



## Perceived accounting skills for accounting record keeping in small and medium enterprises in Tanzania

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### ABSTRACT

Success of any firm highly depends on accounting and record-keeping skills, which are to be possessed by Small-Medium Enterprises (SMEs) or business owners. This will help in increasing performance, growth and profitability of business. This article explored perceived accounting skills for small- and medium-sized enterprises' accounting record keeping in Tanzania. The study employed the Agency Theory and the Resource-Based View (RBV) theory. The study is guided by the hypotheses that there is a relationship between the business growth of SMEs and accounting record keeping; there is a relationship between the business performance of SMEs and accounting record keeping; and there is a relationship between the business profitability of SMEs and accounting record keeping in Tanzania. The study deployed an empirical literature review in which different past studies were reviewed and secondary data was recorded and discussed from different literature in Tanzania regarding each study hypothesis. Results of this article depended on the methodology used within the reviewed literature, and their findings were discussed in detail regarding each study objective. The methodology employed a descriptive design to analyse data collected quantitatively from the reviewed literature. The findings indicated that SMEs' performance, profitability and growth are highly dependent on their perceived accounting skills in proper accounting record keeping. And thus, there was an existing positive relationship between business growth, profitability, and performance with accounting record keeping. Business growth is possible when the business owner or SMEs have the ability to report proper accounting records, which have been prepared correctly and comply with all the procedures of accounting record keeping. Business performance is possible when the SMEs have adopted an accounting management system that is cheap, based on technology, and that allows personnel perception. The accounting record-keeping system should be easier depending on the size of the business, supported by the management, easy to use, and supported by available infrastructure and external environments so as to perform better. Further, business profitability by SMEs was found to be possible when they have useful knowledge on preparing profit and loss accounts, debtors' and creditors' accounts, financial statements, cash accounts and stock accounts. Proper preparation of these accounting records reflects directly if the business is making a profit or loss and can be used for immediate response to reduce negative impacts on the business. It is recommended for the responsible development stakeholders and the government to ensure there are attractive strategies enhancing SMEs to receive perceived accounting skills so as to be able to perform better in their business. From this perspective they will be able to grow their businesses rather than stagnating, make profits rather than losses and achieve goals and objectives as a reflection of business performance. Under the globalised skills, people are to be prepared with accounting record-keeping skills regardless of their professionalism. This will enhance the attitude of better performance in their businesses after being executive officers in their areas of professionalism.

**Keywords:** Accounting Record Keeping, Accounting Skills, Growth, Profitability, Performance, Small and Medium Enterprises

### I. INTRODUCTION

It is widely acknowledged that any business with strategic plans to develop and sustain should have strong and equipped accounting practices which are essential for financial record keeping and reporting (Yousef & Smirat, 2014). According to Berisha and Asllanaj, (2017) the history of accounting record keeping is derived since the earliest existence of humanity. The first simple accounting records were seen in the writings of Chaldeans, Babylonian, Assyrians, and Sumerians in Mesopotamia. Accounting recording practices theoretically are linked to begging of 1494, when Venetian mathematician Luca Pacioli wrote a book entitled "Summary of arithmetic, geometry, proportions and proportionality. In editions of that book, Pacioli also wrote the dual registration method and the accounting process. Most of the accounts based on the agricultural products which were produced at that time and population increase. They used accounting record keeping to determine if there was surplus or shortage in produced agricultural crops.

Financial management requires business managers or owners to practice planning, controlling, implementing and monitoring fiscal policies and activities such as accounting and auditing revenues, expenditure, assets and liabilities.



Success for these practices should depend on daily cash management as well as formulation of short, medium- and long-term financial objectives, policies and strategies in support of the organization's business. Under this perspective, it is essential for business owners to rely on these directives so as to ensure that they are equipped under the focus of business performance, profitability and growth (Keakopa, 2018).

Development scholars and institutions both in developed and developing countries conduct research and development programs aiming at equipping Small-Medium Enterprises (SMEs) with accounting skills literacy so as to improve in their business (Gherghina et al. 2020). In China Lindong et al. (2022) declares that in China awareness in Strategic Management Accounting (SMA) are helpful in allocating limited resources accordingly and in integrations of internal and external financial information's helpful to managers when making strategic decisions. Unfortunately, regardless of the efforts which are made by scholars to promote SMEs managers competency in financial skills, still they are limited with understanding in accounting. Although financial managers obtain SMA knowledge, they cannot involve fully in making strategic decisions.

Lawrence (2020) argues that SMEs in Brazil like in other countries they well understand that possessing accounting skills literacy is of paramount function in enhancing business performance but the scenario comes in mind that they have poor background financial skills enough to manage accounting record keeping. On the other hand, Jianmu and Kulathunga (2019) asserts that empowering SMEs by granting them literacy in Sri Lanka is helpful in predicting financial risks before they appear to damage the business. This affects positively sustainability of their businesses as accurate record keeping alerts the indicators of business failure. This differs from SMEs who have yet received financial accounting education. Also, on the focus of Edo State of Nigeria, Okoye and Emmanuel (2017) postulates that lack of financial accounting to SMEs is not a good indicator for sustainability of their businesses. This is when they lack useful financial records showing if they are making profit or loss. The main argument remains that they never received any accounting education essential for their capability. The sustainability of businesses owned by SMEs in any context will highly depend from their ability to keep financial records so as to use those records when making any strategic decision whether in operation or new investment.

