

ACCOUNTING RELATED PROBLEMS IN SMALL BUSINESS ENTERPRISES IN OMOKU CITY OF RIVERS STATE, NIGERIA

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Abstract

This study focused on the microenterprises in the city of Omoku in Rivers State. The interest was centred on the business outfits that employ NCE secretarial graduates. The target was to determine through the secretarial staff perspective, the causes of microenterprises failures in Omoku. The causes were seen to border on the educational qualifications of the business owners and the level of staff employed to manage the finances of the enterprises. This led to multiple problems associated with accounting and management. Conclusions were drawn and recommendations made that these business owners need to use the right staff to perform the right functions.

Introduction

Omoku is a metropolitan city in Rivers state of Nigeria and is regarded as the second largest and promising city in the State, (Abali, 2009). With supplies of oil and gas in large quantities, the area has attracted people, companies, schools and allied business organizations. Observations over a period of five years (2004-2009) show that just as more and more small business organizations spring up daily, some do not survive for a period of 24 months before they fold up, (Ozuruoke, 2007). He further noted that many factors which includes poor financial management are responsible for the small business failure. Being a secretarial professional, and desiring to look at this research work from the eye of the practicing secretaries, the researcher decided to work with the secretarial staff of some small enterprises in the city to determine the causes of failure of small business enterprises in the city of Omoku.

Small scale enterprises, according to Osuala (2004), play important roles in the economic development of a nation. These enterprises provide services to small and large organizations and individuals including government sectors. It is also noted, according to Liles (1976), and Ordu (2005), that the management of SMEs is centred on the Chief Executive. This means that the Chief Executive directly handles and supervises the finances in such a way that no money is spent without his or her approval. However, due to the fact that these entrepreneurs are not vast in the application of according principles, the supervisory role of Chief Executive are often crude, hence, they employ secretaries and assume that the secretaries will combine secretarial functions with that of financial management. The Chief Executive could do this with a view to monitoring the finances since virtually the entire capital invested in the business was either personally sourced or loaned.

Another factor in frequent failure is the source of fund used to float the enterprise. In an attempt to float the outfit, the entrepreneur may rely on loans

from clubs, co-operatives societies, money lenders and other financial organizations. In most cases, these loans attract high interest rates which make it difficult for the business to break even, even if good management principles were applied.

Another problem comes from what Braide (2002) referred to as cost factors, spread in two forms-direct and indirect costs. The **direct** costs are the direct expenditure associated with the products or services of these business organizations in order to keep the outfit going. The indirect costs are expenses to enhance the performance of products or sales in the organization. **Indirect** costs are looked at from the point of view of the maintenance of functions applied for the survival of the business outfit. They are also known as overhead costs are much as they are used to service such area as rents, security fees, water, electricity, and equipment among other things.

Furthermore, most of the Chief Executive do not understand that finance records need to be properly kept. Contributing to the financial debate of enterprises, Ukpai, Kaiabel, & Obara (1998), opined that in some of the enterprises, cash is made and expended without proper records. This means that activities of a period of time, for example, three months to a year could be difficult to determine. When it is difficult to determine how improvements can be made to adjust areas of high or low expenditure.

In setting up a business outfit, the entrepreneur, according to Biebuma (2003) and Dada (2003) has two main ideas. One idea is to make profit, and the other is to benefit from that profit. The failure of any business organization destabilizes the tenets of the above aims. Therefore, the problem of this study is to determine the factors that causes the failure of micro business enterprises in Omoku City.

Small Business Enterprises

Purpose of the Study

The purpose of this study was to look at the causes of small business failure in the city of Omoku with a view to assisting them in their operations in order to carry out the research, the following specific objectives are relevant:

- a. To identify the factors responsible for the failure of small business enterprises in Omoku City.
- b. To find out the extent to which these small enterprises keep accounting records.
- c. To determine the factors that can enhance productivity in the small business enterprises.

Research Questions

The following research questions were posed to guide the study?

- a. What are the factors responsible for the failure of small enterprises in Omoku city?
- b. How are accounting records of small enterprises maintained?
- c. What are the factors that can enhance productivity in small enterprises?

Instrument Used

The instruments used for data collection was the questionnaire structured in a way that they required. 'yes' or 'no' answers. The questionnaire was structured in a way that it should find out the factors responsible for the failure of small business enterprises. The administration of the questionnaire and the retrieval were personally handled by the research.

