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Symptoms of accounting practices that contribute to small business failures in South Africa

Abstract

The purpose of this study was to examine and evaluate SMEs' implementation of minimum accounting practices which are some of the real underlying symptoms that lead to small and medium-size (SMEs) business failures, especially in rural and semi-urban areas. The study was conducted in Thohoyandou, the Central Business District (CBD) of Thulamela Municipality in the Vhembe district in Limpopo province, South Africa. The study used data based on responses to a structured questionnaire from randomly selected SMEs in Thohoyandou, an area whose SME business environment is similar to the challenges and opportunities faced by many other rural and semi-urban areas in South Africa. Due to cost and time constraints, the study sample was limited to 40 SMEs.

The study findings confirm that SMEs often fail to comply with fundamental accounting practices like maintaining complete accounting records, which limits business information vital for decision making, as they think there is no need to keep them and that it exposes their financial position. The relevance of the study is to show how non-adherence to adequate accounting practices can negatively affect SMEs financial performance which consequently contribute to their inevitable failure. The study recommends development of training policy guidelines to sensitize SMEs of the need to comply with relevant accounting practices including internal controls and the legal requirements.

Keywords: accounting practices, SMEs, symptoms, record keeping, failures.
JEL Classification: M41.

Introduction

Less than 50% of newly established businesses survive beyond five years and this is not only experienced in South Africa, but also a common phenomenon in the rest of the world (Annekie et al., 2003). Small business enterprises (SMEs) are an excellent source of employment generation, help in the development of local technology and develop indigenous entrepreneurs, hence irrefutably remain critical to the development of the economy (Erdem & Erdem, 2011). The assessment of the problems the SMEs encounter and development of training programs to address these problems should go a long way to assist these SMEs to be equipped with the necessary accounting practices, financial and managerial skills to survive. Most research on causes of small business failure has so far focused on challenges of access to finance or broad financial management. As a departure from the usual approach, the purpose of this study is to specifically investigate some of the accounting practices that if ignored can be symptomatic to small business failures, especially in rural areas. From its findings, relevant policy recommendations are made to reduce SMEs mortality rate.

Thohoyandou is the Central Business District (CBD) of Thulamela Municipality in the Vhembe District in Limpopo Province and predominantly consists of medium-high density suburbs and businesses which are small, mostly informal, businesses offering basic products and services. These businesses are located mainly in small business centers and on residential sites or operated as street vendors at major transport intersections. The business environment in Thohoyandou is similar to the challenges and opportunities faced by many other SMEs in rural and semi-urban areas in South Africa. The rapid increase in consumer disposable income by residents in townships during the past decade, together with the fact that the overwhelming majority of township dwellers have no intention of moving out of their areas, creates substantial market potential for them. Consequently, this has resulted in a drastic change in township retail structures.

According to Njiro et al. (2011) most businesses that are successful appear to be older and were established due to a lucrative opportunity rather than instigated by unemployment. Such businesses appear to be larger firms in terms of employment and turnover. The business sector namely, food and beverages (26%), and hair salons (12%), shows the highest level of mortality and remains the most important business sector among the survivalists businesses. Research on small businesses shows that about 80% of businesses fail within their first year.

1. Definitions

1.1. Accounting. Accounting is defined by the American Institute of Certified Public Accountants (AICPA) as "the art of recording, classifying and summarizing in a significant manner and in terms of money, transactions, and events which are, in part at least, of financial character, and interpreting the results thereof.

1.1.1. Accounting practices. Dictionary for Accounting terms (Shim & Siegel, 2010), defines accounting practices as normal practical applications of accounting

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and/or auditing practices that occurs within a business. This can also be defined as a system of procedures and controls that an accounting department uses to create and record business transactions. Examples of accounting practices include;

- using the same depreciation method for the same class of fixed assets;
- paying supplier invoices on the day when they are due;
- use of the same calculation to determine the amount of overtime paid to employees. Clearly, the main objective of accounting practices is to be consistent in the manner the subsequent financial information is processed and presented to business owners and other users for decision-making.

