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## **Effect of Bookkeeping Management Practices on Business Performance of Micro and Small Butchery Enterprises in Kimilili Sub-County, Bungoma, Kenya**

**Sam Nalwa Wanjala**

Master of Business Administration (MBA Finance Option), School of Human Resource Development  
Jomo Kenyatta University of Agriculture and Technology (JKUAT), Nairobi, Kenya

**Henry M. Bwisa**

Professor, Department of Entrepreneurship, School of Human Resource Development  
Jomo Kenyatta University of Agriculture and Technology (JKUAT), Nairobi, Kenya

**Robert Wamalwa Wandera**

Lecturer, Department of Human Resource Management  
Jomo Kenyatta University of Agriculture and Technology (JKUAT), Nairobi, Kenya

**Dr. Kadian Wanyonyi Wanyama**

Lecturer, Department of Human Resource Management Ki  
Babii University College, Bungoma, Kenya

**Alice Susan Wanjala**

Department of Post Graduate Studies in Education, Catholic University of East Africa

### **Abstract:**

*Development of MSE's has contributed significantly to the employment opportunities in Kenya. Studies show that MSE's contribute over 50% of the employment opportunities and 40% of GDP in Kenya. Despite this effort by the government, Kenyan societies still experience high unemployment levels, poverty and slow economic growth. Studies have shown that 60% of the MSE's fail within the first few months of operation (Kenya National Bureau of Statistics, 2007). An understanding of the causes of MSE's failure in Kenya is a vital step in ensuring proper management of MSE'S. The purpose of this study was to assess the effect of book keeping management practice on business performance of micro and small butchery enterprises in Kimilili sub-county, Kenya. The study objectives were; to establish the extent of book keeping management practices of MSBE's in Kimilili sub-county, ; to determine the extent to which MSBE's in in Kimilili sub-county, perform in terms of sales growth, market growth, assets growth and income growth; to establish the relationship between book keeping management practices and business performance of MSBE's in Kimilili sub-county, Kenya. Independent variables in the study were; cash inflow management, cash outflow management, account receivables management and accounts payable management. The dependent variable, business performance constituted; profit growth, sales growth, assets growth and market growth. Empirical studies show that research has been done on business failure in Australia, Financial management practices of small firms in Ghana, working capital management practices and causes of firms failure. Little research has been done on the effect of book keeping management practices on business performance of MSBE's in in Kimilili sub-county, thus a gap to fill. The target population of the study was 82 owner managers and managers of micro and small butchery enterprises, privately owned and registered under current Kimilili sub-county. The study used a cross-sectional survey research design. Both stratified and random sampling technique were used in determining a sample size of 45 MSBE's. The study employed both closed ended structured questionnaires and open ended unstructured questionnaires which were self-administered to 45 owner managers and managers of the sampled MSBE's. Interview guide for the owner was used to collect in-depth information. Observation guide for the researcher and document analysis guide were used to collect both qualitative and quantitative data. Both descriptive and inferential statistics were used in the study. Frequency distribution tables and percentages were used to present raw data for interpretation. Regression analysis was performed so as to establish the relationship between book keeping efficiency and business performance. A statistical package for social science (SPSS) was used in analyzing data. The findings of the study were that book keeping management practice of MSBEs was not adequate as majority had not practiced good book keeping management with means much below the average mean of 9 and their business performance was on a low average with business performance index of 9.4 below the average mean of 11.*

*The study revealed that MSBEs performance was positively related to book keeping management practices. The coefficient of determination (R<sup>2</sup>) indicated that 81.8 % of variations in business performance could be explained by changes in book keeping management practices. The study concluded that book keeping management practices makes a significant contribution to the performance of the business hence need for MSBEs managers to practice efficient book keeping management as a strategy to improve their business performance. The study agrees with other research findings that established positive relationships between book keeping management practices and business performance.*

**Keywords:** Book keeping management, Business performance, Micro and Small Butchery Enterprises (MSBEs)

## 1. Introduction

Book keeping refers to the analysis, classification and recording of financial transactions in the books of account. (CIMA). The American institute of certified public accountants has defined bookkeeping as the recording of financial transactions of a business in a systematic manner.

Transactions in the business context include purchases, sales, receipts and payments by an individual or organization. Business transactions involving cash and credit are; purchase of an asset for cash, payment of cash for a debt, receipt of cash money in settlement of a debt, sale of an asset for cash, purchase of assets on credit and sale of an asset on credit. Book keeping is performed by a book keeper who records day to day financial transactions in an organization. A book keeper is responsible for writing the day books which includes purchases journals, sales journals, cash receipts and payment journals, general journals, supplier's ledgers, customer ledgers and general ledgers. The balances from the ledgers are finally summarized in the trial balance.

Proper book keeping is important to an enterprise in terms of its sustainability and growth. It helps the owner carry out proper business evaluation and monitor its progress. Without book keeping the entrepreneur can run risks of money wastage, and miss out on opportunities to expand the business. Book keeping will therefore help the entrepreneur manage his business and enable tax agencies evaluate business activities accurately. Business records prevent theft and ensure proper organization of the business. Without proper book keeping it will be difficult for the owner to find accurate net profit, determine the correct financial position of his business and be unable to formulate business plans and policies for the future.

