THE IMPORTANCE OF RECORD KEEPING TO THE GROWTH OF SMALL AND MEDIUM SCALE ENTERPRISES (SMES) IN ZIMBABWE

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Abstract

This study sought to investigate the influence quality financial reporting systems have on the performance of small and medium enterprises. Descriptive survey design was employed. The sample size was 100 SMEs, selected using stratified random sampling. Data were collected using a questionnaire and an observation list. Data collected using questionnaire were analyzed using Statistical Package for the Social Scientists (SPSS). The study found an absence of formal accounting systems in many firms due to lack of financial and accounting knowledge among the owner-managers. It is recommended that financial institutions and policy makers need to focus on educating such owner-managers with necessary accounting and financial management skills.

Keywords: Record Keeping, Growth, Small Scale Enterprises, Medium Scale Enterprises, Zimbabwe

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1 Background

In Zimbabwe, small and medium scale enterprises (SMEs) are described as registered companies with a maximum of 100 employees and an annual turnover in sales of a maximum of 830, 000 U.S. dollars (Maseko and Manyani, 2011). Ndoro (2012) has it that in Zimbabwe, SMEs contribute approximately 90% of the economic growth. An authentic study of the number of the SMES in Zimbabwe was conducted in 1994 by GEMINE and the number of small businesses amounted to 942 000 (USAID, 1994). By 1998 there was an estimated number of 10 000 registered SMEs in Zimbabwe, controlling 65 percent of the total corporate purchasing power (Machipisa, 1998). Most of the SMEs were unregistered mainly due to their reluctance to formalize operations to evade paying tax (Dewar, 2005). Thereafter, Zimbabwe had an unmonitored rise of small to medium entities in the economy until 2009 according to Mudariki (2013). Mangudya (2013) reports that there has not been up- to- date information on SMEs since a national survey on SMEs undertaken in 2009. The 2009 national survey concluded that it was difficult to come up with correct data as most of the small enterprises were rising and dying quickly because of hardships in the economic environment (Simpson et al, 2010)

McMahon & Davies (1994) postulate that improved financial reporting is part of a broader competence in business management which, taken together with other factors, is likely to lead to effective and efficient management of the business. In the same vein, Hutchinson and Ray (1986) concluded that financial reporting systems and practices appear to change as a result of experiencing rapid growth. This conclusion means that financial reporting systems are not a contributor of growth but a result of growth. Cooke and Wallace (1990), as cited in Zeghal and Mhedhbi (2006) assert that accounting systems have a small impact on the growth of the firm because there are other factors external to the entity. In addition to the above assertions, Fathun (2012) postulates that such factors could include the country's economic growth and the level of wealth, the level of inflation, the education level, the legal system, the country's history, and geographical location. Though accounting systems may differ, any reporting system should be there to monitor the financial position and performance of an entity McMahon (1994). This means timely and relevant financial statements have to be prepared.

In Zimbabwe, Maseko and Manyani (2011) have concluded that accounting systems and performance are closely related .In Ghana, Mugerwa (2011) concluded that accounting recording systems affect performance. In Kenya, Kengere et al (2010) also concluded that performance is closely related to effectiveness of the accounting system being used by a small entity. In Thailand poor record keeping and inefficient use of accounting information are a major cause of the failure of small entities according to Berryman 1982 (Berryman 1982 quoted in Siop 1997). The researcher took an interest to investigate if there was any strong association between quality financial reporting system and performance of SMEs in Gweru, Zimbabwe. The study attempted to extend prior researches which were made with a similar objective, especially that of Mairura (2011) from Nigeria and of Maseko and Manyani (2011) from Zimbabwe. The researcher focused on the extent to which quality financial reporting practices improve performance of SMEs. In this study, quality financial reporting systems were measured using the following variables which are; availability of source documents and books of accounts, the availability of a historical balance sheet (Statement of financial position) for 2012 and two comparative years, the availability of a historical profit and loss statement (Statement of Comprehensive Income) for 2012 and two comparative years, the availability of a historical statement of cash flow for 2012 and two comparative years, the uses of the statements compiled (analysis and evaluation) , availability of budgets and the kind of budgets available.