Population and Sample of Study

The population of this study consisted of 110 small secretaries and managers of small business enterprises in Omoku city. There were drawn from a population of 55 small business enterprises operating within the locality of Omoku. From this population of enterprises, 8 was randomly selected with a total population of eight secretaries and eight managers given us a total number of 16 respondents.

A survey sampling method of research work was used. This was the purposive sampling method. Only eight enterprises covering eight areas of business fields out of 25 categories of business occupations. A sample of 16 respondents, representing 30% of the total population was used-8 were NCE secretarial graduates which determined the selection of the enterprises, while the other 8 were those identified as managers for each of the enterprises. The enterprises are: Bazy enterprises Nig. Ltd, Fandom Engineering Nig. Ltd, Femi Transport Co. Ltd., Mykay Pharmaceuticals, Gateway Shopping Plaza, Demsony Hotels, Asodee Metal Work Enterprises, and Baron Communications.

Results

All the 16 copies of the questionnaires were collected personally by the researcher, giving a 100% response rate. The import of this was to show that the respondents showed a high interest in the matter that had to do with the failure of small enterprises in the city of Omoku.

The tables below show the response pattern from the completed copies of the questionnaire. The analysis was that of the data collected from the study. The method adopted in the analysis was the simple percentage as presented in the table.

Research Question 1

What are the accounting problem responsible for the failure of small enterprises.

Table 1
Accounting Problems of the Small Business Enterprises

	Accounting problems of small business Enterprises	Response		
		Yes	No	Total
1.	Our organization has a qualified accounting officer	2 (12.5)	14 (87.5)	16
2.	You prepare cash flow control statement that estimate what the cash need will be in near future	Nil	16 (100)	16
3.	Withdrawal of cash does not follow accounting procedures	16 (100)	Nil	16
4.	The secretary who keeps records does not prepare profit and loss account	12 (75)	4 (25)	16
5.	Do you pay for purchased items and match them to purchase order	2 (12.5)	14 (87.5)	16
6.	Poor financial practices had led to the failure of sister-business organizations.	16 (100)	(0)	16
	Total	48	48	96
	Mean (%)	(6.25)	(6.25)	16

** figures in parentheses are percentages*

From table 1, it can be seen that the enterprise do not qualified accounting officers employed to perform the functions of accounts officers. Because there are no qualified accounts officers, 100% indicated that they do not prepare cash flow control records and that they estimate what the cash needs of the enterprise shall be in a near future. Withdrawal of cash does not follow accounting procedures. 75% of respondents agree that the secretaries who act as accounting officers do not prepare profit and loss account while 25% say that they prepare. While 12.5% say that they pay for purchased items and match records with purchase order, 87.5% responded that do no go into such accounting rigors. All the respondents (100%) agree to the preponderance of sister-business failure on account poor financial practices.

Research Question 2

How are the accounting records of small enterprises kept.

Table 2

S/N	Keeping of accounting records	Response		
		Yes	No	Total
1.	You record every cash transaction in the cash Book	2 (12.5)	14 (87.5)	16
2.	Your organization makes use of the Analysis Book	2 (12.5)	14 (87.5)	16
3.	You keep records of petty Cash	Nil	16 (100)	16
4.	You keep records of all purchase invoices and receipts in the Day Book	16 (100)	Nil	16
5.	Records of all item transactions are posted in the ledger	4 (25)	12 (75)	16
	Total	24	56	80
	Mean (%)	(6.25)	(6.25)	16

** figures in parentheses are percentages*

The data on table 2 show that 87.5% of the respondents do not keep cash transaction records in cash books while 12.5% keep such records. It also shows that these organizations do not make use of the analysis book just as 100% of the respondents say that they do not keep any such records for petty cash. This is followed by 100% of the respondents who say that they keep records purchases and receipts in the Day Book. As 75% say that they do not keep records of items in the ledger, 25% say that they make use of the ledger for their transactions.

Research Question 3

How do small enterprises enhance productivity?