Micro and small enterprises (MSE) comprise the largest population of business in most economies. They do offer the greatest potential for job creation (Asquith et al, 1994). The government of Kenya has encouraged the development of micro and small enterprises as a means of encouraging self employment, reduction of poverty levels and speeding up economic growth. The development of MSE's has contributed significantly to the employment opportunities in Kenya.

Kenyan societies still experience unemployment levels, poverty levels and slow economic development of MSE's. Recent studies show that 60% of the MSE's fail within the first few months of operation (Kenya National Bureau of Statistics, 2007). Other studies show that MSE's do not access finances from the financial institutions due to lack of business records as a requirement (William et al, 1993).

An understanding of the causes of MSE'S failure, Poor business performance and low growth of MSE's in Kenya is a vital step in ensuring proper Management of MSE'S in order to avail employment opportunities and speed up economic growth.

In Kenya MSE's are acknowledged as significant contributors to economic development through their critical role in providing job opportunities, reducing poverty levels and venturing the culture of entrepreneurship (Oketch, 2000). The economic survey of 2006 confirms that MSE's contributed 50% of new jobs created in the year 2005 and over 20% to the GDP of the country. The Kenyan government has instituted enterprise support programs including women and youth enterprise funds in the years 2006 and 2007 respectively in order to speed up the development of MSE's. However, the international labour organization enterprises 2010 estimates that two thirds of the enterprises or below were generating income equal to or below the minimum wage. This finding has led to questions about growth of MSE's as a solution to the country's poverty and employment problems.

Despite the significance and the increased efforts by the government of Kenya and other stakeholders to ensure the success of MSE's, past statistics indicate that they exhibit high birth rates and high death rates with 40% of the start ups failing, by the year two and at least 60% closing their doors by year four (Kenya National Bureau of statistics, 2007; Fina Bank report, 2007).

Another study by Bowen et al, (2009) established that up to 50% of MSE's in operation have a deteriorating performance and are said to stagnate at small level hence do not progressively grow into large enterprises.

A study of South Australian MSE'S failure revealed that 76% were attributed to management inefficiency (J. Berryman 1983 and 1994). Further analysis revealed that book keeping and accounting was the biggest problem. Another study by William (1986) placed the major reasons for MSE's failure as 55% due to accounting and book keeping inefficiency, 22% for excessive private drawings and 20% inventory problems. In his conclusion William (1986) found statistical evidence of positive relationship between book keeping and accounting practices and the survival ability of most MSE's.

An empirical study on MSE's in Ghana by Ben Kwame Agyei- Mensah (2010) revealed that most MSE's do not practice sound financial management due to; Difficulty in keeping books of accounts, lack of accounting staff and lack of funds to employ qualified accountants. The researcher established that proper maintenance of books of accounts is vital for the survival of MSE's in Ghana.

As observed by Mead (1998), the economy's health has a strong relationship with the health of MSE's; their importance to the economy's growth and the role played in poverty reduction are reasons that make one understand the problems that negatively affect MSE's so as to reduce on massive failures of MSE's (ILO,2010).

Based on this background the study sought to assess the effect of book keeping management practices on Business performance of micro and small butchery enterprises in Kimilili sub-county Bungoma , Kenya. The study was guided by the following specific objectives:

- To establish the extent of book keeping management practices of micro and small butchery enterprises in Kimilili sub-county.
- To evaluate the extent of business performance of micro and small butchery enterprises in Kimilili sub-county.
- To establish the relationship between book keeping management practices and business performance of micro and small butchery enterprises in Kimilili sub-county.

## 2. Literature Review

Book keeping as a component of accounting is a process of recording day to day monetary activities of a business (Rogers et al, 1995). Book keeping refers to the analysis, classification and the recording of financial transactions and events in the books of accounts. The American Institute of Certified Public Accountants has defined book keeping as the recording of financial transactions of a business in a systematic manner.

Book keeping is repeatedly defined as the analysis, classification and recording of the business transactions in the books of accounts (Saleemi, 2008). A

Business transaction is a monetary activity which takes place in the business on a day to day basis. Business transaction involves both cash and credit transactions. Cash transactions in business may be as a result of receipts and payments realized and incurred respectively by the business. Credit transactions of the business include both credit sales and credit purchases of a business.

Book keeping is a process which involves the issuing and filing of source documents, recording of transactions in subsidiary books, posting from journals to ledger accounts, balancing of ledger accounts and preparation of trial balances.

Book keeping activities are handled by a book keeper who is a junior officer to the accountant in the business organization setup.

Book keeping concept differs from accounting such that the accounting process involve preparation of final statements including trading, profit and loss account

And a balance sheet before reporting the same to the management and the government agencies.

Book keeping takes two forms; single entry book keeping system and double entry book keeping system (Pinson et al, 1993)

Book keeping practices is a very important component of financial management because it directly affects the profitability levels, growth of businesses and overall business performance. (Atrill, 2006). Book keeping practice involves recording in subsidiary books and posting to ledger accounts for purposes of preparing financial statements. Book keeping practice contributes to the maximization of business profitability level and overall performance.

