

DO BETTER RECORDS MEAN BETTER RETURNS: EXAMINING THE IMPACT OF RECORD-KEEPING PRACTICES ON SME PERFORMANCE

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ABSTRACT

This study examines the influence of record-keeping practices on the financial performance of SMEs in Nizwa, Oman, focusing on Accuracy, Completeness, Timeliness, Security and Data Protection, Compliance with Regulatory Standards, Use of Technology, and Auditability. A quantitative descriptive survey was conducted among 173 SMEs using a researcher-developed questionnaire validated through expert review and pilot testing. Data were analyzed using descriptive statistics, reliability analysis, correlation, and multiple regression. The findings indicate that SMEs exhibit strong traditional record-keeping practices, although technology adoption remains limited. Overall, record-keeping practices significantly influence financial performance. Among the dimensions examined, Auditability showed a significant positive effect on Return on Assets (ROA). The study was limited to SMEs in Nizwa and relied on cross-sectional, self-reported data. The findings suggest that strengthening auditability and promoting digital record-keeping can enhance SME performance. This study provides context-specific evidence on record-keeping practices and SME performance in Oman.

Keywords: Record-Keeping Practices, SMEs, Financial Performance, Auditability, Return on Assets, Oman

1. INTRODUCTION

Small and Medium-sized Enterprises (SMEs) constitute the backbone of many global economies, playing a vital role in promoting economic growth, generating employment opportunities, and fostering innovation. In the Sultanate of Oman, SMEs have emerged as dynamic contributors to the national economy, encompassing a diverse range of enterprises—from traditional family-owned businesses to innovative start-ups operating in emerging industries. Owing to their significant economic contribution, SMEs are widely recognized as essential components of both developed and developing economies.

In Oman, SMEs currently contribute approximately 17 percent to the national Gross Domestic Product (GDP), with the government aiming to increase this share to 30 percent by the end of the Tenth Five-Year Development Plan. According to statistics published by the National Centre for Statistics and Information (NCSI), the number of registered SMEs has increased by 46.8 percent in recent years. To further strengthen this sector in alignment with Oman Vision 2040, the Authority for Small and Medium Enterprises Development (ASMED) is actively developing strategic initiatives tailored to the specific needs of SMEs. This strategic direction reflects a clear recognition of the role SMEs play in ensuring long-term economic sustainability and national prosperity.

Despite the rapid expansion of SMEs, the need for effective record-keeping practices remains a critical concern. Business records serve as a fundamental tool for assessing enterprise performance,

financial stability, and growth potential. Moreover, accurate and systematic record keeping enables SMEs to access essential financial resources such as bank loans, government grants, and external funding, thereby supporting business continuity and growth. As the SME sector in Oman continues to expand, fostering a culture of sound record keeping becomes increasingly important. Such practices not only enhance organizational sustainability but also enable SMEs to capitalize on emerging opportunities and strengthen their contribution to the country's economic development.

Against this backdrop, the present study examines the influence of record-keeping practices on the performance of SMEs in Nizwa. Specifically, the study aims to assess the impact of record-keeping practices on SME financial performance, as measured by Return on Assets (ROA).

This study provides empirical evidence on record-keeping practices (RKP) and their impact on the financial performance of small and medium enterprises (SMEs), as measured by Return on Assets (ROA). By establishing these relationships, the study enhances understanding of how behavioral and operational factors jointly influence SME performance. Furthermore, by examining the role of record-keeping practices, the study clarifies the mechanism through which effective record keeping contributes to improved SME financial performance. This insight is valuable for SME owners and managers in designing efficient record-keeping systems that support informed decision-making and enhance profitability.

In addition, the study contributes to academic literature by extending existing research on SME performance through a multidimensional analysis of record-keeping practices (RKP), including Accuracy of Records (AR), Completeness of Records (CR), Timeliness of Record-keeping (TR), Security and Data Protection (SDP), Compliance with Regulatory Standards (CRS), Use of Technology (UT), Auditability (AU). The findings provide a structured framework for future researchers examining the role of behavioral accounting practices in influencing SME financial outcomes.

2. REVIEW OF LITERATURE

2.1 Record-Keeping Practices in Small and Medium Enterprises

Small and Medium Enterprises (SMEs) often commence operations with limited managerial and accounting knowledge, which exposes them to numerous operational challenges. Previous studies have identified poor managerial skills, inadequate administrative capacity, insufficient capital, overreliance on external borrowing, and weak record-keeping practices as major constraints hindering SME growth and sustainability (Brooks, Collings & Gonzales, 1990). Among these challenges, ineffective record keeping has been consistently highlighted as a critical weakness affecting SME operations.

Ademola et al. (2012) emphasized that financial record keeping forms the foundation upon which modern businesses achieve growth and long-term sustainability. Similarly, Dawuda and Azeko (2015) noted that SMEs rely heavily on financial records documenting transactions such as sales, purchases, income, and payments to support decision-making and operational control. However, many SME owners undervalue the importance of maintaining proper financial records, often perceiving record keeping as time-consuming and costly (Amoako, 2013).