The role played by SMEs in Nigeria like in any nation cannot be marginalized as they are considered as key economic development appetizers in the country. This is through employment creation and sharing taxes to the government at the same time providing incomes in terms of profits, dividends and wages to households just to mention a few. But, all these contributions of SMEs can be achieved at good level if SMEs possess accounting management skills (Gidado & Babakura, 2019). As Benedict et al. (2021) propose that, the influence of financial accounting literacy to SMEs directly contributes to growth in the size of productive sector in the economy, they become able to generate revenue by paying tax to the government. This directly affects socio-economic development and alleviating poverty through fiscal transfers and income from employment and firm ownership.

Accuracy in record keeping ensures growth of the business, long term sustainability and anticipates long term prospects especially by enhancing good performance (Ndeisieh, 2018). Agbefah and Kankam (2021) found that the developing in accounting information by SME's depends on their accounting skills level as owners of the business. When they understand properly the correct procedures to be incurred in strategic management accounting they are in a good position to avoid any associated business risks as good financial management accounting.

It is explained that another significance of being competent in accounting management record keeping is when an SME is able to ask for finance support in form of loans which are offered by financial institutions. The SMEs need to understand that when they prepare good accounting records, they are able to use them to find investors or sponsors who can invest in a business. This will help the business to grow enough and profitability will increase continuously (European Commission, 2017)).

The Banks will need to know whether the SME seeking finance will be able to pay the principal amount as well as the interest before going ahead to grant the facility. This is particularly true of financial accounting information about a firm's operations (OECD, 2015). An adequate accounting system will generate the needed financial accounting information for whatever purpose. The SMEs are required to keep detailed accounting records and audit their financial statements timely, usually annually. This will enable the banks to make a proper evaluation of SMEs, which should improve their accessibility to credit (Mizunoura, 2016).

For the case of Tanzania, Masanja (2019) asserts that majority of SMEs do not keep accurately the accounting records with the main arguments that the task is too much time consuming that could be spent in increasing their profitability. The main cause of this problem is due to lack of knowledge and skills useful for practicing the task of accounting record keeping hence reducing their business performance.

Small-Medium Enterprises in Madukani Ward-Dodoma as postulated by Sanga et al. (2014), they have developed poor attitudes in their minds that complying to proper accounting records keeping is a difficult task. They pointed the issue of higher costs, time consuming, and that they will be required to contribute higher taxes to the government when they record proper business records. These poor attitudes in the minds of SMEs are results of lack of perceived accounting skills especially in record keeping a factor affecting negatively growth of their businesses.

Also, Herieli and Rimisho (2019) noticed that business age, business location, firm size and educational background are the factors influencing record keeping among SMEs in Ilala Tanzania. It was addressed that still financial record keeping is a challenging practice to many SMEs as even those who are practicing it are failing to report well their financial accountings. Financial accounting knowledge is highly needed to be more imparted to SMEs and periodic training to help them perform better, maximize their business profitability and grow more depending on their objectives.

While it has been well documented that effective accounting practices are crucial for growth, sustainability and even access to finance for SMEs (Keakopa, 2018; Gherghina et al., 2020; European Commission, 2017; OECD, 2015), the ongoing and major problem makes these benefits less significant, particularly in developing countries like Tanzania. The empirical evidence constantly reveals a substantial gap between the perceived importance of accounting record keeping and its actual use among SMEs. Masanja (2019) points out that, the majority of SMEs in Tanzania fail to keep proper accounting records. This is due to the fact that they believe it is a task that takes too much time and they don't have the appropriate knowledge and skills. The skill gap is worsen by the negative attitudes as described by Sanga et al. (2014), where SMEs view the compliance to proper accounting records keeping as a burden and costly practice. A number of factors such as skill gaps, inadequate resources for recruiting experts, negative views on costs, and poor record keeping, they bring harm to the business performance, growth and profitability among SMEs (Ndeisieh, 2018; Agbefah & Kankam, 2021; Okoye & Emmanuel, 2017). Accordingly, considering the general recognition of the importance of accounting skills, the ongoing failure to apply it among Tanzania SMEs represents an essential issue which calls for an investigation into the specific challenges and potential interventions within this important context.

## 1.1 Research Hypotheses

H1: There is a relationship between Business Growth of SMEs and Accounting Record Keeping

H2: There is a relationship between Business Performance of SMEs and Accounting Record Keeping

H3: There is a relationship between Business Profitability of SMEs and Accounting Record Keeping

## II. LITERATURE REVIEW

### 2.1 Theoretical Review

#### 2.1.1 Agency Theory

The Agency Theory which was first developed in early 1970 by theorists and notably expanded by Michael Jensen, was employed as the theoretical cornerstone of this study. The theory addresses the relationship between the principal and the agent, and is said to be one of the earliest theories in the managerial and economic literature (Mitnick, 2019). Under the Agency Theory, the principal must allow the agent to carryout activities on his behalf. Eisenhardt (1989) further refined the Agency Theory basing on the assumption that, individuals act in their own best interest. The theory provides a useful structure for analysing the relationship between the accounting record keeping and the performance of the business itself which mirrors the relationship between the managers and owners (Arifa, 2017; Gyamera et.al, 2023). To be able to maintain the balance for the interests of both parties while minimizing information asymmetry, the effective accounting skills in question are very crucial.

When SMEs perceive themselves to have effective or necessary accounting skills needed, they will be able to monitor, assess, and inspire agents, thus reducing potential conflicts and agency cost (Landstorm, 1993), Susilo and Ria (2022). The Agency Theory applied in this study so as to show the significance of the perceived accounting skills in improving transparency and accountability, as well as the overall performance of the SMEs. This theoretical foundation justifies the study on how accounting skills can bridge the gap between owners and agents and improve decision making hence better business performance.