Understanding the effect and drivers of book keeping management and practice (Lamberson, 1995) is essential to the performance of MSE's.

The assessment on book keeping practices focus on four constructs; cash inflows, management practices, cash outflow management practices, account receivable management practices and accounts payable management practices.

Cash inflow management practice is the process of keeping and recording receipts of the business by either cash or bank, and how they are recorded and kept by the business. Business cash inflows increase the resources of a business. It's usually documented by the cash sale slip or the receipt. Receipts of the business are usually recorded in the receipts journal as a book of original entry later posted to the debit side of the cash book and credit side of the sales account. The balances will be summarized in the trial balance for purposes of preparing final accounts. (Saleemi, 2008).

Cash inflow management is the practice of recording cash flows into the business and within the business. It involves both the practice of recording into journals and posting to ledger accounts. (Pandey, 2004). Cash inflows for a business should be carefully monitored and recorded in order to determine the optimal cash to hold by a business (Atrill 2006). A study by (Kotut, 2003) established that cash budgeting is useful in planning of business and has an effect on the business performance of the firms.

Cash outflow management practice is the process of recording payments made by the business as a result of expenses incurred either through cash or by issue of cheques to the customers. As a book of original entry the totals from the journal are posted to the Cash Account and bank account in the general ledger and the purchases account. The balances from the Ledgers will be summarized in a trial balance for purposes of preparing final accounts. (Saleemi, 2008) Cash outflows of the business decreases the resources of the business. Cash payments by the business are recorded in the cash payment journal. Cash outflow management is the practice of recording cash flows out of the business and within the business (Pandey, 2004).Cash outflows should be well recorded in books of original entry in order to add value to the overall business performance and improve on profitability levels of the firm. (Pandey, 2004).

Accounts receivable management practice is the recording and management practice of accounts receivables in books of original entry and ledger accounts. Often improves the business ability to attract new customers and increase the overall business performance (Ross, et al 2008). Firms that practice recording and management of accounts receivables will always minimize on total costs of the business so as to improve performance. (Ross et al, 2008). Michalski (2007) observed that an increase in level of accounts receivables for a business lead to a decrease in the value of the business in terms of performance.

In his finding about accounts receivables, Deloof (2003) established that the length of time taken by debtors to repay their debt has a negative effect on the firm's performance.

Business transactions involving credit sales are kept in the sales journal after which totals are transferred to the sales account and posted to respective individual accounts in debtor's records. The balances will be summarized in a trial balance for preparation of final statements

Accounts payable management practice refers to the recording of business transactions that involve purchase of goods on credit. Such transactions are documented by invoices. A firm that transacts by purchase of goods on credit keeps its record in the purchases journal. The totals from the journal are later posted to the purchases accounts in the ledger and individual creditor's accounts in the purchases ledger. The accounts in the purchases are then summarized in the trial balance awaiting preparation of financial statements. (Saleemi, 2008).

Recording and management of accounts payables in books of original entries and postings to ledger accounts add value to the overall performance of the firm (Pandey, 2004) Any organization which buys goods on credit should ensure that control of the amount owing to customers is kept and minimally managed so as to improve on business performance (Frankwood, 1990).

The literature on book keeping practices identified recording of cash inflows, recording of cash outflows, accounts receivable and accounts payable as variables of book keeping management and practice that determines the overall business performance. Business performance is evaluated on the basis of profits, sales, total assets and market growth of macro and small butchery enterprises.

The business performance model depends on bookkeeping management and practices measured by management of receipts, payments, accounts receivable and accounts payable being independent variables. The variables are identified in order to build a relationship. The conception model below was developed for the study.

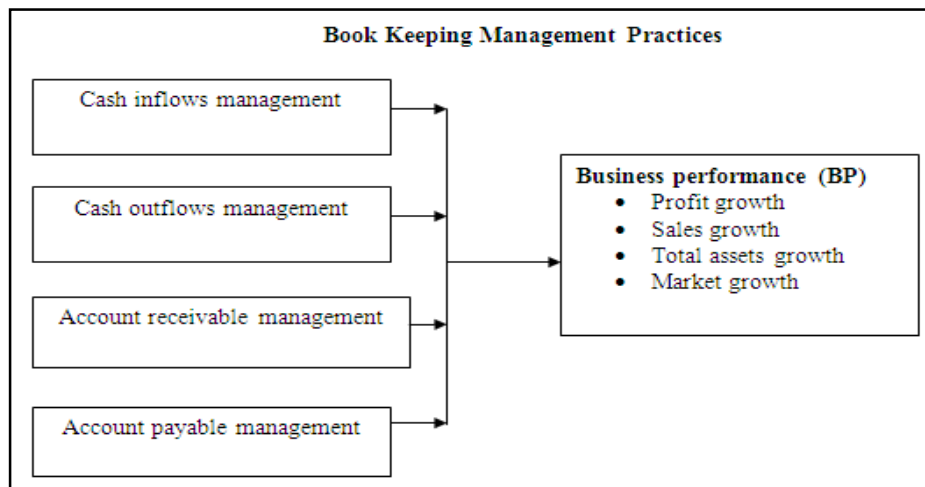


Figure 1: conceptual model for the study.