Dawuda and Azeko (2015) further observed that limited education and the high cost of employing qualified accounting personnel discourage SMEs from maintaining proper books of accounts. In some cases, businesses deliberately avoid accurate record keeping to evade tax obligations. Mwangi (2011) reported that many SMEs rely on single-entry bookkeeping systems, which result

in incomplete and informal records, often maintained through memory rather than systematic documentation. Such practices limit the ability of SMEs to track financial performance effectively.

Studies on double-entry bookkeeping systems have emphasized their importance in enhancing financial transparency and accountability. Mutisya (2015) found that inadequate bookkeeping knowledge prevents SMEs from accurately determining profits or losses, advocating for training programs and educational initiatives to improve accounting skills. Ademola (2012) and Sangster (2011) highlighted the role of day books, journals, and ledgers in ensuring accurate and chronological recording of financial transactions, which strengthens internal controls and auditability.

Empirical evidence also suggests that SMEs face multiple barriers to effective record keeping, including lack of accounting skills, time constraints, financial limitations, and inadequate technological adoption (Idewe, 2019; Malauri et al., 2021). Recent studies have further indicated that limited technological competence restricts SMEs from adopting modern accounting systems, including cloud-based accounting solutions (Amosah et al., 2023; Tawfik et al., 2022). These findings underscore the importance of education, training, and technological readiness in improving record-keeping practices among SMEs.

2.2 Financial Performance of Small and Medium Enterprises

The financial performance of SMEs is widely recognized as a key determinant of economic development, employment generation, and poverty reduction. Several studies have demonstrated that effective financial management practices, including sound record keeping, significantly influence SME performance and survival (Musah & Muazu, 2014; Collis & Jarvis, 2002; Nooney et al., 2024).

Madurapperuma et al. (2016) found a positive relationship between the preparation of financial statements and SME financial performance, noting that as enterprises grow, the demand for comprehensive financial reporting increases, particularly to meet the information needs of external stakeholders such as lenders and investors. Similarly, Olatunji (2013) and Abdul-Rahamon and Adejare (2014) reported a strong positive correlation between the adoption of proper accounting systems and improved SME performance.

Empirical studies in developing economies have consistently shown that maintaining accurate and consistent accounting records enhances profitability and overall business performance (Akesinro & Adetoso, 2016). Proper record keeping enables SMEs to assess financial health, monitor resource utilization, and support effective business planning (Al-Zakwani & Mondal, 2019; Mwebesa et al., 2018).

However, some studies have reported mixed findings. Mairura (2011), while identifying education and business characteristics as drivers of record-keeping practices, failed to establish a direct correlation between record keeping and SME performance. Despite this, subsequent research has provided substantial evidence linking poor record keeping to unfavorable financial outcomes, including liquidity problems, tax non-compliance, and increased risk of business failure (Evans et al., 2005; Pillay, 2009).

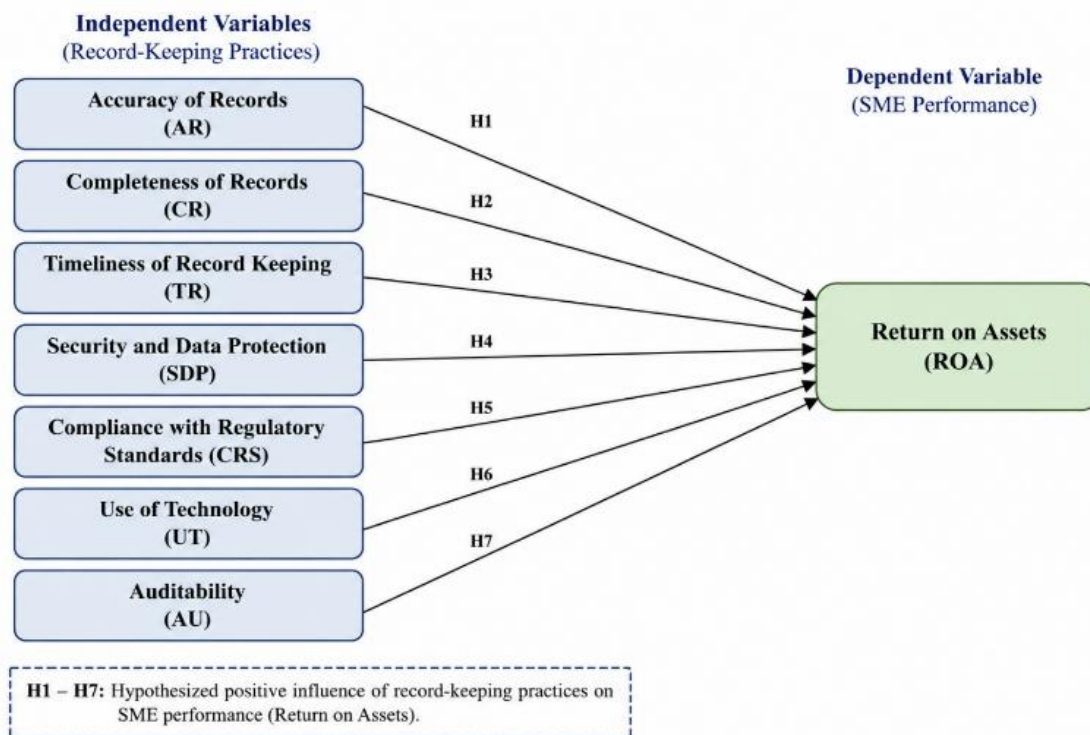
Recent literature also emphasizes the growing role of technology-enabled accounting systems in enhancing financial performance. The adoption of cloud accounting and integrated management accounting systems has been shown to improve information accessibility, decision-making efficiency, and overall organizational performance (Tawfik et al., 2022; Hassan & Maelah, 2023). Moreover, studies recommend that SMEs strengthen their financial performance by adopting sound

