Accounting Practices of SMEs: Challenges and Effects: A Survey of SMEs in Makurdi Metropolis - Benue State - Nigeria

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Abstract
This study examined the accounting practices of SMEs as well as the challenges they face and the effect of these challenges on SMEs in Makurdi Metropolis – Benue State - Nigeria. A Survey research design was adopted for the study and a likert-scale type questionnaire was the main instrument used for data collection. Simple percentages, tables and cut-off mean were deployed for data analysis. The study further adopts the chi-square test statistics to test the research hypotheses at 5% level of significance. The study found that SMEs in Makurdi Metropolis keep sales & purchase daybook and that SMEs in Makurdi Metropolis are faced with challenges of accounting practices and these challenges have a significant effect on their operations. It also recommended amongst others the need for Operators and management of SMEs to give more attention to proper financial record keeping and financial reporting procedures in SMEs as well as the need for government to consider enacting a legislation that will make preparation of financial report by all registered SMEs a must.

Introduction

The importance of keeping proper accounts to promote the growth of small businesses has been acknowledged in prior studies on small business growth and development (Abor & Biekpe, 2006). Other studies have also identified that the lack of keeping proper accounts is one of the most important constraint to growth in the small business sector (Aryeetey et al, 1994; Steel & Webster, 1992 and Sowa, Baah-Nuakoh, Tutu & Osei (1992). Mead & Liedholm (1998), Marfo-Yiadom. & Kweku (2006) identified the lack of demand, shortage of working capital and poor accountability as the main reasons for small business closures in Africa.

Financial reporting is very critical to ensuring the survival and growth of every business unit. The keeping of proper records and writing of financial statements have enormous benefits for Small Scale Enterprises. They serve as an important management tool for every business because they provide an accurate reflection of financial performance of the business. They also serve as a means to monitor performance and measure the accuracy of income and expenditure (Adjei, H, Anokye, O. A. C., Mintah, E. K., & Offeh, M. C. 2014).

The keeping of accounting records involves the documentation of all the transactions of the business entity including its assets and capital (equity and liabilities), and in order to solve business limitations such as, lack of finance, weak institutional capacity, lack of managerial skills and training of small-scale enterprises, there is need for business management expertise to manage properly the finances, purchases, sales, production, and human resources aspect of the business. According to Jones, Simmons, Packham, Beynon-

Davies, & Pickernell .(2012), accounting is important because it allow businesses or organizations to understand their financial position at any given time which enhances the development of strategies to reposition the business for further expansion and growth. In order to properly develop SMEs, there is need for them to adopt and develop proper accounting practices.

Goltz (2011) opined that poor accounting is one of the top ten reasons why small-scale businesses fail. He asserted that the efficient control of a business entity is dependent on the owners' knowledge of what takes place in the business. In the same vein, Huck & McEwen (1991) argue that, finance and accounting constitute one of the twelve competency areas for small business success. Accordingly, it has also been established that, the use of appropriate financial reporting and management accounting practices could be one of the determinants of company survival particularly SMEs (Gorton, 1999; Holmes, 1991). In the same vein, Jones et al (2012) put it that, effective record keeping helps a business survive efficiently, but poor accounting practices as one of the factors contributing to its failure. Similarly, without adequate, effective and timely financial reports and analysis, SMEs continue to lose out from the benefits of these practices which include the improved monitoring of financial health and progress, improved ability to anticipate fortunes or failures, better assessments of financial risks and greater ease in financial planning and control.

Empirical results have shown that, better financial information means better control and higher chance of success and at the same time, good record keeping, the types of records kept and management understanding of the information they present, could be correlated with business success on one hand, and the absence of it to failure on the other hand (Boame, Kudadze, & Sulemana, 2014). In this respect therefore, prudent financial management practices and reporting skills are of paramount importance to the wellbeing of SMEs in order to strengthen their economic and social contribution.

Despite the fact that financial reporting is of paramount importance as the life-wire of every business, it's unfortunately kept under the carpet by small scale business owners and those that are kept are grossly inadequate and are for the purpose of yearly taxation returns, which in most cases, is the income statement but ignoring or infrequently using some financial reports as; balance sheet, cash flow statement, fund statement, production report, variance report etc. (Adjei et al 2014). However, the limited use of financial and management accounting reports could be attributed to SMEs' inability to employ professional managers with functional specialization in the field of finance due to their limited financial resources.