Empirical studies on south Australian firms failure, Berryman (1994) in his survey, analysed small business failure and classified the causes of failure into management inefficiency at 76%, exogenous factors at 16% and behavioral characteristics at 8%.

His further analysis revealed that financial management was the biggest problem of management inefficiency at 45%, 13% due to inadequate or no accounting records. In his conclusion, Berryman observed that the main causes of business failure were in finance where accounting inefficiency contributed heavily. He recommended for further research on causes of business failure.

In another study of small firms in Ghana; (Ben Kwame, 2011) found out that high costs in maintaining qualified accountants, difficulty in keeping accounting records and lack of internal accounting staff were the major factors against practicing sound financial management. He further recommended that small firms should keep all set of information on business transactions. He advocated for further research on the relationship between financial management inefficient and firms performance.

In a more recent study of small scale enterprises in Kisii south district of Kenya, by (Nyambanga, 2012) found out that working capital management practices have influence on the financial performance of small scale enterprises. The study established a positive relationship between working capital management Practices and financial performance. He however recommended for further study on the relationship between management skills and financial performance of MSE's.

In his evaluation of the adequacy of accounting records for 1,570 failed and surviving small enterprises operating in Australia (Williams, 1986) found a significant proportion of owner managers keeping inadequate accounting records. He recommended for further investigation on the record keeping in small enterprises in Australia.

The above studies on literature review show that a lot of research has been done on business failure in Australia and its causes, financial management practices of small firms in Ghana, effect of working capital management practices on financial performance of small scale enterprises. However little research has been done on the effect of book keeping management practices on business performance of macro and small butchery enterprises in Kimilili sub county, Kenya. This study focused on the study constructs as reflected in the conceptual framework with the hope of filling the gap.

### 3. Methodology

The study sought to use a cross-sectional survey research design. This research design was preferred for the study as it provided a quick, efficient and accurate means of accessing information about the population. The design was more appropriate where there's lack of secondary data. Secondary data on book keeping practices of MSBE's in Kimilili sub county was not available thus a survey on the same facilitated the study with information (oso and Onen, 2005).

Cross sectional survey design investigates population by selecting samples to analyze and discover occurrences. The design was to enable this study to get more details of information from the respondents and also cheap to undertake. The sample results were inferred to the larger population.

The target population of the study was the owner-managers and managers of macro and small butchery enterprises operating within Kimilili- Sub-county. The MSBE's are privately owned and registered under current Kimilili Sub County.

Both stratified and random sampling technique was used for the study. Out of 82 MSBE's, 45 MSBE's were selected using stratified and random sampling technique to constitute the study sample. Stratification samplings appropriate in this study as it ensured that the sample accurately reflected the population.

Random sampling was used to ensure that each owner manager and manager of the target population had an equal chance of being selected in the sample (Osos and Onen, 2005).

Questionnaires were used in collecting data over large sample. They were advantageous in terms of was to administer and confidentiality of respondents being upheld (kombo & tromp, 2006). The study employed both closed ended structured questionnaires and open ended unstructured questionnaires. The use of questionnaires was economical in terms of time and money and too gave respondents a chance to think and give an insight into their feelings, interest and decisions, (Mugenda & Mugenda, 2003 )

The questionnaire was divided into four (4) sections. Part A for the business profile part B for bookkeeping management practices, part C for business performance and part D for unstructured open ended questions.

An interview guide was used to collect in- depth information about owners views on bookkeeping practices adopted for their butcheries. According to Gay, Mills & Airasian (2009), interviews can be used to explore and probe

participants responses to gather in- depth data about their about their experiences and feelings

The guide was used to collect information from owners of butcheries sampled for the study. The interview guide consisted of six (6) questions which sought to establish the effect of bookkeeping practices on business performance of butcheries in Kimilili sub county.

An observation guide was used by the researcher to collect information on the levels of the growth of the businessn in terms of business sales, business assets, market growth and profit growth. The researcher made a direct observation about the book keeping practices without asking from the respondent. The technique is objective in the data collection, information obtained relate to the current situation of the business and it's independent of the respondent wildlings to respond. However, it turned out to be costly and limit on the information collected.

The documents analyzed were used to examine butcheries records in line with bookkeeping management practices to enable the researcher determine the adequacy of the bookkeeping practice.

Document analysis for the study included examination of receipts and invoices, books of original entries prepared by the butchery,(cash receipts, cash payment, sales journals, purchases journals, ledger accounts including cash books, debtors and creditors accounts.

The data collected from the respondents was cleaned, coded, according to various variables and appropriately organized for computer analysis using statistical package for social science (SPSS). Descriptive statistics including frequency distribution tables and percentages was used to present raw data into a form easy to understand and interpret. Inferential statistics was used where Pearson correlation coefficient was ascertained to determine the degree of association between book keeping management practice and business performance; Regression analysis was performed so as to establish the relationship between book keeping and business performance.

