

CHRISTIAN SERVICE UNIVERSITY COLLEGE – KUMASI

DEPARTMENT OF BUSINESS STUDIES

BACHELOR OF BUSINESS ADMINISTRATION

THE ROLE OF BOOKKEEPING IN THE INFORMAL SECTOR IN NATIONAL
DEVELOPMENT: A CASE OF THE KUMASI CENTRAL MARKET, GHANA

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DECLARATION

We have read the Christian Service University College's regulations relating to plagiarism and hereby declare that this dissertation is all our work and do not contain any unacknowledged work from any other source. We also declare that we have been under supervision for this dissertation herein submitted.

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ABSTRACT

The sector of the economy has been classified as formal and informal. The informal sector economy play very important role in the economic development in this country.

Bookkeeping has been the back bone of every successful business. In most cases, businesses that do not keep record of their transactions do not survive. This means that bookkeeping is very instrumental in the work of the informal sector economy but it is the reverse case in the informal sector economy as many people keep single or no one at all. Bookkeeping has been relegated under this sector and many businesses do not survive. Proper bookkeeping improve organizational financial position as well as budgeting for future.

The main objective of this study was to determine the level of bookkeeping under the informal sector, with emphasis on the Kumasi Central Market, in relation to national development.

Population may vary in size, some small and others large. Most often to involve every member of the population in the study would be very expensive, time consuming and probably would require services of many research assistants. In view of this problem raised above, out of the population, 75 respondents were selected and questionnaire was distributed to them. The type of data collection that has been used in this work is questionnaire that was delivered by hand to each respondent and collected. The nature of the study and the academic level of the respondents made us use the structured interview known as the questionnaire.

The study has revealed that the level of recording is very low under the sector and this has negative effects on their daily operations and sometimes collapse many businesses in the sector as evidenced in the authors' field survey.

The study further reviewed the social background which includes the respondents' age, male/female ratio, sources of the respondents' capital, and the level of their educational background. The study established that major source of the capital under the sector is their personal savings, the level of education is low, the sector has very youthful age and many women have been engaged in the sector. All this issues have been evidenced in the authors' field survey.

Apart from the level of bookkeeping under the sector, the study uncovered certain problems faced by the people under the sector. Major among these is the lack of control over cash.

In conclusion, we strongly recommend that there should be an intense education for the people under the informal sector economy on the importance of bookkeeping in the day to day operations of their businesses.

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CHAPTER ONE

INTRODUCTION

1.1: Background

The informal sector employs the largest population in the employment sector in Ghana. They cut across all the sectors in the economy and they include manufacturers, hairdressers, mechanics, farmers, wholesalers, carpenters etc. When much attention is giving to them they can help the country from slow growth rate and rapid development can be achieved within a short period of time.

The origin of the informal sector in Ghana's economy can be traced back to the very beginnings of colonial capitalism in the then Gold Coast. Right from the outset, a dualistic economy with two distinct sub-economies emerged alongside each other. The key features of the colonial economy included primary commodity production for export, investments in mining, transportation and related services, infrastructure and public works, and social development.

On the one hand, a small formal sector covered essentially capital investment in mining, transportation, infrastructure, commerce, social services and administration with wage employment characterizing the existence and operations of labour therein. On the other hand, the promotion of primary commodities production for export and the import of consumer goods for domestic trade gave rise to large contingents of the labour force in both agriculture and petty trading who were either self-employed or hired under traditional or informal arrangements.

Even at such an early stage an essential feature of labour in the informal sector was its heterogeneous character that provided for varieties of peasant proprietors and agricultural labourers, distribution agents, buyers, transport owners and employees, porters, repairers, etc. (Ninsin, 1991).

The informal sector has received increasing attention in the development discourse of Ghana since the middle of the 1980s and the beginning of the 1990s. It has, in effect, been the target of some policy initiatives and activities by certain governmental and non-governmental institutions and organisations, including the trade unions. The attention to the sector at the

intellectual and policy levels has arisen out of the realisation that the sector has not only persisted from the making of Ghana as a new nation state, but has also been dramatically expanding.

One of the overriding consequences of structural adjustment in Ghana since the mid-1980s has been the shrinking formal sector and the expansion of the informal sector. This has arisen particularly as a result of public sector reform that had massive retrenchment of labour as an important component.

While labour retrenchment was pervasive in the public sector as a whole, it is interesting to note that there was a decline in formal private sector employment as well.

The table below demonstrates trends in formal sector employment between 1960 and 1991.

According to Table 1.1 below, total formal sector employment fell from 464,000 in 1985 to 186,000 in 1991, demonstrating a loss of 278,000 jobs over a six-year period. Apart from the relatively few persons who opted for voluntary retirement or redeployment, the majority of those who were retrenched included young workers, labourers, cleaners, drivers, sweepers, messengers and workers in the lower grades of the public sector. Part of the reason for the composition of those who were retrenched was the application of the principle of "last in first out".

Among them were also many women workers because of their particularly low skills. Although women accounted for only 23.5 percent of the total formal sector employment, 31.7 per cent of those who lost their jobs in 1987 were women (ILO/JASPA Jobs and Skills Program for Africa).

Table 1.1: Trends in formal sector employment, 1960 to 1991 (thousands)

Year	Public sector formal employment	Private sector formal employment	Total formal sector employment
1960	184	149	333
1965	278	118	396
1970	288	110	398
1975	318	137	455
1980	291	46	337
1985	397	67	464
1986	347	66	414
1987	315	79	394
1988	252	55	307
1989	177	38	215
1990	189	40	229
1991	156	31	186

Source: See Gockel, 1998, p.18.

While formal sector employment was falling fast, the economically active population was estimated to be increasing as well. One hundred thousand persons were estimated to be graduating annually from the educational institutions within the same period and entering the labour market. Of Ghana's labour force, 16.1 per cent is currently estimated to be in waged employment, with the remaining being in self-employment, including the informal sector.

Meanwhile, the size of Ghana's informal sector is placed at 80 percent of the total labour force (Hormeku, 1998). The large-scale retrenchment of labour, coupled with the inability to provide employment for the emerging labour force has created a large pool of unemployed persons who have naturally gravitated towards the informal sector.

Book-keeping is the act of documenting an activity by creating, collecting, or receiving records and ensuring that they are available, understandable and usable by us and other stakeholders especially income tax officials.

Though efforts have been made by most NGO's, Government, in organizing training facilities for these traders in the informal sector to realize the benefits in keeping records of their trading activities, all have always been in vain. Most professional traders and those who consistently make money from trading, keep diligent records of their trading activities. The same cannot be said for the masses that consistently lose at trading. Few of these informal sector people are able to keep record of their trading activities but majority are not because of illiteracy and other social factors.

Book-keeping is vital in the operation of a business or for betterment of that particular business's progress. It is a practice of keeping records of financial transactions and analyzing them if required. It may be done manually or with the aid of computer program. It is the record of the transactions made for each day and been recorded in its proper book of account. Looking at this scenario, if you sell goods by cash, you must have a cash account and sales account. The transactions must be recorded in the cash and sales account. The transactions should not be recorded in the machinery account and purchases account. Hence there should be double entry system which is the back bone of accounting. It is based on the principle of duality. This means that all events of economic importance must have two aspects to the effect, reward, sacrifice and benefit services and uses that to offset or balance each other. Each transaction must be recorded twice, meaning it must have a debit and credit entry.

1.2: Statement of the Problems

There is little or no existence of book-keeping in the informal sector and is usually considered as one of the main impediments for smooth running of many small businesses and sometimes collapses some businesses. Good business practices include and require good book-keeping, good fiscal management and planning the future of the business.

Some of these good business practices can be contracted out to experts and therefore success in these areas would require that one has some appreciable level of literacy and numeracy.

In Ghana however, many of those engaged by the informal sector economy are either illiterates or those who dropped out of school. These coupled with the high illiteracy rate

especially among farmers and small scale operators make the preparation of simple record on receipts, sales and cost generally a herculean task for many in the informal sector economy. It follows logically that recording is almost invariably relegated to the background in the informal sector economy.

1.3: Objectives of the Study

The main objective of this study is to determine the level of bookkeeping by the people under the informal sector specifically in Kumasi Central Market in relation to national development.

