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Accounting Skills and Performance of Small and Medium Enterprises (SMES) in Ekiti State of Nigeria

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ABSTRACT

This study investigates the relationship between accounting skills and business performance and the impact of accounting skills on the financial health, profitability, and growth among SMEs in Ekiti State. It adopted a descriptive survey research design. The findings revealed a significant relationship between accounting skills and business performance among SMEs in Ekiti State. Additionally, SMEs with well-developed accounting skills demonstrate enhanced record-keeping, financial planning, and resource allocation, which in turn positively impacted their operational efficiency. The study concludes that accounting skills significantly impact the financial performance and growth of SMEs and also proper application of accounting practices enhances profitability, promotes sustainable growth, and improves financial health among SMEs in Ekiti State. However, the absence of these skills often leads to financial mismanagement, reduced profitability, and stagnant growth. The study recommends training programs to equip SME owners and managers with practical accounting skills. Furthermore, government should provide incentives for SMEs to adopt professional accounting practices and at the same time promote the importance of accounting practices through targeted campaigns for SME operators.

Keywords: Accounting Skills, Business Performance, SMEs, Incentives

Introduction

Accounting plays a critical role in the success or failure of contemporary business institutions, particularly for Small and Medium Enterprises (SMEs). In today's dynamic and competitive business environment, accounting systems are essential for recording, analyzing, monitoring, and evaluating the financial condition of companies (Akinyemi, & Salawu, 2021). Accurate accounting not only supports the preparation of financial statements but also informs decision-making across all areas of business operations, from taxation to strategic planning.

For SMEs, accounting information is especially crucial, as it helps manage critical financial challenges like costing, expenditure control, and cash flow. By providing real-time insights into financial data, SMEs are better equipped to monitor performance, plan for the future, and secure funding. This ability to manage finances effectively can be the difference between survival and failure in a market where resource constraints are common (Mitchell et al., 2020; Son et al., 2020).

In Nigeria, SMEs contribute significantly to the economy, driving innovation, job creation, and economic growth. However, many of these businesses face significant barriers that impede their growth and sustainability. One of the primary barriers is the lack of sound accounting practices. Without comprehensive and accurate financial records, many SMEs are unable to attract investors or secure loans from financial institutions, which further compound their financial struggles (Adebayo, & Fagbemi, 2020).

Moreover, improper management of financial resources often leads to inefficient investments in both current and fixed assets. Many businesses tend to over-invest in areas that don't yield significant returns while under-investing in areas that could foster growth. The failure to apply proper accounting skills exacerbates these issues, often leading to the erosion of capital and the eventual collapse of the business (Okonjo, & Ibe, (2023). This study, therefore, focuses on the role of accounting skills in improving the performance of SMEs, particularly in Ekiti State, Nigeria.

Business performance plays a pivotal role in shaping the economic development of Nigeria, a country characterized by its vast market size and diverse entrepreneurial activities. With small and medium enterprises (SMEs) constituting over 96% of businesses in the country, they contribute approximately 48% to the national GDP and provide over 80% of employment opportunities (SMEDAN, 2021). However, despite this significant contribution, the performance of businesses across Nigeria has been marred by numerous challenges, limiting their potential to drive sustainable economic growth.

In Nigeria, the business environment is influenced by factors such as unstable power supply, limited access to financing, high inflation rates, and inconsistent government policies. According to Akinyemi and Salawu (2021), the high cost of doing business, coupled with poor infrastructure, has led to reduced profitability and hindered the competitiveness of Nigerian enterprises. Moreover, the informal sector, which dominates the business landscape, often lacks the structure and strategic planning necessary for long-term success. The COVID-19 pandemic exacerbated existing challenges, disrupting supply chains and shrinking consumer demand. Businesses with weak operational foundations struggled to survive, while those that adapted through innovation and technology demonstrated resilience. Research by Adewale et al. (2022) highlighted the role of digital transformation in improving the performance of Nigerian businesses during and after the pandemic. It revealed that companies integrating digital tools such as e-commerce platforms and financial technologies experienced better recovery rates compared to their counterparts. In response to these challenges, the Nigerian government and private sector stakeholders have implemented several interventions to support business performance. Initiatives like the Central Bank of Nigeria's (CBN) Anchor Borrowers' Program and the National Enterprise Development Program (NEDEP) aim to enhance access to finance and build entrepreneurial capacity. However, Okonjo and Ibe (2023) argue that these programs often face implementation gaps, reducing their effectiveness in addressing the core issues hindering business performance in the country.