#### 2.1.2 Resource-Based View (RBV) Theory

In addition to the Agency theory, the study also employed the Resource-Based View (RBV) Theory which initially was suggested by Wernerfelt in 1984 and was further advanced by Barney in 1991. The theory serves as a vital component of the theoretical basis for the study. RBV suggests that, an entity's internal resources which are valuable, scarce and difficult to copy or imitate are vital for achieving and keeping the competitive advantage. Within the context of this research, accounting skills are considered valuable intangible asset that may significantly affect the performance and long-term survival of an SME (Gerald, 2019; Adela et al., 2024). According to the RBV, the SMEs that can develop and maintain strong accounting abilities may enhance financial information management and improve their ability to make sound strategic decisions. Application of the theory to the study gives a theoretical framework to analyse the important role of the accounting skills, focusing on their ability to improve performance as a unique and valuable source that enhances transparency and accountability (Daprova, 2021; Hamzah, 2025). Accordingly, the theory justifies

the analysis of the accounting skills as a crucial internal intangible resource promoting SMEs performance and profitability.

## 2.2 Empirical Review

In order to ensure business performance, the need for keeping records is inevitable. The study by Araújo *et al.* (2016) on the relationships between management accounting practices and sources of financing in a textile cluster compounded by small business conducted in Pernambuco asserts that keeping business records is an important driver for the success of a business, indicating that obtaining credit from these sources is associated with increased use of tools. Souza *et al.* (2021) argues that a comprehensive record enables business owners to develop accurate and timely financial reports that detail the progress and prospects of the business. Explains more that Management sustenance assists in decision-making related to management organizational performance, financial planning, and control. Having records for business purchases or use of business stock for personal and organization purposes helps you in working out the business portion to claim as a deduction, and to account for the stock used.

The study by Gidado and Babakura (2019) on the factors for success of SMEs in Nigeria who used survey research design and secondary data indicated this advantage of book-keeping and accounting knowledge on organization growth. As per any growing firm will have need to have accounting experts who will manage the flow of all transactions for that firm. Application of Accounting Skills and having experience in different accounting knowledge will have positive impact in financial management practices in growing business.

The study by Seens (2013) on Small and Medium-Sized Enterprises Growth in 850,000 Canadian SMEs over the 2000–10 period explains that most of enterprises fail grow due to misalignment between actual and sustainable resources rate. For those which indicated good profitability maintained a statistically sustainable growth rates which are operated in the primarily with professional, scientific and technical services sector. Equally important for any firm to have good performance in a growth stage is analysing how a company can successfully transition from one stage to the next. In its steps of development the company must hoop back and make basic alterations to increase the potential for success in upcoming stages (Mcfadden, 2015).

Smirat (2013) linked proper record keeping to profitability of small-scale enterprises in Jordan and argues that the lack of proper record keeping makes it impossible for owners of small businesses to do a critical assessment of their performance. In his study of the use of accounting information by small and medium Enterprises in South District of Jordan He thus calls for the maintenance of proper record keeping in enhancing their profitability and of its role for the country's economic growth. However, United Nations Conference on Trade and Development (2013) emphasis more that good accounting improves the effective operations of small and medium scale enterprises and even sole proprietors. Whilst the importance and role of record keeping is widely acknowledged, the drivers of record keeping itself are at best anecdotal.

The study by Aladejebi and Oladimeji (2019) on the impact of record keeping on the performance of selected small and medium Enterprises in Lagos Metropolis elaborates that SMEs operators should endeavour more on keeping records and where necessary pursue the services of SME accounting professionals to minimize costs involved in business failure as a result of lack of proper record keeping far outweigh the cost of good record keeping for a business concern.

Seman *et al.* (2019) analysed basic accounting practices of microenterprises in Batu Pahat. The study review found that every microenterprise needs record keeping as a method of recovering initial investment in the form of cash at the end of the accounting period, for their business progress to running smoothly basic accounting practices should be practised at professional level. In line with this Madurapperuma (2016) explains that business profitability of microenterprises is achieved when there is an improve on accounting skills and increase of knowledge between microenterprises by joining different workshops and training for seminar on the accounting practices. By doing this effectiveness of their financial management and entrepreneurial development will be achieved with their long-term sustainability of the business.

Economic globalization is a basis for the further development of China economic and trade relations. This is played most by Small and medium-sized enterprises despite of less awareness on financial accounting tools. The introduction of Strategic Management Accounting (SMA) techniques in China have help SMEs in allocation of limited resources sensibly and integrate internal and external information in helping directors and stake holders to make clear decision (Li & Niu, 2020). A qualitative study by He *et al.* (2020) on impact of corporate entrepreneurial strategy on firm performance in China argues that instigating corporate entrepreneurial strategies within business firm is a panacea for established firms in achieving high performance and achieving sustained competitive advantage in a fast-changing business atmosphere.

Effects of record keeping on the growth of small-scale enterprises in Abeokuta south local government area, have been discussed in context of transforming the development and growth of small scale to medium scale enterprises. These are results of having affirmative altitude on keeping financial records and gaining accounting skills from different



stakeholders. Perceived accounting skills gained helps people especially those starting business to manage their sales, customers, thus influencing better performance, sales growth and income (Olajide & Obialo, 2020).

Moreover, for the concept of profitability explains that perceived accounting skills and record keeping on small scale and medium business have an effect on capital structure and hence on business profitability of processing enterprises. There exists a relationship on record keeping measures taken and accounting skills acquired with business profitability. Therefore, financial managers must invest more on moderate and cautious approaches to debt issues or determinant of firm's profitability (Keakopa, 2018).