record-keeping practices and engaging qualified accounting professionals (Eke et al., 2023). Recent studies have also highlighted the growing importance of digital accounting systems and technology adoption in improving SME financial management and organizational performance. Digital accounting systems enhance the accuracy, timeliness, and transparency of financial information while supporting better managerial decision-making and operational efficiency (Al-Hattami et al., 2025). Likewise, the digitalization of accounting processes has been shown to improve SME performance by strengthening organizational capabilities and facilitating more effective resource utilization. Furthermore, cloud accounting systems and accounting analytics technologies have emerged as important drivers of financial management, enabling SMEs to automate accounting processes, improve financial reporting quality, and support strategic decision-making (Hossain, 2025). More broadly, recent evidence indicates that technology adoption is a key determinant of SME competitiveness and performance, with digital transformation contributing to greater innovation, operational efficiency, and sustainable business growth (Kallmuenzer et al., 2024; Zainodin et al., 2024).

2.3 Research Gap:

Despite the studies from other countries, showing the impact of accounting records keeping practices on SME performance, there are no similar studies in the Sultanate of Oman. There were no studies that have determined the influence of record keeping practices on SME performance. The study was motivated by the fact that this area has not received any attention to literature.

Conceptual Model



Source: Author's Creation

2.4 Hypotheses of the Study

H1: Accuracy of Records (AR) has a positive influence on Return on Assets (ROA).

H2: Completeness of Records (CR) has a positive influence on Return on Assets (ROA).

H3: Timeliness of Record Keeping (TR) has a positive influence on Return on Assets (ROA).

H4: Security and Data Protection (SDP) have a positive influence on Return on Assets (ROA).

H5: Compliance with Regulatory Standards (CRS) has a positive influence on Return on Assets (ROA).

H6: Use of Technology (UT) has a positive influence on Return on Assets (ROA).

H7: Auditability (AU) has a positive influence on Return on Assets (ROA).

3. METHODOLOGY

3.1 Research Design: This study adopted a survey method, which is a fact-finding approach that facilitates systematic data collection and accurate interpretation of findings (Cooper & Schindler, 2003). A descriptive research design was employed to provide an accurate description of the characteristics of individuals, events, and situations relevant to the study (Saunders, Lewis, & Thornhill, 2007). The study followed a quantitative research approach, as quantitative analysis enables the development and testing of statistical models to examine relationships among variables (Anderson et al., 2018). The research focused on examining the influence of record-keeping practices on the financial performance of small and medium enterprises (SMEs) in Nizwa, Sultanate of Oman.

3.2 Sampling Strategy and Data Collection: The target population comprised SMEs operating in Nizwa, Sultanate of Oman. A simple random sampling technique was adopted because the population units were readily accessible to the researcher, ensuring that each SME had an equal chance of being selected. A total of 200 SMEs were selected for participation in the study.

Data were collected using a structured questionnaire administered through Google Forms. The survey link was distributed electronically to the selected respondents. Out of the 200 questionnaires distributed, 173 completed questionnaires were found valid and suitable for analysis, representing an effective response rate of 86.5%. The remaining 27 questionnaires were excluded due to incomplete responses or missing data. Prior to analysis, the data collected were screened to identify and correct errors and missing values.

3.3 Instrument Development and Questionnaire Structure: The questionnaire was developed by the researcher following an extensive review of the literature on record-keeping practices. Independent measurement items were adapted and modified to suit the study context, covering seven dimensions: Accuracy of Records (4 items), Completeness of Records (4 items), Timeliness of Record Keeping (5 items), Security and Data Protection (4 items), Compliance with Regulatory Standards (4 items), Use of Technology (4 items), and Auditability (4 items). The instrument was subjected to expert review to establish content validity and was pilot tested before the main survey. The pilot study confirmed the clarity and reliability of the instrument (Cronbach's alpha values exceeding the recommended threshold of 0.70), and minor revisions were made based on respondents' feedback prior to actual data collection. Responses were measured using a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). The five-point Likert scale was selected because it is one of the most widely used psychometric measurement tools in social science research (Taherdoost, 2019). The dependent variable, SME financial performance, was measured using Return on Assets (ROA) over a five-year period. Before the main data collection process, the questionnaire was pre-tested to ensure its clarity, reliability, and validity.