In Makurdi Metropolis, Benue State, the development of SMEs is largely affected by poor record keeping. Their inability to keep proper financial records affects the growth of the industry. Many studies have been conducted on small-scale enterprise and accounting practices but none of them has looked at the accounting practices of SMEs in Makurdi Metropolis. It is for this reason that our study seek to look into the accounting practices of SMEs in Makurdi Metropolis.

Objectives of the Study
The main objective of this study is to assess the accounting practices among SMEs in Makurdi, and specifically to:
1. Investigate whether significant number of SMEs in Makurdi Metropolis adopts accounting practices.
2. Evaluate the challenges of adopting accounting practices among SMEs in Makurdi Metropolis.
3. Assess the effects of the challenges of accounting practice on the operation of SMEs in Makurdi Metropolis.

Review of Related Literature

This part reviews related literature on accounting practices of SMEs. It will elaborately examine conceptual framework and other related issues, theoretical framework and review of empirical studies.

Conceptual Framework
Concept of SMEs

Arriving at the definition of an SME is challenging as there are as many definitions as there are authors on the subject. What constitutes a small or medium enterprise has volumes of literature over the decades as there have been several attempts at defining what constitutes small and medium enterprises. Researchers and policymakers have used a variety of criteria from different perspectives which include; total worth, relatively size within industry, number of employees, value of products, annual sales or receipts, and net worth (Cochran, 1981).

Usually, most SME definitions are based on the role they play in a country economy, policies and programs which are designed by particular agencies or institutions empowered to develop SMEs. For instance, a small business in the developed economies of countries like Japan, Germany and United States of America (USA), may be a medium or large-scaled business in a developing economy like Nigeria. Moreover, the definition of SME also varies overtime from one agencies or developing institutions to the other, depending on their policy focus (Etuk, Etuk & Baghebo, 2014).

Despite these variations, SME definition can be based on either some quantitative or qualitative variables. The quantitative definition mainly expresses the size of enterprises in monetary terms as turnover, asset value, profit, as well as quantitative index like number of employees.

In Nigeria, the National Council of Industry, 2003 categorized enterprises based on three criteria:

Size	No. of Employees	Total Cost Including Working Capital But Excluding Land
Micro	1-10	Less than 1 Million
Small	11-35	1Million – less than 40Million
Medium	36-100	40Million – less than 200Million
Large	101 and Above	200Million and Above

However, in Nigeria, the asset base criterion is more commonly used. The Central Bank of Nigeria, in its 2005 guideline on Small and Medium Enterprise Investment Scheme (SMEIS), described SME as any enterprise with a maximum asset base of 200 million naira (excluding land and working capital) with no lower or upper limit of staff. Using quantitative indices alone to define SMEs have proven unsatisfactory in many respects. This is because such indices are characterized by periodic alterations due to inflation and thus can sometimes be misleading. Noteworthy is the point that the CBN's definition of SME above may not accommodate many small businesses in Nigeria, which may be known as micro-enterprises. Also misleading is the fact that some enterprise may be labour intensive and so may be large in terms of number of workers employed, while on the other hand, a capital intensive firm may be large in terms of asset base but have fewer employees. And since all firms (big and small) may incur losses, profit is also not a preferred yard stick for categorizing small and medium enterprises.

From the above limitation of the quantitative definitions, a qualitative definition based on pre-determined characteristics of SME is needful, although not considered in the scope of this work. The SME sector comprises of very different types of businesses across a wide range of economic sectors. There are essentially two categories: those that are growth-oriented, and those small and micro enterprises that operate at the subsistence level to provide employment and income mainly for their owners and a relatively small number of external employees. Subsistence enterprises represent the vast majority of SMEs in developing countries. On the other hand, the growth-oriented type are innovative type of businesses which usually operate in growing markets, as well as businesses that are efficiency-oriented and/or network-intensive, which tend to grow through acquisitions.

Accounting Practices

Accounting practice are said to be the routine manner in which the day-to-day financial activities of a business entity are gathered and recorded. An SME's accounting practice refers to the method by which its accounting policies are implemented and adhered to on routine basis, typically by an accountant and/or auditor or a team of accounting professionals. Accounting practices are intended to enforce a SME's accounting guidelines and policies. It exists as the daily recording of financial data that is important to the evaluation and monitoring of the SME's economic activities. Accounting practice refers to the normal, practical application of accounting and/or auditing policies that occurs within a business entity.

