Accounting and non-accounting challenges of small and medium scale enterprises in Nigeria: Their impacts and way forward for effective national industrialization

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Abstract

Small and Medium Scale Enterprises play vital roles in the national industrialization and economic growth. In the bid to effectively perform the economic roles, SMEs seems to encounter certain challenges. This study aims at filling a gap by ascertaining the accounting and non-accounting challenges of SMEs in Nigeria, their impacts and way forward for effective national industrialization.

The paper adopted survey research design and used 600 randomly selected manufacturing firms (SMEs) in the South-East of Nigeria. Data were collected by means of Questionnaire and analyzed using descriptive statistics, while hypotheses were tested using Multinomial Logit Model (MNL) technique. Results shows that wrong accounting system, inadequate cash flow management, inefficient debtors and inventory management, and ineffective accounting reports are accounting challenges encountered by SMEs in the South-East of Nigeria. Also, lack of infrastructural facilities, insecurity, lack of government support, inadequate power supply and high cost of rent are non-accounting challenges facing SMEs in the South-East of Nigeria. It also reveals that the accounting challenges have significant negative impacts on the SMEs quality of financial reports, while the non-accounting challenges have significant impact on the SMEs contributions to national industrialization. This implies that if accounting challenges are not checked they will hinder production of useful financial reports that will facilitate effective business decision making and access to loan. Also, if the non-accounting challenges are not checked they will hinder SMEs from contributing effectively to the national growth and industrialization. Therefore, SMEs should employ efficient accounting personnel, or outsource their accounting services in other to overcome the accounting challenges and be able to produce useful financial reports. Also, government should ensure efficient provision of security, infrastructural facilities, financial support, steady power supply, institute range of rents to be paid by the SMEs which will help them to effectively upgrade Nigeria to industrialized economy.

1. Introduction

Small and Medium Scale Enterprises (SMEs) are important economic organisations that are vital for rapid economic growth and development of any nation. It is generally referred to as the key to industrialization and sustainable economic development. The indispensable value of SMEs to nations has been recognised for several decades especially by developed nations as a result of the unique roles they

play in aiding accelerated industrialization, economic development, growth and stability (Agwu and Emeti, 2014). They contribute immensely to job/employment creation, mobilization and utilization of domestic savings, poverty reduction, innovation, entrepreneurship and export/import stimulation as well as to the national Gross Domestic Product (Abbakin, 2018). According to Frimpong (2013) the percentage contribution of SMEs to Gross Domestic Product (GDP) in different countries is 60% in China, 57% in Germany, 55.3% in Japan, 50% in Korea and 47.3% in Malaysia. SMEs in Ghana provide about 85% of manufacturing employment and are estimated to contribute about 70% to the GPD. Also, according to OECD (2017) SMEs contribute up to 33% of national GDP and 45% of total employment in emerging economics.

In Nigeria, SMEs contribute to the economic development in different ways just like in developed countries. Their contributions are seen in various areas such as employment generation, provision of goods and services, utilization of local raw materials, supplying of input to larger firms, export/import and entrepreneurship stimulation, poverty alleviation and they equally contribute to the national gross domestic product (Etuk, Etuk and Baghebo, 2014) and (Ezeali and Uwadi, 2017). Specifically, SMEs contribute about 48% of the national GDP and accounts for over 50% of employment in Nigeria. Though, SMEs were able to contribute to this extent, more is being desired of them considering the dare need to bring Nigerian economy into an industrialized level (Elebeke, 2012). Having recognised the economic value of the SMEs by the government, several efforts have been made towards its development and enhancement by establishing banks and agencies such as Nigeria Industrial Development Bank -NIDB (1962), Nigerian Bank for Commerce and Industry -NBCI (1973), National Economic Reconstruction Fund -NERFUND (1990), Bank of Industry -BOI (2000) and Small and Medium Industries Equity Investment Scheme -SMIEIS (2001) with intention to ensure progressive contribution to the economic development of the country (Ohachosim, Onwuchekwa and Ifeanyi, 2015). Despite the efforts of the government to uplift the SMEs to perfection level for effective economic growth, the high rate of unemployment, poverty, and business closure suggests that these SMEs are experiencing some challenges which are hindering their economic contributions and performance. In line with this background, this study aims at filling a gap by ascertaining the accounting and non-accounting challenges of SMEs in Nigeria, their impacts and way forward for effective national industrialization.