Financial performance was measured using the following variables which are; the movement of annual sales turnover from the year 2010-2012 , the movement of profit figures from the year 2010-2012 , the movement of liquidity ratios from 2010-2012, and the movement of return on equity. Non-financial performance was measured by the number of defects returned, number of customer complains, rate of staff turnover ,awards for innovation and inventions, and the ability to improve the market share

This study was motivated by the fact that although prior researches have been conducted to find the impact of different factors upon performance of SMEs, very few studies have singled out and measured the strength of the relationship that exists between financial reporting systems of SMEs and performance. The research findings from this study are expected to provide knowledge to owners of SMEs so as to improve their performance. It can also be used by academicians, researchers and management consultants as a source of knowledge and reference.

It can also be used to investigate the extent to which accounting information is being used in measuring financial performance by SMEs and to assess the need for specific regulation of accounting and financial reporting practices of SMEs in Zimbabwe.

The target population for this study was 384 SMEs of which a sample of 100 SMEs owners or managers were chosen to participate in the study. Pearson correlation coefficient and simple linear regression were used to analyze quantitative data. Pearson correlation coefficient was used to determine the degree of association between proper bookkeeping practice and financial performance. The analyzed data was presented using statistical tables

2 Definition of small and medium scale enterprises

In the whole universe, researchers have not been able to come up with one definition of Small and Medium enterprises (SMEs) because different countries view these entities in different ways and dimensions (Maseko and Manyani, 2012). Some countries just use the number of employees as the sole criteria for determining whether a business is an SME or not. Other countries use this same criterion, plus an additional criterion based on either the value of the firm's assets or the size of revenues, typically denominated in the local currency (Beck et al., 2005; Zindiye et al. 2008). In Uganda a "Small Enterprise" is an enterprise employing a maximum of 50 people, with annual turnover of a maximum Ugandan Shillings 360 million and total assets of maximum Ugandan Shillings 360 million (Margaret, 2005). A Medium Enterprise is defined as an enterprise employing more than 50 people; annual sales/revenue turnover of more than Ugandan Shillings. Small and medium enterprises (SMEs) in Thailand are defined as firms with 15 to 200 employees and 30 to 200 million Baht in fixed assets (Margaret, 2005)

In Kenya a small business is any business that is independently owned and operated and is not dominant in its field of operation (Kuehl, 1990). In the Kenya development plan, GOK (1989-93, 92) a small business is described as a company with less than 50 employees and an annual turnover of up to five million shillings. It goes further to state that these small scale businesses are characterized by:-ease of entry and exit, low capital requirement for establishment, dependence on local resources and recycled wastes, family ownership, labour-intensive production technologies, low cost skill acquisition mainly outside formal schooling and ability to operate under highly competitive market conditions (Mairura, 2010). IASB, in their 2009 publication of IFRS for SMEs describe the SMEs as those entities which are not publicly accountable and thus publish financial statements with general purpose for its external users. SMEs cut across several sectors and activities, ranging from the single artisan producing farming implements for the village market, the coffee shop at the corner, the internet cafe in a small town to a manufacturer. In Zimbabwe illegal small miners have been invited to licence their operations and in no soon than later mining will be flooded with small enterprises

3 Research design

To achieve the objective of the study, the researcher used descriptive research design which was considered to be the most appropriate. Descriptive research according to Fowler (1993) is a means of gathering information, usually through self-report using questionnaires or interviews. Its purpose is to generalize from a sample to a population so that inferences can be made and it is also economical (Creswell, 2003). This study employed a self-administered questionnaire which was distributed to finance officers, secretaries , accountants and or managers or owner- managers Descriptive research approach focuses primarily on the construction of quantitative data, and quantitative data is a systematic record that consists of numbers constructed by researcher utilizing the process of measurement and imposing structure (Kent, 2007). The quantitative research approach employ measurement that can be quantifiable while qualitative cannot be measured (Bryman & Bell, 2007).