1.1.2. Small business. This term is defined differently by different authors depending on the requirements of their country. The meaning of small business will differ from country to country, especially in terms of size. The definition of small business in this study is derived from the National Small Business Act of 1996 of South Africa. The Act defines small business as a separate and distinct business entity, including cooperative enterprises and non-governmental organizations, managed by one owner or more which includes its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy and which can be classified as a very small or a medium enterprise (SME). Crossan et al. (1995), define small business into the following categories:

1.1.3. Survivalist enterprises. These are defined as enterprises that engage in activities carried out by people who are unable to find a paid job or get into an economic sector of their choice. Income generated from these activities falls far short of even minimum standards. There is virtually no skills training available in the field and little capital is invested. There are limited opportunities available for growth into a viable business.

1.1.4. Medium enterprises. These are basically owner/manager controlled, though the shareholding or community control base could be made more complex. They have about five million rand worth of capital assets, excluding property, and also employ a maximum of two hundred employees. The challenges they encounter cannot be solved through normal market forces and private-sector action.

1.1.5. Small enterprises. These types of businesses are usually operated by a manager or are directly controlled by the owner-community. Such enterprises are regarded as the bulk of the established businesses, with employment ranging between five and fifty, and also operate from business or industrial premises, are tax-registered and meet other formal registration requirements.

1.1.6. Symptoms. Webster (2015) dictionary for accounting terms defines symptoms as:

- a subjective evidence of disease or physical disturbance; broadly something that indicates the presence of bodily disorder.
- an evident reaction by a plant to a pathogen.
- something that indicates the existence of something else.
- a slight indication

The dictionary further defines a symptom as an outward indication of an internal change or condition, for example in accounting practices, inadequate knowledge of accounting practices such as inappropriate bookkeeping can lead to failure of a small business to measure its financial performance.

2. Research questions

- What are the types of accounting records and financial reports that are maintained by small businesses?
- To what extent are small businesses engaged in financial performance measurement?
- What training facilities can be made to SMEs regarding appropriate accounting practices to improve their performance?

3. Literature review

It is estimated that small businesses employ 22% of the adult population in developing countries (Henrkson & Sanandaji, 2014). Anderson et al. (2014) estimate that SMEs represent over 90% of private businesses and contribute more than 50% of employment and GDP in most African countries. A study conducted (Competition Commission, 2008) estimated that 99.3% of South African businesses were SMEs and that they accounted for 53.9% of total employment and contributed 34.8% to GDP, whilst another study (The World Bank, 2014) estimated that SMEs contribution to employment generation was 39% in South Africa.

3.1. Factors causing small business failures. Internationally, small businesses usually have a higher chance of failure compared to large businesses and research generally find this to be the case (Anderson et al., 2014). In evaluating research findings, definitions of failure are very critical and Anderson et al. (2014) note that a business may cease to exist because of a range of reasons, many of which nobody would interpret as "failure" in the traditional sense. The researchers argue that when a company ceases to exist and becomes insolvent due to declining sales and cost overruns, it is different from one which ceases to exist after being bought and subsumed into a larger firm. Bearing this in mind, when interpreting small business data, there is a need to apply the precision required in defining failures, as often proxies for failure are adopted, or assumptions are implicitly made about what constitutes a "failure". However, in order to run less risk of diagnosing policy responses which may be irrelevant, research should be based upon data which clearly defines and records failure and its symptoms.

When it comes to causes of small business failure, most literature distinguishes between "internal" factors (those factors which are unique to the firm in question), and "external" factors (such as factors within the trading environment in which the firm operates). In most cases, the external causes of business failure may include declining markets (such as during recessionary periods), interest rates, wage costs, tax rates, bad debts, late payments, market competition, price environment and inflation. Mostly, research identifies causes which collectively represent accounting or financial problems and bad management as internal. For example, Amaoko (2013) emphasizes on the significance of keeping proper books of accounts because it enables small businesses to have accurate information on which to base decisions. This accounting information is used by SMEs project their purchases and sales, to determine break-even point, and make a range of other financial analysis. Lack of proper accounting records has seen the closure of some businesses, thus making it a significant issue for business success and attractive for research.

The quality of accounting information utilized within the SME has a positive relationship with an entity's performance and survival (Ahmad & Mohamed, 2015). According to Karadag (2015), there is a need for financial information for small business units due to the volatility normally associated with their situation such as unstable cash and profit positions, and reliance on short-term borrowings. However, there are other internal factors that can cause failure in small businesses such as failure resulting from mismanagement in any one area, therefore often the most frequent causes of failure are weaknesses in the management functions most frequently neglected. Hence it is not surprising that research finds internal factors more influential in a typical failure than external ones. In general, internal causes of small business failure include poor accounting practices, weak financial control, lack of strategic planning and inadequate liquidity. For analytical purposes, making distinctions is very useful. Note that it is very rare for a business to fail as a result of a single factor, either internal or external. It is recognized that like success, failure is often the result of a combination of a number of factors interacting over a sizeable period.