1.1 Statement of the Problem

SMEs are regarded as the key to national economic growth and industrialization. This is mostly due to important economic roles they play which include employment creation, poverty alleviation, mobilization of domestic savings and innovation. Coincidently, SMEs in Nigeria rarely meet up in actualizing most of the economic roles expected of them, hence, low level of national industrialization. This is evidenced by high rate of unemployment, business failures, lack of varieties of goods and services, ineffective poverty reduction, importation of raw materials/equipment, high dependent on foreign goods/services of different kinds as well as unimpressive percentage rate of SMEs contribution to the national GDP which are being recently experienced for some years in Nigeria (Agwu and Emeti, 2014) and (Opafunso and Adepoju, 2014). This situation has activated researchers' attention in relation to obstacles that are hindering SMEs in fulfilling their role as the engine for economic growth and industrialization. This is because an economy without progressive and positive performing SMEs is in danger of landing into national economic depression. It is against this background that the researchers ventured into ascertaining the accounting and non-accounting challenges of SMEs in Nigeria, their impacts and way forward for effective national industrialization using manufacturing firms (SMEs) in the South-East of Nigeria as the case study.

1.2 Objectives of the Study

The main objective of this paper is to ascertain the accounting and non-accounting challenges of small and medium scale enterprises in Nigeria: their impacts and way
forward for effective national industrialization. Other specific objectives are to:
1. Ascertain the accounting and non-accounting challenges encountered by SMEs in Nigeria.
2. Determine whether accounting challenges have impact on SMEs financial reports in Nigeria.

3. Determine whether non-accounting challenges have impact on SMEs contributions to the national industrialization in Nigeria.

1.3 Research Questions
The following research questions were raised for this study:
1. What are the accounting and non-accounting challenges encountered by SMEs in Nigeria?
2. To what extent does accounting challenges impact on SMEs financial reports in Nigeria?
3. To what extent does non-accounting challenges impact on SMEs contribution to national industrialization in Nigeria?

1.4 Hypotheses
The research hypotheses for this study are stated in null form as follows:
1. There is no significant accounting and non-accounting challenges encountered by SMEs in Nigeria.
2. Accounting challenges have no significant impact on SMEs financial reports in Nigeria.
3. Non-accounting challenges have no significant impact on SMEs contributions to national industrialization in Nigeria.

2. Literature Review
2.1 Conceptual Review
2.1.1 Concept of SMEs

Small and Medium Scale Enterprises are generally seen as the key to national growth, development and industrialization both in the developed and developing economies. This is because it unlocks the economic potentials of the small and medium business owners, empowers and helps in job creation, poverty reduction, and contributes to the national Gross Domestic Product (GDP). In Nigeria, SME sector contribute about 48% of the national GDP, and accounts for over 50% of employment in Nigeria (Agwu and Emeti, 2014). As a result of these economic values of SMEs, different countries defined it based on their economic policies, industrialization targets, SMEs roles in the country as well as the programme designed by the government or the agency responsible for the SMEs activities (Oyelaran-Oyeyinka, 2018). Basically, there is no international standard definition of SMEs. This notwithstanding, the definitions mostly have common measures which are size, fixed assets, gross output, and the number of employees (Eniola, 2014). In developed economies like USA, U.K and Canada the definition usually consist of a mixture of annual turnover and employment levels (Agwu and Emeti, 2014) while a mixture of size and level of employees are adopted in developing economies. "For statistical purposes, the Organisation of Economic Corporation and Development (OECD) refer to SMEs as the firms employing up to 249 persons, with the following breakdown: micro (1 to 9), small (10 to 49) and medium (50-249)" (OECD, 2017).