Taylor (2000:80) defines research designs as "constructed plans and strategies developed to seek, explore and discover answers to research questions". Denzin and Lincoln (2005:14) suggest a similar definition, which they describe as "a flexible set of guidelines that connect theoretical paradigms to strategies of inquiry and methods for collecting empirical materials." Research design, it can be argued, is the manner in which the entire process is planned and managed until its final stage of report writing (Bowling, 2007). It is an arrangement of procedures and methods of research project that includes sampling, data collection and analysis and interpretation of the results. In conclusion, it could be argued therefore, that a research design provides guidelines and structure to the research process in order to prevent haphazard procedures.

3.1 Sample selection

According to Cohen et al. (2005), covering the entire SMEs around Zimbabwe in the study makes the study difficult. Both stratified and simple random sampling techniques were used for the study. Stratified sampling was appropriate since it ensured that the 4 sub-groups of SMEs are proportionally represented and that the difference in the sub-group characteristics is accounted for. It is a technique that identified sub groups in the population and their proportion and selected from each sub group to form a sample. This technique was used to ensure that the target population is divided into different homogenous strata and each stratum is represented in the sample in a proportion equivalent to its size in the population. Simple random sampling was used to ensure that each member of the target population has an equal chance of being included in the sample. Therefore, the researcher decided to draw 100 respondents of the whole population for investigation.

3.2 Data collection instruments

Data was collected from both primary and secondary sources:

Primary data was collected from respondents through issue of questionnaires. Some of the respondents who were able to interpret and follow the questions in the questionnaires were guided by the researcher to fill in the information they required. The questionnaire contained open ended, closed ended and likert scale questions.

3.2.1 Presentation

Data entered into excel was presented by the use of frequency tables. Data analyzed by statistical packages for social scientists was presented in form of Pearson correlation coefficient table which shows the strength of the relationship between accounting record keeping and performance of small scale business units. Graphs were also included

3.2.2 Age range of respondents

The study captured different employment positions ranging from if one is the owner of the business, the manager or the employee. The distribution was as in the table below.

Table 7. Position of employment of respondents (n=100)

Position of Employment	Frequency	Valid percent	Cumulative percent
Owner	62	62	62
Manager	22	22	84
Employee	16	16	100
Total	100	100	

Source: primary data for question 1

From table 1, 62% of the respondents were the owners of the business, with 22% being managers and 16% as employees. This implies that most of the respondents were much involved in the running of the business, since the majority of the SMEs are operated by owners; this implies the majority of the respondents were eligible enough to answer questions in the questionnaire.

3.2.3 Level of education

The researcher was interested in the level of education to find out the skills, expertise. The responses were shown as in table 2. From table 2, 48% of the respondents were certificate holders, 32% were diploma holders, 18% were degree holders and 2% had a Masters degree. This implies that the respondents had the capacity to answer the questions in the questionnaire though a higher percentage was at a lower level of qualification.

Table 2. Level of education (N=100)

Response	Frequency	Valid percent	Cumulative percent
Certificate	48	48	48
Diploma	32	32	80
Degree	18	18	98
Masters	2	2	2
Total	100	100	

Source: primary data for question 2

3.2.4 Number of people employed in business

Findings on the number of people employed by the SMEs were considered and the information is presented in table 3. From table 3, 67% of the respondents employed between 1-5 people, 22% employed between 6 - 20 people, 8% employed between 21 - 50 people and 3% employed between 50 and 100. The sample distribution of companies by size is positively skewed: 67% has up to 5 employees, while only 3% employed above 50 employees .The sample firms size were grouped into different sizes, very small (VS) for1-5 employees, small (S) 6-20 employee, medium for 21-50 and large for 51-100 employees for easy analysis