3.2. Extent of Small Business Failure in South Africa. In the absence of a systematic "register" of small firms, analysis tends to be sub-sectorial, sample-based or based on other data sources which often have quite significant shortcomings (Firtzpatrick Associates and Economic Consultants, 2001). According to South African data sources, less than 50% newly established businesses survive for more than five years. A national research study (CCH, 2013), revealed that from the 80% of small businesses that fail every year, there are various financial factors that cause them to fail and these can be summarized as follows:

- failure to manage costs or anticipate rising costs (61%);
- inexperienced business management (50%);
- poorly designed business model (50%);
- insufficient capital or access to capital (49%);
- failure to seek professional advice (26%).

The extent and cost of business failure tend to spread far and wide – SMEs often believe the biggest cist of business failure is the financial costs to the owner. Studies show that SMEs operating in small business (less than 20 employees) are more likely to rank the biggest cost of the business failure as the financial costs to the owner (41%) compared to those operating in medium business (20 to 199 employees) who are ranked at 33%. This is closely followed by financial costs to the staff such as loss of wages (CCH, 2013). Businesses with fewer than 20 employees have only a 37% chance of surviving beyond four years and only 9% chance of surviving 10 years. Restaurants only have 20% chance of surviving 2 years. Of these failed businesses only 10% of them close involuntarily due to bankruptcy and the remaining 90% close because the business was not successful, did not provide the level of income desired or was too much work for their efforts. The failure rate for new businesses seems to be around 70% to 80% in the first year and only about half of those who survive the first year will remain in the business the next five years (Anderson et al., 2014).

3.3. The impact of small business failure. Karadag (2015) notes that the first serious economic impact of failure is loss of employment, and this will be most experienced where such employment is relied upon – for example where there are few businesses or few alternative opportunities. Studies have also shown that secondary or multiplier effects accompany this primary effect such as unpaid creditors, bad debts and loss of income to the previous employees, which create a trickle of negative impacts (CCH, 2013).

3.4. Impact of accounting skills on small business performance. Performance can be defined as the ability to meet the required standards, increased market share, improve facilities, ensuring returns on profitability, cost reduction, and when such has been achieved, a business is believed to be performing effectively (Fitzgerald et al., 2006). According to Jefferson (2012), keeping of records is crucial for the successful performance of a business. A comprehensive record keeping system and application of proper accounting practices makes it possible for entrepreneurs to develop accurate and timely financial reports that show the progress and current condition of the business. Generally, accounting records and practices provide a basis for complete and accurate income tax computation, sound planning for the future and discussion with partners, potential investors and lenders. Hence all these are important aspects which enhance performance of the business. Therefore proper keeping of accounting records and use of appropriate accounting practices facilitate proper, timely decision making and enhance the performance in small businesses.

3.5. Challenges in the use of accounting practices and accounting information by small business. Challenges in this context, can be defined as the lapses, hindrances, or setbacks in carrying out accounting practices. This also deals with the violation of accounting conventions and rules in the recording and posting of accounting transactions.

SME owner/manager is a crucial player in keeping information of the business. As such, it is important for them to understand and get involved in the accounting figures produced, (Senik et al., 2012). In concurrence, Maseko & Manyani (2011) add that the better use of accounting information takes place where the SMEs have a certain level of accounting knowledge and technical qualifications, which does not often prevail in small enterprises. Lack of business knowledge could be the reason why most micro entities are not using accounting information to the maximum.

Mutambanengwe (2012) notes that a critical weakness with the "informal" setup of SMEs is the lack of proper accounting records of their activities. He adds that keeping accounts is seen as a waste of time, money and effort, and is also avoided as a means of ensuring that there is no track record of what the proprietor would have done, in the event of investigations from any government agency. Bank accounts are equally shunned for the same reason; with transactions occurring on a cash basis.

Oladejo (2008) observes that accounting skills and procedures are necessary for successful entrepreneurial and small business development in Nigeria. This is because the inability to install a proper accounting system would disallow business monitoring, reporting, and performance evaluation that are germane to the business survival. Small businesses often fail for ignoring this vital measurement apparatus.