Accounting practice can also be seen as the system of procedures and controls that an accounting department uses to create and record business transactions. Accounting practice should ideally be extremely consistent, since there are a large number of business transactions that must be dealt with in exactly the same manner in order to produce consistently reliable financial statements. Auditors rely upon consistent accounting practice when examining a company's financial statements. Examples of good accounting practice are:

- Always keeping records of revenue and expenditure
- Keeping records of sales and purchase day books
- Always using the same calculation to determine the amount of overtime paid to employees
- Always issuing bills to customers on the same day that goods are shipped to them
- Always paying suppliers invoices on the day when they are due
- Always using the same depreciation method for the same class of fixed assets

The development of high level of accounting practice calls for the routine examination of any departures from the predetermined mandated process flow, so that errors can be spotted and the underlying causes corrected. This level of self-examination is only possible if the accounting staff has a sufficiently high level of training to understand:

- The proper process flow
- When a departure from the authorized process has occurred
- How to devise a systemic correction to an error
- How to ensure that the change is properly implemented in the process on a go-forward basis

Accounting practice also calls for the continual installation and updating of best practices, so that both the efficiency and effectiveness of the accounting processes are improved over time. Doing so calls for additional skills in identifying best practices and in the installation and monitoring of any changes made thereof.

Review of Empirical Studies

There exist quite a handful of studies that seek to examine the accounting practices of

SMEs. This section empirically reviews some of these studies.

Adjei et al, (2014) assessed Financial Reporting Practices among Small Scale Enterprises in Kumasi Metropolitan Assembly. The aim of the research was to access the financial reporting practices among small scale enterprises. The study further considered the problems faced by Small Scale Enterprises in preparing financial reports. The researchers used both qualitative and quantitative method, supported by statistical analysis of the survey data. The primary instruments used to collect data were interviews, observation and questionnaire. The research was designed to include small scale businesses within Kumasi Metropolitan Assembly. The findings confirmed that there is poor financial record keeping and financial reporting practices among small scale enterprise and recommends that training programmes be organized for small scale enterprises to help them appreciate the importance of financial reporting and inculcate such practices in them.

Similarly, Maseko & Manyani, (2011) carried out a study on "Accounting practices of SMEs in Zimbabwe" using Bindura as a case. The survey research design was used. The targeted population comprised of 100 SMEs operating retail shops, manufacturing firms and suppliers of various services in Bindura. A structured questionnaire was used to collect primary data from the respondents which were analysed to generate frequencies and percentages. The study revealed that the majority of SMEs do not keep complete accounting records due to lack of accounting knowledge and as a result this, there is inefficient use of accounting information in financial performance measurement. The study recommended that national regulators should develop specific accounting guidelines for SMEs and develop accounting training programmes for entrepreneurs in small businesses. The study also recommended mandatory record keeping, to improve accounting practices of SMEs in Zimbabwe.

Madurapperuma, Thilakerathne & Manawadu, (2016) studied "Accounting Record Keeping Practices in Small and Medium Sized Enterprise's (SME's) in Sri Lanka". The research design was based on a survey methodology using a sample of systematically selected SMEs in Gampaha District in Sri Lanka. The target population comprised of 100 SMEs operating retail shops, manufacturing firms and suppliers of various services in Gampaha district in Sri Lanka. They concluded that, most of the SMEs do not keep complete accounting records due to lack of accounting knowledge and the cost of hiring professional accountants. As a result, there is an inefficient use of accounting information to support financial performance measurement by SMEs. This makes it difficult for entrepreneurs to calculate their business profit efficiently. It also showed that their inability to keep accurate records was attributed to their (owners or managers) lack of skills in the field of accounting. The study further revealed that, both owners and managers of SMEs were willing to learn more about how to keep accurate records of their business transactions and further recommended that, regulatory or monitoring agency should come up with mandatory accounting practices and procedures for SMEs and also with an effective training programme for SMEs entrepreneurs.