Table 3. Number of people employed in business (N=100)

Responses	Frequency	Valid percent	Cumulative percent
1-5 people	67	67	67
6 -20 people	22	22	89
21 - 50 people	8	8	97
50 - 100	3	3	100
Total	100	100	

Source: primary data for question 3

3.2.5 Period spent by respondents in business

The time period respondents had spent in business were considered and findings are recorded in table 4 below. From table 4, 50 % of the respondents had spent 1-3 years in business, 32 % had spent 3-5 years, 13 % had spent 5-10 years and 5 % had spent 10 years and more. The age profile of the respondents reveals that only 5% of the firms are over 10 years, and may be considered as matured firms. It is to be noted that some 82% of the firms are in existence only for up to 5 years and they employ relatively few employees. This implies that small businesses are failing to survive.

Table 4. Period spent by respondents in business (N=100)

Response	Frequency	Valid percent	Cumulative percent
1-3 years	50	50	50
3-5 years	32	32	82
5-10 years	13	13	95
10 years and above	5	5	100
Total	100	100	

Source: primary data for question 4

3.2.6 Nature of business engaged in

The nature of business which the respondents engage in was considered and the findings are recorded in table 5. From table 5, 70 % of the respondents were operating trading businesses, 20 % of the respondents were operating manufacturing shops and 10 % were operating services business. This implies that most of the respondents were operating retail shops (involved in the buying and selling of goods).

Table 5. Types of businesses (N=100)

Response	Frequency	Valid percent	Cumulative percent
Trading	70	70	70
Manufacturing	20	20	90
Services	10	10	10
Total	100	100	

Source: primary data for question 5

3.2.7 Aim of business establishment

The aim of the business establishment was considered and the findings are recorded in table 6 below. From table 6, 46 % of the respondents are in business to make a living, whilst 40 % are in business as a form of self-employment and 14 % are in business for wealth creation. This indicates that SMEs are playing a great role as far as reducing the level of unemployment which is at very high levels in the formal sector in Zimbabwe. It also means that small businesses do not set targets for higher profits because very few wish to be wealthy.

Table 6. Main aim of establishing the Business (N=100)

Response	Frequency	Valid percent	Cumulative percent
Making a living	46	46	46
Self-employment	40	40	86
Becoming wealth	14	14	100
Total	100	100	

Findings on accounting record keeping, use of accounting ratios and proper use of accounting books

Businesses record financial transactions in either a counter book, writes invoices for credit transactions, keeps stock cards

A consideration was made to establish if the SMEs record financial transactions and the findings are recorded in table 7 below. From table 7, 35 % of the respondents strongly agree that they use the records listed above, 20 % agree, 33 % disagree, and 12 % strongly disagree. This indicates that about 55 % of the businesses considered keeping some form of a record of their transactions. This is important as it is supported by the available empirical studies such as Hughes (2003). It also implies that most businesses are aware that record keeping is essential

Table 7. Businesses record financial transactions (N=100)

Response	Frequency	Valid percent	Cumulative percent
Strongly agree	35	35	35
Agree	20	20	55
Not sure	0	0	55
Disagree	33	33	88
Strongly disagree	12	12	100
Total	100	100	

Source: primary data for question 7

Findings on whether business transactions are recorded using appropriate financial records and accounting statements such as ledger, income statements, balance sheet, cash flow statement, bank reconciliation statement

From table 8, it is evident that 25 % of the respondents keep proper or quality financial records in their business, 20 % agree, 40 % disagree whilst 5 % strongly disagree. The findings from this table implies that SMEs do not keep all accounting records, especially Income Statement, Cash flow statement and the bank reconciliation statement. Such statements are important as they assist the owner or manager to make informed decisions

Table 8. Financial Statements are recorded in appropriate financial records (N=100)