To improve business performance across Nigeria, there is a growing need for strategic investment in infrastructure, capacity-building programs, and policy reforms that prioritize the ease of doing business. Research in this area can provide valuable insights into the drivers of success for Nigerian businesses and propose actionable solutions for their growth and sustainability.

Business performance is a critical indicator of economic growth and sustainability, especially in developing regions like Ekiti State, Nigeria. Ekiti, predominantly an agrarian economy, has seen a gradual shift towards small and medium enterprises (SMEs) as a driver of economic diversification and employment. Despite this growth, the overall performance of businesses in the state remains inconsistent due to challenges such as poor access to capital, inadequate infrastructure, and weak managerial capacity.

The economic landscape in Ekiti State is marked by the dominance of micro and small-scale enterprises, which contribute significantly to employment generation. However, the performance of these businesses has been hindered by factors such as inadequate planning, poor resource allocation, and ineffective decision-making processes. According to Adebayo and Fagbemi (2020), over 60% of businesses in Ekiti struggle to sustain operations beyond three years due to poor strategic management and financial instability.

The COVID-19 pandemic also had a significant impact on business performance in Ekiti State. A study by Akinola et al. (2022) revealed that businesses that lacked resilience and adaptability experienced severe losses during the pandemic. On the other hand, enterprises that employed innovative strategies, including digital marketing and online operations, showed better recovery rates. This highlights the need for businesses in the state to adopt practices that enhance efficiency and competitiveness.

Governmental and non-governmental organizations have made efforts to improve business performance in Ekiti. For instance, the Ekiti State Small Business Support Scheme, initiated in 2021, provides financial support and business training to entrepreneurs. Despite these interventions, Oladele and Ogunyemi (2023) pointed out that a significant gap exists in the implementation of capacity-building programs tailored to the needs of SMEs in the state. Improving business performance in Ekiti requires a comprehensive approach, integrating financial management, innovation, and strategic planning. Research in this area is essential to identify key drivers of performance and propose sustainable solutions for business growth in the state.

Statement of the Problem

The performance of SMEs in Nigeria has often fallen short of expectations. The failure rate of these businesses is alarmingly high, with many companies ceasing operations within a few years of establishment. According to recent studies, approximately 50% of new businesses fail within their first five years in operation (Adelakun, 2020; Ebiringa, 2021). While many factors contribute to business failure, a significant cause in Nigeria is the lack of adequate accounting skills among business owners and managers. This inadequacy affects financial decision-making, resource allocation, and investment strategies, leading to poor business outcomes.

The absence of basic accounting practices compounds the financial challenges faced by Nigerian SMEs. For example, without proper accounting records, business owners are unable to evaluate the true financial position of their companies, which affects their ability to make informed decisions Oyesode, O. (2020). Moreover, the lack of sound financial management limits the ability of SMEs to access funding from banks and investors, further exacerbating their financial challenges. As a result, many businesses remain stagnant, unable to grow or scale effectively.

This study seeks to address the gap in accounting skills among SMEs in Ekiti State and explore how these skills can be leveraged to improve business performance. The findings will offer insights into how proper accounting practices can enhance financial management, reduce failure rates, and improve the chances of business success in the region.

Hypotheses

The study aimed to test the following hypotheses:

$H0_1$: Accounting skills does not have a positive significant effect on business performance in Ekiti State.

$H0_2$: Accounting skills on the financial health, profitability, and growth of SMEs does not have positive impact on business performance in Ekiti state.

LITERATURE REVIEW

Conceptual Review

Accounting Skills

Accounting skills according to, and Obi, (2021) referred to the technical and practical Umeji abilities required to record, analyze, interpret, and manage financial data effectively. These skills encompass:

i. Bookkeeping: Maintaining accurate records of financial transactions.

ii. Financial Reporting: Preparing financial statements such as income statements, balance sheets, and cash flow statements.

iii. Budgeting and Forecasting: Estimating future revenues and expenses to guide decision-making.

iv. Tax Management: Understanding tax laws and ensuring compliance.

v. Financial Analysis: Interpreting financial data to assess the performance and health of a business.

Accounting skills are essential for ensuring financial transparency, improving decision-making, and accessing funding opportunities. SMEs with proper accounting practices are more likely to manage resources efficiently and achieve sustainable growth.