Table 3

S/N	Enhancement of productivity	Response		
		Yes	No	Total
1.	Does the organization make use of modern office equipment for work?	12 (85.7)	2 (14.3)	14
2.	Does the use of modern equipment assist you to do work conveniently?	16 (100)	Nil	16
3.	Do you have the advantage of work-free training programme?	4 (25)	12 (75)	16
4.	Does the lack of experienced accounts officer retards the records keeping process of the organization?	12 (75)	4 (25)	16
5.	Are neat jobs easily realized with the use of modern equipment?	12 (85.7)	4 (14.3)	16
	Total	56	22	78
	Mean (%)	(6.63)	(12)	(15.6)

** figures in parentheses are percentages*

The data on table 3 shows 85.7% presence of modern office equipment. All the respondents (100%) say that the use of modern equipment help them to improve productivity. While 25% of the respondents say that they have the advantage to improve through work-free training programmes, 75% say they do not have such programmes. On experienced accounts officer, while 75% of the respondents say that lack of experienced account clerk retard organizational productivity, 25% say that it does not affect them. 85.7% of respondents agree that neat jobs are produced with the use of modern equipment, 14.3% say that this does not really matter.

Findings and Discussions

From the analysis of the results, the data revealed some crucial facts regarding the causes of small business failure in the city of Omoku. It shows among others, that one major factor is associated with finances. Finances of these firms are not separated from the direct supervision of the company by the owner who ensures that he exerts a direct control on the recording of financial transaction. In doing this, he forgets to understand that financial recordings need to be correct and must follow certain accounting rules. These records, Kiebel (2002) stressed, will be used in due course to determine how much has either passed through or come into the company.

The financial note taking and what seems to them as accounting records is not taken by qualified accounts officers hence, the lack of accounting books. The analysis shows that secretarial staff employed to perform the functions of the secretary doubles as the accounts officer when he does not know the imports of the use of various accounting books. This lack of the knowledge to use the various accounting procedures in the recording of financial transactions on the part of the secretary-accounts officer contributes significantly to the failure of these organizations. The fact that the entrepreneur who is the financier of the enterprise has failed to recognize the need for accounting process, indicates that he lacks the necessary education to firmly manage the enterprise, hence, inflow and outflow are not checked since there are no proper records.

The data shows that the issue of abnormal withdrawal of cash by the chief executive is not to the interest of enterprises survival. This funding reveals that the entrepreneurs manage the enterprises cash as though the business is what Cary, (2001) referred to as part of the entrepreneur. In the handling of situations like this, what the business owners failed to understand, according to Peretomode (1997), is that the business is a different entity from the owners.

Lack of qualified accounts officer was also seen as a major problem in the organizations. While we look at this as a factor, it is necessary to mention that this problem goes with the fact that staff are not even given the opportunity to

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improve themselves through in-service training programmes Dada (2001) observed that in this class of business organization, no training programmes are organized and any staff who manages on his own to secure a higher certificate is not promoted to the position required by his new certificate. This he said, contributes to high turn over among these organizations. Employees leave these small enterprises for many reasons (Ubeku 1975), some of which are for refusal to be granted opportunities to develop while working in the enterprise. Those who manage on their own to develop and are refused proper placement, quit the company for other bigger companies where their current certificates are valued and required. In the opinion of Ademola (2004), the presence of the foregoing causes the enterprise to head for failure which is visible to the owner only when he notices that his staff has unceremoniously left his service.

Another factor that needs serious attention is the fact that these entrepreneurs have no demarcation between the business money and the family house upkeep. Cash in this case, it taken as sales are made without proper records thereby, reducing cash inflow into the business coffers. The way and manner this type of enterprise are seen on the streets of Omoku City shows that this group of enterprises make up the vast majority of registered enterprise in the area. It also appears that they tend to be operating on a very insecure process thereby, resulting in the owners failing to sustain the enterprise for a long time.

Conclusions

From the findings of the study, it is revealed that the failure of these enterprises are associated with such factors as poor financial record keeping, poor financial practices, etc. this has led to the use of the secretary in the performance of other functions such as the recording of financial transactions.

Recommendations

Base on the findings and conclusions, the following recommendations are made:

- a. Since some of these organizations already have recognized the importance of modern office equipment and partial training for their staff, it is recommended that these are followed by the recruitment of relevant personnel for the relevant functions.
- b. Training is a way of adding new knowledge to that which an individual already has. Therefore, these entrepreneurs should ensure that some forms of training are made available to the staff, as that will lead to higher productivity.
- c. While the services of the secretary is recognized in these companies, it is recommended that qualified accounts officers are engaged as they have the propensity to advise on good financial recordings and practices.
- d. Finally, for these enterprises to succeed, the entrepreneurs must differentiate between themselves and the business. This is so in order to recognize the business as a different entity.

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