3.4 Data Analysis Techniques: The collected data were analyzed using the Statistical Package for Social Sciences (SPSS), Version 21. Prior to analysis, the data were screened for completeness and

accuracy. Descriptive statistics were used to summarize the demographic characteristics of respondents and the key study variables. Correlation analysis was conducted to examine the relationship between record-keeping practices and SME performance. Furthermore, multiple regression analysis was employed to assess the effect of the independent variables - accuracy, completeness, timeliness, security and data protection, compliance with regulatory standards, use of technology, and auditability on the dependent variable, Return on Assets (ROA). These statistical techniques enabled the study to test the proposed relationships and draw meaningful conclusions regarding the impact of record-keeping practices on SME performance.

4. DATA ANALYSIS

Table 1: Demographic profile

		Frequency	Percent	Valid Percent	Cumulative Percent
Gender	Male	108	62.4	62.4	62.4
	Female	65	37.6	37.6	100.0
	Total	173	100.0	100.0	
Age	20 – 29 Years	125	72.3	72.3	72.3
	30 – 39 Years	39	22.5	22.5	94.8
	40 – 49 Years	9	5.2	5.2	100.0
	Total	173	100.0	100.0	
Education	Diploma	99	57.2	57.2	57.2
	Bachelors	68	39.3	39.3	96.5
	Masters	6	3.5	3.5	100.0
	Total	173	100.0	100.0	
Business Type	Trade	141	81.5	81.5	81.5
	Services	27	15.6	15.6	97.1
	Manufacturing	5	2.9	2.9	100.0
	Total	173	100.0	100.0	
Knowledge of Record Keeping	Yes	108	62.4	62.4	62.4
	No	65	37.6	37.6	100.0
	Total	173	100.0	100.0	
Accounting Software	Quick books	71	41.0	41.0	41.0
	Tally	68	39.3	39.3	80.3
	Pastel	34	19.7	19.7	100.0
	Total	173	100.0	100.0	

A total of 173 respondents participated in the survey, of whom 108 were male (62.4%) and 65 were female (37.6%). With respect to age distribution, 125 respondents (72.3%) were aged between 20 and 29 years, 39 respondents (22.5%) fell within the 30–39 age group, and 9 respondents (5.2%) were between 40 and 49 years of age.

Regarding educational qualifications, most respondents held diploma-level qualifications (57.2%), followed by those with bachelor's degrees (39.3%), while only a small proportion (3.5%) possessed master's degrees. Analysis of business type revealed that 81.5% of the respondents were engaged in trading activities, 15.6% operated in the service sector, and 2.9% were involved in manufacturing.

In terms of record-keeping knowledge, 62.4% of the respondents reported having knowledge of record keeping, whereas 37.6% indicated limited or no proficiency in this area. Furthermore, the

findings show that 41% of the respondents used QuickBooks for record keeping, 39.3% relied on Tally, and 19.7% used Pastel accounting software.

Table 2: Study Variables

Variables	N	Minimum	Maximum	Mean	Std. Deviation
AR	173	1.75	5.00	3.9249	.69267
CR	173	1.00	5.00	3.9350	.84420
TR	173	1.00	5.00	4.0786	.81459
SDP	173	1.00	5.00	3.9393	.88466
CRS	173	1.00	5.00	4.0954	.85607
UT	173	1.00	5.00	2.6040	.87355
AU	173	1.00	5.00	3.5708	1.04010
ROA	173	.03	5.00	.6839	.72716
Valid N (listwise)	173				

Table 2 presents the descriptive statistics of the study variables based on responses from 173 SMEs. The results indicate that all record-keeping practice dimensions Accuracy of Records (AR), Completeness of Records (CR), Timeliness of Record Keeping (TR), Security and Data Protection (SDP), Compliance with Regulatory Standards (CRS), Use of Technology (UT), and Auditability (AU) were measured using a five-point Likert scale.

Among the record-keeping dimensions, Compliance with Regulatory Standards (CRS) recorded the highest mean value (Mean = 4.0954, SD = 0.85607), followed closely by Timeliness of Record Keeping (TR) (Mean = 4.0786, SD = 0.81459). This indicates that most SMEs demonstrate strong adherence to regulatory requirements and maintain timely records. Accuracy of Records (AR) and Completeness of Records (CR) also exhibited relatively high mean values of 3.9249 and 3.9350, respectively, suggesting satisfactory record accuracy and completeness among the sampled SMEs.

Similarly, Security and Data Protection (SDP) showed a high mean score (Mean = 3.9393, SD = 0.88466), indicating that SMEs place considerable importance on safeguarding business records. Auditability (AU) recorded a moderate mean value (Mean = 3.5708, SD = 1.04010), reflecting some variability in the extent to which SMEs maintain records that facilitate auditing and verification.

In contrast, Use of Technology (UT) reported the lowest mean score (Mean = 2.6040, SD = 0.87355), suggesting limited adoption of technological tools for record keeping among SMEs. This finding highlights a potential area for improvement, particularly in the context of digital transformation and automation of accounting processes.