A study by Muteti et al. (2018) on accounting systems for records keeping practices was conducted within Small Enterprise in Makueni Kenya aiming to find accounting strategies used by governments worldwide for economic development among business groups. Focusing on existing challenges the study forecasted that government and other stake holders must intervene capacity building and professional awareness of small enterprises on merging accounting practices as a pillar to the growth and sustainability of small enterprises in Kenya.

Moreover, Osman et al. (2018) found an existing relationship between perceived accounting practices and growth, flourishing of small and medium-scale enterprises by examining the perception of business owners on the effect of in the Cape Coast Metropolis. Findings indicated that most of business operators lack accounting techniques and knowledge therefore should be provide with seminars and training that will improve their record keeping skills this could be achieved more through enacting of policies by National Board dealing with Small Scale Industries.

Despite of the fact that evidence on the role of record keeping in business performance, Musah and Muazu (2014) explains many owners of SMEs do not keep records, with many of them even suggesting that record keeping is time consuming. In effect, many of them remain unconvinced about the role of record keeping in business growth, performance and profitability.

Olarewaju and Msomi (2021) explains that there exists a strong and positive relationship between business profitability of SMEs and accounting record keeping. By analysing different factors affecting small and medium enterprises' financial sustainability in South Africa. It's found that, South Africa failure in small businesses and the dwindling growth rate is a result of poor financing and thus lack of financial awareness, budgeting, accounting skills, and access to finance will cause negative effects on the financial sustainability of SMEs.

In line with this BOA (2020) put more emphasis on stakeholders and government to plan strategies for reduction of financial sustainability challenges of SMEs which involve including economic volatility, unpredictable exchange rates, increased transaction fees, immature information infrastructure, massive inequality, political instability, and rapidly deteriorating unilateralism in trade policy.

It is more than a decade now since the start of implementation of accounting systems, techniques, and software and records management initiatives in the management of financial records in Tanzania accounting recordkeeping systems. However, weaknesses have and continue to be observed in the accounting recordkeeping systems. These weaknesses are observed on the availability of complete accounting records and on the proper arrangements of accounting systems in the Tanzania.

Different entities and stakeholders involved with business and entrepreneurship in Tanzania have to ensure all small to medium enterprises business flow are observed, recorded and documented with proper accounting tools and proper recordkeeping techniques for ensuring business growth, performance and profitability (He et al., 2020). In spite of accounting record keeping to have relationship on Small-Medium Enterprises growth, performance and business profitability SMEs face numerous challenges when it comes to records keeping.

These challenges could be within the SMEs themselves or from outside. Joseph et al. (2012) studied three key paradigm shifts that were likely to change the scope and management of organizational records, namely: technical and scientific developments challenges; user expectations in regard to information management; and organizations requirement in transparency, compliance and accountability.

Likewise the study by Mkonyi (2013) oversees that time spent in preparation of accounting records, lack of knowledge and skills, entrepreneurship seminars are among drawbacks of using accounting record keeping strategies. Despite of existing challenges in Tanzania business Enterprises there exist a relationship between different strategies in achieving perceived accounting skills for SMEs and accounting record keeping in Tanzania. Government, organizations and NGOs and stakeholders must be involved in creating and developing policies, strategies that are involved with entrepreneurship for different Small and medium-sized enterprises in providing knowledge and awareness for better business performance (Sanga et al., 2014).

### III. METHODOLOGY

The methodology in this article review has employed secondary data to obtain useful information's which are related to perceived accounting skills for Small-Medium enterprises accounting record keeping in Tanzania. The



literatures which are building the basis of this article review are ranging from global view, Africa view and are narrowed to Tanzania.

The study methodology organized to collect secondary data by reviewing various scholars' works to answer the targeted hypotheses. Also, the methodology has employed a descriptive design to analyse data collected quantitatively from the reviewed literatures. This is due to the reason that quantitative data are obtained in a limited biasness from the respondents, the researchers arrange scales of measurement so that the respondents agree or disagree with the statements. These data are very useful when the study is targeting at measuring understandings of the population on a certain phenomenon.

The article review area where secondary data focused is those conducted in various regions of Tanzania. The author focused to this study area as in Tanzania regions there is high number of registered and non-registered SMEs dealing with various businesses. The SMEs with registered businesses are those who were targeted respondents on the reviewed studies as they are likely to comply with the government by registering their businesses. They are recognized by responsible authority to report annually their audited financial statements so as they can contribute well in tax provision, assist them when asking for financial support, and when they need to make various business decisions. The SMEs have useful information's which are essential and very important when exploring perceived accounting skills for Small-Medium Enterprises accounting record keeping in Tanzania.

Further, the study focused to present secondary data related to SMEs so as to come up with the current situation on the record keeping rate, and if they understand if their businesses are growing sustainably. The study further targeted to explore if they are aware with performance of their businesses and if they are making profit.

Mohajan (2018) argues that secondary quantitative research studies refer to a method involving using of already existing data, they already collected by other scholars and a current author intends to increase overall effectiveness on a certain phenomenon. Further, Ajayi (2017) commenced that secondary data collection is required if there are existing findings that needs more discussion and conclusions to add more knowledge. Here a current author tries to compare different results from studies conducted in various areas so as to make further discussions. This can focus on comparing or finding the existing relationship of the results obtained by other scholars. In a short means, it can be said that using secondary data is when an author or researcher needs to make the community or any other audiences to raise awareness on the existing studies.

Marvasti (2018) argues that selection of a descriptive design aims at examining the existing relationship and correlations between variables. It is applied in the situation when there is the need of addition research and variable relationship that require further studies.