Rathnasiri, (2014) investigate "Financial Reporting Practices of Small and Medium Enterprises (SMEs). The study attempted to explore whether and to what extent Sri Lankan Small and medium enterprises (SMEs) adopt financial reporting practices and how such practices are incorporated with prevailing information systems. The researcher selected the target sample of 60 SMEs which were registered with the Ministry of Industry and Commerce (MIC) covering year 2008 to 2013, and operating their businesses in the manufacturing sector in western province of Sri Lanka and used the questionnaire to collect his data. The Data was not normally distributed and non-parametric statistical tests were conducted. He calculated the averages, frequency distribution; cross tabulations and percentage distribution as the tools for descriptive analysis. The Analysis revealed that, most

SMEs gives more consideration to the preparation and monitoring of three financial statements components which are; the balance sheet, income statement and cash flow statement which are critical to their success and survival. Thus Sri Lankan SMEs prepare the reports which help the owner/mangers to control the financial position and performance of the business. Results further demonstrated that, of these financial statements, priority is placed on the preparation and monitoring of the cash flows statement of the businesses, though most SMEs maintain the informal accounting systems that lack comprehensive set of financial reports. But in order cope with the uncertainty of the business environment, is of paramount importance that SMEs in Sri Lanka also need up to date financial information for their decision making. The study finally recommended that regulators and policy makers make policies that focused on the development of SMEs by addressing the core constraints inhibiting their growth and at the same time educating SME owners and managers about the importance of prudent financial management practices for their long term success and survival.

Boame, Kudadze, & Sulemana (2014) studied the "Adoption of Accounting Practices and Its Effects on SMEs: Financial Perspective of Sachet Water Producers in Northern Region of Ghana". The prime drive for this study was to know their adoption to accounting practices, the challenges they encounter, the factors that influence their adoption and to make recommendations in that regard. A qualitative research design was employed and for the study a non-probability sampling design in the form of a convenience sampling method was employed to gather the data. Data were drawn from both primary and secondary sources. Primary data was drawn from 30 registered small scale sachet water producers (5 each in North, South, East and Central constituencies of Tamale Metropolis) of the Northern Sachet Water Producing Association by administering semi-structured questionnaires and personal interviews. The study found that, there are many perceived factors affecting their adoption of accounting practices as well as their effects on their business operations in the area. Among such factors were; lack of adequate training, willful misconduct and negligence. The study also revealed that, illiteracy was the root cause of making it very difficult, if not impossible for them to separate personal expenditure from business expenditure. The study also found that, Non-documentation of cash sales, error of principle, and incomplete entry, etc. were found to be on high side, because almost all the operators have no accounting background. It was further identified that enterprises whose accounting records were beset with challenges, lack the credit worthiness of accessing loans and funding for further investments and growth and concluded that, lack of accounting knowledge and skills may in the future threaten the financial steadiness of the water producing sector and in order to continually sustaining the sector, the findings recommends that, the operators undergo basic accounting training to acquire relevant knowledge and skills, employ qualified accounting personnel and providing them with good motivational packages to ensure that their efficiency and morale is enhanced, and at the same time, maintain strong internal control system to curtail the practice of misappropriating the business funds.

Methodology

The study adopts the survey research design. This was considered appropriate since data would be collected from the subjects without imposing any condition or treatment on them, since the various elements of this research would not be under the control of the researcher which he (researcher) can only describe, explain and predict the event without interference in their functioning. More so, the adoption of this research design allows the researcher to use questionnaire as a method of data collection.

The population of this study consisted of all the registered small businesses operating within Makurdi Local Government Area of Benue state. 323 SMEs were sampled for the

study. The probability sampling technique was adopted for this study. This sampling technique was considered appropriate since it gives the element or subject of the population an equal chance of being selected in the sample. In this regards, accountants in each SMEs were given equal chance of been selected for the study. Only 1 accounting officer was selected in each SMEs to constitute the sample size.

The main method of data collection for this study was the questionnaire. The questionnaires were used to elicit responses in respect to the variables under investigation. All the study variables were measured by means of a 5-point likert-scale as shown below; SA-5 (strongly agree), A-4 (agree), U-3 (undecided) D-2 (disagree and SD-1 (strongly disagree).

The Statistical Package for Social Sciences (SPSS) version, 20.0 and Microsoft Excel were used to analyze data and presented in frequency tables and percentages. The cut off mean was further employed for factor analysis with the chi-square used in testing the formulated hypotheses of the study.