With respect to financial performance, Return on Assets (ROA) recorded a mean value of 0.6839 (SD = 0.72716), indicating moderate performance levels across the sampled SMEs. The variability observed in ROA suggests differences in how effectively SMEs utilize their assets to generate profits.

Overall, the descriptive statistics reveal that while SMEs in the study demonstrate relatively strong traditional record-keeping practices, the adoption of technology in record keeping remains comparatively low. These findings provide a foundation for further inferential analysis to examine the impact of record-keeping practices on SME financial performance.

Table 3: Output Interpretation- Reliability

Variables	Number of Items	Cronbach Alpha
AR	4	0.612
CR	4	0.854
TR	5	0.873
SDP	4	0.899
CRS	4	0.890
UT	4	0.603
AU	4	0.791
ROA	5	0.993

Table 3 presents the results of the reliability analysis for the study constructs using Cronbach's alpha coefficients. Reliability analysis assesses the internal consistency of the measurement items used to represent each construct.

The findings indicate that most constructs exhibit acceptable to excellent internal consistency, with Cronbach's alpha values exceeding the commonly accepted threshold of 0.70. Specifically, Completeness of Records (CR) ($\alpha = 0.854$), Timeliness of Record Keeping (TR) ($\alpha = 0.873$), Security and Data Protection (SDP) ($\alpha = 0.899$), Compliance with Regulatory Standards (CRS) ($\alpha = 0.890$), and Auditability (AU) ($\alpha = 0.791$) demonstrate strong reliability, indicating that the items within each construct are consistent in measuring the intended concept.

Return on Assets (ROA) recorded an exceptionally high Cronbach's alpha value ($\alpha = 0.993$), suggesting excellent internal consistency among the performance measurement items. This indicates a high degree of reliability in capturing SME financial performance.

The constructs Accuracy of Records (AR) ($\alpha = 0.612$) and Use of Technology (UT) ($\alpha = 0.603$) exhibit slightly lower reliability values. However, these values remain acceptable for exploratory research, particularly in social science studies where Cronbach's alpha values above 0.60 are considered permissible. A Cronbach's alpha score exceeding 0.6 is indicative of the item's reliability (Hajjar, S. T. 2018, Cronbach, L. J. 1951, George and Mallery 2003).

Overall, the reliability results confirm that the measurement scales used in the study are sufficiently reliable for subsequent statistical analyses, including correlation and regression analysis.

Table 4: Pearson Correlation Matrix of Record-Keeping Practices and SME Performance

		AR	CR	TR	SDP	CRS	UT	AU	ROA
AR	Pearson Correlation	1	.612**	.747**	.746**	.621**	.100	.242**	.032
	Sig. (2-tailed)		.000	.000	.000	.000	.190	.001	.673
	N	173	173	173	173	173	173	173	173
CR	Pearson Correlation	.612**	1	.756**	.802**	.818**	.201**	.322**	.064
	Sig. (2-tailed)	.000		.000	.000	.000	.008	.000	.400
	N	173	173	173	173	173	173	173	173
TR	Pearson Correlation	.747**	.756**	1	.876**	.773**	.104	.408**	.017
	Sig. (2-tailed)	.000	.000		.000	.000	.171	.000	.823
	N	173	173	173	173	173	173	173	173
SDP	Pearson Correlation	.746**	.802**	.876**	1	.784**	.091	.365**	.075
	Sig. (2-tailed)	.000	.000	.000		.000	.234	.000	.329

	N	173	173	173	173	173	173	173	173
CRS	Pearson Correlation	.621**	.818**	.773**	.784**	1	.040	.350**	-.033
	Sig. (2-tailed)	.000	.000	.000	.000		.605	.000	.670
	N	173	173	173	173	173	173	173	173
UT	Pearson Correlation	.100	.201**	.104	.091	.040	1	.202**	-.045
	Sig. (2-tailed)	.190	.008	.171	.234	.605		.008	.560
	N	173	173	173	173	173	173	173	173
AU	Pearson Correlation	.242**	.322**	.408**	.365**	.350**	.202**	1	.161*
	Sig. (2-tailed)	.001	.000	.000	.000	.000	.008		.035
	N	173	173	173	173	173	173	173	173
ROA	Pearson Correlation	.032	.064	.017	.075	-.033	-.045	.161*	1
	Sig. (2-tailed)	.673	.400	.823	.329	.670	.560	.035	
	N	173	173	173	173	173	173	173	173
**. Correlation is significant at the 0.01 level (2-tailed).									
*. Correlation is significant at the 0.05 level (2-tailed).									

Table 4 presents the Pearson correlation coefficients among the dimensions of record-keeping practices. The results reveal strong and statistically significant positive correlations among most dimensions of record-keeping practices. Accuracy of Records (AR) is significantly and positively correlated with Completeness of Records (CR) ($r = 0.612$, $p < 0.01$), Timeliness of Record Keeping (TR) ($r = 0.747$, $p < 0.01$), Security and Data Protection (SDP) ($r = 0.746$, $p < 0.01$), and Compliance with Regulatory Standards (CRS) ($r = 0.621$, $p < 0.01$). These findings indicate a high degree of interrelation among core record-keeping practices.