The specific objectives of the study include the following:

- To assess the operations of people under the informal sector as to how they keep their books.
- To identify problems associated with bookkeeping in the informal sector.
- To determine the importance of proper bookkeeping.
- To make the necessary recommendations if any.

1.4: Research Questions

Many questions can be posed to this problem in the informal;

- How do people in the informal sector keep their books?
- What are the problems encountered by people in the informal sector in relation to bookkeeping?
- What is the importance of proper bookkeeping?

1.5: Significance of the study

This study intends to be of importance to the various stakeholders who will fall on it for the acquisition of knowledge concerning bookkeeping. These stakeholders include tertiary students, the petty traders and the government.

In terms of the tertiary students, the study will help them in times when they are to undertake similar study and will like to fall on it for an insight into the study that they will want to embark on.

The recommendations that will be suggested out of the findings and analysis of the study will help the petty traders in their day to day business activities.

This study will help the government to be abreast with the problems that people under the informal sector economy face and eventually come out with strategies to improve the sector which will in the long run help improve the revenue that the government get from the sector for the development of the nation.

1.6: Scope of the Study

The study would be carried out in such a way that it will cover the petty traders in the Kumasi Central Market. Some of them are into selling clothing, foodstuffs, sandals, mobile phones, provisions, utensils amongst others.

In the informal sector economy this study will seek to

- Know total sales and purchases for a day by the petty trader
- Budget their activities
- Know their source of financial assistance and other credit facilities available to them and
- Know how they take stock.

1.7: Limitations of the Study

In every study that one wants to go into either at the highest level or at the lowest level, there are certain challenges that will be faced at the different stages that will ensure the success of that study and this study is not an exception.

Insufficient information; the poor bookkeeping in this sector makes it difficult to gather sufficient information from them. This is because all their past records might be thrown away and difficult to retrieve them back.

The second constraint is to do with suspicion. The people in the sector normally do not want to give out their information for fear of taxes and other factors.

Data collection: Data collection is very difficult in the sector because the people might not have an idea as to how valuable the study is.

Time constraint would also be a major limitation to this study because most people in the sector are not time conscious. Time about the group conducting the study itself is also limited.

However, the researchers believe that in spite of the constraints, maximum effort would be made to bring this work to the required standard.

1.8: Organization of the Study

In all, the study is divided into five chapters as follows:

Chapter one is the introduction which consist of background issues, research questions, research objectives, significance of the study, scope of the study limitation of the study and its organization.

Chapter two is the relevant literature reviewed.

Chapter three is the research methodology which comprises detailed information such as research design, sources of data both primary and secondary, data collection techniques, sample size etc.

Chapter four deal with data, analysis and discussion.

The final chapter consists of summary findings, conclusion and recommendation.

CHAPTER TWO

LITERATURE REVIEW

2.1.1 Introduction

The history of accounting and bookkeeping indicates the evolutionary pattern which reflects changing socio-economic conditions and the enlarged purpose to which accounting is applied. In the present context, four phases in the evolution of accounting have been distinguished (P.S.R. Prasad, S.K. Dutta et al 2005). The phases are summarized as follows:

Stewardship Accounting: In earlier times in history, wealthy people employed stewards to manage their property. These stewards rendered an account of their stewardship to their owners periodically. This notion lies at the root financial reporting even today which essentially involves the orderly recording of business transactions commonly known as “bookkeeping” (P.S.R. Prasad 2005). Indeed the accounting concepts and procedures in use today for systematic recording of business transactions have their origin in the practice employed by merchants in Italy during the 15th century. The Italians method which specifically began to be known as double entry bookkeeping was adopted by the other Europeans during the 19th century (P.S.R. Prasad 2005)

Financial Accounting: It dates back from the development of large-scale business and the advent of Joint Stock Company. This form of business organization permits a limit to the liability of their members to the nominal value of shares (P.S.R. Prasad 2005). As a matter of fact, the law governing the operations of a company in any country gives a legal form to the doctrine of stewardship which requires that information should be disclosed to the shareholders in the form of annual financial statements. The financial statements show a statement of profit or loss made during the year of the report and also indicates the assets held by the firm and the monetary claims against the firm.

The importance attached to financial and bookkeeping in general can be traced back to the need of the society to mobilize the savings and channel them into profitable investments. Investors, whether they are large or small, must be provided with reliable and sufficient information in order to make efficient investment. This is the most significant social purpose of bookkeeping and financial accounting in general.

Cost Accounting: The increasing awareness on the part of entrepreneurs and industrial managers for using scientific principles of management movement led to the development of cost accounting. Cost accounting is concerned with the application of cost principles, methods and techniques for ascertaining costs with the view to controlling them and assessing the profitability and efficiency of the enterprise (P.S.R. Prasad 2005).

Management Accounting: The genesis of modern management with its emphasis on detailed information for decision making provides tremendous impetus to the development of management accounting. Management accounting is concerned with the preparation and presentation of accounting and controlling information in a form which assist management in the formulation of policies and in decision making on various matters connected with routine or non-routine operations of business enterprise (P.S.R. Prasad 2005).

It is through the techniques of management accounting that the managers are supplied with information which they need to achieve objectives for which they are accountable.

2.1.2: Origin of Accounting and Bookkeeping

Accounting and bookkeeping are as old as money itself. The Romans, Greeks, Egyptians, and Babylonians had well developed records and maintained a good system of record keeping and control. In the 13th and 14th centuries, there was a tremendous development of commerce in Italy where the modern system of bookkeeping took its birth.

The earliest extant accounting records that follow the modern double-entry form are those of *Amatino Manucci*, a *Florentine* merchant at the end of the 13th century. Another old extant evidence of full double-entry bookkeeping is the Farolfi ledger of 1299-1300. Giovanino Farolfi & Company was a firm of *Florentine* merchants whose head office was in *Nîmes* who also acted as *moneylenders* to the *Archbishop of Arles*, their most important customer. Some sources suggest that *Giovanni di Bicci de' Medici* introduced this method for the *Medici bank* in the 14th century.

It was first codified in the 15th century by *Luca Pacioli*. In deciding which account has to be debited and which account has to be credited, the *golden rules of accounting* are used. This is also accomplished using the *accounting equation*: $Equity = Assets - Liabilities$. The accounting equation serves as an error detection tool. If at any point the sum of debits for all

accounts does not equal the corresponding sum of credits for all accounts, an error has occurred. It follows that the sum of debits and the sum of the credits must be equal in value.

However, the oldest discovered record of a complete double-entry system is the *Messari* (Italian: *Treasurer's*) accounts of the *Republic of Genoa* in 1340. The *Messari* accounts, contain debits and credits journalised in a *bilateral* form, and contains balances carried forward from the preceding year, and therefore enjoy general recognition as a double-entry system. By the end of the 15th century, the bankers and merchants of *Florence*, *Genoa*, *Venice* and *Lubeck* used this system widely.

Luca Pacioli, a Franciscan friar and collaborator of *Leonardo da Vinci*, first codified the system in his *mathematics textbook Summa de arithmetica, geometria, proportioni et proportionalità* published in *Venice* in 1494. Pacioli is often called the "father of accounting" because he was the first to publish a detailed description of the double-entry system, thus enabling others to study and use it. There is however controversy among scholars lately that *Benedikt Kotruljević* wrote the first manual on a double-entry bookkeeping system in his 1458 treatise *Della mercatura e del mercante perfetto*

Later in the 16th and 17th centuries, there were attempts in England and Holland to design the rule for double entry and preparation of financial statement/reports and independent ledger account. In the 20th century, the two world wars revised the form of accounting and reporting to the form still in use today though there have been some minor changes to the already known standards guiding the financial reporting.

Furthermore, in India, accounting and bookkeeping were practiced in scientific form in the 20th century. During the reign of King Chandragupta, a book on accounting named *Arthashashtra* was written by *Kautilya*, one of his ministers. In India, the old method of accounting called *Nama* method is still in use. It is also called *Mahajani*, *Marwar* or the *Deshi* method (P.S.R. Prasad, S.K. Dutta et al 2005).

2.2.1: Meaning of Bookkeeping

Bookkeeping is the part of accounting that is concerned with recording data; in other words, it is the process of recording data relating to accounting transactions in the accounting books (Wood and Sangster 2008).

A *double-entry bookkeeping system* is a set of rules for recording financial information in a *financial accounting system* in which every transaction or event changes at least two different nominal *ledger* accounts.