In Nigeria, the National Council of Industries in 2003 categorized enterprises based on three criteria: Size, number of employees and total cost including working capital but excluding land. Furthermore, the classification adopted by Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) in 2007 for National Policy on Micro, Small and Medium Enterprises (MSMEs) is firm size, employment size and assets excluding land and building. However, the asset base criterion is mostly used in Nigeria. The Central Bank of Nigeria, in its 2005 guideline on Small and Medium Scale Industries Equity Investment Scheme (SMIEIS) defined SME as any enterprise with a maximum asset base of 200million naira excluding land and working capital with a number of staff employed not less than 10 or more than 300 (Agwu and Emeti, 2014). In spite of the varieties of definition accorded to SMEs, there is still a high level of consensus on the role and economic importance of SMEs especially the SMEs manufacturing sub-sector to the economic growth and industrialization.

2.1.2 Accounting Challenges of SMEs

Accounting consists of recording of financial events, processing and communicating accounting information relating to an economic entity for effective decision making. It plays a critical role in the life of an organisation. Accounting system in use in any organisation determines the success or failure of that organisation. According to Debitoor (2018) accounting system is the means by which an organisation

manages its income, expenditure, liabilities, and other financial activities for effective generation of financial reports for management or interested parties decision-making. In other words, it involves methods of record keeping, analyzing, classifying, processing and providing the financial information that guide the organizational activities and decision. In the context of SMEs, accounting information is important in making varieties of business decisions such as make or buy decision, product price determination, expenditure limit, revenue target and profit or loss determination. However, according to Okoli (2011) it has been reported that many SMEs failed to keep adequate accounting records needed for effective accounting information generation. This situation has resulted to so many accounting challenges been experienced by the SMEs, which include wrong accounting system, wrong profit determination, weak expense control, ineffective debtors and inventory management, ineffective accounting reports, inadequate cash flow management, inability to determine accurate financial position, and incomplete accounting information for decision making purposes (Ohachosim, 2015) and (Zotorvie, 2017).

2.1.3 Non-Accounting Challenges of SMEs

Though SMEs face a lot of challenges in the course of the business activities, not all challenges are accounting in nature. Those challenges that are not related to accounting systems are referred to as Non-accounting challenges. In this study, all challenges that are external to the SMEs or come from the business environment are referred to as non-accounting challenges of SMEs. Agwu and Emeti (2014) and Oyelaran-Oyeyinka (2018) outlined the non-accounting challenges which include lack of infrastructural facilities, lack of government financial support, lack of credit facilities, non-enabling business environment, high cost of rent, policy inconsistencies, multiple taxation, high levels of unskilled workforce, low investment commitment to bring industrial production to commercial scale and lack of investment in human capital. Also, Elebeke (2012) identified ineffective power supply, bad road, inadequate infrastructure, lack of access to finance, unfavourable tax policies/administration, corruption, insecurity, lack of vocational education and business skills training as challenges that are hindering the effectiveness of SMEs in becoming the backbone of the economic growth and industrialization in Nigeria.

2.1.4 SMEs and National Industrialization

National industrialization is the process of changing from an agriculture-based society to the one based on manufacturing and its features include automation, scientific development, factories establishment, division of labour, replacement of barter with a money-based economy, increase in mobile workforce, and the growth of urban centers (Chartered Management Institute, 2003). Most of these features are visible in both developed and developing economies like USA, U.K, Ghana and Kenya. They are also mostly linked and credited to the existence of SMEs who are regarded as the engine of economic growth and industrialization (Opafunso and Adepoju, 2014). SMEs account for a large proportion of the total employment in many countries and they contribute significantly to the national Gross Domestic Product (GDP). According to Etuk, Etuk and Baghebo (2014) SMEs as well as micro enterprises in the OECD economies account for over 95% of firms, 60-70% of employment, 55% of GDP and generate a large share of employment. In relation to developing economies, the situation is not very different, in Morocco, 93% of firms are SMEs and they account for 38% of production, 33% investment, 30% export and 46% employment.