Similarly, Completeness of Records (CR) demonstrates strong positive correlations with Timeliness (TR) ($r = 0.756$, $p < 0.01$), Security and Data Protection (SDP) ($r = 0.802$, $p < 0.01$), and Compliance with Regulatory Standards (CRS) ($r = 0.818$, $p < 0.01$). Timeliness of Record Keeping (TR) is also strongly associated with Security and Data Protection (SDP) ($r = 0.876$, $p < 0.01$), suggesting that timely record maintenance is closely linked to secure record-keeping systems.

In contrast, Use of Technology (UT) exhibits weak and largely insignificant correlations with most record-keeping dimensions, except for a small but significant association with Completeness of Records (CR) ($r = 0.201$, $p < 0.01$) and Auditability (AU) ($r = 0.202$, $p < 0.01$). This indicates limited integration of technological tools within existing record-keeping practices among the sampled SMEs.

With respect to SME performance, Return on Assets (ROA) shows a weak but statistically significant positive correlation only with Auditability (AU) ($r = 0.161$, $p < 0.05$). All other record-keeping dimensions display positive but statistically insignificant relationships with ROA. This suggests that while several record-keeping practices are interrelated, auditability appears to have a more direct association with financial performance at the bivariate level.

Overall, the correlation results indicate strong interconnections among record-keeping practice dimensions, while their direct associations with SME financial performance are generally weak at the correlation level. These findings justify the use of multivariate analysis, such as regression analysis, to further examine the influence of record-keeping practices on SME performance.

Table 5: Model Summary of Multiple Regression Analysis for SME Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin - Watson
					R Square Change	F Change	df 1	df 2	Sig. F Change	
1	.295 _a	.087	.048	.70946	.087	2.241	7	165	.033	1.591
a. Predictors: (Constant), AU, UT, AR, CR, CRS, TR, SDP										
b. Dependent Variable: ROA										

Table 5 presents the model summary of the multiple regression analysis conducted to examine the influence of record-keeping practice dimensions on SME financial performance. The results show a multiple correlation coefficient (R) of 0.295, indicating a modest positive relationship between independent variables and SME performance. The coefficient of determination (R^2) is 0.087, suggesting that the combined record-keeping practice variables explain approximately 8.7% of the variation in return on assets (ROA). After adjusting for the number of predictors included in the model, the Adjusted R^2 decreases to 0.048, indicating that only 4.8% of the variance in SME financial performance is explained by the model.

The relatively low Adjusted R^2 indicates that, although the model is statistically significant, its explanatory power is limited. This suggests that record-keeping practices alone account for only a small proportion of the variation in SME financial performance. Financial performance is a multifaceted outcome that is influenced by numerous internal and external factors beyond record-keeping practices. Such factors may include managerial competence, firm size, access to finance, market competition, innovation capability, business age, macroeconomic conditions, government policies, and industry-specific characteristics. Consequently, a substantial proportion of the variation in ROA remains unexplained by the variables included in this study.

Despite the relatively low explanatory power, the model's overall significance is supported by the F-change statistic ($F = 2.241$, $p = 0.033$), which is statistically significant at the 5% level. This indicates that the set of record-keeping practice variables, when considered collectively, contributes significantly to explaining variations in SME financial performance, even though the magnitude of their contribution is modest.

The standard error of the estimate is 0.70946, reflecting the average deviation of the observed ROA values from the predicted values. Furthermore, the Durbin–Watson statistic of 1.591 suggests that there are no serious autocorrelation issues in the residuals, as the value falls within the generally accepted range of 1.5 to 2.5.

Overall, the findings suggest that record-keeping practices have a statistically significant but limited influence on SME financial performance. The low Adjusted R^2 highlights that SME financial performance is determined by a broad range of factors beyond record-keeping practices. Therefore, future research should incorporate additional organizational, financial, managerial, and environmental variables to develop models with greater explanatory power and provide a more comprehensive understanding of the determinants of SME financial performance.

Table 6: ANOVA Results of Multiple Regression Analysis for SME Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.897	7	1.128	2.241	.033 ^b
	Residual	83.049	165	.503		
	Total	90.947	172			
a. Dependent Variable: ROA						
b. Predictors: (Constant), AU, UT, AR, CR, CRS, TR, SDP						

Table 6 presents the results of the Analysis of Variance (ANOVA) for the multiple regression model examining the effect of record-keeping practice dimensions. The ANOVA results indicate that the regression model is statistically significant. The regression sum of squares is 7.897 with 7 degrees of freedom, while the residual sum of squares is 83.049 with 165 degrees of freedom. The computed F-statistic is 2.241, with a corresponding significance value ($p = 0.033$), which is below the 0.05 significance level.

This result suggests that the independent variables, when considered collectively, significantly explain variations in SME financial performance. In other words, the overall regression model provides a better fit to the data than a model with no predictors.