Quantitative data are appropriate to measure the respondent's perceptions towards a certain phenomenon. It is applied when measuring or observing real life situations of the certain population. When collecting secondary data, an author should consider that the selected documents for review are from famous sources. For instance, government sources, institutional websites, universities and colleges, and online journals (Pederson et al., 2020).

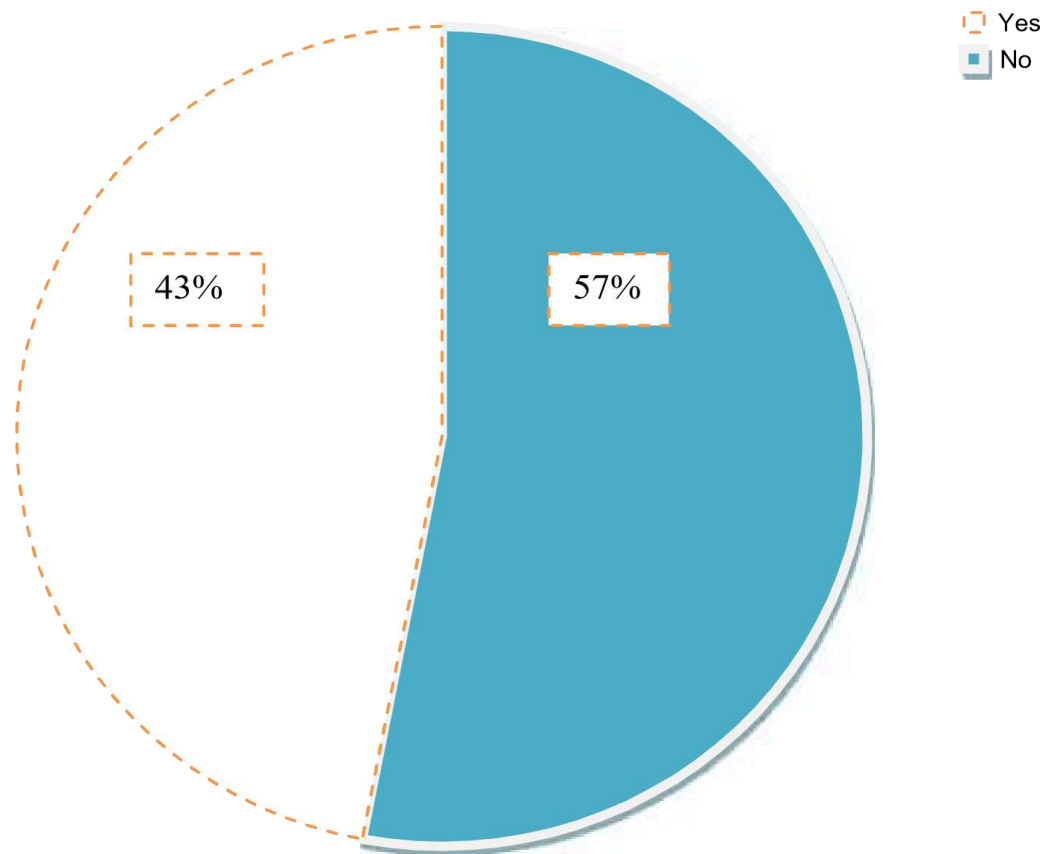
Since the study used data obtained through quantitative technique, the study applied descriptive statistics data presented using percentages in tables and charts, as well as means and standard deviation.

## IV. FINDINGS & DISCUSSION

### 4.1 There is a Positive Relationship between Business Growth of SMEs and Accounting Record Keeping

#### 4.1.1 SMEs Status on Keeping Books of Account

This aimed at examining on the status of SMEs in keeping books of account on their daily transactions. This targeted to know if the SMEs in Tanzania specifically in Ilala region are keeping books of accounts showing their sales, inventories and other business information's. The findings showed that 57% out of SMEs do not keep accounting records while 43% of the SMEs they are keeping accounting skills (Herieli & Rimisho, 2019).



**Figure 1**  
*SMEs Keeping Accounting Records*

The findings show that from those who are not keeping accounting records they were limited from various factors. Some of the SMEs had poor knowledge in accounting record keeping as they don't know any useful processes and measures required for proper management of accounting information. Some of the SMEs respondents in Ilala region, Dar es Salaam they ignore keeping of accounting records as they are getting daily cash on their hands.

From this perspective, the findings draw an implication that SMEs who are not preparing and keeping their financial accounting information, they are limited in a scope to grow their businesses to a sound level. They lack managerial skills on their businesses to be utilized in generating more profitability as keeping of good financial accounting records determines their ability of decision-making and business performance.

These findings are in line with Yoshino (2016) who highlighted that, most of the SMEs conducting businesses specifically in developing countries, they are likely to be limited with financial accounting skills which are to be applied in record keeping. This is due to reasons that majority of SMEs are unskilled or have attained to lower education levels means primary to secondary level.

Mkonyi (2013) found that majority of SMEs do not believe in keeping accounting records as they take this important function as time consuming, they do not have much time to spend for preparation of accounting records. Majority of SMEs are standing on their businesses individually, they have not employed other people to help them to practice various activities as they have low capital. This limits their growth level as they fail to conduct all required strategic business management practices.

Benedict et al. (2021) also found that, the SMEs keeping accounting records for their businesses are few than those who keep it as they lack useful knowledge on how and why it is important to keep those records. This leads to a problem of lacking financial accessibility from financial institutions which are offering loans and grants to SMEs. Due to that factor, majority of them remains static on their growth rate.



