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An assessment of Record-Keeping as an Aid to Risk Management of SMEs in Bindura (2009-2013)

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Abstract:
The study explored the accounting records maintained by Bindura based SMEs and assessed their completeness and adequacy in aiding risk management thereby evaluating the causal relationship between accounting information and risk management. This was prompted by the persistent downward movement in operating capacity of SMEs in Bindura. Data was gathered by interviews and questionnaires were administered to 56 SMEs out of a population of 97 registered SMEs in Bindura. SMEs operating in six economic sectors which are; Retailing, Transport, Steel fabrication, Tailoring, Food Processing and Hairdressing and Saloons were chosen. The study found out that accounting records are significant in complementing and aiding risk management in SMEs. The results indicate that there is a strong positive relationship between the accounting records and risk management practices using the Pearson correlation co-efficiency. In conclusion, findings revealed that most of SMEs managers had insufficient knowledge in accounting and financial management and did not employ and or consult accounting officers in their operations. It was recommended that SMEs owner-managers in Bindura should seek financial literacy or should consult and or employ professional accounting officers. SMEs in Bindura should also have risk management frameworks embed in their operations.

Keywords: Small and medium enterprises, risk management, accounting records, Bindura

1. Introduction
Bindura Municipality is situated in Zimbabwe's Mashonaland Central Province. Prevailing Macro economic conditions have forced many of its residents to form small and medium enterprises (SMEs) because jobs in the formal sector have dwindled. Moore et al (2008) postulates that SMEs play a pivotal role in the economic growth and sustainable development of every nation

1.1. Background of the study
Post dollarization ushered in a period of potential economic recovery in Zimbabwe yet it has been coupled with market volatility, uncertainty and downward movement of capacity utilization particularly in small and medium scale enterprises (SMEs) forcing most of them to wind up.
Businesses face many risks especially in a reviving economy hampered by liquidity problems. Mitigation of risk becomes an inevitable survival strategy to SMEs operating in such times. This renders record-keeping a vital business tool as it supports sound risk management for the survival and growth of SMEs.
Most literature to date suggests that after complying with statutory requirements there is limited to no other use of financial statements by most SMEs , (Maseko and Manyani,2011; Zindiye *et al*.,2008; Watkins *et al* 2012). The reality is that Bindura SMEs have been struggling to maintain basic business records (Maseko and Manyani:2011) and under the present conditions where risk is pervasive, it was imperative that an assessment of record-keeping as an aid to risk management in SMEs in Bindura be done.

1.2. Statement of the problem
The persistent downward movement of SMEs' operating capacity resulting in pre-mature death of most of these entities has been a cause of concern. This situation is attributable to incomplete and asymmetrical information for risk management thus depriving

the economy of a significant SMEs' gross domestic product (GDP) contribution. This precipitates the need for concerted efforts by all vibrant stakeholders for speedy economic recovery thus prompting an assessment of record-keeping as an aid to risk management as a positive step in rescuing these innovative entrepreneurs.

1.3. Research Questions
- What are the types of accounting records being kept and maintained by SMEs?
- Are the accounting records being kept by SMEs complete and adequate to aid risk management?
- To what extent is accounting information being used for risk management by SMEs?
- What is the relationship between accounting information being kept and risk management being practiced by SMEs?
- Are there basic accounting records that best aid risk management in SMEs?

1.4. Significance of the study
SMEs are the engines of growth in most developing economies, and likewise in Zimbabwe. Any assistance to the survival of SMEs, be it from technological improvements, financial help , academic research or any other angle is welcome to nurture these organizations which provide livelihoods to many households. This research is one such effort.

1.5. Scope and delimitations of the study
This study focused on business record keeping as an aid to mitigation of business risk, limiting itself to SMEs in Bindura and spanned over the period February 2009 to June 2014.

2. Literature Review

2.1. Definitions of small- and medium-sized entity
There is no universally agreed definition of an SME from available literature because they are based on different industrial sectors, countries and economies operating at different levels of development. Most definitions are mainly based on the size of the entity and to that effect, Beck et al.,2005; Ghafoor and Iqbal, 2007; Zindiye, 2008 use bases such as number of employees, capital base, annual turnover and financial position to define an SME.

2.2. Zimbabwean definitions of Small- and Medium-sized Entities (SMEs)
In Zimbabwe, the Ministry of SMES (2002) defines small enterprise as a registered enterprise with employment levels ranging from 30 to 100 employees. The Small-Medium Enterprise Association of Zimbabwe (2012) classifies the entities into small and medium entities where small firms consists of entities with a turnover less than US$240 000 per annum or assets less than US$100 000 and medium enterprises as those with turnover and assets above the thresholds for small entities but less than US$1 million.

2.3. International definitions of Small- and Medium-sized Entities (SMEs)
According to the International Accounting Standards Committee Foundation (IASCF) (2007) an SME is an entity that does not have public accountability and thus does not publish general purpose financial statements for external users. The United States of America Small Business Administration (2006) views an SME as an enterprise that is independently owned and operated, and is not dominant in its field of operation.
Holt (2008) points out that none of the bases used internationally to define small-and medium-sized entities are pegged at the same level across disciplines and national boundaries.