The regression model below was used to establish the relationship between the study variables.

$$BP = a_0 + a_1B$$

Where: B= Book keeping management, BP = Business performance,  $a_0$ ,  $a_1$  = coefficients.

The analyzed data was presented using statistical tables, figures and descriptive presentation.

## 4. Results and Dicussion

### 4.1. Bookkeeping Management Practices of MSBES

The first objective of the study was to establish the extent of bookkeeping management practices of MSBES. In achieving the stated objective; the constructs of bookkeeping management practices were stated; cash inflow management, cash outflow management, accounts receivable management and accounts payable management. The respondents were asked to indicate on a five point likert scale the extent of bookkeeping management practices in their businesses. Results from different instruments of data collection were analysed for purposes of complementation for reliability.

### 4.2. Cash Inflow Management Practices

Examination of cash inflow management practices focused on; keeping of cash inflow receipts; preparation of receipts journal and preparation of cashbooks. The respondents were asked to indicate the extent of practice on cash inflow management and the results were recorded in table 1

Responses	Keeping Receipts		Receipts Journals		Cash Book	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
Never	21	46.7	22	48.9	27	60.0
Rarely	10	22.2	11	24.4	8	17.8
Sometimes	8	17.8	7	15.6	6	13.3
Often	4	8.9	4	8.9	3	6.7
Very often	2	4.4	1	2.2	1	2.2
Total	45	100.0	45	100	45	100

Table 1: Cash Inflow Management Practice

Source: survey data, 2014

The respondents indicated how regular their businesses keep receipts. 46.7% never, 22.2% rarely; 17.8% sometimes, 8.9% often and 4.4% indicated very often. The results show that majority of respondents poorly keep business receipts leading to poor cash inflow management practice.

On preparation of receipts journal 48.7% respondents indicated never, 24.4% indicated rarely, 15.6% sometimes, 8.9% indicated often and 2.2% indicated very often. The findings show that a significant percentage of respondents do not prepare receipts journals that results into poor cash inflow management practice which may negatively affect business performance.

On posting of entries to cashbooks, respondents indicated; 60% never 17.8% rarely, 13.3% sometimes, 6.7% often and 2.2% very often. The results show that most of the respondents do not prepare cashbooks. The findings indicate that majority of MSBEs do not practice cash inflow management which may negatively affect business performance.

### 5. Cash Outflow Management Practice

Examination of cash outflow management practices focussed on; keeping of outflow receipts; preparation of payment journals and posting entries to cashbooks. The respondents were asked to indicate the extent of practice on cash outflow management and the results were recorded in table 2

Responses	Keeping Receipts		Payment Journals		Cash Book	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
Never	21	46.7	24	53.3	28	62.2
Rarely	10	22.2	10	22.2	7	15.6
Sometimes	8	17.8	6	13.3	5	11.1
Often	4	8.9	4	8.9	3	6.7
Very often	2	4.4	1	2.2	2	4.4
Total	45	100	45	100	45	100

Table 2: cash outflow management practice

Source: survey data, 2014

On the frequency of keeping outflow receipts: 46.7% indicated never, 22.2% rarely, 17.8% sometimes, 8.9% often and 4.4% indicated very often. The results show that majority of respondents do not keep outflow receipts.

On the preparation of payment journals, respondents indicated 53.3% never, 22.2% rarely, 13.3% sometimes, 8.9% often and 2.2% very often. The findings show that a huge percentage of respondents do not prepare payment journals.

On posting of entries to cash books 62.2% of respondents indicated never, 15.6% indicated rarely, 11.1% indicated sometimes, 6.7% indicated often and 4% indicated very often. The findings of this study show that majority of the MSBEs never or rarely practice cash out flow management which may negatively affect business performance.

### 6. Accounts Receivable Management Practice

The study on accounts receivable management practice examined keeping of outgoing invoices; preparation of sales journals and posting of entries to debtors accounts. The respondents were asked to indicate on a five point likert scale the extent of practice on accounts receivable management. The results were recorded in table 3.

Responses	Outgoing Invoices		Sales Journals		Debtors Accounts	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
Never	20	44.4	21	46.7	28	62.2
Rarely	11	24.4	12	26.7	6	13.3
Sometimes	8	17.8	7	15.6	6	13.3
Often	4	8.9	3	6.7	3	6.7
Very often	2	4.5	2	4.4	2	4.4
Total	45	100	45	100	45	100.0

Table 3: Accounts Receivable Management Practice

Source: Survey Data, 2014

On the frequency of keeping outgoing invoices, respondents indicated 44.4% never, 24.4% rarely, 17.8% sometimes, 8.9% often and 4.5% very often. The results show that majority of respondents do not keep outgoing invoices. On preparation of sales journals, respondents indicated 46.7% never, 26.7% rarely, 15.6% sometimes, 6.7% often and 4.4% very often. The results show that major part of the respondents does not prepare sales journals.

