

ACCOUNTING COMPETENCIES FOR SMALL SCALE ENTREPRENEURSHIP IN NIGERIA

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Abstract

The phenomenon of entrepreneurship failure has been a topical issue at official and non-official circles in Nigeria. The common saying among policy commentators has been that 90% of small businesses die before one year of their commencement. The outcome is the reduced opportunity for production and national economic growth. This alarming rate of failure is a matter of concern that calls for a re-evaluation of entrepreneurship skills necessary for success. This leads to the decision to carry out this study to examine the entrepreneurship accounting competencies needed for success. Survey research was used for data collection. The likert scale and analysis of variance of mean ratings were employed for data analysis. The identified accounting competencies were found to be "needed" hence its re-engineering in entrepreneurship curriculum and training was recommended to stem the ugly tide of small business failure in Edo/Delta States and indeed Nigeria.

Introduction

Entrepreneurship is defined as the practice of starting new organization or revitalizing dying ones, (en.wikipedia.org/wiki/entrepreneurship). Contributors in the Institute of Chartered Accountants of Nigeria (ICAN) "Pathfinder" of November, 2008 Foundation Examination, described entrepreneurship as the "art of using the know-how and innovative ability to combine other factors of production for productive activities as well as carrying the risks associated with such production. The factor of production involved in these tasks is called the entrepreneur. It could be the sole owner of a business or shareholders. The major functions performed by the entrepreneur were uncertainty/risk-taking, decision taking, provision of capital and management control".

Adewumi (2008), defined the entrepreneur as 'someone who wants to succeed in life through profit making'. These researchers agreed on the pivotal influence of profit making as a driving force in entrepreneurship.

The skills required for successful entrepreneurship has been a subject of study by various scholars in recent time. Steinhof and Surges (1993), pointed out that it takes special skills to succeed as an entrepreneur. These skills are entrepreneurship knowledge, attitudes and practices. Nelson and Leach (1981) and French (2003) called them occupational survival skills and they relate to problems-solving, human relations, decision-making and effective communication. Famous Izedonmi (2008) posited that the entrepreneur needed to develop multi skills, but avoid over specialization of skills. He listed seventeen skills including marketing, management, financing and investment, time management, environmental management, R&D, etc.

Ekwe (2008), maintained that entrepreneurs must have a vision for the business, be willing to take risks and be able to plan, organize and follow through: They should also maintain good relations with customers, employees and other businesses with whom they deal, such as banks, insurance companies and service firms.

Jones, George and Hill (2000) posted that an entrepreneur should have the ability to understand, alter, lead and control the behaviours of other individuals and groups. He /she should have the ability to communicate and motivate people and to mould individuals into a cohesive team, distinguishing effective and ineffective workers. He should be able to analyse, synthesis and diagnose a situation and distinguish cause and effect.

Various efforts have been put in place in Nigeria aimed at promoting

entrepreneurship through the small and medium enterprises initiatives. These galvanizing efforts of government include:

- Industrial Development Centre (IDCs)
- Small-Scale Industry Credit Scheme (SSICS)
- National Economic Recovery Fund (NERFUND)
- World Bank Assisted SME II Loan Project
- Structural Adjustment Programme (SAP)
- National Directorate of Employment (NDE)
- Centre for Management Development (CMD)
- Second Tier Securities Markets (SSM)
- Small and Medium Industries Equity Investment Scheme (SMIEIS)
- Banks of Industry
- Others- ASCON, NYSC, ITF, Higher Institutions
- Small and Medium Enterprises Development Agency of Nigeria (SMEDAN)

In Edo and Delta states, as in other parts of Nigeria, people desire to establish their own (small-scale) enterprises, thereby enjoying the benefits of being an entrepreneur, create wealth and shore up the bad economic situation. The need for appropriate entrepreneurial skills that will galvanize the individual into starting their business and succeeding is paramount. There is therefore need to determine and establish these competencies so that small-scale business can succeed, grow and contribute to the Gross Domestic Product and the Gross National Product thereby improving productivity and wealth.