2.4. Accounting in Small- and Medium-sized Entities (SMEs)
The level at which an entity is involved in record-keeping determines the level of information available to the management for decision-making and other stakeholders for various purposes says Maseko and Manyani (2011).
The extent to which an entity is involved in record-keeping depends on the a variety of factors including the need to report business activities to the stakeholders, the size of the business, business age and the complexity of the operations in the business entity, proposes Holmes and Nicholls (2003). On the other hand, Moore *et al* (2008) say the existence of sound record-keeping in SMEs depends mainly on the level of accounting knowledge by the owner managers and they contract accounting services from professional accountants. Jayabalan and Dorasamy (2009) however posits that the major stumbling block has been the high costs of hiring these professional accountants thus leaving the SME owner-managers with no option but to neglect the financial aspect of the business. McMahon (1999) argued that financial reporting in SMEs has been below the levels required by various jurisdictions due to the reluctance by the owner-managers to produce financial reports.

2.5. Accounting systems by SMEs
The available literature has classified record-keeping into two main categories namely single entry and double entry systems.

2.5.1. Single entry system
This is an "informal" record-keeping system where a financial transaction is represented by a single entry. The system records all transactions relating to personal aspects, such as transactions with particular creditors or debtors and neglects all the impersonal transactions. The system is not based on the dual aspect concept, which is the basis of proper accounting (Maseko and Manyani:2011).

Single entry record keeping system results in the generation of incomplete records and although it is not recommended for proper accounting, it may be acceptable for tax purposes.

2.5.2. Double entry system
The system was introduced by Luco Pacioli in 1494 and is the oldest record keeping system. According to this system, every business transaction has a dual effect on the accounts, namely a debit entry and a corresponding credit entry. McMahon (1999) explains that a ledger account is used to record every transaction twice based on the idea that each transaction has two halves that affect the business. Periodically, usually monthly, the summarised balances from the journals (subsidiary ledgers) are posted (transferred) to a formal business record called the general ledger.
The double entry record keeping system is a self-balancing system which is more accurate and is the one recommended for proper record keeping and accounting. (International Accounting Standards Committee Foundation (IASCF)) (2007).

2.6. Accounting bases in SMEs
The most commonly used accounting bases in business entities are cash basis and accrual basis. The appropriateness of an accounting base depends on the size and operations of an entity. In Zimbabwe, according to Section 14 of the Value Added Act (Chapter 23:12) all registered operators are required to use the accruals basis as opposed to cash basis.

2.6.1. Cash basis accounting
This is the most commonly used base in SMEs due to their operating activities. Holt (2008) says that only transactions during which money changes hands are captured. The main source of record-keeping involved on the cash basis is the cash book or the receipt and payment account which can be manual or electronic eg cash register. Moore *et al* (2008) viewed cash basis as appropriate for the SMEs as it is easy to use in the record-keeping of transactions in these entities.

2.6.2. Accrual basis accounting
This is based on the accruals concept of accounting which is mostly recognised by the International Accounting Standard Board (IASB). The concept states that revenue and costs are accrued (that is, recognised as they are earned or incurred, not as money is received or paid), matched with one another so far as their relationship can be established or justifiably assumed, and dealt with in the statement of the comprehensive income for the period to which they relate (Accounting Framework, para. 22). This involves accruing any receipts which have been earned in the financial year and accruing any expenses which relate to the purchases and operations made in the financial year.

2.7. Financial records kept and maintained by SMEs
The accounting records kept by an entity depend on purpose and legal requirements. Wichman (1983), Walhstedt (1996), McMahon (1999) and Zhou (2010) concur on the basic accounting records which an entity must keep to enhance its short-term and long-term financial decisions. They list the following financial records for a proper accounting system:
- Sales day book (sales journal)
- Purchases day book (purchases journal)
- Cash receipt book
- Cheque payment book
- Petty cash book
- General journal
- Nominal ledger
- Debtors ledger
- Creditors ledger

The level at which an enterprise keeps and maintains its books of accounts determines the level of information for the management and organisational response to strengths, weaknesses, opportunities and threats says Berry (2002). Douglas (2009) propounds that the small enterprises' survival depends mostly on its sensitivity to changing operating environment through the use of past and available information.

2.8. Completeness and adequacy of accounting record keeping in SMEs
The accounting base adopted has a bearing on the completeness and adequacy of the accounting records for decision-making in an organisation with cash basis being the lowly rated base in terms of information according to Zhou (2010). The adoption of both bases can be deemed the best accounting practise asserts Holt (2008). According to McMahon (1999), completeness and adequacy of the accounting records reflects their fitness of purpose and importance in measuring the degree of use. Zhou (2010) says that completeness and adequacy of the accounting records has significant bearing on the long term decisions of SMEs.

2.9. The Concept of Risk Management
Risk management is a concept mainly aimed at identifying, assessing, and prioritizing of events that may have an adverse impact on the organization and is more relevant in an uncertain business climate.
Businesses must protect themselves against events that can hinder attainment of their aims an d objectives according to (Beaver (2006)). Ploud (2009) asserts that the importance of risk management in SMEs has become as equally important as traditional

issues such as long-term and short-term financing constraints. Alquier and Lagasse (2006) propose that risk management is a major concern for all companies, especially SMEs which are particularly vulnerable to a plethora of business risks and competition.

Risks can be uncertainty in financial markets, failure of projects, legal liabilities, credit risk, natural disasters, etc and mitigating strategies can take the form of risk avoidance, risk transfer and risk reduction according to Plourd (2009).