The name derives from the fact that financial information used to be recorded using pen and ink in paper books – hence "bookkeeping" (whereas now it's recorded mainly in computer systems) and that these books were called journals and ledgers (hence nominal ledger, etc.) – and that each transaction was entered twice (hence "double-entry"), with one side of the transaction being called a *debit* and the other a *credit*..

Double-entry bookkeeping is not a guarantee that no errors have been made – for example, the wrong *ledger* account may have been debited or credited, or the entries completely reversed. (Wikipedia 11th April, 2012)

Bookkeeping, commonly referred to as keeping the books, is the process of keeping full, accurate, up-to-date business records. Proper bookkeeping can help businesses effectively manage cash flow, stay abreast of profit and losses and develop plans for the future based on financial trends. Furthermore, accurate bookkeeping is required by both local and central government tax agencies (Prof. Anane, 2008).

It involves making records of the monies received by a business as well as the monies paid out. It encompasses money a company owes to vendors, employees, tax agencies, contractors and any other individual or entity. Likewise, accurate records of an amount owed by a company to outsiders are also recorded in a company's books. Before computers were introduced, bookkeeping was done by an actual bookkeeper. This person kept the company's day-to-day financial records by manually recording every business transactions into journal. The journal entry included the date, the name of the account to be debited and credited, and the amounts. Bookkeeping process further require that all journal amounts that arises should be rewritten in (or "posted" to) the company's general ledger and subsidiary ledger.

With the writing and rewriting of so many amounts (as well as the manual calculations) it was realistic to assume that some errors would occur in the bookkeeping process. This potential for errors created the need to periodically "prove" that a company's accounts were "in balance" meaning the totals of the debit balance account is equal to the total of the credit balance. An internal document called a trial balance was design to give the proof. If the trial balance did not balance, the bookkeeper had to go back, transaction by transaction, to find

and correct the cause of any disparity. Once the trial balance was in balance, the bookkeeping phase was completed and the “books” were turned over to the company’s accountant for the preparation of financial statements.

Critically analyzing the various definitions and descriptions by the institutions and individuals bookkeeping can be referred to as recording, classifying, and summarizing financial transactions of an organization in a form, which is easily understandable. It entails making records of day-to-day financial transactions of an organization.

2.2.2: Bookkeeping Versus Accounting

Bookkeeping and accounting are two different departments dealing with the accounts of companies. Bookkeeping is the initial stage, in which we keep the record of income and expenditure, whereas in Accounting department accountants analyze the company’s financial activity and prepare reports. Both are very important for the proper management and financial success of a *business*.

2.2.2.1: Bookkeeping

In simple words, recording the financial dealings of a company or individual is bookkeeping, like sales, purchases, revenues and expenditures. Traditionally, it is called as bookkeeping since records were kept in books; now there are specific software for this purpose, but the old name is still in use. Usually, bookkeepers are appointed to keep the record in accurate and precise manner. This activity is very important for the financial health of a company, as it informs the management about up to date financial condition of their company. Commonly used books are, daybooks, ledger, cashbook and *business* chequebook, many others are also used, according to the nature of the business. A bookkeeper enters a particular financial activity in its respective book and post to the ledger as well. Single entry and double entry are two types of bookkeeping. As the name suggest, in single entry a transaction is either recorded in debit or in credit column of the same account, but in case of double entry, two entries of each transaction are carried to ledger, one in debit column and other under credit heading.

2.2.2.2: Accounting

Accounting deals with organized recording, reporting and analysis of financial activities of a company. Making statements regarding assets and liabilities also come under the jurisdiction of accounting. Accountants are also responsible for making monthly fiscal statements and yearly tax returns. The accounting departments also do preparation of company's budgets and plan loan proposals. Moreover, they analyze the cost of company's products or services. Nowadays, Accounting is called the language of business, as it provides required information to many people, for instance, Management accounting is the branch, which keep the managers of the company informed. Financial accounting informs the outsiders, like bank, vendors and stakeholders, about the financial activity of a company. The nature of information for the outsiders and insiders is different, that is why big companies need both of these branches.

2.2.2.3: Differences and Similarities

Both are different sections of finance department, *bookkeeping involves the keeping of systematic record of a company's financial activities*, whereas *accounting* is the next section, which *analyzes these records to prepare different reports and proposals*. Bookkeeping is the procedure, which helps the management to manage the day-to-day financial activities of a company, whereas Accounting justifies these financial actions and find their reasons. In large companies, accounting department is also very large to analyze the fiscal activity of the business, on the other hand, an individual usually does Bookkeeping or at the most two people are involved in this activity, even in big companies.

Accounting Crossing Ghana.com also explains the difference between bookkeeping and accounting in the following ways.

One does not need a graduate degree to be a bookkeeper, which means the educational qualifications make difference between accounting and bookkeeping. You do not need to have a graduate degree in accounting for bookkeeping, but you need to have at least a two-year course from a vocational or technical institute. There are eight different aspects of bookkeeping and in this type of job; you can work at one or more of these steps. In large firms, the accounting sector is divided into departments, such as accounts receivable, accounts payable or payroll. These positions often have the job title or clerk, but when they are keeping the books and the general ledger of a company they are bookkeepers. They may

also enter data into the computer so that the accountant can analyze it and prepare financial statements and reports. Many junior accountants also work in this area when they get their first job and start to learn all about how the company operates.

When you want to see the difference between bookkeeping and accounting, you think of the mechanical nature of each job. Bookkeeping duties are mechanical with a regimented process of entering data into the journal or ledgers on a recurring cycle. For example, in the job of accounts receivable, you may be responsible for entering all sales transactions into the computer database for each different account. Working in accounts receivable, you would be responsible for entering payments received on accounts and crediting them to the customers involved. In a small company, one person may be responsible for both duties as well as handling the payroll.

All accountants are bookkeepers, but not all bookkeepers are accountants. This is the main difference between bookkeeping and accounting. In accounting, the range of responsibilities and the scope of the job are wider. Accountants are responsible for setting up the system that bookkeepers use. The tasks you perform on the job are less mechanical in nature and are varied. Once you set up the system, the bookkeeper will not be overburdened with the works. As an accountant, you will need to have knowledge of the bookkeeping system and duties so that you can supervise those working in that capacity.

Another difference between bookkeeping and accounting exists in the possibilities for advancing in the accounting industry. Accountants can advance through the corporate ladder to become senior officials in the company with decision-making authority. They can also branch out into other aspects of the industry such as auditing, investigation of fraud, management and government accounting. Bookkeepers can also advance through the levels of the job in order to do more challenging accounting work, they need a graduate degree.

2.2.2.4: Conclusion

Bookkeeping and Accounting are essential for the successful running of any business. Bookkeeping is important as it is the primary stage of keeping financial records and accounting is the building of analysis based on the brick of bookkeeping.

2.3.1: Types of Books and Account Relevant for Bookkeeping

An account is a statement in which are used to record all transactions of one specific class which have taken place during a given period (Apraku 2007).

2.3.2: Classification of Accounts

Classification of accounts means grouping of account to their common characteristics. The two basic classifications of accounts are;

- Personal account which is an account opened to record transactions in the name of a company or persons. Example, Ama's account and A-Life account.
- Impersonal accounts which are ledger accounts that do not stand in names of persons but they are ledger accounts of real assets, expenses, revenues and liabilities. Impersonal accounts are subdivided into two classes;
 - a) Real accounts which are accounts that record transactions of property and material objects e.g. equipment, fixtures & fittings, lands and building, machine etc. It includes all tangible assets.
 - b) Nominal accounts which are accounts that records items of expenses incurred e.g. wages and salaries, carriage outwards, commissioned received, sales rent received etc. It includes all incomes and gains, expenses and losses.

2.3.3: Books of Accounts

There are basically four books needed by every business and these are cash book, journal, ledger and the vouchers.

Cash book constitutes the book of original entry. Cash book records all transactions relating to receipts and payment of cash. It is ruled as ledger account, used to records receipts (increases) of cash on left hand side and payments (decrease) of cash on the right side. The cash book is sub-divided into single column cash book, two or double column cash book, three or triple column cash book and petty cash book.

A *journal* is a book of prime entry or subsidiary book. Transactions are first recorded in the journal before posting to their respective accounts. There are two main types of journal namely; Special and General journal.