Business Performance

Nwaigburu and Encogwe (2022) affirm that business performance refers to the ability of a business to achieve its goals and objectives in terms of profitability, growth, and sustainability. It is often assessed through metrics such as:

i. Financial Health: Indicators like liquidity, solvency, and cash flow.

ii. Profitability: Measures such as gross profit margin, net profit margin, and return on investment (ROI).

iii. Growth: Expansion in market share, sales, or employee base over time.

The performance of SMEs depends on multiple factors, including managerial expertise, access to resources, and the application of accounting practices. Businesses with sound accounting systems are better equipped to track performance, identify inefficiencies, and adapt to changing market conditions.

The Role of Accounting Skills and Importance of Record-Keeping in Business Performance

Accounting plays a crucial role in the success and sustainability of businesses, particularly in Small and Medium Enterprises (SMEs). Having a strong foundation in accounting enables business owners to manage finances effectively, make informed decisions, and ensure long-term profitability. According to Oyesode (2020), accounting knowledge is essential for tracking cash flow, preparing financial statements, and maintaining financial control, which are all critical for business survival.

Accounting knowledge is not only necessary for large corporations but also for SMEs, which often operate with limited resources and face a higher risk of financial mismanagement. Nwokike (2020) highlights that accounting education and skills empower small business owners to manage their business's financial health, enabling them to make strategic decisions based on accurate and up-to-date financial information.

Proper record-keeping is a fundamental aspect of accounting and has a direct impact on the sustainability of businesses. Record-keeping involves systematically documenting all financial transactions, from sales to expenses, which is critical for tracking the performance of a business. Tushabomwe-Kazooba (2020) emphasizes that SMEs with inadequate or no record-keeping systems are more likely to face financial difficulties, including poor cash flow management and inability to secure loans or attract investment.

Financial records help businesses maintain transparency, assess profitability, and plan for future growth. By regularly reviewing financial records, business owners can make more informed decisions regarding budgeting, resource allocation, and investments. Without this information, it becomes difficult to assess whether the business is operating efficiently or if corrective actions are needed.

Accounting Practices and Financial Reporting in SMEs

SMEs' accounting practices often fall short due to limited resources, lack of knowledge, and the perceived high cost of hiring professional accountants. Lybaert (2020) found that many SMEs do not adopt formal accounting systems, which results in inaccurate financial reporting and ineffective decision-making. The lack of a structured accounting system limits the ability of business owners to assess their financial performance accurately, which can lead to poor strategic decisions and ultimately business failure.

The role of accounting in SMEs extends beyond just record-keeping. It is a critical tool for planning, budgeting, and forecasting. Accurate financial records allow SMEs to evaluate their performance, identify trends, and make decisions that can help improve profitability and ensure long-term success. Osuala (2020) notes that SMEs that adopt sound accounting practices are more likely to sustain profitability and grow over time.

One of the key challenges faced by SMEs is the inadequate preparation of financial reports. In many cases, business owners rely on informal methods of accounting that may not adhere to regulatory standards. This reliance on informal methods often results in inaccurate financial reports, which makes it difficult for business owners to make informed decisions. Mitchell et al. (2020) argue that for SMEs to thrive in a competitive market, they must improve their financial reporting practices, ensuring that reports are reliable and compliant with industry standards.

Effective financial reporting also helps SMEs access external financing, such as loans or investors. Financial institutions often require detailed financial reports to assess the viability of a business before offering financing. SMEs with well-maintained financial records are more likely to secure funding, which can be critical for expansion and growth.

Rationale for Keeping Financial Records

The importance of keeping financial records cannot be overstated, especially for SMEs, where the margin for error is often small. Cooley and Edwards (2020) state that proper record-keeping enables business owners to track their cash flows, assess their profitability, and make informed decisions regarding future investments. Financial records also provide the basis for preparing tax returns, complying with regulatory requirements, and generating financial statements for stakeholders.

Research indicates that factors such as business size, age, and industry influence the extent to which SMEs engage in formal accounting practices. Holmes and Nicholls (2020) suggest that as businesses grow the need for formal record-keeping increases. Larger businesses are more likely to hire external accountants to manage their financial records, while smaller businesses may rely on informal systems or accounting software.

In addition to these practical benefits, record-keeping also plays a significant role in building trust with stakeholders, including investors, employees, and customers. A business that maintains transparent financial records is seen as more reliable and trustworthy, which can lead to stronger relationships with stakeholders and a better reputation in the market.