Talabi (2008) sees accounting as the record keeping process by which transactions and property annexed to an enterprise are controlled. He posited further that it is the systematic and regular recording, classifying, sorting, analysing and interpretation of business data to produce information for decision making in the performance of the following functions namely;

- Determination of profitability,
- Proper control of revenue
- Proper accountability, and
- Facilitation of decision making

The American Institute of Certified Public Accountants (AICPA) in 1961 reported in Anao (1989) defined accounting as the "act of recording, classifying and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least, of a financial character, and interpreting the results thereof¹.

Roberts N. Anthony and James S. Reece (1979) sees accounting as a system that provides specialized information. Accounting to them, an organization in doing its work uses resources-materials, labour, machines, money and various types of services. In order to work effectively, the owners and people working therein, need information about these resources and about the results achieved through using them. Also, parties outside the organization need similar information in order to make judgments about the organization.

From the above works cited, the least that can be inferred is that accounting is a necessary and unavoidable function in an enterprise in its pursuit of success and growth.

This study will concentrate on the rating of accounting competencies needed for successful management of small-scale businesses in Nigeria with particular reference to Edo and Delta States.

Research Question

The main purpose of this study is to obtain entrepreneurs rating of accounting competencies needed for successful execution of small-scale businesses,

Specifically, this study was designed to address the following research question: To what extent are accounting skills needed for successful management of small-scale businesses.

Hypothesis

The following null hypotheses were tested at 5% level of significance: i. There is no significant difference between mean rating of accounting skills needed for successful management of small-scale businesses by entrepreneurs and their capital worth, ii. There is no significant difference between mean rating of accounting skills needed for successful management of small-scale business by entrepreneurs and their years of operation.

Method

The design of the study was survey. According to Osuala (2001) survey research focuses on people, the vital facts of people, and their beliefs, opinions, attitudes, motivations and behaviours. Also, AH (1996) posited that it is preferable to the survey design when the subject of investigation focused on individual opinions, attitudes and perceptions.

The population for the study comprised 3180 registered small-scale businesses in Delta and Edo States. Of these, 2067 of them located in major towns were surveyed systematically at specific intervals for the study. Out of these, a total of 1757 completed the questionnaire for a response rate of 85%.

The instrument used for data collection was the structured questionnaire titled "Accounting Competencies Needed For Successful Management of Small-scale Businesses"¹¹.

It has two sections. Section 'A' comprises of six general questions bordering on business Identification, Location, Capital Worth, Turnover and Year of Operation.

Section 'B' was organized in such a way that the respondents express their opinion on a likert scale as follows Highly Needed (HN), Needed (N), Rarely Needed (RN), Not Needed (NN) and Highly Not Needed (HNN)

The validity and reliability of this instrument were established. The instrument was pilot tested using test - retest reliability with 50 small-scale businesses not included in the sample selected. After a time frame of three weeks, the second instrument was administered and collated. The two test results were analysed using Pearson Product Moment Correlation to determine the degree of reliability. The test yielded a coefficient of reliability (r) of 0.74.

Analysis of Data

Table I: Mean Rating of Accounting Competencies Needed for Successful Management of Small-scale Businesses.

S/N	Questionnaire Item	Mean	Decision
1.	Issue receipts for sales	4.98	HN
2.	Obtain receipts for purchases	4.81	HN
3.	Keep record of business expenses	4.72	HN
4.	Keep record of assets used in the business	4.62	HN
5.	Ensure stocks are protected and safeguarded	4.78	HN
6.	Keep record of debtors	4.63	HN
7.	Keep record of creditors	4.83	HN
8.	Ensure safety and protection of cash	4.83	HN
9.	Ensure cheques received from customers are paid to		
10.	without delay	4.68	HN
11.	Prepare and keep staff payroll	4.48	Needed
12.	Prepare sales, purchases and general ledger	4.66	HN
13.	Carryout ledger adjustments entries where necessary	4.76	HN
14.	Account for depreciation of tangible assets	4.57	HN
15.	Make provision for bad/doubtful debts	4.72	HN

16.	Extract a trial balance	4.52	HN
17.	Determine gross profit from trading	4.74	HN
18.	Determine net profit from profit/loss account	4.8!	HN
19.	- Carryout appropriation of net profit	4.68	HN
20.	Prepare the balance sheet	4.84	HN
21.	Prepare cash flow statement	2.20	Rarely Needed
22.	Carryout analysis/interpretation	4.46	Needed
	Communication of financial information to relevant outside parties	2.49	Rarely Needed
	Grand Mean	4.49	Needed

Survey Report.