Overall, the ANOVA findings confirm the adequacy of the regression model and support further interpretation of the individual regression coefficients to assess the specific impact of each record-keeping practice dimension on SME performance.

Table 7: Regression Coefficients for the Effect of Record-Keeping Practices on SME Performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.641	.364		1.764	.080		
	AR	.042	.124	.040	.340	.734	.399	2.508
	CR	.233	.131	.271	1.786	.076	.241	4.153
	TR	-.196	.153	-.219	-1.278	.203	.188	5.311
	SDP	.199	.149	.242	1.339	.182	.169	5.919
	CRS	-.316	.125	-.372	-2.535	.012	.257	3.898
	UT	-.110	.066	-.132	-1.658	.099	.870	1.149
	AU	.155	.059	.222	2.648	.009	.787	1.270
a. Dependent Variable: ROA								

Table 7 presents the results of the multiple regression analysis examining the effect of record-keeping practice dimensions on SME financial performance. The results indicate that Auditability (AU) has a positive and statistically significant effect on SME performance ($\beta = 0.222$, $t = 2.648$, $p = 0.009$). This finding suggests that SMEs with stronger auditability practices are more likely to achieve improved financial performance, possibly because well-documented and verifiable financial records enhance transparency, strengthen internal controls, facilitate access to finance, and support informed managerial decision-making.

Compliance with Regulatory Standards (CRS) exhibits a negative and statistically significant relationship with return on assets (ROA) ($\beta = -0.372$, $t = -2.535$, $p = 0.012$). This finding suggests that, within the sampled SMEs, higher levels of compliance with regulatory requirements are associated with lower financial performance. A plausible explanation is that regulatory compliance

often requires SMEs to incur substantial direct and indirect costs, including expenditures on accounting systems, professional services, staff training, documentation, reporting, audits, and regulatory monitoring. Since SMEs generally operate with limited financial and human resources, these compliance-related obligations may divert resources away from productive investments and core business operations, thereby reducing profitability in the short term. It is also possible that firms facing greater regulatory obligations allocate more time and financial resources to meet compliance requirements than to business expansion and innovation.

This finding is consistent with previous studies that have reported that regulatory compliance can impose financial and administrative burdens on SMEs, particularly where compliance costs are disproportionately high relative to firm size (Lewis, 2015; Sommers & Cole, 1981). These studies argue that although compliance promotes transparency, accountability, and long-term business sustainability, the immediate costs associated with meeting regulatory requirements may negatively affect short-term financial performance. However, the result contrasts with studies such as (Lewis, 2015), which found that compliance with regulatory standards enhances organizational credibility, improves stakeholder confidence, and contributes positively to financial performance by strengthening governance and reducing operational risk. The difference in findings may be attributed to variations in regulatory environments, institutional support, firm characteristics, industry sectors, and the level of resources available to SMEs across different countries and contexts.

The remaining variables, Accuracy of Records (AR), Completeness of Records (CR), Timeliness of Record Keeping (TR), Security and Data Protection (SDP), and Use of Technology (UT) do not exhibit statistically significant effects on SME performance at the 5% significance level. Although several variables display positive or negative regression coefficients, their corresponding p-values exceed the 0.05 threshold, indicating that their individual contributions to explaining variations in ROA are not statistically significant in this model.

With respect to multicollinearity diagnostics, the tolerance values range from 0.169 to 0.870, while the Variance Inflation Factor (VIF) values range from 1.149 to 5.919. Although the VIF values for Timeliness of Record Keeping (TR = 5.311) and Security and Data Protection (SDP = 5.919) are relatively high, they remain below the commonly accepted critical threshold of 10 (Hair et al., 2010), indicating that severe multicollinearity is unlikely to be present. Nevertheless, VIF values exceeding 5 may indicate moderate multicollinearity (James et al., 2021), suggesting that some of the record-keeping practice dimensions are moderately correlated. This is not unexpected, as effective record-keeping practices often coexist and reinforce one another within SMEs. Moderate multicollinearity can inflate the standard errors of the affected regression coefficients, making it more difficult to detect statistically significant individual effects, even when the variables collectively contribute to explaining the dependent variable. Despite this, the regression coefficients remain interpretable, and the absence of VIF values exceeding 10 and tolerance values below 0.10 indicates that multicollinearity is not sufficiently severe to compromise the validity of the regression model. Therefore, while the results should be interpreted with some caution, multicollinearity does not appear to materially affect the study's conclusions.

Overall, the findings suggest that while record-keeping practices collectively influence SME financial performance, auditability is the only significant positive predictor, whereas compliance with regulatory standards demonstrates a significant negative association with ROA. These results imply that although regulatory compliance is essential for legal accountability and good governance, SMEs should be supported through simplified regulatory procedures, digital

compliance tools, and capacity-building initiatives that reduce compliance costs while enabling them to maintain strong financial performance.