Special journal is a subsidiary book use to record transactions that are frequently occurring in the business. Examples of such books are Purchases day book, Sales day book, Return inwards and Return outwards books.

General journal is also used to record transactions that cannot be recorded in any of the Special journal i.e. they are used to correct errors, open entries, recording of fixed assets bought on credit, closing entries etc.

The **ledger** is a principal book of an account which contains, in a summarized and classified form, a permanent record of all transaction. It is a book of account wherein the double entry is completed and in which the increases and decreases that have been brought about, by the transactions in the balance of individuals accounts are shown. The ledger is basically divided into three namely; Purchases, Sales and General ledger.

The **voucher** is documentary evidence in support of a transaction. These include purchase invoice, sales invoice, a receipt, counterfoils, stores requisition, bank's pay-in-slip; debit/credit notes minute books etc. The vouchers ensure an authenticity of transactions, correct recording of amounts, proper accounting of all receipts and payments, truth and fairness of entries by substantiating the property of the sources.

2.3.4: Types of Bookkeeping System

Two common bookkeeping systems used by businesses and other organizations are the **single-entry bookkeeping system** and the **double-entry bookkeeping system**. Single-entry bookkeeping uses only income and expense accounts, recorded primarily in a revenue and expense journal. Single-entry bookkeeping is adequate for many small businesses. Double-entry bookkeeping requires posting (recording) each transaction twice, using debits and credits.

2.3.4.1: Single Entry System

The primary bookkeeping record in single-entry bookkeeping is the **cash book**, which is similar to a checking (cheque) account register but allocates the income and expenses to various income and expense accounts. Separate account records are maintained for petty cash, accounts payable and receivable, and other relevant transactions such as inventory and

travel expenses. These days, single entry bookkeeping can be done with DIY bookkeeping software to speed up manual calculations.

The single-entry system of bookkeeping is an ‘Informal’ bookkeeping system emphasizing on the determination of earnings and losses in organizations. A daily summary of all the cash receipts and cash payments is made in this kind of bookkeeping system. There is only one entry for each transaction. This system suffers from various drawbacks and hence is no longer in use.

2.3.4.2: Double Entry System

The double-entry bookkeeping system is a ‘formal’ bookkeeping system in which every financial transaction is recorded twice. The double-entry system has built-in checks and balances and is more accurate than single-entry system. It is self-balancing. This system is a complete accounting system and focuses on the income statement and balance sheet. Almost every organization follows the double-entry bookkeeping system.

2.3.5: Significance of Bookkeeping

Bookkeeping is one task that many small business owners neglect, or make little effort to do it. Both options are a mistake. Bookkeeping is the process of recording your company’s financial transactions and is the first basic step of the accounting process. In the accounting process, you classify report and analyze financial data- none of that can happen without accurate, organized data. If you cannot balance your personal cheque book, it may be a good idea to hire a qualified person to help you in the course of doing your bookkeeping. Bookkeepers will organize all of your financial transaction records – receipts, cancelled cheques, sales, purchases, cash disbursements, etc. The bookkeeper makes sure that your books remain organized and balanced and can then turn over records so that your accountant can generate monthly, quarterly and or yearly financial statements. Keeping balanced books will not only ensure that you know where your money is going, but is important for the following reasons:

- Investors and lenders will want to see accurate and complete financial information before they can grant you funds. If you are seeking or planning to seek outside capital, you must have proper books in place.

- You need accurate information to manage the financial position of your company. You must know if there are customers in arrears, or if you have outstanding balances on your lines of credit. Without accurate records, you cannot manage the cash flow of your business.
- To know how much to pay as a tax to revenue agencies like the Ghana Revenue Authority, you must have an accurate accounting of your income. You will also need back up documentation for any deductions and tax credits. Bad bookkeeping could result in paying fines and penalties if you are ever audited. Knowing and respecting the importance of bookkeeping will make your job easier.

The good news is that there are a number of ways to make sure that your business keeps its financial house in order. You can hire a bookkeeper or an accountant to keep your books. Virtual administration firms such as IAC professionals offers bookkeeping and accounting for much less than hiring onsite staff. “We have helped a new business set up a bookkeeping system using systems such as Intuit’s Quick Books and as they have grown, we then step in to manage the process for them,” Comments Heather Villa, President of IAC Professionals.

2.4.1: The Informal Sector Origins of the Concept

The concept of the informal economy was born in the third world, out of the series of the studies on urban labour markets in Africa. Keith Hart, the economic anthropologist who coined the term, saw it as a way of giving expression to “the gap between my experience there and anything my English education had taught me before” (1990; 158). In his view, the empirical observation about popular entrepreneurship in Accra and other Africa capitals were clearly at odds with received wisdom from “the western discourse on economic development (1990; 158).

In his report to the International Labour Office (ILO), Hart postulated a dualist model of income opportunities of the urban labour force, based largely on the distinction between wage, employment and self-employment. The concept of informality was applied to the self-employed. Hart emphasized the notable dynamics and diversity of these activities which, in his view, went well beyond “shoeshine boys and sellers of matches” (1973:60). This dynamic characterization of the informal sector was subsequently lost as the concept became institutionalized within the ILO bureaucracy, which essentially redefined informality as synonymous with poverty. Additional characteristics derived from this modified definition

included low levels of productivity and a low capacity for accumulation (Tokman 1982). In later publications of the ILO's Regional Employment Program for Latin America (PRELAC), employment in the informal sector was consistently termed "underemployment" and assumed to affect workers who could not gain entry into the modern economy (PRELAC 1985; Garcia 1982; Klein and Tokman 1988). This negative characterization of the informal sector has been a challenge by other students of the subject who see it in opposite light. From this alternative stance, informal activities are regarded as a sign of the popular entrepreneurial dynamism, described by Hart (1990; 158) as "people taking back in their own hands some of the economic power that centralized agents sought to deny them." The Peruvian economist Hernando De Soto reformulated Hart's original theme and gave it renewed impulse. In his book, *The Other Path* (1989), De Soto defines informality as the popular response to the rigid "mercantilist" states dominant in Peru and other Latin American countries that survive by granting the privilege of legal participation and the economy to a small elite.

2.4.2: Definitions

Definitions prepared by ILO and the UNDP, 1972 referred to the informal sector as "the non-structured sector that has emerged in the urban centers as a result of incapacity of modern sector to absorb new entrants." Inference can thus be made from the above definition that the sector evolved as a result of the inability of the formal sector to create enough jobs to absorb the ever rapid growing urban population in urban areas.

The definition of informal sector as used by ILO in the world employment report, ILO(1997), used the term "informal sector" to describe a "range of economic units in urban areas which are largely owned and operated by single individual with little capital and labour and which produce and distribute goods and services with a view of generating income and employment." Clearly this definition brings another dimension of the informal sector to fore. It combines a number of characteristics as bases form the definition. These ranges from mode of operation, capital requirement and investments, the nature of goods and services it offers to its ultimate objectives.

In Ghana for instance, Kwasi Adu-Amankwa, the Head of the Trade Union Congress of Ghana defines the "informal sector" as the range of economic units in both urban and rural areas which are largely owned and operated by individuals with little capital and labour and which produces goods and services to generate income and employment." This definition

combines elements of the ILO (1997) definition but in addition to that introduces a new feature of the sector, the expanded location component.

Undoubtedly, the above definitions of the informal sector were largely influenced by a work that was previously published by Hart (1970) when he mentioned that the concept of “marginal workers” was in reality non-existent. It thus came to the forefront that the supposed marginal workers were entrepreneurs. It is also evident from the above definitions that, the passage of time, have been marked not only by the changed views of authors on the informal sector but also offered an obvious attestation that the sector is dynamic and evolutionally. Despite substantial research since the 1970s, the meaning and scope of the informal sector still remains controversy, as its magnitude, nature and compositions vary between regions and countries.

There has therefore been the need to derive definitions that adequately capture all the activities that comes after the sector. The term “informal economy” has thus become a more preferred nomenclature for the “informal sector” as the former is more embracing and better captures the many activities and workers who operate in the informal setting (ILO, 2002).