Table II: Testing of Hypothesis I

Summary of ANOVA of the mean rating of accounting competencies needed for successful management of small-scale business by entrepreneur based on their capital worth.

Groups	Qty	Sum	Average	Variance
Below N100,000	22	96.08	4.3673	0.7301
N 100,000 -N500,000	22	96.72	4.3964	0.6817
N 500,000-NI,000,000	22	96.01	4.3641	0.5925

ANOVA

Source of Variation	SS	Df	MS	F calc	F table
Between Groups	0.013913	2	0.006959		0.010416
	3.1428				
Within Groups	42.090877	63	0.668109		
Total	42.10479	65			

Conclusion

Do not reject equality of means because $0.010416 < 3.1428$. In other words uphold Null Hypothesis at 5% level of significance.

Table III: Testing of Hypothesis H

Summary of the ANOVA of the mean ratings of accounting competencies needed for successful management of small-scale businesses by entrepreneurs based on year of operation.

Groups	Numbers	Sum	Average	Variance
1-5 yrs	22	98.01	4.45500	0.51568
6-10 yrs	22	98.02	4.45545	0.49997
10 and above	22	99.01	4.50045	0.500212

ANOVA

Source of Variation	SS	Df	MS	F calc	F table
Between Groups	0.17093	2	0.08545	0.84476	3.1428
Within Groups	31.82957	63	0.50521		
Total	32.00050	65			

Conclusion

Do not reject equality of mean because $0.84476 < 3.1428$ i.e. uphold null hypothesis at 5%

level of significance.

Findings

From the analysis of data carried out, the following are the findings:

1. The data presented in table I revealed that the mean scored of respondents ranged from 2.20 to 4.98 with a grand mean score of 4.49. Since the grand mean of 4.49 falls within the range of 4.00 - 4.50, it implies that the general accounting competencies identified in this research are needed for successful management of small-scale businesses in Delta and Edo states. However, preparation of cash flow statements and communication of financial information were rated Rarely Needed by respondents.
2. The data presented in table II revealed that there is no significant difference between the accounting skills needed for successful small-scale business operations and their capital worth.
3. The data presented in table III revealed that there is no significant difference between the accounting skills needed for success in small-scale business and the years of operation.

Discussion of Findings

The research question revealed in table I show that the entrepreneurs of small-scale business rates accounting competencies as 'Needed' for successful management of their businesses. This agrees with the work of Ekwe (2008).

This finding also agrees with Aliu (2008), which states that accounting skills and entrepreneurship skills are inseparable. Accounting to him, these skills are necessary for success, growth and direction of businesses.

However, Izedonmi (2008) disagreed with this finding by stating that the entrepreneurs need not possess specialist skills but generalist skills. In this respect, these authors are of the opinion that accounting functions may not necessarily be performed by the entrepreneur. Such could be outsourced but its necessity must be appreciated for success and direction to be facilitated.

Also, in tables II and III, small-scale entrepreneurs do not differ significantly in their ratings on the accounting competencies based on years of operation and capital worth.

This means that the accounting skills are mutually exclusive which does not depend on years of operation or capital worth of the entrepreneurs.

Recommendations

From the findings enumerated above and the discussion thereof, the following are our recommendations.

1. Any business entrepreneur, including prospective ones should be familiar with the accounting skills before commencing any meaningful business. Their adoption will help to facilitate successful operation and growth, create employment opportunities and reduce the level of anti-social vices.
2. The curriculum planners should include the teaching of the identified accounting skills in the curriculum for entrepreneurship education in Colleges, Polytechnics, Universities and in Workshops conducted by various facilitating institutions.
3. The capital worth of most entrepreneurs was revealed in the study to fall within £41M and \$42M (excluding land). The various State governments should intensify work in their micro-credit schemes and infrastructures like roads and power to enable the entrepreneurs concentrate, manage well and expand their businesses towards sustainable development.

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