On posting of entries to debtors ledger, the respondents indicated 62.2% never, 13.3% rarely 13.3% sometimes, 6.7% often and 4.5% very often. The findings show that most of the MSBES do not practice accounts receivable management which may negatively affect business performance.

### 7. Accounts Payable Management Practices

Examination of accounts payable management practice focussed on; keeping of incoming invoices, preparation of purchases journal and posting of entries to creditors accounts. The respondents were asked to indicate the extent of practice on account payable management and the results were recorded in table 4.

Responses	Incoming Invoices		Purchases Journals		Creditors Accounts	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
Never	21	46.7	22	48.9	26	57.8
Rarely	10	22.2	11	24.4	8	17.8
Sometimes	8	17.8	8	17.8	7	15.6
Often	4	8.9	2	4.4	2	4.4
Very often	2	4.4	2	4.4	2	4.4
Total	45	100.0	45	100.0	45	100.0

Table 4: Accounts Payable Management Practices

Source: Survey Data, 2014

The respondents indicated how regular their businesses keep incoming invoices. 46.7% indicated never, 22.2% rarely, 17.8% sometimes, 8.9% often and 4.4% indicated very often. The results show that majority of the respondents do not keep incoming invoices in their business.

On preparation of purchases journals; 48.9% indicated never, 24.5% rarely, 17.8% sometimes 4.4% often and 4.4% indicated very often. The results show that most of the respondents do not prepare purchases journals leading to poor record keeping.

On posting of entries to creditors accounts, respondents indicated 57.8% never, 17.8% rarely, 15.6% sometimes, 4.4% often and 4.4% very often. Most respondents do not post entries to creditors accounts making it difficult in determining the amount claimed by the business from outsiders. The findings of this study show that majority of the MSBES do not practice accounts payable management which may lead to poor record keeping thus affecting business performance negatively.

### 8. Weighted Means of Bookkeeping Management Practices

The bookkeeping management practices under the four constructs were analysed and their respective weighted means established. Results were recorded in table 5

Bookkeeping practice	Never	Rarely	Sometimes	Often	Very often	$\Sigma fi$	$\frac{\Sigma fiwi}{\Sigma fi}$
<b>Cash inflow Management</b>							
Inflow receipts	21	10	8	4	2	45	2.022
Receipts journal	22	11	7	4	1	45	1.911
Cash book	27	8	6	3	1	45	1.733
<b>Cash outflow Management</b>							
Outflow receipts	21	10	8	4	2	45	2.022
Payment journals	21	13	6	3	2	45	1.933
Cash book	28	7	5	3	2	45	1.756
<b>Accounts receivable</b>							
Outgoing invoices	20	11	8	4	2	45	2.044
Sales journals	21	12	7	3	2	45	1.956
Debtors accounts	28	6	6	3	2	45	1.778
<b>Accounts payable</b>							
Incoming invoices	21	10	8	4	2	45	2.022
Purchases journals	22	11	8	2	2	45	1.911
Creditors accounts	26	8	7	2	2	45	1.978

Table 5 weighted means of book keeping management practices  
Source: survey data, 2014

The results indicate the frequency of bookkeeping management practice on cash inflow management with weighted means of around 2 (rarely). The findings show that cash inflow management is rarely practised in MSBEs. On the frequency of cash outflow management practice, results indicate on average weighted means of around 2 (rarely). It shows that cash outflow management is rarely practice, on accounts receivable management practice, results indicate an average weighted mean of around 2 (rarely). The findings show that account receivable management is rarely practiced in MSBES in Kimilili Sub County. Results on account payable management practice indicate an average weighted mean of around 2 (rarely). It shows that bookkeeping on accounts payable is rarely practiced.

### 9. Effectiveness in Bookkeeping Management Practices

On the effectiveness of bookkeeping management practices, mean and standard deviation on bookkeeping management practices MSBEs were computed and the results presented in table 6.

<b>Means and Standard Deviations of MSBEs</b>					
	Variable	Cash inflow management practices	Cash outflow management practices	Accounts receivable management practices	Accounts payable management practices
N	Valid	45	45	45	45
	Missing	0	0	0	0
	Mean	5.64	5.58	5.76	5.71
	Std. Deviation	3.283	3.279	3.445	3.395
	Minimum	3	3	3	3
	Maximum	15	15	15	15

Table 6: Means and standards deviations for indexed bookkeeping management practices  
Source: survey data, 2014

On the effectiveness of bookkeeping management practices, table 6 shows effectiveness in cash outflow management practices rated lowest in average with a mean of 5.58 and a standard deviation of 3.279; was followed by cash inflow management practices with mean of 5.64 and standard deviation of 3.283. Accounts payable management practice were rated second with mean .71 and standard deviation 3.395. Accounts receivable management practice was effectively managed with mean of 5.76 and standard deviation 3.445 at the means of the four of bookkeeping management practices were below the mean of 9. Indicating that majority of MSBEs has not practiced bookkeeping management in their businesses. These results agree with the study by Kwame (2007) and Nyabwanga (2010) on working capital management, where most firms were not good in management of working capital.

