

RECORD KEEPING AND GROWTH OF MICRO AND SMALL ENTERPRISES, A CASE STUDY OF THIKA MUNICIPALITY IN KENYA

Bancy Wawira Muchira - MBA

Department: *Business Administration*

Supervisor:

1. Mr. Muturi J.M.

Despite the effort made by the government of Kenya to support the growth of MSE sector by creating enabling environment through appropriate legal and regulatory procedures, and in spite the fact that banks have recently made micro-credit accessible to MSEs (MESPT, 2011), there is no indication that the sector is growing. Research has shown that sixty percent (60%) of MSEs fail within few months of their operation (Bowen, 2009). Furthermore research has also confirmed that poor or lack of recordkeeping in a business and especially the Small enterprises lead to their collapsing (Germain 2010). This research was therefore set to investigate the extent to which the owners or managers of Micro and Small Enterprises kept records in their businesses. For the success of MSEs accurate records of business transactions need to be kept. The qualitative method was used to achieve the following study objectives: (i) To find out types of records the MSEs keep of their business operations, (ii) To find out the challenges faced by the MSEs entrepreneurs in recordkeeping, (iii) To find out the attitude of the MSEs operators towards recordkeeping in their enterprises and (iv) To establish the extent to which recordkeeping support operation and growth of the MSEs. The target population of the study was the owners or managers of MSEs in Thika municipality. This study adopted a form of qualitative descriptive research, the case study design. The study used both purposive and random methods to sample the respondents. It was envisaged that the findings, recommendations and suggestion of this study would be helpful to entrepreneurs, policy makers and the sponsors of the MSEs sectors. The found out that the MSEs do not keep complete accounting records because of lack of accounting knowledge and the cost of hiring professional accountants. As a result, there is inefficient use of accounting information to support financial performance measurement by MSEs. This made it difficult for the entrepreneurs to calculate their business profit efficiently. Lack of keeping of accurate records was highly blamed on the lack of skills in this field by the owners or managers. The study further revealed that the owners and managers of MSEs were highly willing to learn more about how to keep accurate records of their business transactions. Following this, the study recommended that the ministry concerned should come up with an efficient programme for training the MSEs entrepreneurs. Additionally, the research recommends that a policy be made to make it mandatory for the MSEs owners/mangers to keep records of their business transactions.

This will help in terms of the management of the MSEs and at the same time assist when it comes to issues of taxation.