Challenges in Accounting and Record-Keeping for SMEs

Despite the importance of accounting and record-keeping, many SMEs face significant challenges in implementing effective accounting systems. These challenges often include a lack of knowledge or training in accounting, the high cost of professional accounting services, and the complexity of regulatory requirements. Studies have shown that many SME owners are not adequately trained in accounting practices, which makes it difficult for them to understand financial reports and manage their finances effectively (Nwachukwu, 2020).

In addition, the cost of hiring professional accountants or purchasing accounting software can be prohibitively expensive for SMEs. As a result, many SMEs rely on informal accounting practices, which may not meet the standards required by regulatory authorities or investors. This lack of proper accounting systems can limit the growth potential of SMEs and increase the risk of financial mismanagement.

The Imperative of Training in Improving Accounting Practices

One way to address the challenges faced by SMEs in accounting is through training and capacity-building initiatives. Studies have shown that SMEs that invest in training programs for their employees or owners are more likely to adopt formal accounting systems and improve their financial management practices (Ekwe & Ebuka, 2020). Training programs can help SME owners and employees understand the importance of accurate record-keeping, financial reporting, and budgeting, which can ultimately lead to improved business performance.

It is evident that with the right support in terms of education and resources, SMEs can improve their accounting practices, overcome financial management challenges, and unlock new opportunities for growth and profitability. Training initiatives for SME owners, operators, and accountants can bridge the knowledge gap and empower businesses to make more strategic, data-driven decisions.

Theoretical Review

The theoretical Review for this study is based on two key theories that guide the understanding of how accounting skills influence business performance. These theories provide a foundational understanding of the relationship between accounting practices and the success of Small and Medium Enterprises (SMEs).

Human Capital Theory (Becker, 1964)

The Human Capital Theory posits that the skills, knowledge, and expertise of individuals contribute significantly to the success and productivity of businesses. According to this theory, accounting skills, as part of an individual’s professional competence, directly affect the decision-making processes and overall performance of business enterprises. Becker (1964) argued that investment in human capital, such as acquiring accounting skills, enhances individual productivity, which ultimately translates into improved business outcomes. In the context of SMEs, business owners and managers with strong accounting skills are more likely to make informed financial decisions, which enhances business sustainability and growth.

Resource-Based View (RBV) Theory (Barney, 1991)

The Resource-Based View (RBV) Theory emphasizes that a firm's internal resources such as accounting knowledge, skilled personnel, and financial practices are critical to achieving competitive advantage and superior performance. According to this theory, businesses that effectively utilize their resources, including accounting skills, are more likely to outperform their competitors.

Barney (1991) suggested that resources should be valuable, rare, inimitable, and non-substitutable for them to create a sustainable competitive advantage. For SMEs, proficient accounting practices serve as a valuable resource that can contribute to better financial management, improved profitability, and business growth.

Both theories Human Capital Theory and Resource-Based View are integrated into this study to explain how accounting skills serve as both a personal and organizational resource that enhances the performance of SMEs. The study posits that SMEs whose owners and managers possess advanced accounting skills (as part of their human capital) are better equipped to manage financial resources, make strategic decisions, and improve business performance. Thus, these businesses are likely to achieve greater profitability, operational efficiency, and long-term success.

By adopting these two theories, this study will explore the impact of accounting skills on business performance, focusing on SMEs in Ekiti State. The integration of both theories provides a comprehensive lens through which the researcher can analyze the relationship between accounting practices and business outcomes.

Empirical Review

Ekwe and Ebuka (2020) examined the significance of accounting skills for the sustainable development of Small and Medium Enterprises (SMEs). They emphasized that accounting is often referred to as the "language of business," as it plays a crucial role in determining organizational performance. Accounting provides essential information about a business, enabling stakeholders, especially investors, to make informed decisions. Their study hypothesized two null hypotheses: 1) there is no significant difference in the mean scores of SME owners regarding the fundamental accounting skills needed by SMEs, and 2) there is no significant difference in the responses concerning the benefits of acquiring fundamental accounting skills. Using a descriptive research design, data was gathered from professionals and SME operators through a structured questionnaire. The data analysis, using means scores and standard deviation, showed that many SME owners lacked adequate knowledge of the accounting skills required to improve their businesses. However, respondents agreed that acquiring such skills would enhance business acumen and profitability. The paper concluded that regular training for SME owners on fundamental accounting skills is critical for the growth of SMEs, particularly in developing nations.