According to Abbakin (2018) a survey carried out by the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in conjunction with National Bureau of Statistics (NBS) in 2013 revealed that "the total number of Micro, Small and Medium Scale Enterprises (MSMEs) in the country as at 2013 stood at 37,067,416 with Micro Businesses recording 36,994,578, Small Businesses recording 68,168, and Medium Businesses recording 4,670". The SMEs employed 59,741,211, representing 84.02% of the Nigeria total labour force, contribute 48.47% to the nation's Gross Domestic Product (GDP) and 7.27% to exportation. However, irrespective these contributions, the development of a viable and efficient SMEs in Nigeria like other evolving nations is hampered by structural constraints over the years which include difficulties in marketing and distribution of products, communication problems, insecurity, lack of investment capitals, and ineffective power supply (Abbakin, 2018).

2.2 Theoretical Review

This study was anchored on two theories, the theory of Going Concern and Developmental State theory. The first theory which is the Going concern principle/theory is a tool in accounting. It is an assumption that an entity will not cease its operation soon, rather it will continue in operational existence for the foreseeable future. Also, the second theory which is the Developmental State Theory was first conceptualized by Chalmers Johnson (1982). According to Johnson, "developmental state a state that is focused on economic development and takes necessary policy measures to accomplish its' objective" (Leftwich, 1995). In other words, government intervenes in the national economic situation with specific intention to encourage and promote economic development, industrialization and reduce poverty. Therefore, the two theories are suitable for the study since effective accounting system helps SMEs to sustain their businesses, and the provision of enabling business environment, are within the power of the government.

2.3 Empirical Review

In a study carried out by Maseko and Manyani (2011) on accounting practices of SMEs in Zimbabwe in which they investigated accounting record keeping practices for performance measurement employed by SMEs in Zimbabwe, using Bindura as a case study. The study revealed that the majority of SMEs do not keep complete accounting records because of lack of accounting knowledge which resulted to incomplete accounting information for measurement of financial performance. It was recommended that national regulators should develop specific record keeping and accounting guidelines for SMEs and organize accounting training programmes for entrepreneurs in small businesses. In line with this, Okoli (2011) in his work "evaluation of accounting systems used by small scale enterprises in Nigeria using Enugu-South East" linked proper record keeping of SMEs to financial performance/profitability and asserted that with inadequate record keeping, small scale business operators could not effectively determine their financial performance. The researcher suggested that SMEs should keep adequate records which would help the owner -managers to keep track of the performance of their businesses and also enhance their continuity. Inefficient use of accounting information to support business financial decisions can negatively affect the financial performance and long term sustainability of a business whether large or small.

Also, in a research work carried out by Ohachosim, Onwuchekwa and Ifeanyi (2015) on the financial challenges of SMEs in Nigeria with emphasis on the relevance of accounting information in which they investigated the extent to which accounting information can be used to ameliorate the financial challenges of SMEs in Nigeria. The study showed that SMEs in Nigeria have poor accounting system. It also revealed that SMEs access to finance depends largely on the quality of accounting information they can generate which is determined by their accounting practices. The study recommended that SMEs should employ the services of the accountants so as to establish dependable accounting system which is characterised by generally accepted accounting practices (GAAPs) because quality accounting information will enhance SMEs financial information, management as well as finance accessibility.

A study on financial accounting practices of small and medium scale enterprises (SMEs) carried out by Zotorvie (2017) in Ho Municipality, Ghana using 225 owner-managers, indicated that majority of SMEs keep improper accounting records pertaining to their businesses. This resulted to difficulty in determining the assets and liabilities as well as the profit earned or loss suffered in the business within an accounting period. The study also revealed that the failure to keep proper accounting records and prepare useful financial statements is due to challenges facing the SMEs which include high cost of hiring qualified accountants and lack of accounting knowledge on the part of some owner-managers. The researchers recommended that the National Board for Small Scale Industries (NBSSI) in collaboration with the accounting bodies should organize accounting training programmes on proper bookkeeping and accounting practices for owner-managers of SMEs.

Agwu and Emeti (2014) studied the issues, challenges and prospects of small and medium scale enterprises in Port-Harcourt City, Nigeria. The result of the study indicated that poor financing, inadequate infrastructure, lack of managerial skills and multiple taxation are major challenges facing

SMEs in Port-Harcourt. They recommended provision of soft loan and guaranteeing of long-term loans to SMEs operators by the government, establishment of SMEs funding agency, public/private sector partnership in provision of infrastructural facilities, capacity building and provision of tax incentives for SMEs operators.