2.10. Types of Risks

Risk can be divided into external and internal factors. The external factors include economic factors (capital, insolvency, liquidity, financial markets, unemployment, competition, and joint ventures); environmental factors (pollution, energy, national disaster and sustainable development); political factors (law, public policy, rules and political changes); social factors (demographic, consumer behaviour, firm nationality, privacy, and terrorism) and technological factors (interruption, e-commerce, and emerging technologies). The internal factors include: infrastructure (material resources availability, material resources potentiality, capital access, complexity); human (human potentiality, fraud, health and safety); process (sources, design, execution, suppliers) and technology (data integrity, data and system availability, system choice, development, diffusion, maintenance). (Crouhy et al:2006)

Muhammad and Amber (2011) suggest that there are two types of risk inherent in a company and their securities and these are; systematic or undiversifiable risk and unsystematic or diversifiable risk. Systematic risks are uncontrollable by the manager and are independent of business decisions for example recession. Whereas unsystematic risks are those risks that are controllable and are the result of managerial decision-making and can either have a negative or a positive outcome according to Douglas (2009).

Available literature indicates that business organizations whether Small, medium and large face some kind of risk in their operations.(Azende, 2012; Meulbroek, 2002; Muhammad and Amber, 2011; Aruwa, 2004). Business risk is pervasive at all levels be it start up, growth and exit.

- Starting a business means taking the biggest risks of all, for example if you leave a well-paid job to start up a business you risk your own money to finance it or that of financiers or lenders.
- To grow a business you risk the funds required for growth as well as the livelihood of those you employ.
- To exit a business you've worked hard to build, you risk leaving it in the hands of others who may manage it for their self-interest.

Muhammad and Amber, (2011) suggest that business owners and entrepreneurs are, probably by their nature, less risk averse than those who are happy to work for someone else .Being prepared to take a risk is necessary if business start-up and growth is to occur, but what is also necessary to succeed is reduce risk through risk management practices.

2.11. Definition of Risk Management

The process of identification, analysis and either acceptance or mitigation of uncertainty in the course of running an entity is called risk management, Watt (2010). Engle (2009) defined risk management as a process of thinking systematically about all possible risks, problems or disasters before they happen and setting up procedures that will avoid the risk, minimize it or cope with its impact.

2.12. Risk Management process

The risk management process, consists of the following sub-processes (Valsamakis et al., 2000):

- **Step 1 - Risk identification:** Risk identification involves the comprehensive identification of risks that can impact on the organisation's sub-processes.
- **Step 2 - Risk evaluation:** This is the core process of risk management. During risk evaluation, the level of risk is quantified by determining the frequency with which events will occur and the impact of the consequences.
- **Step 3 - Risk control:** Risk treatment measures are evaluated or designed by management and implemented, to control the impact of the risk. Risk identification is done by management, while the implementation processes are executed by staff. Risk control measures include:
    - ➤ Risk transferring or risk sharing, where risks are transferred or shared with third parties, for example insurance.
    - ➤ Risk reduction that limits the occurrence of risk or the impact of the risk.
    - ➤ Risk acceptance by the organisation as a result of cost-benefit analysis or other factors.
- **Step 4 - Risk monitoring.**
    Due to the evolving nature of risk, business processes and the business environment, the risk management process should be reviewed and adapted continuously to safeguard the organisation's resources, and comply with the defined risk strategy. A schematically the core activities in the risk management process are depicted in the Figure below.
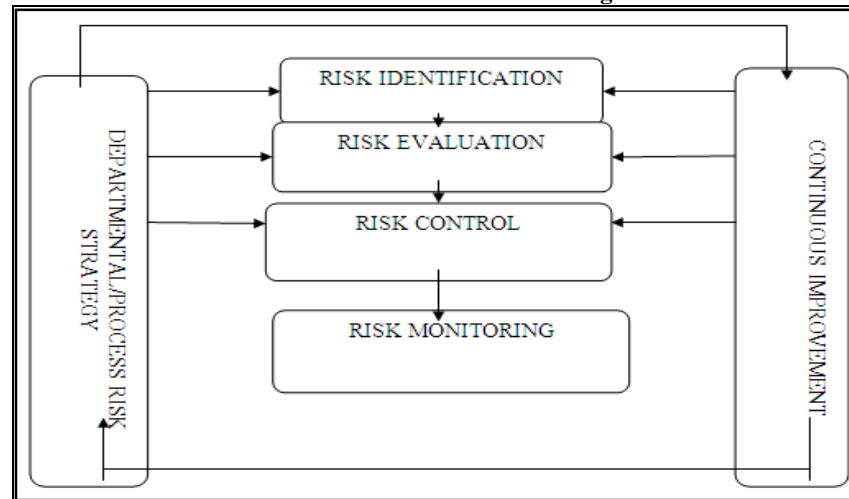
Schematic core activities of risk management

Figure 2.1
(Source: Watkins J. A, 2012)

2.13. Types of Risk Management
Types of risk management depend on the entity under review (Watt :2010) categorized risk management into five areas namely: financial risk management, operational risk management, enterprise risk management, market risk management and credit risk management.