Umeji and Obi (2021) conducted a study on the cost accounting skills required by small business operators, focusing on record-keeping, inventory control, and price determination. The study used a descriptive survey design, surveying 280 registered small business operators. They found that while these skills were seen as crucial by the operators, their possession was below expectations. The study recommended that small business operators be trained in accounting and business skills to improve their operational efficiency. The results were analyzed using mean and t-tests, with reliability coefficients of 0.78, 0.83, and 0.75 for record-keeping, inventory control, and price determination skills, respectively.

Eze and Okpala (2021) explored the impact of SMEs on the growth of the Nigerian economy. Their study employed multiple regression analysis to examine the relationship between SMEs and economic growth. They found that the contribution of SMEs to Nigeria's economic growth was insignificant, primarily due to factors like poor government policies, corruption, and inadequate infrastructure. The study recommended that governments establish microfinance institutions, promote financial literacy, and provide essential infrastructure to foster the growth of SMEs.

Nwaigburu and Encogwe (2022) highlighted the importance of accounting skills in entrepreneurship education for self-reliance and sustainable development. Their study found that accounting skills significantly contribute to entrepreneurial performance, with a focus on financial management and record-keeping. They suggested that entrepreneurs should enhance their accounting skills to support business success and economic growth. The study used survey research to collect data from entrepreneurs, which was analyzed using chi-square analysis. The authors recommended that governments remove obstacles to entrepreneurial development, such as corruption and lack of access to finance

Gap in Literature

While there has been a considerable body of research on the role of accounting skills in improving business performance, several gaps remain, particularly in the context of Small and Medium Enterprises (SMEs) in Ekiti State, Nigeria. Much of the existing literature focuses on general or large-scale businesses, with limited studies examining how accounting skills specifically affect the performance of SMEs in this region. The challenges faced by SMEs in Ekiti State, such as inadequate knowledge of accounting principles, lack of access to training, and insufficient resources for hiring professional accountants, create a unique environment that has not been adequately addressed in previous studies.

Additionally, the literature primarily emphasizes financial record-keeping and basic accounting skills but neglects to explore the broader spectrum of accounting competencies required for decision-making and long-term sustainability in SMEs. Most studies focus on quantitative outcomes, such as profitability or revenue growth, but do not delve into qualitative impacts, such as how improved accounting knowledge influences business strategy, management practices, or customer satisfaction within small businesses.

Furthermore, there is a lack of studies exploring the impact of local government policies or community-based initiatives aimed at enhancing accounting education for business owners in Ekiti State. While some studies have touched on the broader role of accounting education, few have looked at how specific interventions, such as government-sponsored training programs or partnerships with local financial institutions, can directly improve the accounting skills of small business owners and, by extension, their business performance.

Methodology

The study adopted a descriptive survey research design. The target population for this study comprises business owners and operators of Small and Medium Enterprises (SMEs) in Ekiti State. Specifically, over 1500 registered SMEs across various sectors, including supermarkets, general merchandise, pharmaceuticals, hardware, building materials, and retail businesses, were considered. The sample size for this study consisted of 70 business owners and 150 employees in Ekiti State. The simple random sampling technique was employed to select participants. The sample size was determined based on considerations of reliability, cost-effectiveness, and time constraints, ensuring that it is large enough to provide meaningful insights while being feasible to manage within the study's limitations. The study utilized both primary and secondary data. Primary data were collected directly from respondents through questionnaires, while secondary data were gathered from existing literature, reports, and publications relevant to the research topic. The instrument was validated by colleagues in accounting department to ensure it is both relevant and accurate for the study's context. The reliability of the research instrument was tested using Cronbach's Alpha, a statistical tool for assessing internal consistency and reliability coefficient of 0.82 was obtained which means that the instrument was reliable to collect data for the study. The questionnaire was administered personally to the respondents to ensure a high return rate and clarify any uncertainties regarding the questions. The hypotheses were tested using t-test.

RESULTS

Test of Hypotheses

Hypothesis one: Accounting skills does not have a positive significant effect on business performance in Ekiti State.