Ezeali and Uwali (2017) in their study of Nigerian industrial sector challenges and path to economic industrialization examined the challenges militating against the development of Nigerian industrial sector and strategies for economic industrialization in the year 2035. The research result showed that foreign technology dependent, poor infrastructural facilities, inadequate power supply, uneasy access to fund, bureaucratic corrupt practices, inadequate technical manpower, poor entrepreneurial development, lack of progressive and protectionist industrial policies hinders industrialization in Nigeria. The study recommended development of indigenous technology, provision of infrastructural facilities, promotion of entrepreneurship, steady power supply, (manpower training and development, institution of progressive and protectionist industrial policies) as well as honest and transparent leaders with strong political will as paths to achievement of industrialization in Nigeria.

3. Research Methodology

This paper adopted survey research design. A sample of randomly selected 600 manufacturing firms (SMEs) operating within the South-East of Nigeria was used for the study. Questionnaire was used to collect data the firms. Expert validators were used for the face and content validity of the instrument to ensure that it measured what it purports to measure. The items in the questionnaire were reviewed for clarity of words, relevance, content coverage and effectiveness of the instrument in measuring the issue under study. The questions that related to the accounting and non-accounting challenges of SMEs were analysed using descriptive statistics, while the questions that addressed the impact of the accounting and non-accounting challenges were analyzed using Multinomial Logit model (MNL) which is a mulitiple regression technique that applies when multiple variable/proxies apply (usually more than two variables and where qualitative explanatory variables apply. Also, the model is suitable when data is collected through a survey. Hence, this technique is suitable in this study.

4. Findings/Results

The result of the data analyzed in relation to the accounting and non-accounting challenges of SMEs are presented in tables 3.1 and 3.2 below. Descriptive statistics is applied in analysing responses to be used for testing hypothesis 1.

Options	Frequency	Percentage (%)
Wrong Accounting System	62	10.3
Inadequate Cashflow Management	16	2.7
Inefficient Debtors Management	8	1.3
Ineffective Accounting Reports	102	17
Inefficient Inventory Management	10	1.7
All of the above	402	67
Total (%)	600	100

Table 4.1 Response to the Accounting Challenges of SMEs in the South-East of Nigeria

Source: Field Survey, 2018

Table 4.1 above reveals that (402) 67% of the respondents identify wrong accounting system, inadequate cashflow management, inefficient debtors management, ineffective accounting reports and inefficient inventory management as accounting challenges facing SMEs in the South-East of Nigeria. The analysis also reveals that 102 (17%) and 62 (10.3%) of the respondents identify only ineffective accounting reports and wrong accounting system respectively as accounting challenges of SMEs in the South-East of Nigeria, while 16 (2.7%) and 8 (1.3%) of the respondents identify only inadequate cashflow management and inefficient debtors management respectively as accounting challenges of SMEs in the South-East of Nigeria.

Options	Frequency	Percentage (%)
Lack of Infrastructural Facilities	11	1.8
Insecurity	30	5
Lack of Government Support	3	0.5
Inadequate Power Supply	14	2.3
High Cost of Rent	4	0.7
All of the above	538	89.7
Total (%)	600	100

Table 4.2 Response to the Non-Accounting Challenges of SMEs
in the South-East of Nigeria
Source: Field Survey, 2018

Table 4.2 above shows that (538) 89.7% of the respondents identify lack of infrastructural facilities, insecurity, lack of government support, inadequate power supply and high cost of rent as non-accounting challenges facing SMEs in the South-East of Nigeria. The study also reveals that 30 (5%) and 14 (2.3%) of the respondents identify only insecurity and inadequate power supply respectively as non-accounting challenges of SMEs in the South-East of Nigeria, while 4 (0.7%) and 3 (0.5%) of the respondents identify only high cost of rent and lack of government support respectively as non-accounting challenges facing SMEs in the South-East of Nigeria.