**Table 1**  
*Relationship between Proper Accounting Records and the Growth of SMEs*

Correlation		Proper Accounting Records	Preparation of accounting records	Proper accounting record procedure	SMEs Growth
Proper accounting Record	Pearson Correlation	1			
	Sig. (2-tailed)	.000			
	N	100			
Preparation of accounting records	Pearson Correlation	.831**	1		
	Sig. (2-tailed)	.000	.000	.000	
	N	100			
Proper accounting record procedure	Pearson Correlation	.529**	.458	1	
	Sig. (2-tailed)	.000	.000	.000	
	N	100	100	100	
SMEs Growth	Pearson Correlation	.305**	.149	.547	1
	Sig. (2-tailed)	.002	.139	.000	
	N	100	100	100	

It is acknowledged that proper accounting record brings the progress in business and set of procedures within business help to minimize record keeping cost and it develop a proper record keeping and also free enterprise seminars and workshops helps to ornamental on how to keeping records effective.

Hypothesis testing on the relationship between accounting records and the growth of SMEs was investigated on independent variables and dependent variable using Pearson Product-moment correlation coefficient. Empirical study findings by Mosha (2019) revealed that there is a strong correlation existing between proper accounting records and the growth of SMEs [ $r=0.305^{**}$ ,  $N=100$ ]. Significant positive relationship exists between preparation of accounting records and the performance of SMEs [ $r=0.149 \sim N=100$ ]. Likewise, findings show relationship in terms of Pearson Correlation coefficient as significant relationship between accounting records procedures and the performance of SMEs [ $r=0.547 \sim N=100$ ].

The result presented below significantly predict the outcome variable of relationship between proper accounting records, preparation of accounting records, proper accounting record procedure and SMEs business growth. Meaning that the once of these factors are taken into consideration within process of keeping records, the business will perform well, grow better and there will be income increase.

The findings argue with Keakopa (2018) that in order SMEs to grow in business and have good performance proper accounting records which follow scientific guidelines must be implemented within their firm. This will help to monitor all processes being conducted and the flow of resources within their business. Mwakujonga and Bwana (2013) argues that in order to enhance the effectiveness and profitability of small-scale enterprises and their stability, there is need for passable record protection which will help the administrators to keep track of the routine of these enterprises. Also, the investigation on the effect of accounting record practices on profitability of business enterprises pointed that the efficiency of accounting record practices can bring about higher profitability and concludes that correct preparation of accounting records, compliance to accounting records keeping procedures must be taken into consideration at maximum point for business growth.

Sogoni (2012) argues that having proper accounting records, good preparation of accounting records and having an organized accounting record procedure to small and medium-sized enterprises (SMEs) deals a significant influence to economic growth through generating jobs, improving poverty, circulation of income, and innovation.

**4.2 There is a Positive Relationship between Business Performance of SMEs and Accounting Record Keeping.**

**4.2.1 Benefits of Keeping Proper Accounting Records**

Under this part, the benefits of proper recording/keeping of accounting information's are provided. These data obtained from SMEs conducting businesses in various areas of Iringa Region.



**Table 2**  
*Benefits of Keeping Proper Accounting Records*

Benefits of Keeping Proper Accounting Records	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
	F	%	F	%	F	%	F	%	F	%
Proper accounting record brings the improvement in business	0	0	14	14	13	13	42	42	31	31
Educational Background in Record Keeping helps your business to bring proper accounting records.	0	0	5	5	14	14	68	68	13	13
When business insures that dates, descriptions and amounts recorded on cash sales receipts.	10	10	16	16	18	18	35	35	21	21
Proper accounting record helps to provide high profit and know money circulation of your business.	20	20	5	5	8	8	37	37	30	30
Proper records are kept daily.	0	0	49	49	18	18	33	33	0	0

The findings as obtained by Charles and Schmidheiny (2018) from the study area showed that, 73% of the respondents agreed with the statement that proper accounting records are helpful in improving the business. The SMEs when asked if their education background in record keeping is helpful in proper business accounting records, majority of them 81% agreed with the statement. Further, it is indicated from the findings that 56% of the SMEs agreed that when business insures that dates, descriptions and amounts are recorded on cash sales receipts increases business performance. The SMEs comprising to 67% agreed that proper accounting records are helpful in increasing profitability and be aware with money circulation in the business, hence increasing business performance. Lastly, from the findings it is shown that only 33% of the SMEs agreed that proper records are kept daily.

The findings are clearly showing that majority of the SMEs are not keeping their businesses accounting records timely and not all of them conduct that important task. The SMEs are aware that practicing accounting record keeping brings about positive impact in performance of the business but few of them are doing this task daily. From the findings, it is also indicated that failure to keep accounting records among SMEs is a result of poor background on accounting skills, but they are aware that if they will be imparted useful education in accounting they are likely to perform better in their businesses.

The findings are in line with Myeko and Madikane (2019) who highlighted that among the challenges leading to poor record keeping among the SMEs is due to lack of useful education in accounting record keeping. Majority of the businessmen do not keep accounting records daily a factor limiting them to know if they are generating profit or encountering loss. On that hand, Ogunyemi (2020) says that under the world of business competition failure of SMEs to know what is going on in their businesses, they are nearer a red crossing line. An SME need to have useful accounting skills so as to manage business in an easily way.

In contrary with this Ogunyemi (2020) revealed that if good number of SMEs will have useful accounting knowledge in their business the world will experience few business collapsing. This is due to the fact that majority of the businessmen who are literate in accounting they are performing better than those who are illiterate in that field. It is well known that businesses risks are likely to affect negatively the SMEs lacking accounting knowledge, they don't know how to identify, assess, avoid, mitigate, or transfer the risks to other part. For instance, an SME can avoid risks by paying for insurance to be refund when fire or any associated risk will appear.