Table 1 Summary of t-test analysis of mean responses of the SMEs business owners and their employees on how accounting skills influence the survival of small and medium scale enterprises

S/N	Items	SMEs Owners = 70		Employees = 150		t-cal	t-table	p-value	Remarks
1	In creating organizational Records	3.07	0.98	3.26	0.88	2.45	1.96	0.02	S
2	In maintaining organizational Records	2.82	1.08	3.10	1.03	3.15	1.96	0.00	S
3	In data analysis in the Organization	2.99	1.04	3.02	1.04	0.39	1.96	0.70	NS
4	In ensuring proper Communication	3.00	0.89	2.80	1.17	2.21	1.96	0.03	S
5	To know when debts are to be recouped and settled	2.83	1.04	2.90	1.07	0.68	1.96	0.50	NS

Source: field work, 2024 NS: not significant, S: significant, SD: standard deviation.

The t-test in table 1 revealed that there were significant differences in the mean responses of the two groups (SMEs business owners and their employees) on items 1 2 and 4. This was occasioned by the fact that their calculated values of t were greater than the table values, and the p-values were less than 0.05. On the other hand, there were no significant differences in the mean responses of the two groups on items 3 and 5. This was because the calculated values of t were less than the table values. Their p-values were also greater than 0.05.

Hypothesis two

Accounting skills on the financial health, profitability, and growth of SMEs does not have positive impact on business performance in Ekiti state.

Table 2: Summary of t-test analysis of mean responses of SMEs business owners and their employees on how accounting skills promote financial health, profitability, and growth

S/N	Items	SMEs Owners = 70		Employees = 150		t-cal	t-table	p-value	Remarks
6	Properly motivate the employees to put in their best	3.00	1.08	3.15	0.91	1.71	1.96	0.09	NS

7	treat all employees equally	2.30	1.13	1.92	0.89	4.55	1.96	0.00	S
8	consult employees in decision Making	3.13	1.07	2.99	0.96	1.67	1.96	0.10	NS
9	accept good suggestions made by employees	3.12	1.08	2.98	0.96	1.55	1.96	0.12	NS
10	assign responsibilities to Employees	2.75	0.99	2.97	0.98	2.54	1.96	0.01	S
11	Mutually co-operate with Employees	2.70	1.01	2.95	0.94	3.01	1.96	0.00	S

Source: field work, 2024 NS: not significant, S: significant, SD: standard deviation.

The findings presented in table 2 revealed that significant differences exist in the mean responses of SMEs business owners and their employees to item 7, 10 and 11. This is because their calculated values of t were greater than the table values of t and their p-values were less than 0.05. On the other hand, the table values of t for items 6, 8 and 9 were greater than their t-calculated values which showed that differences in the mean responses were not significant. This was also supported by their p-values which were greater than 0.05.

Discussion of Findings

The findings reveal a significant relationship between accounting skills and business performance among SMEs in Ekiti State. SMEs with well-developed accounting skills demonstrate enhanced record-keeping, financial planning, and resource allocation, which in turn positively impacts their operational efficiency. The ability to maintain accurate financial records allows these businesses to assess their financial position, make informed decisions, and comply with regulatory requirements. Conversely, SMEs lacking these skills often struggle with financial mismanagement, leading to stagnation or decline in business performance.

Accounting skills directly influence the financial health, profitability, and growth of SMEs. Financial health improves when SMEs adopt robust accounting practices, enabling them to maintain liquidity, minimize waste, and manage debts effectively. Profitability is bolstered through informed pricing strategies and cost control measures derived from financial analysis. SMEs that actively track revenues and expenses are better positioned to identify profit drivers and curb losses. Furthermore, businesses with sound accounting practices are more likely to attract investments, access loans, and sustain growth over the long term. The findings highlight a clear connection between accounting proficiency and the ability to scale operations, diversify products, and expand market reach.

Conclusion

The study concludes that accounting skills significantly impact the financial performance and growth of SMEs in Ekiti State. Proper application of accounting practices enhances profitability, promotes sustainable growth, and improves financial health. However, the absence of these skills often leads to financial mismanagement, reduced profitability, and stagnant growth. Addressing the challenges SMEs face in adopting accounting practices is essential for their success.

Recommendations

i. Training programs should be organized to equip SME owners and managers with practical accounting skills. In addition, government should provide incentives for SMEs to adopt professional accounting practices and at the same time promote the importance of accounting practices through targeted campaigns for SME operators.

ii. Furthermore, simplified accounting tools and software should be developed and made accessible to SMEs at subsidized rates by government. Finally, SMEs should collaborate with accounting professionals to ensure accurate financial records and compliance with regulations.

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