In contemporary definitions, the strong normative component attached to these competing analyses of the informal sector in the Third World is not entirely absent in the industrialized countries, but research there has attempted to arrive at a more precise and less tendentious definition. There appears to be growing consensus among researchers in the advanced world that the proper scope of the term informal sector encompasses “those actions of economic agents that fail to adhere to the established institutional rules or are denied their protection” (Feige 1990:1990). Or, alternatively, it includes “all income-earning activities that are not regulated by the state in social environments where similar activities are regulated” (Castells and Portes 1989, p.12). This definition does not advance a priori judgment of whether such activities are good or bad, leaving the matter to empirical investigation. In this sense, they seem heuristically superior to those used in the Third World, which anticipate from the start the conclusion to be reached.

However, even neutral definitions are hampered by the very breath of the subject matter they try to encompass. A key distinction must be made between informal and illegal activities because each possesses distinct characteristics that set them apart from the other. Sociologists recognize that legal and criminal, like normal and abnormal, are socially defined categories subject to change. However, illegal enterprise involves the production and commercialization

of goods that are defined in a specific society as illicit, while informal enterprise deals, for the most part, with licit goods. The basic difference between formal and informal does not hinge on the character of the final product, but on the manner in which it is produced and/or exchanged. Thus, articles of clothing, restaurant food, or computer chips – all perfectly licit goods – may have their origins in legally regulated production arrangements or in those that bypass official rules. By explicitly distinguishing between these three categories – formal, informal and illegal activities – it is possible to explore their mutual relationships systematically, a task that becomes difficult when illegal and informal are confused.

2.4.3: Key Characteristics of the Informal Sector

Cheng and Gereffi (1994) have also conceptualized the informal economy as social, political and economic phenomenon. As a social phenomenon, the informal economy dwells on social marginality. The classical model perceives the informal economy as comprising casual or marginal workers and unstable earners including self-employed in a petty businesses that provides a wide range of goods and services to an economy. This is an important part of urban economy, a sector poor and marginalized due to demographic dislocation resulting from imbalanced industrialization (Cheng and Gereffi 1994). Proponents of this approach to understanding the informal economy thus dwells on the human element and for that matter differentiate it from the rest of the urban economy using income earning characteristics, that often tends to be fundamentally low with little or no job security.

The informal sector has also been analyzed in terms of industrial organization using the micro or small enterprise as a unit of analysis. As an industrial organization, the informal sector can be isolated from the rest of urban economy, based on the enterprise characteristics (Amin, 1996). The informal sector can be defined as a heterogeneous set of occupation of micro and small scale economic activities operating at a level of low productivity in a highly competitive and precarious market. Prof. Afrane 2008 observed that in management accounting and labour relations, the enterprise and households are hardly separated and compliance with fiscal and labour legislation is evaded on the account of lack of formal registration.

Along political lines, the informal economy as a concept emphasizes political control or state regulation of the labour process. The perception that workers, labour and employment are marginal in the light of prevailing labour condition is a political conception of informal

sector. In analyzing this phenomenon, “protected and unprotected” designation are employed in the definition of informal sector and stress the role played by the state in the organization of exchange relation and economic activity (Prof Afrane, 2008). The informal economy as a political phenomenon may be defined as an aggregate of economic activities where majority of the people are self-employed and labour conditions are marked by the absence of official protection and recognition (in areas of labour, safety, health or wage setting legislation) trade unions organization, fringe benefits from institutional sources and government support (Cheng and Geraffi, 1994; Castells and Portes, 1989; Amin 1996;).

Reiterating the words of McLaughlin (1990), which also presents a summary of some key features of the informal sectors, Suresh Munbodh an international consultant, wrote that the informal sector is characterized by the use of family and unpaid labour (apprentices) and reliance on manual labour rather than on sophisticated machinery and equipments. A sector is flexible in that, it allows people to enter and exit economic activities in responds to market demand; it is simple and sometimes precarious facilities. It has the ingenious ability to improvise products from scrap materials; willingness to operate business at times and locations convenient to customers; and a tendency to locate smaller markets, out of the reach of smaller firms.

It can be seen from foregoing discussion that the informal sector is characterized by incidence of poverty and under employment. It does not adhere to state regulations on labour, safety employees, and gives minimum due labour. There is also little or no supervision by the government rights of employees are easily trampled upon due to the absence of the pressure group. The sector is made up of many micro and small enterprises which are highly integrated into households that make the system very diffused. The author of “The informal sector: Pancea, Malise or cut-de-sac” introduces a new dimension to the character of an informal. Fiege (1990s) describes his sector as a small-scale income generating activities that are not bound by or do not live up to formal contractual rules or regulation that are legally recognized in a given society.

McLaughlin also distinguished the formal economy from the informal economy using the scale of the enterprise and the level of production. He noted that, mini and micro enterprise only provide a means of subsistence through the production of goods and services on a small scale with lower quality and prices. Small and medium enterprises are associated with higher levels of education of the entrepreneurs, higher levels of income and stay longer in business.

In the Ghanaian context, the informal sector has often given the following characterization: highly unregulated and unorganized, predominantly cash transactions, non-existent or poor bookkeeping, little or no barriers to entry, relatively high rate of illiteracy, no-conformity state rules and regulations, high poverty levels, illegal activities associated with black economy such as informal financial marketers and drug trafficking, high risk high rewarding, and itinerant in nature. These fall on consonant with Bromley's (1997) listing of at least nine major categories of informal sector economic activities. These included retailing, small scale transport, personal services, security services, gambling services, recuperation, prostitution, and begging and property crime.

2.4.4: Linkages within the Informal Sector and the Formal Sector

There are strong intra economic linkages between the major activities within the informal sector and formal sector of Ghana. To demonstrate these linkages, the various associations in the Kumasi Central Market readily come to mind. The footwear associations for example depend on leather, glue, nails, scissors, and knife among others for success.

Another case of forward and backwards linkages are that of the textiles industry and the cloth sellers associations. The textile industry has to feed the cloth sellers association with the various clothing that they sell.

The relationship between the formal and informal sector although difficult to delineate can still be identified. There have been instances where the formal sector has had to fall on the informal sector for labour. The informal sector also serves as a bridge between the producers in the formal sector on one hand and the consumers on the other hand. This is specially the case with globalization and trade liberalization where many people in the informal sector tend to trade in products produced and supplied by the formal sector. In the Ghanaian context the expanding commerce sector where many people buy and sell give evidence to this.

The need to diversify the Ghanaian economy through the exportation of non-traditional export has also strengthened the relationship between the formal and informal sectors of this country. The exportation of shear butter, pineapples, plantains, yams to cite a few abroad, demonstrates the emerging linkages that have come between the two sectors. Increasingly, the formal and informal sector dichotomy is becoming narrow by the day since the informal sector is widening and evolving. It means therefore that, any attempt at delineating the boundaries or the limits of informal sector should as well look at these potential overlaps.

2.5.1: Size and Spatial Distribution of the Informal Sector

The size of informal sector is confirmed by the report on the 2000 Population and Housing Census of Ghana, which revealed that, 80.4% Ghana's work force is in the informal economy working either the agricultural or non agricultural sector. This information further presents' two, broad categories of those engaged in the informal sectors as either being into agricultural or non agricultural.

Implied knowledge points to the fact that the informal sector activities may be grouped under first, sedentary activities, which take the traders with shops and along pavements and streets and in communities. The second group is the mobile activities that include itinerant salesmen, who have no defined space, those with mobile vans, tables, trolleys and transporters, and hawkers within the Central Business District (CDB) and beyond, those along all commercial precincts and along transport infrastructure. The clusters of informal activities in specific locations and sites with or without official mandate form the third category and finally the home based activities.

Evidently, the revelations from Boapeah's (2001) studies comes into the category of cluster of informal activities in specific locations and sites with or without official mandate and excludes others such as the home based activities. For the home based activities alone, Boapeah (1999) estimated this at 75% of all activities in the informal sector. This is common place for both urban area and the core and peripheral areas as well as in villages. The advantage it has include affording long time hours of work, the ability to use family labour and the proximity to customers makes it more preferably. Generalizing the above findings for all regions, districts and towns in Ghana presents a hazy idea as the size of informal economy of the country.

2.5.2: Types of Economic Activities in the Informal Sector

The Population and Housing Census (2000) named the major activities within the informal economy as agricultural and non-agricultural. As part of the non-agricultural activities, Bromely's (1997) listed at least eight major categories of informal sector economic activities. These include retailing, small scale transport, personal services, security services, gambling services, recuperation, and begging and property crime. Deducing from Boapeah's studies in Kumasi also bring on board another dimension – the manufacturing element; into the categories of economic activities in the informal economy in Ghana. It can thus be said that

all economic activities within the informal economy come under one of these major sectors namely; manufacturing, agro processing, commerce and service sectors.