3.5.1. Inappropriate accounting practices. A review of the existing body of research has revealed that a high incidence of failure among SMEs could be attributed to the poor accounting systems used by these enterprises (Ojo, 2009). Since accounting systems play a key role in determining business growth and profitability, there is a need to evaluate the accounting systems used by SMEs, as it is important for optimum growth, SMEs must make use of a system of accounting which will enable them to determine the volume of sales, profits/loss, assets and liabilities at any given time.

Inadequate accounting practices, have shown that many enterprises record their transactions randomly without adherence to any established systems of accounting, hence making it difficult to keep track of cash flows in the business. There seems to be some consensus on the significance of financial accounting systems to business success, whereby some researchers assert that the quality of financial accounting information employed within the SMEs sector has a positive relationship with the performance of the entity (Ahmad & Mohamed, 2015). Maseko & Manyani (2011) argue that accounting is a major challenge to management of SMEs, hence their managers /owners need to learn about proper accounting or engage the services of accounting experts. Studies show that many small businesses do not keep complete records of accounts due to lack of knowledge in accounting and the cost of engaging professional accountants (Mbroh & Attom, 2012). The biggest indicator of failure in small businesses is a lack of cash flow management which causes a business to fall behind on payments to its creditors. According to Mwangi (2011), lack of cash flow management can inhibit the company's ability to reinvest for future profits such as the ordering of products or supplies and marketing execution. When a small business starts borrowing to pay off a past debt, it is usually a sign of disaster to come. Start-up businesses which fail to make a profit within the first eighteen months are at a high risk of bankruptcy and it is very rare for such businesses to survive for many years. Small businesses with poor internal controls and inadequate inventory control, encourages employee theft and prevent managers from knowing how much is lost through theft. In addition, the size of a firm's inventory affects the cash flow, which in turn can have an effect upon a chain of related functions and processes as cash that is tied up in inventory cannot be recovered if the inventory is spoiled (de Klerk & de Villiers, 2012).

3.6. South African policy for prevention of small business failure. With the creation of the Department of Small Business Development, the government has reaffirmed the importance of small business growth to South Africa's economy, and the hope that it can lead the way to a more thriving future (World Bank, 2014). The first step that South Africa has taken towards fostering small business growth was to create a separate department which will aim to strengthen SMEs in an effort to create jobs and stimulate South Africa's economy. The South African institutional framework and policy have identified different departments that can assist in the development and sustainability of small businesses such as Small Enterprise Development Agency (SEDA), National Empowerment Fund (NEF), and National Small Business Advisory Council (NSBAC) to mention a few.

4. Research methodology

The study applied descriptive quantitative survey method with data gathered from primary sources and a population sample size of 40 SMEs from Thohoyandou. The survey questionnaire was developed based on the study research questions. Literature review conducted on both primary and secondary resources covered all key concepts that were used in the study to provide theoretical framework and background against which an important tool of the study questionnaire was developed to gather the required empirical evidence.

The random sampling technique was employed to distribute the questionnaires to managers/ owners of retail shops, general merchants, manufacturing entities and a range of other service providers. For the purpose of reliability and validity of the data, the following measures were taken:

1. A pilot study preceded the use of questionnaires which were distributed to owners of survivalists, medium and small businesses.
2. The business owners were given a cover letter explaining the nature of the research project.
3. The business owners participated at their own will and were given a follow-up letter assuring them of the privacy and confidentiality of the information they would have provided as well as guaranteeing their anonymity.
4. A cluster sample was used as the population consisted of survivalists, medium and small businesses. Subsequently, a simple random sample of each group was used.

The data collected were presented in forms of tables, frequencies and figures such as bar and pie charts to make it easier to understand the trends. The data was analyzed using a Statistical Package for Social Scientists (SPSS) and Microsoft Excel package to create graphs, tables and diagrams.

Due to time and financial constraints, the study was limited to the geographical area of Thohoyandou, the Central Business District (CBD) of Thulamela Municipality in the Vhembe district in Limpopo province, South Africa. Although this is an important consideration, its impact on the study findings was insignificant.