- **Operational Risk Management:** At the primary level, operational risk management deals with technical failures and human errors like: mistakes in implementation, system failures, policy violations, legal infringements and so on.
- **Financial Risk Management:** According to Engle (2009) this is minimizing exposure of a firm to market risk and credit risk using various financial instruments. These are risks related to foreign exchange changes, liquidity, inflation, non-payment by clients and increased rate of interest.
- **Market Risk Management:** Deals with different types of market risks, such as interest rate risk, equity risk, commodity risk, and currency risk according to Crouhy et al (2006).
- **Credit Risk Management:** Deals with the risk related to the probability of non-payment from the debtors says Valsamakis (2000).
- **Enterprise Risk Management:** Watt (2010) stipulates that it involves the handling of risks faced by enterprises in accomplishing their goals.

2.14. Risk elements in Small and Medium-sized Enterprises (SMEs)
Globally, SMEs experience difficulty in securing finance because of the high level of risk and insufficient level of return associated with the industry (St-Pierre & Bahri : 2006). A small business characteristic impacting on risk and subsequently on management practices employed, is the difficulty experienced in separating 'owner-manager property' from 'business property'. (St-Pierre & Bahri:2006).
Cotner and Fletcher(2000) , recognize that total risk of SMEs is a product of 'financial risk' as well as 'business risk', with business risk comprising risk categories such as management risk (inadequate management knowledge, etc.), commercial risk (client risk and market impotence) and technological risk (research and development activities, use of technology, etc.).

2.15. Risk Management in SMEs
Unlike in large corporations most SMEs decisions are mainly based on subjectivity judgments of the owner-managers rather than upon 'pure analysis' which tends to be more objective-oriented.
The following are the risk posing circumstances for SMEs:

2.16.1. Constitution of the business entity
Crouhy et al (2006), advocates that Small and Medium-sized Enterprises are mostly proprietorship and partnership concerns thus the very constitution of these entities may prove to be risky due to lack of professionalism and over dependence on the one or two key persons running the entity. This may present operational risks such as fraud risks and legal risks.

2.16.2. Leverage on financial structure
The nature of the business entity limits the funds mobilisation efforts and leveraging capacity. This affects their capacity to leverage on the financial structure thus exposing them to financial risks such as liquidity risks and credit risk according to Cotner et al (2012).

2.16.3. Stiff competition and inadequate margin
According to Cotner et al (2012), SMEs encounter tough competition from bigger players. They face pressure on their profit margin as they cannot raise their price but have to absorb the high input costs and thus are prone to market risk as a result of commodity price increases.

2.16.4. Low collection in Account Receivables
 Cotner et al (2012) postulates that SMEs cannot dictate terms to their customers because of their very nature and as a result, they are exposed to collection risk on the receivables portfolio and this may put strains on their liquidity position.

2.16.5. Incapacity to go for technological advancement
With very little financial resources and poor ability for leveraging the financial structure, SMEs cannot acquire advanced technology which would help them optimize their available resources.

2.16.6. High employee turnover
As growth prospects are very limited in the SMEs, they are prone to high degree of employee turnover and as a result they continuously incur training costs, affecting continuity and lowering productivity says Cotner et al (2012). Quality and experienced personnel do not stay long as they may gain some experience and change employment.

2.16.7. Collateral Security
According to Engle (2009), the existence of collateral means that banks do not have to rely as much as they otherwise would on the detailed investigation and analysis of borrower's business but also on its resources. It reflects the credit-worthiness of an entity. The owner-manager may opt to offer the family home as security against the amount borrowed and this serves as a catalyst to avoid default thus the banks offers the small entity loans on such basis as most of them are prone to credit risk.

2.17. Risk management strategies
Crouhy (2010) proposed strategies such as mitigating, hedging and diversifying   to handle and deal with risk.
Mitigating the risk implies the setting of control procedures that ensures that the impact of the risk is minimised.
Hedging the risk entails taking action to ensure that the desired outcome achievable by manipulating the risk exposing circumstances.
Diversifying the risk implies having a portfolio of multiple ongoing projects.

2.18. Empirical Literature Review
A study in South district of Jordan by Belal Yousef AL Smairat (2013) investigated the types of business records kept by SMEs, analyzed completeness of accounting records and explored the level of awareness on the importance of financial management. It was concluded that SMEs used single entry accounting system due to its simplicity and lack of knowledge by the owner managers. The study recommended that good accounting practices improve the operations of SMEs.
 Owusu E and Dwomo G, (2012) examined the challenges of book keeping on SMEs using Appex Global (Ghana) in the Kwaebibirem district. The case study was aimed at assessing the standard of book keeping records in SMEs, evaluating the competences of personnel employed to manage accounting records and investigating the causes of poor book keeping. The study revealed that SMEs face challenges which included inaccurate, inadequate and below standard book keeping and poor internal control systems. The study further recommended that SMEs must use proper accounting documents as basis of preparing accounting reports, employ competent and trustworthy personnel and provide procedure manuals to guide their staff.
Iopev and Kwanum (2012) assessed the level of risk management by SMEs in Nigeria. The study focused on accounting records maintained and any insurance policy cover undertaken by the small entities to mitigate business risk. The findings revealed that SMEs do not maintain proper accounts and that they do not cover their businesses against risks by way of insurance cover policy. The study recommended that SMEs need to maintain proper books of accounts and to be insured in case of losses.   Watkins and Smit (2012) carried out a risk management appraisal of South African SMEs and the study revealed that SMEs faced numerous challenges such as poor managerial skills, educational training, inability to understand market expectations and poor market access. The researchers recommended that a structured approach to risk management should be embedded within the SMEs and that they should adopt sound corporate governance practices.
Maseko and Manyani (2011), carried out an investigative study on record keeping and accounting practices of SMEs aimed at performance measurement aspects of SMEs in   Bindura. Revelations were that the majority SMEs do not keep complete accounting records due to lack of accounting knowledge and there is inefficient use of accounting information in financial performance measurement. It was recommended that national regulators must develop accounting training for entrepreneurs in small businesses. The researchers advocated for a mandatory record-keeping to improve accounting practices in Zimbabwe.
Henschel (2010) carried out a study on risk management practices of SMEs in Germany and particular emphasis was placed on the possible relationships between risk management and business planning activities. The study find out that in Germany, SMEs concentrate the handling of risks on the owner-managers. It revealed that risk management is carried out in a rather rudimentary way, that only a few SMEs had a comprehensive business plan and that the link between risk management and business planning was not well developed in most SMEs. The study recommended that there was need for sound risk management practices which required an elaborate business planning together with a direct involvement of all the participants in the organisation.

