comprehensive financial information which includes systematic documentation of income, expenses, assets, liabilities, and other financial transactions. Effective record-keeping enables business owners to monitor performance, plan for growth, ensure tax compliance, access funding, and make sound managerial decisions. With the growing availability of affordable digital tools and accounting software, even small businesses can now implement efficient record-keeping systems to enhance their operational performance and competitiveness. The widespread adoption of accounting record-keeping practices among SMEs suggests a growing recognition of the importance of financial transparency and accountability, which are essential for the effective management of resources and long-term success. By linking accounting practices directly to improved business performance, the study highlights the crucial role that proper record-keeping plays in facilitating better decision-making, financial planning, and overall business sustainability. These results emphasize the value of maintaining accurate and systematic records in enhancing operational efficiency, enabling SMEs to track financial health, secure funding, and navigate the challenges of a competitive market. The implications of these findings suggest that businesses that prioritize proper accounting practices are more likely to achieve financial stability and growth.

The study proffers the following recommendations:

1. SME owners and managers in Nigeria should institutionalize comprehensive accounting record-keeping systems within their businesses as well as incorporate detailed financial tracking methods that align with international standards. Such systems will support better financial planning, improve operational efficiency, and provide more accurate insights for decision-making, thus fostering long-term growth and sustainability.

2. Policymakers and regulatory bodies in Nigeria should consider introducing policies that provide financial and technical support to SMEs for adopting advanced accounting record-keeping technologies. This could include tax incentives for businesses that adopt digital accounting tools, subsidized training programs for SME owners on effective record-keeping, and the establishment of a certification system that recognizes businesses with strong financial management practices.

# 5.1 Limitations of the Study and Suggestion for Further Studies

A notable constraint of this research lies in its exclusive dependence on self-reported data obtained from small and medium-sized enterprises (SMEs) operating in Nigeria. The information provided by business proprietors, financial managers, and accountants may reflect personal bias or inaccuracies, potentially leading to either exaggeration or understatement of actual accounting practices. Furthermore, the study adopted a survey-based research methodology, which may fall short in capturing the nuanced and multifaceted relationship between accounting methods and overall business performance. Another limitation is the relatively modest sample size of 210 participants, which might not accurately reflect the wide-ranging nature of SMEs across Nigeria, particularly given the country's extensive variety of sectors and enterprise scales.

Future investigations could benefit from examining how specific elements—such as the degree of financial literacy among SME stakeholders or the particular industry in which an enterprise operates—affect accounting record-keeping habits and organizational performance. Expanding the sample size and integrating qualitative approaches, such as in-depth interviews or detailed case studies, could yield more comprehensive insights into the real-world dynamics of accounting practices among diverse SME categories. Moreover, subsequent research could explore the impact of digital innovations, including the adoption of accounting software and other technological tools, on enhancing accounting efficiency and boosting business performance within the SME sector.

Disclaimer (Artificial intelligence)

The author affirms that no generative AI tools, including Large Language Models (e.g., ChatGPT, Copilot) or text-to-image generation technologies, were utilized in the writing or revision of this manuscript.

# References

Abdullahi, U., Ardo, Y., Hassan, A., & Ibrahim, G. (2021). Assessment of financial and non-financial performance indicators used by small and medium construction firms in Nigeria. *FUTY Journal of the Environment*, *15*(2), 48-58.

Abisuga-Oyekunle, O. A., Patra, S. K., & Muchie, M. (2020). SMEs in sustainable development: Their role in poverty reduction and employment generation in sub-Saharan Africa. *African Journal of Science, Technology, Innovation and Development*, *12*(4), 405-419.

Adela, V., Agyei, S. K., Frimpong, S., Awisome, D. B., Bossman, A., Abosompim, R. O. & Ahmed, A. M. A. (2024). Bookkeeping practices and SME performance: The intervening role of owners’ accounting skills. *Heliyon*, *10*(1).

Akosile, A. I., & Oladele, O. S. (2023). Impact of Accounting Records on Business Performance: A Case Study of Registered SMEs in Osogbo, Osun State. *Benin Journal of Accounting, Finance and Forensic Science Research, 3*(1), 82-102

Boma, N. (2023). *The Influence of Business Records Keeping on the Growth of Small And Medium Enterprises (SMEs)* (Doctoral dissertation, IAA).

Esiebugie, U., Richard, A. T., & Emmanuel, A. L. (2018). Financial literacy and performance of small and medium scale enterprises in Benue State, Nigeria. *International Journal of Economics, Business and Management Research*, *2*(4), 65-79.