Data Presentation and Analysis

This section presents and analyses data collected through questionnaire to examine accounting practices of SMEs in Makurdi Metropolis. This chapter mainly focuses on data presentation and analysis of results of data computation, test of research hypotheses and discussion of findings. Data analysis was done with the aid of the statistical package for social science (SPSS) version 20.

Data Presentation and Analysis

A total number of 323 questionnaires containing fifteen (15) questions were administered. Only 300 were returned and their responses were meticulously presented in the following tables and analyzed.

Table 1: Analysis of Demographic Variables

S/N	Variable	Options	Frequencies	Percentage (%)
1	**Position of the Business**	Owner is separate from the manager	102	34.0
		Both Owner & Manager is one individual	198	66.0
		Total	300	100
2	**No. of years in operations of the current business**	< 1 year	34	11.3
		2 – 4 years	96	32.0
		5 -7 years	52	17.3
		> 8 years	118	39.3
		Total	300	100.0
3	**Education**	Below A Level	8	2.7
		A Level or above	292	97.3
		Total	300	100.0
4	**Professional and other required Qualifications**	Yes	135	45.0
		No	165	55.0
		Total	300	100.0

Source: Field Survey, 2017

Table 1 show that 102 (34%) respondents indicated that ownership of their SMEs is separate from the manager, whereas 198 (66%) respondents indicated that Both Owner & Manager is one individual. This show that majority of the study respondents are of the

opinion that both the ownership and management of SMEs in Makurdi Metropolis are usually the same. I.e. there is no separation of ownership from management of SMEs in the study area.

Furthermore, table 1 revealed the number of years they have been in operations. The table revealed that 34 (11.3%) respondents indicated that they have been in business for less than a year, 96(32%) respondents indicated 2-4 years, 52(17.3%) indicated 5-7 years, 118 (39.3%) indicated more than 8 years. This implies that majority of respondents have stayed in business for more than 8 years and thus very experience to understand the issue under consideration.

The Information also provided in table 1 shows that 8(2.7%) of the respondents were below A level while 292(97.3%) of the respondents were A Level or above. This implies that majority of the respondents have higher education.

On whether SMEs operators have Professional and other required Qualifications, table 1 revealed 135 (45%) of SMEs has professionals while 165 (55%) have none. This implies that majority of SMEs operators in Makurdi Metropolis does not have professional qualifications.

Analysis of Respondents' Answer

This section provides Factor Analysis of the Respondents Answer. The cut off mean was used for this analysis. This was done by comparing the cut-off mean result presented in table 2, 3 and 4 with the threshold mean or grand mean of 3.0.

Table 2: Descriptive Statistics Results for Accounting Practices

	N	Mean	Std. Deviation
Every SMEs keeps sales & purchase daybooks	300	4.2500	.92214
Every SMEs maintains the general ledger	300	2.8833	1.50019
Every SMEs keeps income statement and a statement of financial position	300	2.4333	1.29530
Valid N (listwise)	300		

Source: Researcher's Computation Using SPSS Version, 20

Table 2 presents results of the descriptive statistics in respect to accounting practices of SMEs in Makurdi metropolis. The result revealed a cut-off mean of 4.2500, 2.8833 and 2.4333 in respect to sales & purchase daybook, general ledger and income statement and a statement of financial position respectively. Considering that the cut-off mean in respect to sales & purchase daybook is higher than the threshold mean of 3.0, the study conclude that SMEs in Makurdi metropolis keeps majorly sales & purchase daybook.

Table 3: Descriptive Statistics Result for Challenges of Accounting Practices of SMEs

	N	Mean	Std. Deviation
Most Owners of SMEs lack knowledge of financial reporting	300	4.3200	.96992
The cost of training accounting personnel is relatively too high for SMEs	300	4.0800	1.17681

SMEs believe hiring of trained accountants is a waste of resources	300	4.3033	.71626
Valid N (listwise)	300		

Source: Researcher's Computation Using SPSS Version, 20

Also, table 3 presents results of the descriptive statistics in respect to challenges of accounting practices of SMEs in Makurdi metropolis. The result presented in table 6 shows that the entire cut-off mean in respect to the accounting challenges are above the threshold mean of 3.0. The study concludes that SMEs in Makurdi metropolis face challenges of accounting practices. These challenges include: lack of financial reporting knowledge by Most SMEs Owners, the high cost of training accounting personnel for SMEs and SMEs belief that hiring of trained accountants is a waste of resources.