Furthermore, the results of the Multinomial Logit model (MNL) used in testing the hypotheses respectively is shown in tables 4.3 to 4.10 below. Result in table 4.3 explain the parameter estimates for the impact of accounting challenges to "Strongly Agree" responses. The result shows that wrong accounting system (WAS), inadequate cashflow management (ICM) and irrelevant accounting reports (IAR) are more likely to have adverse impact on the SMEs quality of financial reports, while inefficient debtors management (IDM) and inefficient inventory management (IIM) are less likely to have adverse impact on the SMEs quality of financial reports. Table 4.4 below which presents parameter estimates for the impact of non-accounting challenges indicates that lack of infrastructural facilities (LIF), insecurity (INSC) and inadequate power supply (IPS) are more likely to hinder SMEs contributions to the national industrialization, while lack of government support (LGS) and high cost of rent (HCR) are less likely to hinder SMEs contributions to the national industrialization.

Tables 4.5 and 4.6 below presents the magnitude of impact the accounting and non-accounting challenges on the SMEs quality of financial reports and contributions to the national industrialization respectively. Table 4.5 which addresses the hypothesis 2, reveals that wrong accounting system, inadequate cashflow management and irrelevant accounting reports have significant impact on the SMEs quality of financial reports, while inefficient debtors management and inefficient inventory management do not. Also, Table 4.6 which addresses the hypothesis 3 reveals that lack of infrastructural facilities, insecurity and inadequate power supply have significant impact on SMEs contributions to national industrialisation, whereas lack of government support and high cost of rent do not have significant impact on the SMEs contributions to the national industrialization.

Furthermore, table 4.7 presents information on the model fitting. The result shows that when the intercept alone is regressed against the SMEs quality of accounting information, the log likelihood is 129.980 but with no degree of freedom. However, when we include the accounting challenges (regressors), the log likelihood becomes 86.77 while the degree of freedom is 10. In view of the objective two, which seeks to determine whether accounting challenges have significant impact on SMEs quality of financial reports, the result thus reveals that the model is well fitted and the regressors which are the accounting challenges are jointly significant in affecting the SMEs quality of financial reports. This is explained by the p-value = 0.000 < 0.05. Also, for objective three, which aims to ascertain whether non-accounting challenges have significant impact on SMEs contributions to national industrialization, the regressors which are the non-accounting challenges are jointly significant in affecting the SMEs contributions to national industrialization which is evidenced by the p-value = 0.014 < 0.05 as shown in Table 4.8 below.

Moreover, Pseudo R-Square based on three criteria is explained in relation to hypothesis 2 and hypothesis 3 in tables 4.9 and 4.10 respectively. These criteria are the coefficients of determination and the analysis are based on the Nagelkerke. In relation to hypothesis 2, the result in table 4.9 indicates that about 58 percent of the variations in the SMEs quality of financial reports are attributed to the changes in the accounting challenges, while the remaining 42 percent are due to changes in other factors not included in the model. For hypothesis 3, about 46% of the variations in the SMEs contributions to national industrialization are attributed to the changes in the non-accounting challenges as shown in table 4.10 below.

SMEs Quality of Financial Reports[a]	B	Std. Error	Wald	Df	Sig.	Exp(B)	95% Confidence Interval for Exp(B)	
							Lower Bound	Upper Bound
Intercept	-4.373	.835	27.443	1	.000			
WAS	.845	.393	4.616	1	.032	2.327	1.077	5.029
ICM	.598	.326	3.376	1	.066	1.819	.961	3.443
IDM	-1.489	.559	7.096	1	.008	.226	.075	.675
IIM	-.334	.487	.470	1	.493	.716	.276	1.860
IAR	1.335	.354	14.179	1	.000	3.799	1.896	7.610

Table 4.3 Parameter Estimates

SMEs contribution to National Industrialization[a]		B	Std. Error	Wald	df	Sig.	Exp(B)	95% Confidence Interval for Exp(B)	
								Lower Bound	Upper Bound
Agree	Intercept	-1.411	.635	4.933	1	.026			
	LIF	.074	.467	.025	1	.874	1.077	.431	2.687
	LGS	-.052	.324	.025	1	.873	.950	.504	1.791
	INSC	.791	.240	10.878	1	.001	2.206	1.378	3.529
	IPS	1.188	.582	4.170	1	.041	.305	.097	.953
	HCR	-.047	.284	.027	1	.869	.954	.547	1.664