Zindiye (2008) investigated factors that affect the performance of SMEs in the manufacturing sector of Harare, Zimbabwe. The study concluded that SMEs face a number of problems mainly emanating from the lack of managerial skills in areas such as financial management, human resources planning and marketing. The researcher recommended that owners of SMEs of manufacturing sectors should be trained in these areas and suggested that the Zimbabwean government should subsidize the training of professional in these disciplines in tertiary institutions.

3. Research Methodology
A case study of Bindura based SMEs was used and the descriptive approach was used to collect data. The focus on a particular geographical area was necessary to save financial and time resources.

3.1. Population and sampling
In this study, the population was 97 registered SMEs operating in Bindura drawn from Retailing, Transport, Steel fabrication, Tailoring, Food Processing and Hairdressing and Saloons sectors.Stratified random sampling method was used to select 56 SMEs from the six sectors.
Both primary and secondary data was used to gather data via questionnaires, interviews and perusal of documents, books and journals.

4. Data Presentation, Analysis and Discussion

4.1. Questionnaire Response Rate

	Type of business	Target sample	Achieved sample	Response rate
1	Transport	8	6	75%
2	Retailing	8	7	88%
3	Metal fabrication	7	6	86%
4	Food processing	6	5	83%
5	Tailoring	7	4	57%
6	Hairdressing and Saloons	8	6	75%
	Total	**44**	**n=34**	**77%**

Table 4.1
Source: Primary data (2014)

A high response rate was achieved from the questionnaires and this enhanced generalization. Jackson (2011) says that a response rate above 70% is excellent.

4.2. Interview Response Rate
From the targeted 12 interviews, 10 face to face interviews were successfully conducted
Jackson (2011) pointed out that a response rate of 80 – 85% is rated well if data is gathered via face-to-face interviews. The overall response rate was 83%, which is according to Jackson (2011) represent a good response rate that is acceptable for generalization.
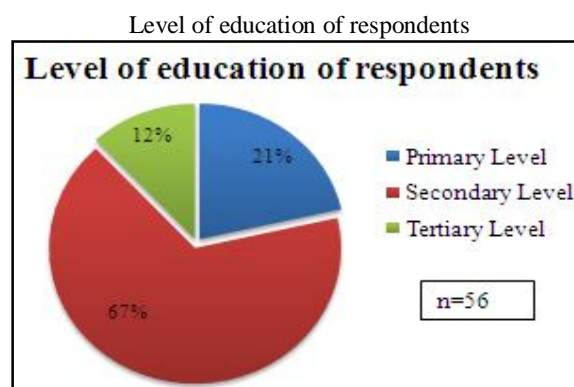
4.3. Profile of the respondents

Level of education of respondents

Figure 4.1
Source: Primary data (2014)

According to Nazri (2010), the level of education of the owner managers affects the accounting practices of SMEs. Sheridan (2009) concurs and highlights that financial reporting by SMEs is dependent on owner manager skills. Owner managers with post secondary education were 78%.Form of business
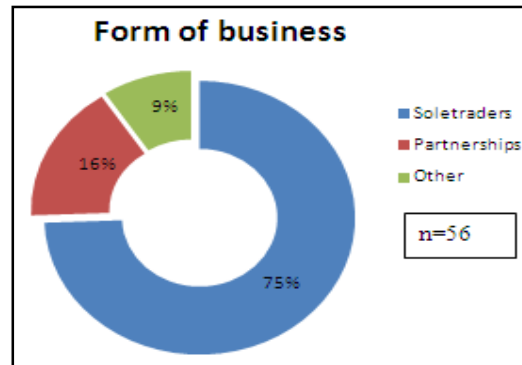

Figure 4.2
Source: Primary data (2014)

The figure shows that the SMEs are mostly dominated by the sole-traders (75%) who are the owner-managers and 16% who are in partnerships. Holt (2008), says that due to fewer start-up requirements, the SME sector is dominated by business minded individuals. In line with the results, Crouhy et al (2006), states that Small and Medium-sized Enterprises are mostly proprietorship and partnership concerns thus the very constitution itself may prove to be risky due to lack of professionalism.