Table 8: Hypothesis Result of H1

S. No	Hypothesis	p-value	Result
H1	Accuracy of Records (AR) has a positive influence on Return on Assets (ROA).	.734	Insignificant
H2	Completeness of Records (CR) has a positive influence on Return on Assets (ROA).	.076	Insignificant
H3	Timeliness of Record Keeping (TR) has a positive influence on Return on Assets (ROA).	.203	Insignificant
H4	Security and Data Protection (SDP) have a positive influence on Return on Assets (ROA).	.182	Insignificant
H5	Compliance with Regulatory Standards (CRS) has a positive influence on Return on Assets (ROA).	.012*	Significant
H6	Use of Technology (UT) has a positive influence on Return on Assets (ROA).	.099	Insignificant
H7	Auditability (AU) has a positive influence on Return on Assets (ROA).	.009**	Significant

*P < 0.05, **P < 0.01

5. CONCLUSION

The present study examined the influence of record-keeping practices on the financial performance of small and medium enterprises (SMEs) in Nizwa, Sultanate of Oman, with financial performance measured using Return on Assets (ROA). The findings reveal that SMEs in the study generally demonstrate strong traditional record-keeping practices, particularly in terms of compliance with regulatory standards, timeliness of record keeping, accuracy, completeness, and security of records. However, the adoption of technology in record keeping remains relatively low, indicating a gap in digital integration among SMEs.

Reliability analysis confirmed that the measurement instruments used in the study were internally consistent and suitable for further statistical analysis. Correlation analysis showed strong interrelationships among most record-keeping dimensions, suggesting that record-keeping practices tend to operate as a cohesive system rather than as isolated activities. However, at the bivariate level, only auditability exhibited a significant positive relationship with SME financial performance.

The regression results indicate that record-keeping practices collectively have a statistically significant effect on SME performance, although their overall explanatory power is modest. Among the individual dimensions, auditability emerged as a significant positive predictor of ROA, highlighting the importance of maintaining records that support verification, transparency, and accountability. Conversely, compliance with regulatory standards was found to have a significant negative effect on financial performance, suggesting that regulatory compliance may impose financial or administrative burdens on SMEs. Other dimensions, including accuracy, completeness, timeliness, security, and use of technology, did not show a statistically significant direct effect on ROA.

Overall, the study concludes that while sound record-keeping practices are essential for SME operations, only specific aspects, particularly auditability, translate directly into improved financial

performance. The findings emphasize the need for SMEs to balance compliance requirements with efficient and performance-oriented record-keeping systems.

6. RECOMMENDATIONS

Based on the findings of the study, it is recommended that SMEs place greater emphasis on improving auditability by maintaining systematic, well-documented, and verifiable records, as this can enhance financial transparency, support informed decision-making, and improve access to external financing. Policymakers and regulatory authorities should consider simplifying compliance procedures and reducing administrative burdens to minimize the negative impact of regulatory requirements on SME financial performance. Although the use of technology did not show a significant impact in the current model, the limited adoption of accounting software among SMEs highlights the need for targeted training and awareness programs to promote digital record-keeping practices. Furthermore, government agencies and SME development institutions should implement regular capacity-building initiatives focused on record-keeping practices, financial management, and audit readiness, particularly for younger and less-educated SME owners. Additionally, SMEs should be encouraged to seek advisory support from accounting professionals or consultants to enhance the quality of their record-keeping systems and ensure alignment with regulatory standards and organizational performance objectives.

7. LIMITATIONS OF THE STUDY

Despite its contributions, the study is subject to certain limitations that should be acknowledged. First, the research was confined to small and medium enterprises operating in Nizwa, which may limit the generalizability of the findings to other regions of the Sultanate of Oman or to different national contexts. Second, the study adopted a cross-sectional research design, with data collected at a single point in time, thereby restricting the ability to establish causal relationships between record-keeping practices and financial performance. Third, the use of self-administered questionnaires may introduce response bias or inaccuracies, as the data relies on the respondents' perceptions and self-reporting. Finally, the regression model explains a relatively modest proportion of the variance in SME financial performance, suggesting that additional factors not examined in the study may also play a significant role in influencing Return on Assets (ROA).

8. SCOPE FOR FUTURE RESEARCH

Future research can extend the findings of this study in several meaningful ways. Expanding the geographical scope to include SMEs from multiple regions or across the entire Sultanate of Oman would enhance the generalizability of the results. Longitudinal research designs could be employed to examine changes in record-keeping practices over time and to better assess their long-term impact on SME financial performance. Additionally, future studies may incorporate other key determinants of SME performance, such as access to finance, managerial competence, innovation, market conditions, and entrepreneurial orientation, to improve the explanatory power of the model. Given the relatively low adoption of technology identified in this study, further research could specifically focus on the role of digital accounting systems and cloud-based solutions in improving SME performance. Moreover, adopting a mixed-methods approach by integrating qualitative techniques, such as interviews or case studies, with quantitative analysis could provide deeper insights into the challenges and contextual factors influencing effective record-keeping practices among SMEs.

Declaration regarding AI Usage: AI was used for checking the logical flow and for grammar and language errors.

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