Further, the findings correspond with Msomi and Olarewaju (2021) who noted that there are many significances which are obtained in the business if a business owner possess accounting skills. He/she is undertaking periodic or daily inventories to determine when to add the stock so as to balance demand and supply. Further, under this focus a business owner will be aware if the business is performing better.

#### 4.2.2 Relationship between Business Performance of SMEs and Accounting Record Keeping

Table 4.3 below shows the results of Pearson Correlation (Relationship) between Computerized Accounting System Factors and Business Financial Performance in different small to medium Companies in Arusha (Masanja, 2020). Bi-variate analysis results show the presence of a significant and positive relationship between cost and business financial performance ( $r = 0.543, p < 0.05$ ), technology showing relatively and weak relationship with business performance ( $r = 0.291, p < 0.05$ ). Also, there exists a strong positive relationship between financial management support and financial business performance ( $r = 0.697, p < 0.05$ ). It's also experienced correlation between personnel perception of computerized accounting system and its influence on financial performance ( $r = 0.065, p < 0.05$ ).

Despite of having positive and strong relationships, there is an inverse relationship between business size and financial performance as recorded in selected companies in Arusha ( $r = -0.432, p < 0.05$ ) and absence of significant relationship between ease of use of computerized accounting system and the financial performance ( $r = 0.169, p > 0.05$ ) similarly to external environments on financial performance ( $r = 0.287, p > 0.05$ ).



**Table 3**

*Pearson Correlation (relationship) between Computerized Accounting System Factors and Financial Performance in Selected Private Companies in Arusha*

SN	Variable	Pearson Correlation	Mean	Significance (P)
1.	Cost	0.543	3.32	0.00*
2.	Technology	0.291	2.28	0.00*
3.	Personnel Perception	0.065	2.38	0.00*
4.	Business Size	-0.432	3.45	0.02*
5.	Management Support	0.697	3.42	0.04
6.	Ease of Use	0.164	2.20	0.23
7.	Infrastructure	0.487	2.27	0.03*
8.	External Environments	0.287	2.43	0.12

\*Difference is significant

These findings imply that for achieving better performance in business especially small and medium private companies and enterprises several factors should be taken into consideration and some should be left behind at a given percent. These findings are similar to other studies conducted but divergent from other findings. From regression analysis of Munasinghe and Munasinghe, (2015) showed that business cost, business size and external environment are have significant effect on use of CASs of SMEs at 0.05 and showing factors of government support, perceived ease of use and management support lacking significance as their p values were greater than 0.05.

In line with these findings Keakopa (2018) noted that organizations have implemented Financial Management Systems (FMS) as a solution to enhancing financial operations and increasing revenue, without them being audited, computerization of accounting system alone is not only enough for business growth and better performance. Explaining that financial records play an important role in ensuring organizations are answerable in ensuring they grow and perform better by integrating different technology advancement and increasing business size.

Moreover, costs for running business, proper personnel and infrastructures modification are key things to be taken into consideration when thinking of advancement and growth of business. SMEs should integrate perceived accounting systems which plays critical role in the of contemporary business institutions. Advantages will be recording, analyzing, monitoring and evaluating the financial condition of their business enterprises growth, preparation of documents necessary for tax purposes, providing information support to many others organizational functions and business profitability (Masanja, 2019).

**4.3 There is a Positive Relationship between Business Profitability of SMEs and Accounting Record Keeping.**

**4.3.1 Types of Accounting Records Kept by SMEs**

This article reviews also focused on the types of accounting records which are kept by Small-Medium Enterprises in Ilala City, Dar es Salaam. The SMEs respondents were asked if they have profit and loss account, debtors and creditors account, financial statement, cash account, and stock account. Secondary data are presented as follows;

**Table 4**

*Types of Accounting Records kept by SMEs*

SN	Types of Accounting Records Kept by SMEs	Frequency	Percent
1.	Profit and Loss account	2	4.6
2.	Debtors and creditors account	10	23.3
3.	Financial Statement	4	9.3
4.	Cash account	5	11.6
5.	Stock account	7	16.3
6.	All above	15	34.9
	<b>Total</b>	<b>43</b>	<b>100.0</b>

Overall, the results show that SMEs comprising to 34.9% keep all the mentioned factors as financial accounting records. This highlights that these SMEs are in a good position to perform better in their businesses by generating more profit. They are equipped with financial accounting practices so as to strengthen themselves in terms of profitability. They are aware that neglecting practicing accounting records is harmful to their performance.

The results show that is only 4.6% out of 43 of SMEs respondents prepares profit and loss account. This is not a good indicator in business as majority of the respondents are not aware if they are making loss of profit in their businesses. It is only one factor that SMEs making debtors and creditors account found to have high percent comprising



to 23.3%. Further, 9.3% of the SMEs respondents were preparing financial statements, 11.6% prepares cash account, 16.3% prepares cash account. These also are in better position to perform better by increasing profitability in their businesses as they are able to detect any weaknesses which are prone to their sales.

The findings are in line with Smirat (2013) who argues profitability of SMEs depends on the way business owners have raised their awareness on keeping financial records. Mostly the SMEs who are keeping financial records are those who have knowledge on how the process is undertaken. Also, Muteti et al. (2018) found that if there are good strategies to educate majority of SMEs if not all on accounting knowledge they will be able to generate more profit in their businesses.

The findings are supported by Osman et al. (2018) who revealed that when the SMEs are able to detect risks and losses which appears in their businesses, they are in a right way to maximize profit as they can avoid all risks. It is better for an entrepreneur to learn accounting or business education before starting business so as to note all required steps essential for better performance.