Years of operating business

Years	Number of respondents	Percentage (%)
0-5	38	68
6-10	12	24
Above 10	6	8
Total	**n=56**	**100**

Table 4.2
Source: Primary data (2014)

The findings reflected that most of the SMEs have been into business for less than five years (68%) and that a few entities constituting 8% have operated for more than ten years. These results are mainly due to government programmes encouraging indigenous people empowerment and employment creation. The results are in tandem with the findings of Iopev and Kwanum, (2012) who revealed that SMEs are mostly vulnerable to failure within the establishment phase because they are not covered against start-up risks.

4.3.1. Accounting records kept and maintained by SMEs

Form of business	Purchase day (order) book	Sales day (receipt) book	Expenditure (bills) book	Payroll records	Asset register
Transport	8	10	6	6	3
Retailing	6	8	7	5	2
Food Processing	8	7	6	5	3
Metal Fabrication	7	8	5	5	4
Tailoring	10	10	5	3	3
Hairdressing and Saloons	8	9	6	6	3
Total	**47**	**52**	**35**	**25**	**18**
Percentage (%)	**84**	**93**	**63**	**58**	**33**
Ranking	**(2)**	**(1)**	**(3)**	**(4)**	**(5)**

Table 4.4 (n=56)
Source: Primary data (2014)

The table 4.4 above shows the accounting records kept and maintained by SMEs. The results show that the sales day (receipt) book is the highest ranked with 93%, followed by the purchases day (order) book with 84%. The expenditure (bills) book is the third ranked with 63%, payroll is fourth with 58% and the least is the asset register with 33%. The findings revealed that the accounting records kept and maintained are mostly depended on the nature of operation of the SME businesses for example those involved in the buying and selling of goods (Retailing, and Tailoring) keep and maintain sales day (receipt) book and purchases day (order) book. The asset register is not common in the SMEs due to the low levels of investments in this sector, McMahon (1999). The results are in tandem with the findings of Maseko and Manyani (2011) who say that the SMEs are not well versed with the accounting record-keeping.

4.4. Frequency of preparation of financial statements

Financial statement	Monthly	Quarterly	Semi-annually	Annually	None
Statement of profit or loss and other comprehensive incomes	3 (7%)	5 (12%)	7 (16%)	22 (51%)	6 (14%)
Statement of financial position	2 (4%)	3 (7%)	5 (12%)	21 (49%)	12 (28%)
Statement of cash flows	0 (0%)	2 (4%)	1 (2%)	9 (21%)	31 (72%)
Statement of changes in equity	0 (0%)	0 (0%)	2 (4%)	3 (7%)	38 (88%)

Table 4.5 (n=56)
Source: Primary data (2014)

The table 4.5 above shows that the majority of the SMEs prepare Statement of profit or loss and other comprehensive incomes and Statement of financial position. The frequency of preparation of accounting reports is mostly annually. The results revealed that the frequency of preparation is mainly pinned to the accounting knowledge and the purposes of the financial statements. According to Watkins and Smit(2012), the frequency of preparation of the financial statements reflects the extent to which accounting information is used for decision making in an entity.
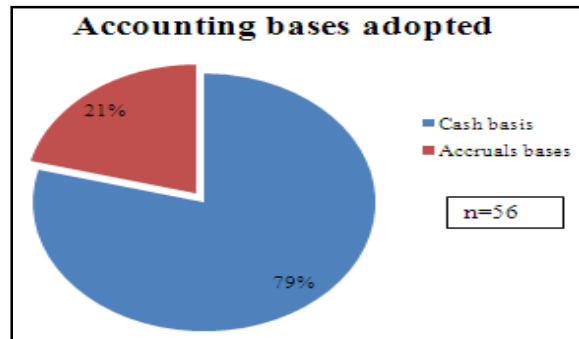
4.5. Accounting bases adopted

Figure 4.3
Source: Primary data (2014)

The figure 4.5 above shows that most of the SMEs operate on a cash basis (79%) and 21% using the accrual basis. This is mainly due to the nature and scale of their operations as stipulated by Holt (2008). The accounting base adopted has a bearing on the completeness and adequacy of the accounting records for decision-making in an organisation with cash basis being the lowly rated base in terms of information, Zhou (2010). It was also revealed that the Small and Medium Enterprises used single entry accounting system due to its simplicity and lack knowledge in record keeping by Smairat (2013).

4.6. Reasons given for keeping and maintaining accounting records

Figure 4.4
Source: Primary data (2014)

The figure above shows that the SMEs reasons for keeping and maintaining records are mostly unspecified because of the highest percentage (37%) of responses citing other reasons for keeping and maintaining records. The reasons for keeping records in SMEs are mainly centred on their legal requirements Douglas (2009). The results are in line with the findings of Owusu and Dwomo (2012) who argued that the managers of SMEs lacks competence and knowledge of the usefulness of accounting records kept and maintained.