Under these major sectors, activities are further classified as follows: Wood products, soap and detergents, fabrics, blacksmith, ceramics, timber, textile and leather, brick manufacturing, carpentry, handicrafts, etc. are all come under manufacturing. Agro processing comprises food crop processing, bakery, beverages, milling, fish smoking, distillation and gari processing. Activities that come under the domain of the commerce and service sectors are footwear exporters, handicrafts dealers, agro processing, metal scrap dealers, came designers, wood products, catering services, barbering and hairdressing, mechanics and garages, tailoring and dressmaking, to mention but a few.

2.6.1: Business Management Practices

Good business practices include that required good book or record keeping management and planning the future of the business. Although some of these can be contracted out to experts, success in these areas would require that one has an appreciable level of literacy and numeracy. In Ghana, many of those engaged by the informal economy is either illiterates or semi-illiterates.

As a confirmation of this fact, Gerards et al (1998) unearth that over 60% of their respondents engaging on street activities in Kumasi had no formal educational background at all. This goes to buttress the observation of Cobbe (1989) who mentioned that it was often the less educated ones who engaged in self employment. These coupled with the high illiteracy rates, especially among farmers and small scale operators make the preparation of simple records on receipts, sales and cost, generally a herculean task for many in the informal economy. Even among well trained, self-employed professionals, bookkeeping is fraught with inconsistencies even if it is only rudimentary account, thus making it unreliable and often largely fabricated. It follows logically that record keeping is almost invariably relegated to the background in the informal sector.

The adage “failing to plan means planning to fail”, emphasizes the importance of planning to the success of an enterprise. Long term planning in the informal sector seems to be an illusion. As observed by Gerards et al (1998) long term plans and goals in Ghana’s informal economy are luxury, which comes at too high a price for entrepreneurs in the informal sector

to manage to pay for. This has been blamed on the easy entry that characterizes this economy leading to poor business culture and little or no management and organizational skill.

Factors discussed above are all linked to the fact that young school leavers who could not afford the cost of training in the formal sector are forced to enter the job market through this avenue (Ninsin, 1991). Against this background, innovation, which is critical to eliminating the poor performance of the sector, is stifled, owing to the poor levels of training, level of illiteracy of apprentices and lack of business acumen.

As a beckon of hope, the NBSSI and NVTI are providing the entrepreneurial, management and business skills needed by these individuals who are engaged by the sector. Yet there is the need for the training of the trainers of these apprentices and the devising of ways to incorporate the managerial and business aspect of their trade into their training process.

2.6.2: Access to Credit Facilities

Micro and small enterprises have often had difficulty in accessing credit from the commercial banks to finance their businesses. Makonen Getu writes “because formal banking and other financial institutions are structured to serve small and large businesses in the formal sector, those who operate in the informal sector are excluded and marginalized” (Faith in Development). Informal operators have often depended on funds from non-banking sources. The size of such funds has mainly been small, so enterprises hardly ever migrated from micro to small. Therefore the coming on board of microfinance institutions, like saving and loans companies, has quickened the growth of most of these enterprises that deal with them as they progressively increase credit to performing borrowers to expand their business. Though there has been this board to help informal sector yet they need business which have sound financial background and keep proper books of their various transactions. This has been an extremely problem to the sector and always does not get necessary funds to expand their businesses.

2.6.3: Size of the Market for the Economy’s Output and its Adequacy

Before the demand is investigated, it is useful that the rate of growth and multiplication of businesses within this sector is first acknowledged. The training of an apprentice for most activities in the service sector takes about thirty-six months. The area of training notwithstanding, the qualified apprentice may be ready to supply outputs or offer services. For the commerce sector the easy entry rather allows for oversubscription of activities within

this sector. Under such circumstances, factors such as population, taste income levels among others become important determinant for delineating the size of the market.

With regards to the outputs from the manufacturing and agro processing sectors, adopting Sandbrook (1989:64) classification brings us to two main types: those who produce in direct response to direct demand, that is in response to client's order and those whose production are geared toward the market. In the case of the former, there may be ready market for these outputs but there can be a problem with the latter, The reason is that keen competition from cheaper imports from abroad especially stifles the efforts of activities in the manufacturing and agro processing sectors (Boapeah, 2001).

This forces many of them to sell to their customers on credit, which almost consistently weakens and worsen their financial situation. Effort to addressing this problem is however at hand. Ever since Ghana joined the ranks of Highly Indebted Poor Countries, the focus of the country's Economic Policy direction has changed remarkable. Economic policy direction, now in the era of trade liberalization, government seeks to create the necessary enabling environment to make the private sector, the engine of growth.

This has called for the creation of markets for the goods and services the private sector and by extension the informal economy is likely to produce and to challenge individuals in the informal economy to be more innovative in the marketing of their outputs. These have taken the form of export incentive schemes, educating exporters, trade facilitation and the establishment of the \$34 million private enterprise export development fund. Opening these facilities up to the wider informal economy will provide the critical mass needed for the policies to yield the desired results.

2.6.4: Production and Productivity levels

Whereas production focuses on the process used to manufacture an output or outputs in quantitative terms, productivity measures quality of method and effectiveness of the production effort. Prof. Afrane(2008), investigation of the informal economy used the micro or small enterprise as a unit of analysis in terms of industrial organizations. As an industrial organization, the informal economy can be isolated from the rest of the urban economy, based on the enterprise operation characteristics (Amin, 1996).

The production and productivity level of these industrial organizations however are largely affected by the level of technology, capacity of the human resources and capital investment made. In his attempt to distinguish between the formal and informal economy, McLaughlin (1990) used the scale of the enterprise and the level of production. He observed that, mini and micro enterprises only provide a means of subsistence through the production of goods and services on a small scale with lower quality and prices, and small and medium enterprises are associated with higher levels of education of the entrepreneurs, higher levels of income and a longer time in business.

Summing up the ideas presented above, the informal economy can thus be defined as a heterogeneous set of occupations of micro and small-scale economic activities operating at a level of low productivity in the informal economy is attributed to the low technology, low level of skills and low investments.

To remedy the situation and prepare the informal economy for its future role, the government has established an endowment Fund and allocated five hundred thousand Ghana cedis into it to aid production.

2.7.1: Conditions Necessary for the Informal Sector Development

Concentrations of the enterprises should be considered for establishing the sector businesses. Availability of the opportunities undoubtedly will offer people and an area the potential to develop. This becomes even more plausible when there is a high concentration of such potentials in an area. The growth and expansion of the informal sector in Kumasi, Accra and Takoradi may be attributed to the high concentration of these activities in these areas. To illustrate, Kumasi alone specializes in the production of staple crops, industrial crops and urban agriculture. The manufacturing and agro processing sectors spreads widely over the entire metropolis whereas the service and commerce sectors have also gain high recognition nation-wide and beyond. In the words of Munbodh (2006), “the so-called modern sector has not had the capacity to absorb all new entrants to the labour market, especially in the developing countries”. Thus, many new entrants find themselves engaged by the informal economy to have a means of survival. Unquestionably then, an area with high migration and natural population increase but with a small formal sector that highly restricts entry, the obvious option available to many under skilled and under resourced individuals is to join the informal sector.

Raw material base needs to be considered. As at 2000, it was estimated that over 80% of the country's work force is engaged by the informal sector and work either in the agricultural and non-agricultural sectors. The same source also reported that the rural population exceeded that of urban. With farming as the dominant economic activity, availability of fertile soils, good climate condition among others, make available the raw material base for this activity to thrive. With the availability of the raw material base if the area has comparative advantage, it can be developed into competitive advantage. Connected to the above is the effect of availability of raw material have on the establishment of agro-processing activities. Like industries in the formal sector an activity will thrive in area if the raw material base exist and is readily available. Across Ghana, it is easy to find people engage in agro processing either at the household level on a subsistence basis with little surplus to sell or on a micro or small level taking advantage of the raw material base. The ease with which one gets inputs, an aspect of the above point also explains the potential an area may have to develop due to the presence of informal economic activities. Ahwia in noted for the production of wood carving can equally be tied to the availability of wood in the Region.