#### 4.3.2 Kind of Financial Records kept by SMEs and their uses

Table 5 below shows the factors influencing accounting records keeping amongst small and medium enterprises (SMEs) in Ilala Municipal Council which were examined to determine Relationship between Business profitability of SMEs and Accounting Record Keeping.

The result by Herieli and Rimisho (2019) criterion from 117 SMEs respondents keeping and not keeping financial record which includes cash book, petty cash book, sales day book, purchase day book, debtors book and creditors book. Findings showed that 90% of the respondents were keeping these financial records for their business while 10% of respondents were not keeping any financial record.

**Table 5**

*Kind of Financial Records kept by SMEs and their uses*

Financial Records Kept	Frequency	Percentage*	Uses of Financial Records Kept	Percentage
Cash Book	80	68.4	Profit determination	86
Petty Cash Book	10	8.5	Accessing Finance	6
Sales Day Book	55	47.0	Tax purposes	4
Purchase Day Book	24	20.5	Financial Decision Making	4
Debtors Book	61	52.1		
Creditors Book	17	14.5		

Note: \* This is the number of respondents reporting a particular type of record they keep as a percentage of 117 respondents who were keeping records. Total percentage is greater than 100 because some of the respondents kept more than one type of financial record.

Despite of keeping records for their business majority of SMEs records were not complying with the national and international standards, principles, rules and regulations including regarding accounting and record keeping standard operating procedures. This is because were just maintaining records as per their own wishes and understanding mainly to determine whether they are operating in loss or profit (Herieli & Rimisho, 2019).

Also, regarding those using accounting record results show that majority of respondents 86% pinpointed the use of record for profit determination, accessing finance (6%), with aim of tax calculation purposes (4%) and those with goal of financial decision making (4%). Study findings imply that for any firm especially small to medium forms there must be proper management of information for proper capital flow.

These findings argue with Chachage and Ngulube (2006) who explains that every business which needs to grow and increase profit is involved in the production of records in its all processes. Therefore, records proper financial and accounting record keeping management must be taken into consideration. This will involve design and creation of records, identification, authorization, verification, validation and auditing of ongoing activities, circulation, access, loan and use, backup procedures and disaster recovery plans, retention schedules and destruction.

According to Aladejebi and Oladimeji (2019) accounting information have positive relationship on improvement and prodigality of SMEs business which involves, being used as control tool in detecting scam carried out by unethical employees of a given business area. Also accounting records have relationship in maintaining good accountability over the assets of a company like cash, stock of goods, furniture and fittings and other movable assets of the company. There will be profit increase when available assets are well maintained, meaning that proper accounting system play part in minimizing opportunity for deceit and theft of assets.

Moreover, Wanguu and Kipkirui (2015) oversees the relationships of accounting records such as cash book, petty cash book, sales day book, purchase day book, debtors' book and creditors' book with management of credit



truncations. Inopportune record protection can lead to loss of income, when credit transactions are not well monitored thus failure in profit determination which is primary motive of running a business.

## V. CONCLUSION & RECOMMENDATIONS

### 5.1 Conclusion

From the findings, performance, profitability and growth of SMEs are highly depending on their perceived accounting skills in proper accounting record keeping. By adhering to the accounting record keeping practices they are on the right position to reduce all associated impacts of business losses and strengthen themselves in the way of increasing profit. Unfortunately, still the accounting educational levels possessed by SMEs in Tanzania are not well strengthened enough to help them in accounting record keeping as few of them are practicing it. Majority of SMEs lacks perceived accounting skills that could be utilized in planning, monitoring, organizing and managing accounting information's to enhance better performance. Compliance to proper accounting record keeping highly depends on the skills and knowledge of the business owner or staffs who are involved directly in making various decisions on business operations.

From the findings, it is showed that there are existing positive relations between business growth and accounting record keeping. This is when the business owner or SMEs will have the ability to report proper accounting records which have prepared correctly and comply to all the procedures of accounting record keeping. These factors highly reflect business growth as what are reported in the accounting information's are reflecting real business operations practices. It involves timely recording of accounting information's and adherence to the recording procedures so as to reduce accounting errors. This is helpful to the owner in making various decisions after achieving profit of a loss.

Positive relationship was also found between business performance and accounting record keeping. This is due to the factor that performance is measured by looking on the accounting records if the level of planned productivity has been achieved. For instance, the study found that SMEs are likely to perform better on their businesses if they have adopted accounting management system that is cheap, based on technology, and that allows personnel perception. The accounting record keeping system should be easier depending on size of the business, supported by the management, easy to be used, available infrastructures and support external environments so as to perform better.

The findings show that business profitability it is highly depending on the perceived SMEs accounting record keeping skills. The SMEs are required to have useful knowledge on preparing profit and loss accounts, debtors and creditors accounts, financial statements, cash accounts and stock accounts. Proper preparation of these accounting records reflects directly if the business is making profit or loss and can be used for immediate response to reduce negative impacts in the businesses. The business owner will benefit by rising awareness on the business profit, asking for loans from financial institutions, how much to contribute to the responsible authorities as tax and in making financial decisions.

### 5.2 Recommendations

The paper recommends for the responsible development stakeholders and the government to ensure there are attractive strategies preaching SMEs to receive perceived accounting skills so as to be able to perform better on their business. From this perspective they will be able to grow their businesses rather than stagnating, make profit than losses and achieve goals and objectives as a reflection of business performance.

It is essential to be known that, under the globalized skills people are to be prepared with accounting record keeping skills regardless of their professionalism. This will enhance the attitude of better performance on their businesses after being executive officers on their areas of professionalism.

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