Accounting Control Practice and Financial Performance of Small and Medium Enterprises in Eldoret Town, Kenya

Small and medium enterprises are an important component in the economy worldwide; providing employment to over 5.9 million people and accounting for over 98% of all businesses in Kenya. Many small and medium enterprises owners do not have formal financial management training and usually have limited resources hence face problems with regard to accounting control practices. The main objective of the study was to examine the influence of accounting control practices and firm size on the financial performance of Small and Medium Enterprises in Eldoret town, Kenya. Specifically the study sought; to determine the influence of cash controls on financial performance of small and medium enterprises in Eldoret town; to establish the influence of revenue controls on financial performance of small and medium enterprises in Eldoret town; to examine the influence of inventory controls on financial performance of small and medium enterprises in Eldoret town and to examine the moderating influence of firm size on the relationship between accounting control practices and financial performance of small and medium enterprises in Eldoret town. The study adopted descriptive survey research design and was based on Stakeholders theory. The target population was 300 Small and medium enterprises owner/managers who were beneficiaries of Equity Bank Financial Knowledge for Africa (FIKA) Programme operating in Eldoret town. 171 owner/managers were sampled and selected by use of stratified random sampling. Data was collected by use of structured questionnaire. Validity of research instruments was determined using test re-test. Cronbach's alpha was used to measure internal consistency with alpha coefficient of above 0.70 being considered reliable. Data was analysed by use of descriptive and inferential statistics. At 5 % significance level the results indicated a significantly strong positive correlation between cash controls and financial performance ($R = 0.563 > 0.5$, $p = 0.001 < 0.05$). A significantly strong positive correlation between revenue controls and financial performance ($R = 0.546 > 0.5$, $p = 0.001 < 0.05$). A significantly strong positive correlation between inventory controls and financial performance ($R = 0.587 > 0.5$, $p = 0.001 < 0.05$). The study recommends that the managers of enterprises should ensure proper management of cash for the prosperity of the firm. The SMEs should establish a revenue control department with resources proportionate to the size of the organization. A firm needs to establish a sound inventory control system for determining inventory re-order and stock-levels. The managers of enterprises should work towards expanding the capacity of their businesses to be able to reap from the economies of scale.

Keywords: Accounting Control, Small and Medium Enterprises, FIKA, Kenya