Hamid, K. T., Maigoshi, Z. S., & Abdullahi, Z. (2023). Impact of Accounting Record-Keeping on the Sustainability of Small-Scale Enterprises in Kano Metropolis. *FUDMA Journal of Accounting and Finance Research [FUJAFR]*, *1*(2), 71-87.

Harahap, S. S., Halim, A., & Prayoga, Y. (2022). The Role Of Financial Statements On Increasing Income In SMEs. *International Journal Of Community Service*, *2*(2), 157-164.

Jacob, A. P., Abbah, J., & Ahmed, A. I. (2024). Effect Of Training On Performance Of Smes In North Central, Nigeria. *FULafia International Journal of Business and Allied Studies*, *2*(4), 145-163.

Khadim, E. H., & Choudhury, S. R. D. (2024). Influence of record keeping on the performance of micro and small enterprises in the context of their area of operation: An empirical study. *International Journal of Professional Business Review: Int. J. Prof. Bus. Rev.*, *9*(4), 1.

Lee, T. A. (2015). Accounting and the decision usefulness framework. In *The Routledge companion to financial accounting theory* (pp. 110-128). Routledge.

Market Bite Nigeria. (2022). *Innovation offers key to the broader MSME finance market*. World Bank. <https://documents1.worldbank.org/curated/en/099055202202331735/pdf/IDU0ff38186304ab204c9209dd1037aeeb43b3d8.pdf>

Nketsiah, I. (2018). Financial record keeping practices of small business operators in the Sekondi-Takoradi metropolitan area of Ghana. *Asian Journal of Economics, Business and Accounting*, *6*(3), 1-9.

Nooney, L. K., Al Abri, J. Y., Al Shereiqi, R. M., Al Haji, A. A., Ali Al-Busaidi, N. M., & Al Kharusi, H. A. (2024). The Benefits And Challenges Of Record Keeping Among Sme In Nizwa. *Journal of Commerce & Accounting Research*, *13*(4).

Nwanmuoh, E. E., Okolo-Obasi, N. E. V., Ebisi, N. L., Ozumba, I. U., Onodugo, I. J., Kelvin-Iloafu, L. E., ... & Edeh, R. C. (2025). The Impact of Record Keeping on Sustainability and Succession of Micro and Small Enterprises: The Case of Family Owned Businesses among the Igbos in Nigeria. *African Journal of Management and Business Research*, *18*(1), 292-317.

Nworie, G. O., Okafor, T. G., & John-Akamelu, C. R. (2022). Firm-level traits and the adoption of computerised accounting information system among listed manufacturing firms in Nigeria. *Journal of Global Accounting*, *8*(3), 128-148.

Ogunmola, A. E., Okpala, C. R., & Orobor, M. E. (2024). Trategies For Improving Accounting Practices Of Small And Medium Enterprises In Awka-South Local Government Area Of Anambra State. *UNIZIK Journal of Educational Research and Policy Studies*, *17*(2), 86-92.

Okoh, J. I., Amahi, F. U., Agbadua, O. B., Atokpe, M. M., & Nwajei, I. M. (2023). Influence of Accounting Record Keeping and Financial Literacy on Financial Performance of Smes in Abuja Metropolis. *African Banking and Finance Review Journal*, *3*(3), 126-141.

Olubiyi, T. O., & Itai, M. M. (2025). Growth of Small and Medium-Sized Enterprises in Africa: Role of Artificial Intelligence Capabilities. In *Metaverse and Sustainable Business Models in SMEs* (pp. 39-70). IGI Global Scientific Publishing.

Rekarti, E., & Doktoralina, C. M. (2017). Improving business performance: A proposed model for SMEs. *European Research Studies Journal*, *20*(3), 613-623.

Sardana, G. D. (2009). Evaluating the business performance of an SME: a conceptual framework. *International Journal of Globalisation and Small Business*, *3*(2), 137-159.

Staubus, G. J. (2013). *The decision usefulness theory of accounting: A limited history*. Routledge.

Ukwueze, N. T., Eke, C. C., & Chidiebere, N. (2022). Effect of Accounting Records on the Development of Small Business Start-Up in Ebonyi State. *Contemporary Journal of Social Science and Humanities*, *3*(1), 1-23.

Wahome, A. W. (2024). *Effect of record keeping practices on dairy farming business performance in Kiambu County: a case of Kiambaa Constituency* (Doctoral dissertation, Strathmore University).