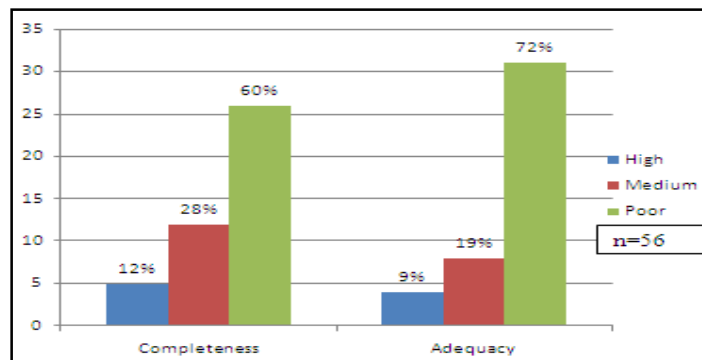*4.7. Completeness and adequacy of accounting records*

Figure 4.7
Source: Primary data (2013)

The figure 4.7 above shows that the completeness and adequacy of the accounting records for their purposes is poor in SMEs with 60% and 72% of the respondents citing poor quality of completeness and inadequate accounting records keeping respectively. This is attributable to lack of proper maintenance of the accounting information. The findings are line with the Zhou (2010) who argued that the incompleteness and inadequacy of the accounting records affect the corporate decisions of SMEs. Owusu and Dwomo (2012) found out that the problems of inaccurate, inadequate and sub-standard book keeping affected the quality of accounting records.

4.6. Risk management in SMEs
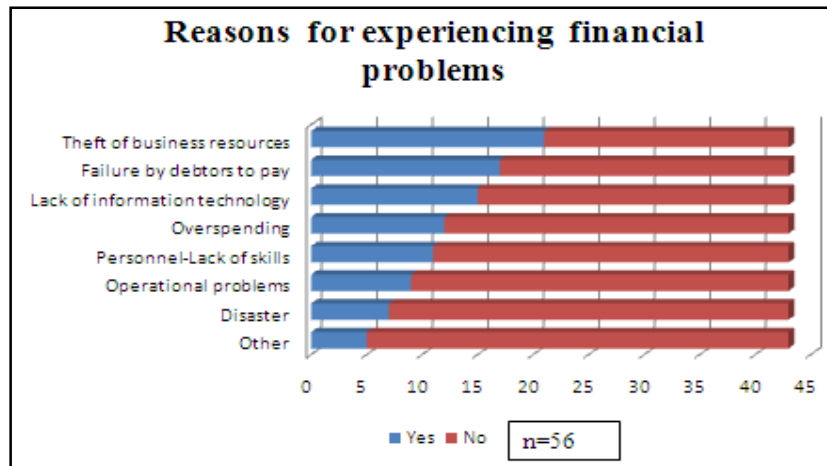
4.6.1. Reasons for experiencing financial problems

Figure 4.8
Source: Primary data (2014)

The results in the figure above shows that the main reason for experiencing financial problems relates to theft of business resources, followed by failure by debtors to honor their debts. The study revealed that most problems are technical in nature, thus emanating from how SMEs businesses are managed. The results confirm findings by Iopev and Kwanum (2012) who advocate that SMEs are mostly vulnerable to failure because they do not cover their businesses against possible risks. The results support the findings by Owusu and Dwomo(2012) who found out that poor internal control system as a tool for monitoring and checking fraud is not given the necessary attention and owner-managers and personnel who are in charge of accounts and finance are incompetent.
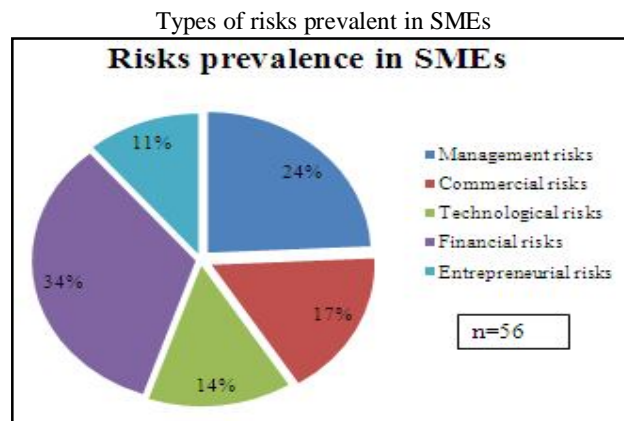
4.6.2. Risks prevalence

Types of risks prevalent in SMEs

Figure 4.9
Source: Primary data (2014)

The results in figure 4.9 above shows that the most prevalent risk in SMEs is the financial risk with 34% and least prevalent is the entrepreneurial risk with 11%. The results agrees with findings of Smit and Watkins (2012) who cited SMEs' impediments to success as varied and including inherent organisational obstacles such as poor managerial skills, educational training and industry related problems such as entrepreneurs' inability to understand market expectations and poor market access.

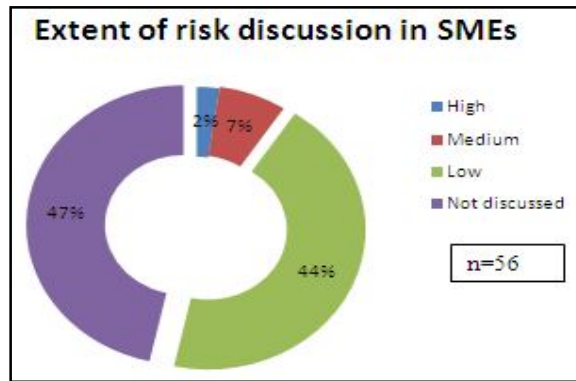4.6.3. Extent of risk discussion for corporate decision

Figure 4.10
Source: Primary data (2014)

The results in the figure above show that most of the SMEs do not discuss risks (47%). The existence of the low extent of discussion at 44% reflects that the SMEs are not aware of the consequences of risks. This is mostly prevalent in SMEs as discovered by Zindiye (2008) whose study revealed that the major problems in these entities mainly emanates from lack of managerial skills. This is also in agreement with work of Maseko and Manyani (2011) that also cited lack of managerial skills as the major stumbling block.