Response	Frequency	Valid percent	Cumulative percent
Strongly agree	25	25	25
Agree	20	20	45
Not sure	0	0	45
Disagree	45	45	95
Strongly disagree	10	5	100
Total	100	100	

Source: primary data for question 8

Smes who compute and use accounting ratios in decision making

The researcher considered also if SMEs calculate accounting ratios and uses them in decision making. The findings are recorded in table 9. The findings in table 9 indicates that the majority of SMEs do not use financial ratios in decision making. Specifically, 39 % agree to using financial ratios against 61 % which do not support the use of accounting ratios. This again has implications for the success of the business. Ratios are effective signals of the situations which the business is facing or is likely to face in the future**.**

Table 9. SMEs calculate Accounting Ratios (n=100)

Response	Frequency	Valid percent	Cumulative percent
Strongly agree	9	9	19
Agree	30	30	39
Not sure	0	0	39
Disagree	40	40	79
Strongly disagree	21	21	100
Total	100	100	

Source: primary question for question 9

Smes who use single entry system

A consideration was made to establish if SMEs use single entry system in recording their transactions. The findings are recorded in table 10 below. The results in table 10 indicate that the majority of SMEs do not use single entry system, rather they use the double entry system. However the percentage which does use single entry as much as it is less as compared to those who use the double entry system is worrying (40%). This makes it difficult in tracing the source as well as the effect of the transactions, hence impacting on the operation of the business.

Table 10. SMEs use single entry system (N=100)

Response	Frequency	Valid percent	Cumulative percent
Strongly agree	10	10	10
Agree	30	30	40
Not sure	0	0	40
Disagree	45	45	85
Strongly disagree	15	15	100
Total	100	100	

Source: primary data for question 10

Smes owners do all the accounting records

The researcher was interested in finding out who is responsible for record keeping in the business and the findings can be evidenced in the table below The findings in table 11 indicate that about 70 % of the owners of SMEs do record all the accounting transactions and keep records. This is inconsonance with Maeset (2004) who argues that SME owners do much of the work relating to financial matters due to not having enough money to hire experts to manage records on their behalf. This again may have implications for the business considering that most of them have to many roles and tasks.

Table 11. Business owners and shop keepers are responsible for record keeping (n=100)

Response	Frequency	Valid percent	Cumulative percent
Strongly agree	20	20	20
Agree	50	50	70
Not sure	0	0	70
Disagree	20	20	90
Strongly disagree	10	10	100
Total	100	100	

Source: primary data for question 10

Accounting records are essential for decision making

The researcher was interested in finding out the extent to which accounting information is essential for decision making. The results are recorded in table 12 below. The findings in table 12 indicate that about 5 % of the respondents strongly rely on accounting information for decision making. 36 % agree, 10 % not sure, 44 % disagree, with 4 % strongly disagreeing. This indicates that most SMEs do not consider accounting information as a useful tool in decision making as reiterated by Padach (2012) that SMEs do not seem to attach the same importance to accounting and finance function as for the other areas of their businesses. This can be perculiar to the Zimbabwean case taking note of the issues of ill - liquidity, challenges in accessing capital amongst others which can guide decision making. According to a study by Tanwongsval and Pinvanichkul (2008), SMEs ranked 'assessing profitability' for decision making second on the list of reasons for preparing financial statements well after 'sole purpose of tax preparation' which was ranked first.

Table 82. Accounting Records are essential for decision making (N-100)

Response	Frequency	Valid percent	Cumulative percent
Strongly agree	5	5	5
Agree	36	36	41
Not sure	10	10	51
Disagree	44	44	96
Strongly disagree	4	4	100
Total	100	100	

Source: primary data for question 10

Business involves reliance on mental and verbal information

The researcher was interested in finding out whether SMEs rely on mental and verbal information in their business and the findings are recorded in table 13. The findings in table 13 indicate that about 11 % of the respondents strongly agree to relying on mental and verbal information. 26 % agree, whilst 43 % disagree and 20 % strongly disagree. This result is consistent with a study by Mugerwa (2011).