Table 4: Descriptive Statistics for Effect of Accounting Practices Challenges on SMEs

	N	Mean	Std. Deviation
Failure to prepare financial report leads to poor performance of SMEs	300	4.3267	.74955
Failure to prepare financial report makes it difficult for SMEs to access financial assistance	300	4.3800	.75995
Absence of financial report result to inappropriate basis of budgeting in SMEs	300	4.3167	.91971
Valid N (listwise)	300		

Source: Researcher's Computation Using SPSS Version, 20

Finally, table 4 presents results of the descriptive statistics in respect to the effect of challenges of accounting practices of SMEs in Makurdi metropolis. The result revealed that the entire cut-off mean are above the threshold mean of 3.0. The study concludes that challenges of accounting practices have a significant effect on the operation of SMEs in Makurdi metropolis. These effects include: Failure to prepare financial report which leads to poor performance of SMEs, Failure to prepare financial report makes it difficult for SMEs to access financial assistance and Absence of financial report result to inappropriate basis of budgeting in SMEs.

Test of Research Hypotheses
This section provides a test of the formulated null hypotheses of the study. The Chi-Square test statistics will be used in the test of the research hypotheses. The procedures used here was to consider the level of significant of each question in relation to the hypothesis for a decision to be made.

Test of Hypotheses one
Ho$_1$: There are no significant numbers of SMEs in Makurdi metropolis that adopt different kinds accounting practices.

Table 5: Chi-Square Test Statistics for Hypotheses 1

	SMEs keep sales & purchase daybooks	SMEs keep income statement and a statement of financial position	SMEs maintains the general ledger
Chi-Square Df Asymp. Sig.	272.767[a] 4 .000	217.267[a] 4 .000	191.767[a] 4 .000

a. 0 cells (0.0%) have expected frequencies of less than 5. The minimum expected cell frequency is 60.0.
Source: Researcher's Computation Using SPSS Version, 20

Table 5 presents the results of the Chi-Square test statistics in respect to accounting practices of SMEs in Makurdi metropolis. The result revealed a significant level of 0.000 which is less than 5% level of significance in respect to a significant number of SMEs keeping sales & purchase daybooks, general ledger and income statement and a statement of financial position respectively. The study therefore rejects the null hypothesis and concludes that a significant number of SMEs in Makurdi metropolis adopt different kinds accounting practices.

Test of Hypotheses Two
Ho₂: SMEs in Makurdi metropolis do not significantly faces challenges of accounting practices.

Table 6: Chi-Square Test Statistics for Hypotheses 2

	Most Owners of SMEs lack knowledge of financial reporting	The cost of training accounting personnel is relatively too high for SMEs	SMEs believe hiring of trained accountants is a waste of resources
Chi-Square Df Asymp. Sig.	335.433[a] 4 .000	225.267[a] 4 .000	389.833[a] 4 .000

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 60.0.
Source: Researcher's Computation Using SPSS Version, 20

Table 6 presents the results of the Chi-Square test statistics in respect to challenges of accounting practices of SMEs in Makurdi metropolis. The result revealed a significant level of 0.000 in respect to all questions raised. This level of significance is less than 5% level of significance. Thus null hypothesis is therefore rejected. The study therefore concludes that SMEs in Makurdi Metropolis are significantly faced with challenges of accounting practices.

Test of Hypothesis Three
Ho₃: Challenges of accounting practices do not have a significant effect on the operations of SMEs in Makurdi metropolis.

Table 7: Chi-Square Test Statistics for Hypotheses 2

	Failure to prepare financial report leads to poor performance of SMEs	Failure to prepare financial report makes it difficult for SMEs to access financial assistance	Absence of financial report result to inappropriate basis of budgeting in SMEs
Chi-Square Df Asymp. Sig.	390.300[a] 4 .000	373.867[a] 4 .000	319.767[a] 4 .000

a. 0 cells (0.0%) have expected frequencies of less than 5. The minimum expected cell frequency is 60.0.