5. Results and discussion

As stated before, the goal of this study was to determine the symptoms of accounting practices that contribute to failure in small businesses in South Africa, especially in rural areas. This section presents both the statistical and descriptive findings of the data collected from questionnaires which include demographic characteristics, the profile of a firm, accounting bases, reasons for the chosen accounting bases, financial reporting standards, accounting records used, financial statements prepared, and challenges faced by these businesses, among others. All distributed questionnaires were completed and returned, showing that the response rate was high (100%). The reason for the high response rate could be attributed to the fact that the sample size was small but big enough to provide the required information and follow-ups which were made to all the target respondents.

Demographic characteristics

Table 1. Demographic information of the respondents (N = 40)

Characteristics	N (Frequency)	Percentage (%)
Age:		
18-35 years	12	30
36-45 years	22	55
46-59 years	6	15
Gender:		
Male	23	57.5
Female	17	42.5
Level of education:		
Matric	18	45
Diploma	17	42.5
Degree	5	12.5
Position in the firm:		
Owner	9	22.5
Manager	13	32.5
Owner / manager	18	45

Table 1 shows demographic information to establish the nature of respondents and their influence regarding the business operations. The data collected assisted in determining what segments existed in the overall population and also provided a clear and broad picture of the characteristics of a typical member of each segment.

From a sample size of 40, 57.5% were females and 42.5% were males. The results indicate that most respondents were females, suggesting that most small businesses in rural and semi-urban areas in South Africa are owned and/or managed by females. When it comes to age, 30% fell between 18 to 35 years followed by those between 36 to 45 years (55%) and then 46 to 59 years (15%). Further, the findings revealed that 45%, 42.5% and 12.5% have matric or a secondary educational background, diplomas and degrees respectively. These findings indicate that majority of participants had not attained a university qualification which suggest that business owners/managers were lowly qualified and lacked accounting knowledge and skills necessary to implement the required accounting practices. Further, the study reveals that 45%, 32.5% and 22.5% of the respondents were both owners and managers, only managers, and owners who are not involved in the day to day running of their businesses respectively.

5.1. Profile of the firm.

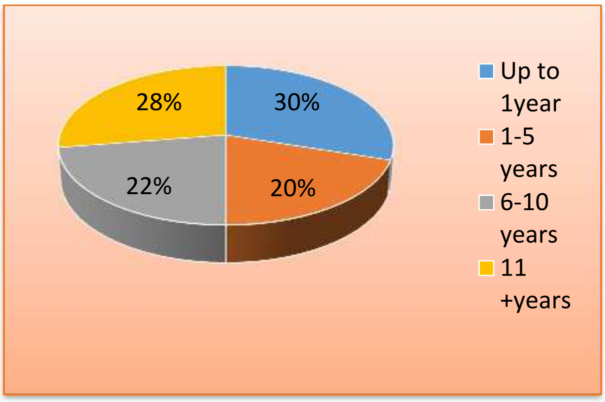

Fig. 1. Number of years in business for the respondents

Figure 1 shows that 30%, 28%, 22% and 20% of the respondents were in business for up to 1 year, more than 11years, between 6 to 10 years and 1 to 5 years respectively. One can see that around 50% of the respondents were in business for less than 5 years, showing that they were still at their infancy stage of business operations.

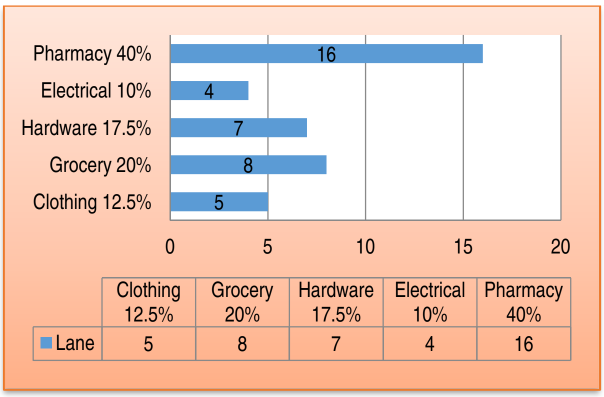

Fig. 2. Line of business

Further, figure 2 shows that out of 40 participants, 40% were in the pharmacy line of business, followed by 20% in grocery industry, 17.5% in hardware stores, 12.5% in clothing industry and 10% in electrical stores. From the findings, it appears that most small entities in the study were in the pharmacy business.