Table 4.4 Parameter Estimates

Impact	Model Fitting Criteria	Likelihood Ratio Tests		
	-2 Log Likelihood of Reduced Model	Chi-Square	Df	Sig.
Intercept	107.660	20.893	2	.000
WAS	97.651	10.884	2	.004
ICM	98.400	11.633	2	.003
IDM	90.141	3.375	2	.185
IIM	90.896	4.129	2	.127
IAR	102.928	16.162	2	.000

Table 4.5 Likelihood Ratio Tests

Impact	Model Fitting Criteria	Likelihood Ratio Tests		
	-2 Log Likelihood of Reduced Model	Chi-Square	df	Sig.
Intercept	107.424	5.904	2	.052
LIF	96.100	12.233	2	.004
LGS	101.925	.405	2	.817
INSC	111.645	10.126	2	.006
IPS	114.052	12.532	2	.002
HCR	102.049	.529	2	.767

Table 4.6 Likelihood Ratio Tests

Model	Model Fitting Criteria	Likelihood Ratio Tests		
	-2 Log Likelihood	Chi-Square	Df	Sig.
Intercept Only	129.980			
Final	86.767	43.213	10	.000

Table 4.7 Model Fitting Information

Model	Model Fitting Criteria	Likelihood Ratio Tests		
	-2 Log Likelihood	Chi-Square	Df	Sig.
Intercept Only	123.660			
Final	101.520	22.140	10	.014

Table 4.8 Model Fitting Information

Cox and Snell	.369
Nagelkerke	.580
McFadden	.448

Table 4.9 Pseudo R-Square

Cox and Snell	.336
Nagelkerke	.463
McFadden	.243

Table 4.10 Pseudo R-Square

5. Discussion and Conclusion

The result of the descriptive statistics carried out on hypothesis 1 shows that there is significant accounting and non-accounting challenges encountered by SMEs in the South-East of Nigeria. The study reveals that 67% of the SMEs pointed out that wrong accounting system, inadequate cashflow management, inefficient debtors management, inefficient inventory management and ineffective accounting reports are accounting challenges they are facing in the South-East of Nigeria, and 89.7% of the SMEs says that lack of infrastructural facilities, lack of government support, insecurity, inadequate power supply, and high cost of rent are non-accounting challenges facing them in the South-East of Nigeria. This implies that SMEs are having challenges both in accounting and non-accounting issues. These research outcomes are in line with the research findings of the studies done by (Maseko and Manyani, 2011) and (Ezeali and Uwadi, 2017). We therefore conclude that these identified challenges are the accounting and non-accounting challenges of SMEs in the South-East of Nigeria.

The result of the Multinomial Logit model (MNL) that was carried out on hypothesis 2 reveals that the model is well fitted and the regressors which are the accounting challenges are jointly significant in affecting the SMEs quality of financial reports. We therefore conclude that accounting challenges have significant negative impact on the SMEs quality of financial reports. This research finding is in line with the research outcome of the studies done by Agwu and Emeti (2014) in which they pointed out that poor accounting reports is a hindrance in determining a accurate business performance and in obtaining any form of loan for the organisation. Also, the result of the Multinomial Logit model (MNL) that was carried out on hypothesis 3 reveals that non-accounting challenges are jointly significant in affecting the SMEs contributions to national industrialization. We therefore conclude that non-accounting challenges have significant hinders the SMEs contributions to the national industrialization. This conclusion is buttressed by the outcome of the studies carried out by (Ezeali and Uwadi, 2017) and (Elebeka, 2012).

6. Limitations and Direction for Future Research

This study was limited to the manufacturing sub-sector of Small and Medium Scale Enterprises (SMEs) in the South-East of Nigeria. The choice of the research group is because of their value added functions and useful contributions to the national industrialization. The researchers recommend that future research should look into areas such as: governance efficiency and SMEs performance in Nigeria; challenges of SMEs and way forward for post-industrialization, and also SMEs and insurance as a means of business sustainability and national development.

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