Awareness should be created for their output. Business economics literature among determinants of the size of a market: the population size, which is also informed by the level of development; the locational advantages; level of specialization; spending behaviour of the populace; substitutability of the outputs just to list few. All these factors can affect the market for a product and its profitability. Existence of ready market for the outputs of the informal economics activities will boost its production thus creating opportunities for individuals engaging in these activities to prosper. It has been established that the informal sector can play a significance role when given the needed boost. Yet its presence is critical for these benefits to be derived. Whether these activities will spring up in area or not depends largely on some of the factors listed above. In places like Accra, Kumasi and Takoradi, the rapid population growth has provided the market for the outputs from these informal economic activities. Suame-magazine has gained recognition in Ghana and beyond as an area that specializes in auto repairs, spares parts, metal fabrication and all other mechanical works. In spite of its recognition, instead of Suame-magazine one can still go to Abossey Okai or Kokompe in Accra for some of these services. This can largely reduce the market share of Suame-magazine. The lesson this offer is that concentration and specialization can all create market but to use these economic activities as tools to achieve development, whatever

comparative advantage the area must have been converted to competitive advantage. This adds weight to the desire of Suame Magazine Industrial Development Organization (SMIDO).

2.8.1: Chapter Summary

This chapter is based on the relation to other people's research and their findings. Its main purpose is to develop a good understanding and insight into relevant previous research and the trends that have emerged. The relevant components of study that have been captured under this work are the origins of accounting and bookkeeping, meaning of bookkeeping, the distinction between bookkeeping and accounting, types of books and accounts relevant to bookkeeping, types of bookkeeping services, significance of bookkeeping, meaning of informal sector, key characteristics under informal, size distribution of informal sector, types of economic activities under the sector, business practices of the sector, and labour and training under the sector.

CHAPTER THREE

METHODOLOGY

3.1: Introduction

Prior to writing the section on the methodology, the study must first identify the concepts relevant to the research problem. Zikmund (1994, page 281) defines concepts as “generalised idea about a class of objects, attributes, occurrences or processes”. Some concept may have concrete properties and as such may present few or no problems in their measurement for example age, sex, number of children, physical region etc. other concepts such as academic performance, marital happiness, loyalty, power, job satisfaction and love are abstract idea and are likely to present problems.

Research design is considered as a "blueprint" for research, dealing with at least four problems: which questions to study, which data are relevant, what data to collect, and how to analyze the results. The best design depends on the research question as well as the orientation of the researcher. Every design has its positive and negative sides. In sociology, there are three basic designs, which are considered to generate reliable data; these are cross-sectional, longitudinal, and cross-sequential. Research design can be divided into fixed and flexible research designs (Robson, 1993). Others have referred to this distinction as ‘quantitative research designs’ and ‘qualitative research designs,’ respectively. However, fixed designs need not be quantitative, and flexible design need not be qualitative. In fixed designs, the design of the study is fixed before the main stage of data collection takes place. Fixed designs are normally theory driven; otherwise it’s impossible to know in advance which variables need to be controlled and measured. Often, these variables are measured quantitatively. Flexible designs allow for more freedom during the data collection process. One reason for using a flexible research design can be that the variable of interest is not quantitatively measurable, such as culture. In other cases, theory might not be available before one starts the research.

At this point the researcher needs to state the type of research method employed to test the hypothesis or to answer the research questions that guide the study. In most cases, the research designs that are available are assessment, evaluation, descriptive and experimental stud. The type of research that would be used by the researchers for this work is an evaluation. The purpose of this design is to make judgment about effectiveness, relevance,

efficiency or desirability of a product or program. This work is intended to seek how relevant bookkeeping is, under informal sector. This work is to evaluate the level of people who keep books of records of their various businesses.

As far as the research ethics is concerned, the researchers would consider the data which will be collected from the research population and attention would be given to any participant in this work so that the research would not be subjected to the respondents as an embarrassment or any other material disadvantage. Again, because some of them are illiterate all their personal views/details especially educational background will be treated confidential.

Again, the researchers used induction approach that is as one collect data and develops the theory as a result of data analysis.

3.2: Kumasi Central Market Area, the location profile

Kumasi is a city in southern central Ghana's Ashanti region. It is located in the Rain Forest Region about 250 kilometres (160 mi) (by road) northwest of Accra. Kumasi is approximately 300 miles (480 km) north of the Equator and 100 miles (160 km) north of the Gulf of Guinea. It is popularly known as "The Garden City" or "heart beat" of Ghana because of its many beautiful species of flowers and plants.

The Kumasi Central market is the largest single market in West Africa with over 10,000 stores and stalls.

3.2.1: The Market

Kumasi Central market is West Africa's largest open air market right in the heart of Ashanti Kumasi. It is bordered to the North by the Kumasi Cultural Centre and to the North West by the Komfo Anokye Teaching Hospital. The southern part of the market forms a border with Adum, the commercial centre of the city. Virtually everything that one wants to purchase from a market can be found at the Kumasi Central market. It ranges from jewellery, food, toiletries, gorgeous fabrics (in the center of the market), spices, and grains. If you are travelling with someone, it is necessary to stay close since it is very easy to lose one another and pretty easy to lose your way. This is a great place to buy fabric, and see a HUGE market, full of everyday hustle and bustle.

The market's merchandise options are many. There are vendors who specialize in cleaning and selling shoes, to those who sell chickens, to silverware and dining sets, to Bibles, to apparel, and just about everything else in between. While in the market, there are a variety of refreshments to choose from. Each of these delicacies is served in style, too, as the vendors carry their products on their heads, hands-free most of the time, as they bob and weave through the hustle and bustle of the market.

Shopping in the market is a contact sport. Elbows and shoulders bump constantly, children grab at your arms to try to drag you to their mom's establishment, and taxis and “tro-tros” screaming down the side roads turn walking down narrow streets lined with gutters into quite the balancing act.

3.2.2: Market Management

The huge human and vehicular traffic in and around the market makes its management and law enforcement very difficult. Various methods of ensuring peace and order in the area are employed include the formation of a city guard group. The members of the group act as the market's law enforcement authority. They handle basic traffic direction duties, anti-hawking activities, etc. However, they refer all cases that are beyond the jurisdiction to the Kejetia Police Personnel who have a station in the market. In 2010, the Kumasi Metropolitan Assembly through the market managers Freko FD Ltd installed CCTV cameras around the market with the aim of strengthening security at the station. The move was expected to clamp down on hoodlums, who ply their trade in areas including the Kumasi Central market, PZ-Adum, Zoological and its environs.

3.2.3: Fires

Like all big markets in Ghana such as Takoradi Market Circle and Cape Coast's Kotokoraba Market, fire outbreaks continue to be the major destroyer of the Kumasi Central Market. The market has had, in the past, several outbreaks that have resulted in the destruction of stores, stalls and their wares. The destruction in most cases runs into several millions of cedis. One recent outbreak occurred when a blazing hail of fire gutted over 150 stores at the Kumasi Central Market. It took the intervention of the Kumasi City Fire Service, to fight the fire from engulfing or spreading to other stores. The cost of items destroyed was not readily assessed.

The cause was attributed to the illegal electrical connections performed by workers of a private developer.

3.3: Sources of Data

The various sources of data available to research study are primary, secondary and tertiary.

The primary sources are the first occurrence of a piece of work. They include published source such as a report and some central and local government publications such as white papers and planning documents. They also include unpublished manuscript sources such as letters, memos and committee minutes that may be analyzed as data in their own right.

Secondary sources such as books and journals are the subsequent publication of primary data these publications aims at wider audience. They can be easier to be located than primary services. The materials in the books is usually presented in a more ordered and accessible manner. They are therefore particularly useful as introductory sources to help to clarify one's research question(s) and objective or the research method intended to use.

Tertiary sources, also called search tools, are designed either to help to locate primary and secondary data sources or to introduce a topic. They therefore include indexes and abstracts as well as encyclopaedias and bibliography.

In this study, primary and secondary source of data has been used. The primary source of data is the questionnaire that was sent out to individuals at their various business premises. Also the secondary source of data for this work has been from books and other disciplines.