4.6.4. The usefulness of accounting records in making risk management decisions in SMEs.
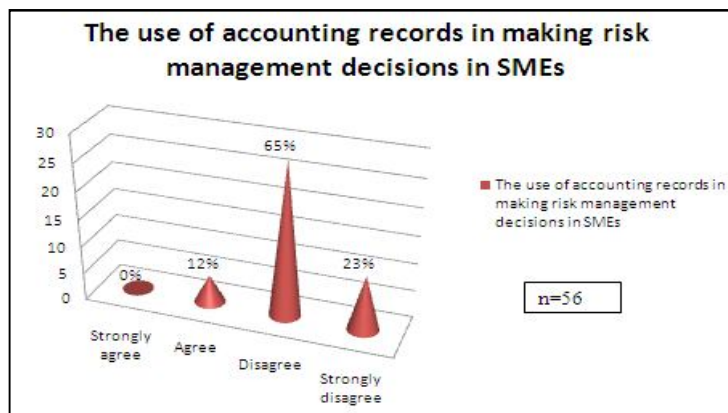.

Figure 4.11
Source: Primary data (2014)

The figure above shows that the majority of the SMEs (65%) disagree that they use accounting records in making risk management decisions. Those who agree constituted 12% and 23% was for those SMEs that strongly disagree. The results revealed that no entity strongly agreed for the use accounting records in making risk management decisions. This is attributable to the fact that the preparers of accounting records are mainly the owners whose highest level of education is mostly secondary level.

4.7. Relationship analysis: Accounting records and risk management.

4.7.1. Is there relationship between accounting records and risk management?

Response	Frequency
Yes	32
No	11
Total	**43**

Table 4.6
Source: Primary data (2014)

The table above shows the results that the majority of the SMEs (74%) agree that there is a relationship between the accounting records kept and maintained and their risk management. The percentage of those who responded that there is no relationship constituted 26%. Those who argued that there is no relationship were seen to be those who are not knowledgeable of risk management.

Ratings of the relationship		
Response	**Frequency**	**Percentage**
Strong	18	56%
Average	8	25%
Poor	6	19%
Total	**32**	**100%**

Table 4.7 (n=32)
Source: Primary data (2014)

Only those whose response had been positive about the relationship between accounting records and risk where asked to rate the relationship entities (18 SMEs in table 4.7 above) that kept and maintained the accounting records and utilized them for risk management and strongly believe that there is a relationship between the variables were considered for the analysis.

Correlation co-efficiency			
		X	**Y**
X	Pearson Correlation	1	.660[**]
	Sig. (2-tailed)		.001
	N(accounting records)	18	18
Y	Pearson Correlation	.660[**]	1
	Sig. (2-tailed)	.001	
	N (Risk factor)	18	18

Table 4.8
**Correlation is significant at the 0.01 level (2-tailed)

The table above shows the Pearson product-moment correlation co-efficiency. The results depicts that there is positive 66% correlation between accounting records (X) and risk factor (Y) at 0.01 level of confidence. The 34 % is as a result of other factors that affects the relationship between the two variables. According to Crawshaw and Chambers (2001), a result of greater than 0.5 to 1 shows that the strength of the relationship is high.

4.7.2. The basic accounting books that best aid risk management
The responses were more of qualitative nature thus could not be quantified. The majority of the respondents gave a diversified range of answers ranging from the common books kept for example cash and payments book, credit sales book, and debtors records. The results revealed that there are no specific basic books that best aid risk management but its a spectrum of the link between the decision to be made and the related accounting books thus the best accounting books to aid risk management are contingency based.

5. Conclusion
- Most SMEs are one-man businesses (sole-traders) whose financial literacy is limited to their level of education.
- The study also revealed that the majority of the SMEs accounting books are kept and maintained by the owner-managers and the conclusion was that the relatively high costs of employing a full-time accountant and out-sourcing the services of an accountant.
- The study found out that completeness and adequacy of accounting records for their use are relatively poor in most SMEs. The researcher concluded that lack of objectivity on the preparation of accounting records influences the completeness and adequacy of accounting records kept and maintained relative to their use.
- The findings revealed that there is very limited to no discussion at all about risks in most SMEs and a large number of them confirm that that they did not use accounting records in making risk management decisions. The researchers concluded that most SMEs do not use accounting records to aid their risk management though they are relevant and useful for informed risk management decisions.
- The research found out that there is a strong positive relationship between accounting information kept and maintained and risk management practiced by SMEs. The researcher concludes that the relationship was seen to be very important in improving the operations of the small and medium entities as it forms the back-borne of many good business practices

such as planning, adapting with the changing environment, improved decision making and sustainability of business operations.

5.1. Recommendations

- It was recommended that owner-managers of SMEs in Bindura should seek basic financial literacy from short courses offered by any of the three universities in Bindura. This can help them improve their operations.
- Recommendations are also given that SMEs in Harare should consult and or employ professional accounting officers to assist them in setting up accounting recording systems. This may enhance the completeness and adequacy of accounting records for purposes such as tax and aiding sound risk management decisions.
- The study also recommends the establishment of a risk management framework within SMEs. This may help owner-managers to consider and deal with risks prevalent or likely to befall their firms thus promoting the survival and growth of their organizations.

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