Table 93. Accounting Records are essential for decision making (N=100)

Response	Frequency	Valid percent	Cumulative percent
Strongly agree	11	11	11
Agree	26	26	37
Not sure	0	0	37
Disagree	43	43	80
Strongly disagree	20	20	100
Total	100	100	

Source: primary data for question 10

Smes rely on outside accounting firms to mantain business records

The researcher was interested in finding out whether small scale businesses rely on outside accounting firm to maintain business records and the findings were as shown below in the table

Table 104. Businesses rely on outside accounting firms to maintain business records (n=100)

Response	Frequency	Valid percent	Cumulative percent
Strongly agree	0	0	0
Agree	0	0	0
Not sure	20	20	20
Disagree	48	48	68
Strongly disagree	32	32	100
Total	100	100	

Source: primary data for question 10

Normally it is expected that the presence of outside parties would enhance the formality of

processes for assessing financial decisions and the greater would be the chances that more advanced financial practices will result. The findings in table 14 indicate that the majority of the SMEs sampled do not utilize outside accounting firms in maintaining records. Unlike the case of companies in which there is separation of ownership and control of the firms, SME owners manage their businesses and they do not see any need to engage external accounting firms to maintain their records. This is also attributed to the simplicity of the transactions of SMEs. However, this can at times have consequences for the success of the firm when proper accounting methods are not applied and there is no one to check. This finding is consistent with Maalu (1990) and Mugerwa (2011).

Smes measure their businesses relative to other businesses in the same line

The researcher was interested to find out if SMEs compare their businesses to other firms which are in the same line with them. The findings are recorded in table 15

Table 15. Small scale businesses measure performance of their businesses (n=100)

Response	Frequency	Valid percent	Cumulative percentage
Strongly agree	10	10	10
Agree	20	20	30
Not sure	0	0	30
Disagree	50	50	80
Strongly disagree	20	20	100
Total	100	100	

Source: primary data for question 10

The findings in table 15 indicate that the majority of SMEs do not compare themselves with other firms which are in the same line of business. About 50 % disagree with 20 % strongly disagreeing. This therefore suggest that SMEs base their decisions on other factors apart from what can be regarded as a bench mark in which they compare themselves against and see if there is need for improvement.

Business has a record of satisfying staff

The researcher was interested in finding out whether employees are satisfied in working at the SMEs which they are attached to, and the results are reported in table 16 below.

Table 16. Workers provide a strongest linkage to successful business performance (N=100)

Response	Frequency	Valid percent	Cumulative percent
Strongly agree	31	31	31
Agree	42	42	73
Not sure	8	8	81
Disagree	9	9	90
Strongly disagree	10	10	100
Total	100	100	

Source: primary data for question 10

The findings in table 16 indicates that 31 % of the respondents strongly agree that employees are a valuable asset with 42 % agreeing, 8 % not sure, 9 % disagreeing and 10 % strongly disagreeing. This finding is important as employees are a tool which the business can use to accomplish its objectives. With a strong and dedicated workforce there are high chances of the business prospering as compared to a firm in which employees are disgruntled.

Reasons for not keeping Accounting records

The researcher also was interested in finding the reasons why at times businesses do not keep records and the findings are recorded in table 17 below.

Table 17. Reasons for not keeping Accounting records (n=100)

Response	Frequency	Valid percent	Cumulative percent
No Accounting Staff	36	36	36
Accounting staff Costly	34	34	70
Business too small	10	10	80
Evade paying taxes	0	0	80
Formal Account complex	16	16	96
Accounting records do not add value	4	4	100
Total	100	100	

Source: primary data for question 10

The findings in table 17 indicate that 36 % of the staff do not keep books of accounting because they do not have staff, 34 % they regard it as costly, 10 % they do not see it as important as the business is small, 16 % regard formal accounts as too complex, whilst 4 % regard accounting records as not important at all. This indicates that there is need to equip entreprenures with accounting knowledge and skills. As much as they may have good ideas, there is need to engage in practices which promote the success of the business.