Table 2. Accounting bases used

Characteristics	N (frequency)	Percentage(%)
Cash	29	72.5
Accrual/ Credit	1	2.5
Both	10	25

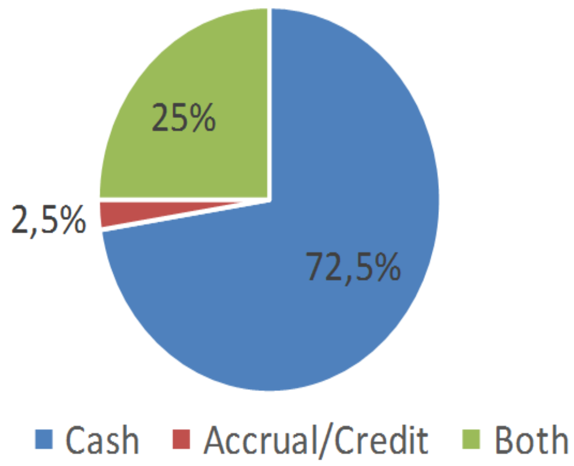

Fig. 3. Accounting bases used

Table 2 and figure 3 show that 72.5% of SMEs use the cash accounting base while only 2.5% use the accrual and the remaining 25% use both accounting bases. Most owners/managers preferred cash basis to accrual basis as a result of their very small entities. Consequently the accounting records kept are limited to cash receipts and payments journals. One would therefore expect these businesses to be more sustainable as they would incur minimal or no bad debts. On the other hand this is also a recipe for limiting the much needed business customers and over-all sales to boost long-term business sustainability.

Table 3. Reasons for the chosen zccounting bases

Characteristics	N (frequency)	% (percentage)
No regular customers	8	20.0
Lack of knowledge on how to assess credit worthiness of a customer	6	15.0
Also offer credit sales	8	20.0
To avoid bad debts	8	20.0
Having reliable suppliers	5	12.5
For inventory management	4	10.0
For cash flow management	1	2.5

Further, table 2.2 shows that 20% of the respondents adopted an accounting base because they did not have regular customers, while 15% did so because they lacked knowledge on how to assess credit worthiness of customers, with another 20% who adopted for the purpose of catering for their credit sales. An additional 20% wanted to avoid bad debts yet 12.5% adopted it because they had reliable suppliers, 10% adopted for the purpose of inventory management and the remaining 2.5% did so for cash flow management. It is clear that not having regular customers, lack of knowledge on how to assess credit worthiness of a customer and avoiding bad debts, are the main reasons why most small businesses are using the cash basis. Cash flow management reason suits the accrual method of accounting, whilst having reliable suppliers, inventory management and offering of credit sales are reasons provided by small entities that have adopted both cash and accrual methods of accounting.

Table 4. Financial reporting standards

Characteristics	N (frequency)	% (percentage)
IFRS for SMEs	8	20
SA GAAP	15	37.5
None	17	42.5

Surprisingly, table 2.3 shows that the most popular financial reporting standard was the SA GAAP (37.5%) while the least ranked was the IFRS for SMEs (20%), with the remaining 42.5% not adopting any of the financial reporting standards. From the findings it was clear that most owners/managers lacked accounting skills and knowledge. The fact that at least 57% of the respondents either use SA GAAP (37.5%) or IFRS for SMEs (20%) suggests that those businesses rely on external assistance for which they can ill afford to pay for preparing their financial statements that may be mandatory for tax purposes, or to access bank loans or government tenders. Hence the 42.5% who do not use any financial reporting standards may be negatively affected in the quality and reliability of their performance reports. The study also noted that most businesses used the single entry system which often leads to incomplete records that cannot give an accurate picture of the period performance. Proper financial control is only possible if accurate financial statements and other supporting information are available. Interestingly, most of the businesses used some form of computerized system which implied their advancement in the use of technology to capture data.