### 10. Business Performance of MSBEs

The second objective of the study was to evaluate the extent of business performance of MSBEs in Kimilili- Sub County. To achieve this, respondents were asked to rate their perceived extent of growth in their businesses; profit, sales, total asset and

market. The researcher used an observation guide to rate the perceived extent of growth for various businesses with focus on indicators of performance. The results were presented in tables 7 and 8 respectively.

### 11. Extent of Business Growth

Bp indicators	Not at all	Little extent	Moderate Extent	Large extent	Very large extent	$\Sigma fi$	$\Sigma fiwi$	$\frac{\Sigma fiwi}{\Sigma fi}$
Profits growth	6	20	15	4	0	45	107	2.378
Sales growth	7	23	12	2	1	45	102	2.267
Total Assets growth	10	22	10	2	1	45	97	2.156
Market growth	9	14	10	10	2	45	117	2.600

Table 7: Respondents perception on the extent of growth of the Bp indicators  
Source: survey data, 2014

The results indicate the extent of growth on profits, sales and total Asset as of little extent with weighted averages of 2.378, 2.267 and 2.156 while market growth with weighted mean of 2.600 as of moderate extent. Majority of MSBEs has a low growth rate (score 1 and 2 on scale) compared to those MSBES whose growth rate is high (score 4 and 5 on the scale).

### 12. Adequacy of Growth in Business

Bp indicator	Not adequate	Adequate	$\Sigma fi$	$\Sigma fiwi$	$\frac{\Sigma fiwi}{\Sigma fi}$
Assets growth	32	13	45	58	1.289
Market growth	31	14	45	59	1.311
Sales growth	32	13	45	58	1.289
Profits growth	33	12	45	57	1.267

Table 8: Researchers observation on the adequacy of growth of BP indicators  
Source: survey data, 2014

The results on adequacy of growth of BP indicators show weighted means of around 1 (not adequate) implying that business growth of MSBEs is not adequate.

### 13. Descriptive Statistics for Business Performance of MSBEs

On achieving this, various ratings on the extent of growth of each business performance indicator were summed up to obtain a single Bp index. The mean and standard deviation was computed and the results presented in table 9

Descriptive Statistics					
Variable	N	Minimum	Maximum	Mean	Std. Deviation
Business performance	45	4	18	9.40	3.512
Valid N (list wise)	45				

Table 9: Mean and standard deviation for business performance  
Source: survey data, 2014

The results show that business performance range from the minimum value of 4 to a maximum of 18 it shows an average business performance of 9.40 with score deviating from the mean score by 3.512. The mean score is less than 11, indicating that business performance of MSBEs in Kimimili Sub County was on a low average. Similar results were established by Bowen et al. (2009) and Nyabwanga 2011 who revealed that SSEs performance was on a low level

### 14. Relationship between Bookkeeping Management Practices and Business Performance

The third objective of this study was to establish the relationship between bookkeeping management practices and business performance of MSBES. In a achieving this, the study used Pearson's analysis techniques. The coefficients' of determination, F-statistics and regression coefficients were computed before deducing a model to explain the effect of bookkeeping management practices on Business performance. The results were presented in table 10, 11, 12 and 13 respectively

### 15. Pearsons Correlation Coefficients

Correlations			
		Book keeping practices	Business performance
Book keeping practices	Pearson Correlation	1	.905**
	Sig. (2-tailed)		.000
	N	45	45

Table 10: Correlation of Business performance and bookkeeping management practices.  
Source: survey data, 2014

The correlation results in table 10 shows that there was a strong positive relationship between MSBEs business performance and bookkeeping management practices ( $R=0.905$ ) generally most researchers have shown that business performance is correlated positively to the bookkeeping management practices. (Padachi 2006, Kotut 2003, Nyabwanga 2011) it is supported by these study.

### 16. Coefficient of Determination

Before regression analysis was done, to investigate the effect of book keeping management practices on business performance, the model used for the linear regression analysis was expressed in the general form  $BF = a_0 + a_1B$ . In interpreting the results of linear regression analysis, the coefficient of determination, the F-statistic and the regression coefficient were considered and their values shown in tables below.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.905 <sup>a</sup>	.818	.814	1.515
a. Predictors: (Constant), Book keeping practices				

Table 11: model summary showing co-efficiency of determination  
Source: survey data, 2014

The model summary on regression shows  $R^2 = 0.818$  indicating that 81.8% of variability of business performance could be explained by changes in bookkeeping management practices. The value of  $R^2$  and adjusted  $R^2$  differ with 0.004 which is too small indicating the validity and efficiency of the model (field 2005).

### 17. Analysis of Variance (ANOVA) and F-statistics

ANOVA <sup>b</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	444.158	1	444.158	193.617	.000 <sup>a</sup>
	Residual	98.642	43	2.294		
	Total	542.800	44			
a. Predictors: (Constant), Book keeping practices						
b. Dependent Variable: Business performance						

Table 12: Analysis of variance and F-statistics  
Source: survey data, 2014

The results show the F-statistics which indicate that independent variable contributes to variance in the dependent variable. There exist a significant relationship between business performance and bookkeeping management practices as shown by F-statistics :( $F_{(1,43)} = 193.617, P < 0.05$ ) the findings indicate that there exists positive significant relationships between business performance and bookkeeping management practices. Most researchers have established the positive relationship between proper bookkeeping practices and business performance. (William 1986, Peacock 1987) the analyzed data on MSBEs in kimilili indicated that owners and managers who practiced proper bookkeeping management had their businesses perform unlike those whose bookkeeping practice was poor with minimal performance.