Source: Researcher's Computation Using SPSS Version, 20

Table 7 presents results of the Chi-Square test statistics in respect to whether challenges of accounting practices do not have a significant effect on the operation of SMEs in Makurdi metropolis. The result revealed that a significant level of 0.000 in respect to all the questions rose. This level of significance is less than 5% level of significance. The study therefore rejects the null hypotheses and concludes that the challenges of accounting practices have a significant effect on the operation of SMEs in Makurdi metropolis.

Discussion of Findings

This study was carried out to investigate the challenges of accounting practices of SMEs in Makurdi metropolis. Three hypotheses were formulated and tested using the Chi-square statistics whose findings are discussed below.

In testing hypothesis one which sought to examine whether a significant number of registered SMEs in Makurdi metropolis adopt different kinds of accounting practices was confirmed. The chi-square test of the hypotheses revealed that most SMEs in Makurdi metropolis maintain the sales & purchase daybook, maintain general ledger and income statement and a statement of financial position.

In testing the second hypothesis of this study which sought to investigate whether SMEs are confronted with challenges of Accounting practices, revealed that SMEs in Makurdi metropolis are significantly faced with the challenges of accounting practices and these challenges include: the lack of financial reporting knowledge by Most SMEs Owners, the high cost of training accounting personnel for SMEs and SMEs belief that hiring trained accountants is a waste of their resources.

Finally, testing the third hypothesis which sought to investigate whether challenges of accounting practices has a significant effect on SMEs in Makurdi metropolis, revealed that challenges of accounting practices have a significant effect on the operation of SMEs in Makurdi metropolis. These effects include: the failure to prepare financial report leads to poor performance of SMEs, Failure to prepare financial report also makes it difficult for SMEs to access financial assistance and the Absence of financial report result to inappropriate basis of budgeting in SMEs.

These findings are consistent with findings of Adjei et al, (2014) who conclude that accounting practices have a significant effect on the operation of SMEs. According to him, Businesses are required to keep proper books of account and prepare financial reports which give a true and fair view of the business's financial affairs. Proper records and financial reports provide useful information regarding financial position of the business, the success of business operations, the effectiveness of policies and strategies and provide insight into future performance. Though financial reporting practices come with cost and challenges, the

benefits derived from its practice far outweigh its cost. Businesses that disregard the importance of proper record keeping and financial reporting pay dearly for that. These consequences of failing to prepare financial reports include: poor performance of SMEs, difficulty for SMEs to access financial assistance and inappropriate basis of budgeting in SMEs.

Summary of Findings

This study was carried out to investigate accounting practices of SMEs in Makurdi metropolis and to this; three hypotheses were formulated and tested using chi-square statistics. The test of the research hypotheses at 5% level of significance revealed the following findings:

i. Significant numbers of SMEs in Makurdi metropolis adopt different kinds accounting practices.
ii. SMEs in Makurdi metropolis are faced with challenges of accounting practices.
iii. Challenges of accounting practices have a significant effect on the operation of SMEs in Makurdi metropolis.

5.1   Conclusion and Recommendations

Considering the study's findings, it is concluded that, SMEs in general are bedeviled with a lot of challenges. However, the pivotal of all these challenges is anchored on their inability to prepare financial reports as a result of poor records keeping, fear of exposing the business to danger if business information is made public, high cost associated with financial reporting and lack financial and accounting education. Thus, this affects the ability of SMEs in accessing financial assistance both from the government and private institutions and in most cases a major cause of business failure. The study further show that there is high level of illiteracy, in terms of basic financial records keeping and financial reporting, on the part of small business owners.

In line with the findings of the study, the following recommendations are proffered.

i. Regulators and monitors should ensure that there exist general accounting standards for SMEs to adopt and follow.
ii. Operators and management of SMEs should give more attention to proper financial record keeping and financial reporting procedures in SMEs. In addition, government should consider enacting a legislation that will make preparation of financial report by all registered SMEs a must.
iii. Presently, the government of Nigeria is trying very hard to promote and sustain small businesses in the country yet little is done in terms of financial management especially financial reporting practices of SMEs. It is suggested that the government through its tax authorities, in collaboration with Accountancy bodies in Nigeria for example Institute of Chartered Accountants of Nigeria (ICAN) and Association of National accountants of Nigeria (ANAN) should embark on massive financial record keeping and reporting education and training for the small business owners as well as help prepare their financial reports at minimal fee.

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