Comparison of performance of SMEs that keep quality records and SMEs that do not keep proper books of accounts

The researcher tried to compare the performance of SMEs which keep proper books of accounts against those which do not.

However, the data collected indicated that 40% of SMEs do not use double entry system and of these, 100% of SMEs that employ 1-5 employees do not keep all books of accounts. Some keep a list of credit customers in counter books. The data of these firms indicated that 94% of the firms have an average turnover ratio that is less than 31 – 40%, with an average profit percentages in the range 0-10 % and liquidity ratios which are also between 0-10%'.

Table 18. Financial performance of those who keep incomplete records - (40% of respondents)

Turnover %	0-10%	11-20%	21-40%	Above 40%	Total percentages
2012	57	32	9	2	100
2011	53	42	4	1	100
2010	46	39	13	2	100
Profit%					
2012	59	23	15	3	100
2011	67	26	7	1	100
2010	61	31	8	0	100
ROE					
2012	74	18	8	0	100
2011	65	22	13	0	100
2010	69	17	14	0	100
CURRENT RATIO					
2012	57	38	5	0	100
2011	58	45	1	0	100
2010	63	37	0	0	100

Source: Primary data for question

Table 19. Financial performance –those who keep formal accounts (60% of respondents)

Turnover%	0-10%	11-20%	21-40%	Above 40%	
2012	7	56	25	12	100
2011	16	43	30	11	100
2010	19	47	26	8	100
Profit%					
2012	14	48	32	6	100
2011	17	51	25	7	100
2010	35	44	19	2	100
ROE					
2012	8	47	34	9	100
2011	20	53	26	11	100
2010	18	48	31	3	100
CURRENT RATIO					
2012	7	33	51	12	100
2011	16	40	36	8	100
2010	12	35	48	5	100

Other reasons why SMEs fail

The researcher was interested in finding out if there are other reasons why SMEs fail, the findings are reported in table 20 below: The findings in table 21indicate that the major reasons why SMEs fail is innovation and lack of proper records, followed by lack of support from the government which represents 27 %. Other reasons mentioned by respondents include lack of skills and poor management. Wang (2003) concludes that quality records are essential for the preparation of current financial statements, such as statement of comprehensive income, statement of financial position and cash flow statement, these statements in turn are crucial in maintaining good relationship with Banks and other financial institutions. In case the business enterprise is in need of financial support, such statements will be used for assessment because they present a complete picture of the business .

Table 20. Reasons why SMEs fail (N=100)

Response	Frequency	Valid percent	Cumulative percent
Lacks innovation and creativity	30	30	30
No proper books of Accounts	27	27	57
No support from the government	25	25	70
Economic conditions	10	10	80
Owners use stock and money for personal use	15	15	95
Do not disclose profits to evade tax	5	5	100
Total	100	100	

Source: primary data for question 11

4 Conclusion

The chapter has focused on presentation and interpretation of results on establishing the association between performance of SMEs and quality record keeping. The conclusion from the results indicates that the majority of small scale firms in Zimbabwe do not keep quality accounting records and that affects their survival. However it was also discovered that keeping accounting records is not the sole reason why these firms fail. According to the correlation analysis results of 0.652 quality record keeping has a positive relationship with performance. Thus keeping quality accounting records that can be evaluated improves performance. It also emerged that combining record keeping with good business practices will guarantee the success of the business considering other factors such as customer relations, employee satisfaction, and innovation.

5 Recomendations

5.1 Recommendation on accounting record keeping.

- Small scale business units need to ensure complete and accurate business records are kept because they are essential for decision making.
- This can be ensured by undertaking short course training about record keeping and hiring workers with knowledge and skills about accounting record keeping.

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