## 18. Regression Coefficients

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.870	.457		8.467	.000
	Book keeping practices	.221	.016	.905	13.915	.000

a. Dependent Variable: Business performance

Table 13 : Regression coefficients

Source: survey data, 2014

The results in table 13 show the contribution of bookkeeping management practices in explaining business performance as shown by standardized beta of 0.905. the regression earlier suggested in the conception frame work is represented by use of unstandardized coefficients as below;  $B_p = 3.870 + 0.221B$  the standardized beta coefficient indicate that a unit change in bookkeeping management practice causes 90.5% increase in the business performance. The results indicate that bookkeeping management practice makes a significant contribution to business performance of MSBEs at 95% confidence level of significance  $t_{(1,44)} = 13.915, P < 0.05$ .

Study findings on the extent of bookkeeping management practices showed that most of MSBEs do not practices bookkeeping management adequacy.

Practice on cash inflow management showed that majority of MSBEs does not practice cash inflow management with 60%. Results on cash outflow management practice showed that majority of MSBEs never practice or rarely practice bookkeeping management with 62.2% and 15.6% respectively. The study found that majority of MSBEs does not practice accounts receivable with 62.2% followed by 13.3% of MSBEs that rarely practice accounts receivable management. The study too found that 57.8% MSBEs never practice accounts payable management, followed by 17.8% of MSBEs who rarely practice accounts payable management. The percentage of MSBEs who do not practice bookkeeping management or rarely practice is huge enough to explain the effect of bookkeeping management practice on business performance. The means of the four bookkeeping management practices; CIMP, COMP, ARMP, and APMP were 5.64, 5.58, 5.76, and 5.71 respectively much below the average mean of 9 indicating that majority of MSBEs have not practiced efficient bookkeeping management.

Study findings on evaluation of extent of business performance of MSBEs in Kimilili sub-county showed that majority of business had a low growth rate in terms of profits, sales and assets with weighted averages of 2.37 & 2.267 and 2.156 respectively (score 1 and 2 on scale)

Descriptive statistics on business performance of MSBEs showed an average business performance index of 9.40 with a standard deviation of 3.512. The score of 9.40 is less than the average mean of 11. The results showed that business performance of MSBEs in Kimilili sub-county was on a low average.

Study findings on the relationship between bookkeeping management practice and business performance showed that there existed a strong positive relationship between MSBEs business performance and bookkeeping management practice with Pearson correlation coefficient of determination ( $R^2$ ) = 0.818 from the model summary on regression analysis indicating that 81.8% of variability in business performance being explained by changes in bookkeeping management practice. Results from the analysis of variance (ANOVA) showed the F- statistics; ( $F_{(1, 43)} = 193.617, p < 0.05$ ) indicating that there existed a positive significant relationship between business performance and bookkeeping management practice. Further the study used regression coefficients which showed that bookkeeping management practice make a significant contribution to the business performance of MSBEs, at 95% confidence level.

( $t_{(1, 43)} = 13.915, p < 0.05$ .) The unstandardized linear regression model  $B_p = 3.870 + 0.221B$  was developed for the study.

## 19. Conclusion

On establishment of the extent of book keeping management practices of MSBEs, the study found out that majority of MSBEs were not good in practicing bookkeeping management due to the low level of education attained and lack of accounting knowledge. This was supported by the low means computed on bookkeeping management practices. Based on this, the study concludes that bookkeeping management practices might be a cause of poor business performance of MSBEs in Kimilili sub-county.

On evaluation of the extent of business performance of MSBEs, the study established that business performance of MSBEs in Kimilili sub- county had a low growth rate with majority of business having a score of 9.40 lower than the average mean, the study concludes that most MSBEs in Kimilili sub- county perform on low average hence their minimal contribution to the economic development and failure to operate few years of start up.

On the relationship between business performance and book keeping management practices of MSBEs, the study found out that there existed a strong positive relationship between business performance and bookkeeping management practices. The study concludes that bookkeeping management practices makes significant contribution to the performance of the business.

## 20. Recommendations

On establishment of extent of book keeping management practices of MSBEs, the study recommends bookkeeping management training and workshops for the managers of MSBEs so as to be equipped with accounting knowledge for efficient management of businesses. It further recommends employment of managers who poses bookkeeping and accounting knowledge in running of MSBEs.

On evaluation of the extent of business performance of MSBEs, the study would suggest for the sensitization programmes so as to equip the owners and managers of MSBEs with proper knowledge in bookkeeping for better performance.

It further recommends that MSBEs should embrace efficient bookkeeping management practices as a strategy to improve their business performance.

On the establishment of the relationship between book keeping management practices and business performance, the study recommend proper book keeping management practices in realizing better business performance.

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