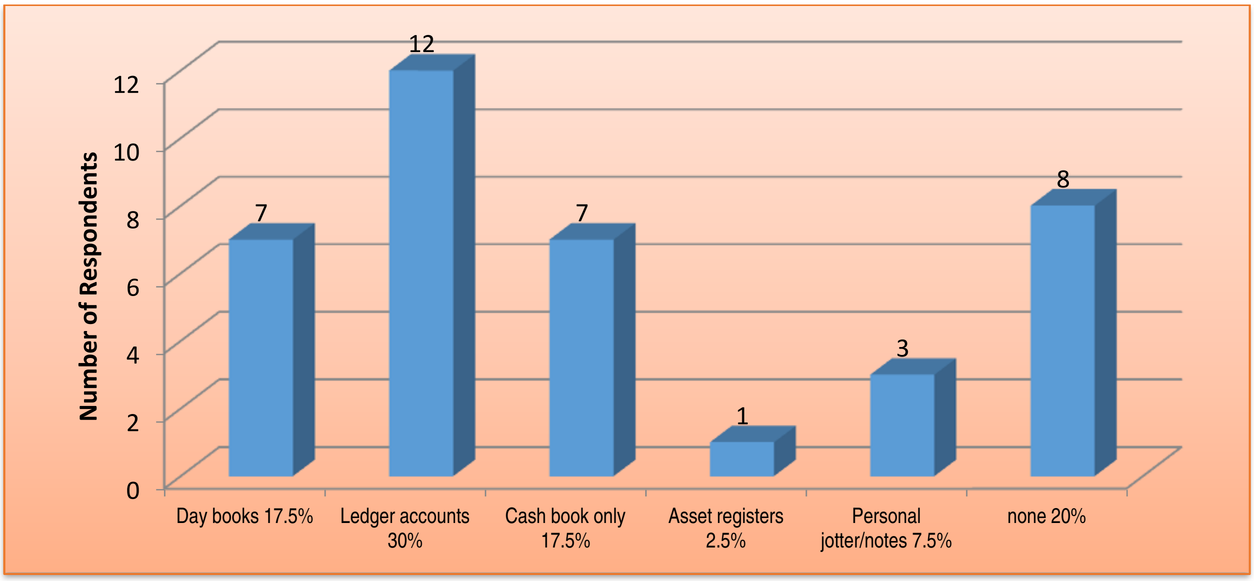

Fig. 4. Accounting records used

Figure 3 shows that 30%,17.5%, and another 17.5%, used ledger accounts, day books and cash books respectively, while 2.5%, 7.5% and 20% kept asset register, personal jotters or did not keep any accounting r ecords. The study findings further show that a significant number of businesses produced insufficient information to prepare financial reports required for adequate financial performance measures. This is not surprising considering the size and their affordability to hire skilled accounting staff.

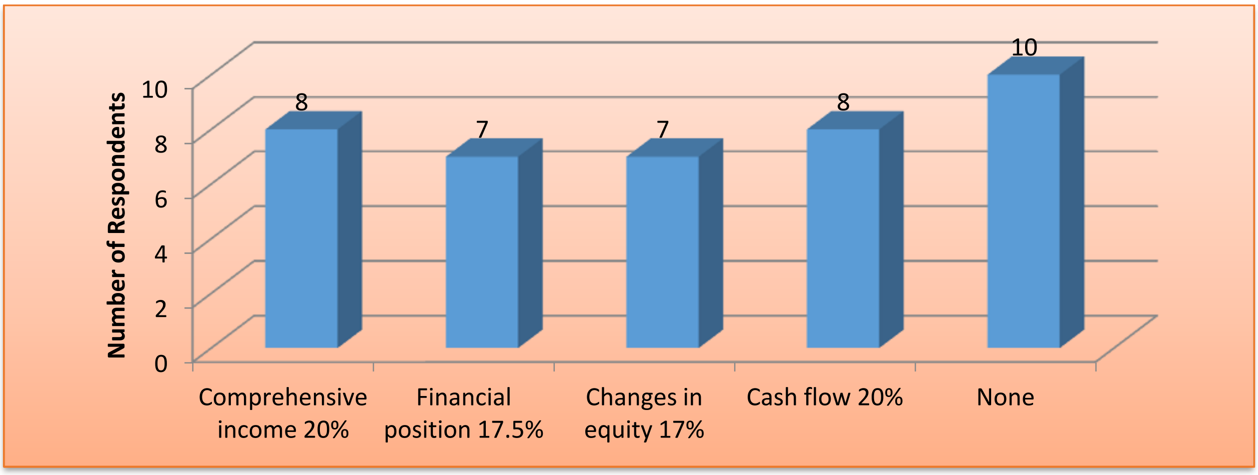

Fig. 5. Financial statements prepared

Figure 4 shows that generally SMEs prepared statement of comprehensive income (20%), statement of financial position (17.5%), statement of changes in equity (17.5%), and statement of cash flow (20%) whereas 25% did not keep any form of financial statement. The 25% which did not keep financial statements is big enough to show that there was insufficient use of accounting information to support their financial performance measurement.

It is noted that ideally the study should have provided data and analyzes to show some of the small businesses which failed, mainly, due to non-compliance with accounting practices among other factors. However, since small businesses are not obliged to publish their financial statements, the study was unable to access and provide that information. Figure 5 below looks at some of the challenges faced by small and medium enterprises in South Africa.

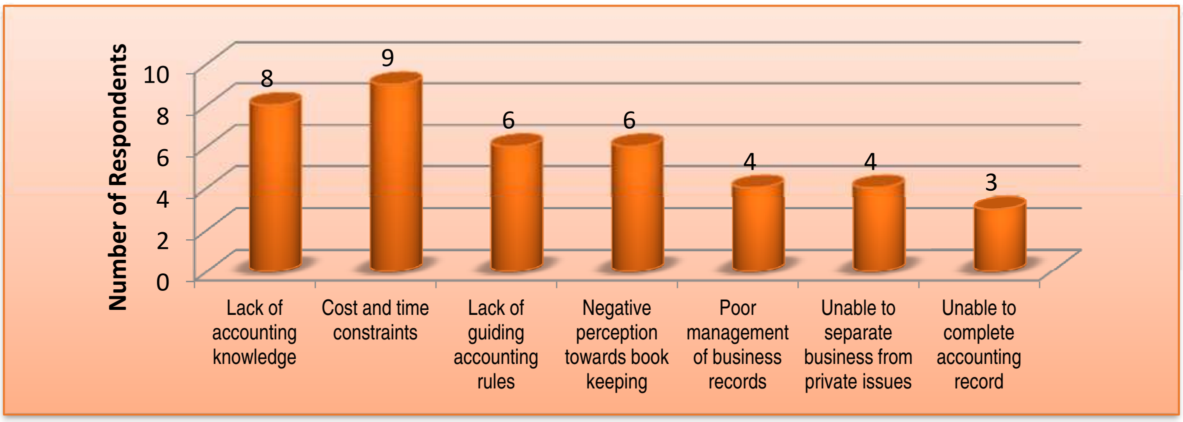

Fig. 6. Challenges faced by the business

Figure 5 shows that 20% of the respondents lacked accounting knowledge, 22.5% faced cost constraints, and 15% either lacked guiding accounting rules or had a negative perception towards bookkeeping, while 10% had poor management of business records. The other challenges included 10% who were unable to separate business from private issues, and 7.5% who were unable to complete accounting records. Unless these challenges are addressed, many small businesses run the risk of failure due to their inability to realistically evaluate their business performance.

Conclusion and recommendations

Most studies aimed at prediction of small business failures have largely stressed pitfalls in over-all financial management as the main reason. As a departure from that trend, this study focussed on a specific area that is lack of adherence to implement minimum accounting practices, as real risks or symptoms which contribute to small business failures among other factors. Based on the research questions, the study findings confirm that small businesses often use the cash basis because it is simpler and easier to manage. However this means keeping an incomplete recording system which confirms that the accounting principles, bases and conventions that small business owners/managers use are inadequate for use in decision making. Adherence to cash basis limits customer base as well as profits generated, while inadequate information stifles relevant decision-making, business growth and sustainability.

Further, it is noted that small businesses do not keep complete accounting records because of lack of accounting knowledge and the cost of hiring professional accountants. Where there is such information available it is often inappropriately classified. For example, cash capital contributions are classified as revenue which can attract crippling taxation expenses or fines.

In addition, the study findings show that the majority of SMEs do not measure financial performance for their businesses. Inadequate accounting skills and ignorance of the importance of accounting information for their businesses were major factors. The predominant failures in implementation of basic accounting practices are clear symptoms that often contributed to small business failures. Study findings show that apart from the broad general financial management issues, lack of proper accounting practices and controls are clear symptoms and recipe for SME failures.

Based on the findings, the study makes the following recommendations: small business owners/managers should be encouraged to go for training to acquire relevant basic accounting skills and knowledge necessary to implement the required accounting practices. For their survival SMEs are encouraged to maintain at least basic internal control systems. To ensure efficient record keeping and reliability of information in the business, training on use of basic accounting packages like PASTEL, should be provided to small businesses in order to maintain strong internal control systems. The accounting profession in partnership with government and other private sector participants should provide such training facilities. This training will provide improved accounting information for decision-making vital for business sustainability and growth. Finally, it is recommended that further research be conducted to include a much broader sample and area to mitigate any limitations cited in this study.

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