3.4: Population

The term population refers to the complete set of individuals (subjects) objects or events having common observable characteristics in which the researcher is interested. One should note that population does not necessarily refer to people. The population may be finite or infinite. For example a finite population, its members (elements) can be presumably been counted and a finite member obtained, e.g. students of a given secondary school. When the elements of the population carry cannot be definitely known, it is infinite e.g. snake in Kakum National Park. The population constitutes the largest target of the study and must be

defined and identified by the researcher before any data collection commences, the researcher needs to explain clearly who or what the population will include.

3.5: Sample and Sampling Procedure

Population may vary in size, some small and others large. A decision therefore, needs to be taken whether every element of the population needs to be included in the study or some of the members are selected (sample). Most often to involve every member of the population in the study would be very expensive, time consuming and probably would require services of many research assistants. The process of sampling makes it possible to limit the study to a relatively small portion of the population. A sample therefore, is a subset of the population and consists of individuals, objects or events that form the population. The informal sector in Ghana and even Kumasi in particular is very big and researchers cannot take the total population under consideration as this would be time consuming and costly. In view of this problem raised above, out of the population, 75 respondents were selected and questionnaire was distributed to them. The individuals involved all people in the Kumasi Central Market area.

The sampling procedure for this study was based on random sampling procedure (Probability sampling) where every possible element/object of the population had equal chance to be selected. Sample unit have been drawn directly from the population. The procedure was designed to meet the essential criterion “randomness”.

3.6: Data Collection Techniques

There are many instruments that one may use to gather primary data, depending on the nature of research one is undertaken, the characteristics of the sample to be used and type of research design. The three common data collection techniques used in social science research are observation, analyzing documents and asking questions through questionnaire and interviews. The type of data collection that has been used in this work is questionnaire that was delivered by hand to each respondent and collected (that is delivery and collected questionnaire). The nature of the study and the academic level of the respondents made us use the structured interview known as the questionnaire.

3.6.1: Reasons for Data Collection Technique Adopted

It allows for broad geographical samples. The Central market as sample size under the total population is very big and the researchers cannot go to all the shops and stalls by using other collection techniques. In this case questionnaire was distributed fairly in all shops and stalls taking into consideration the major sectors under the informal sector.

The cost of distribution and return minimized. The use of questionnaire in this work minimized the cost of distribution and return because the researchers spent less in distribution the questionnaire.

It also requires little time of the respondent. The research questionnaire designed for this work was structured in a way that required a little time to complete. The questionnaire was simple to read and understand by those who can read and write. There was devoid of jargons and other technical terms that brings about ambiguities.

3.7.1: Data Analysis

The long process of hypothesis formulation, instrument construction and data collection makes it very necessary to analyze the data that comes out in the end. Once the data have been prepared for processing, the researcher will undoubtedly want to display the information in a summary form. Data analysis means a critical and careful examination of material in order to understand its parts and the relationship between variables and to discover trends.

3.7.2: Data Analysis Types

The two main types of data analysis are: Quantitative and Qualitative data analysis.

Qualitative data analysis deals with non-numerical data that have been quantified and quantitative is therefore the use of numerical data such as graphs, charts and statistics. Quantitative data analysis has been used in this work because it allows exploring, presenting, describing and examining relationships and trends within a data.

3.7.3: Coding Procedure

All the questions have been given number (Q1, 2, 3.....) and any question which has alternatives has been coded in alphabets to reduce difficulties in the work structure.

3.7.4: Presentation of Data

The data has been presented in the form of tables, diagrams and charts.

3.7.5: Answering the Research Questions

The results (findings) have been presented in a way that leaves no doubt that all the research questions have been satisfactory answered. Ideally, the result has been referenced to a particular question which has been answered.

3.7.6: Findings and Discussions

The findings and the discussions has been presented together. The findings were reported with respect to furnishing evidence about the research question asked. It included only factual information gathered by the study. The discussion tied the literature review, the research questionnaire, the objective and any issues relevant to this work.

CHAPTER FOUR

FINDINGS AND ANALYSIS OF THE STUDY

4.1: Introduction

This chapter focuses mainly on the findings and analysis of the study. The analysis focuses on the respondents view on bookkeeping under the informal sector as well as secondary data gathered in the course of the study. This chapter is divided into two sections, Section one consists of data analysis while section two is made up of the findings of the study. Seventy-five questionnaires were distributed and sixty out of the seventy-five were received as responses which represent 80% of the total questionnaires sent out. The questionnaires gathered have been used for the analysis.

4.2: Social background of the people under the sector

A sample of 60 questionnaires out of the 75 was administered and used to determine the number of age distribution of the people under the sector.

The respondents' age was considered because it influences to a larger extent the nature of the work people do under this sector. The activities under this sector need energetic people. Table 4.1 and figure 4.1 depict the percentage of the age of the respondents.

Table 4.1: Age Structure

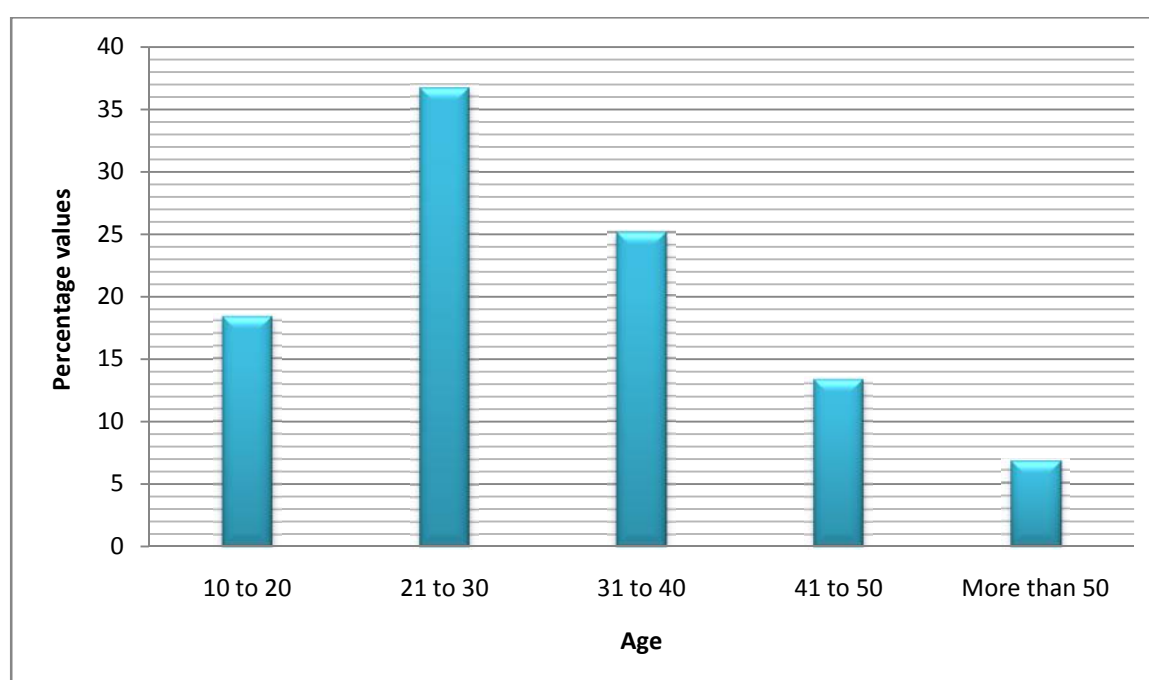
YEAR	FREQUENCY	PERCENTAGE
10 – 20	11	18.3
21 – 30	22	36.7
31 – 40	15	25
41 – 50	8	13.3
MORE THAN 50	4	6.7
TOTAL	60	100

Source: Researchers' field work, 2012

The table above shows that 18.3% of the respondents are in the ages between 10 – 20 years. It further shows that 36.7% falls between the ages of 21 – 30 years. Again 25% is in the ages between 31 – 40 years. This means that the majority of the people under the sector are the

youth and could therefore explain why the government should educate them on the importance of bookkeeping because they form the largest population in the labour force of Ghana. The table further reviews that 13.3% is between the ages of 41 – 50 years while only 6.7% of the respondents are more than 50 years. This explains that the age distribution of the sector is not very much aged. This means that the various stakeholders in that area like the Ghana Revenue Authority should take measures that can ensure proper bookkeeping in the area.

Figure 4.1: Percentage Distribution of Age



Source: Researchers' field work, 2012

Respondents also provided data about their educational background. The sample results are presented in the table 4.2 and figure 4.2

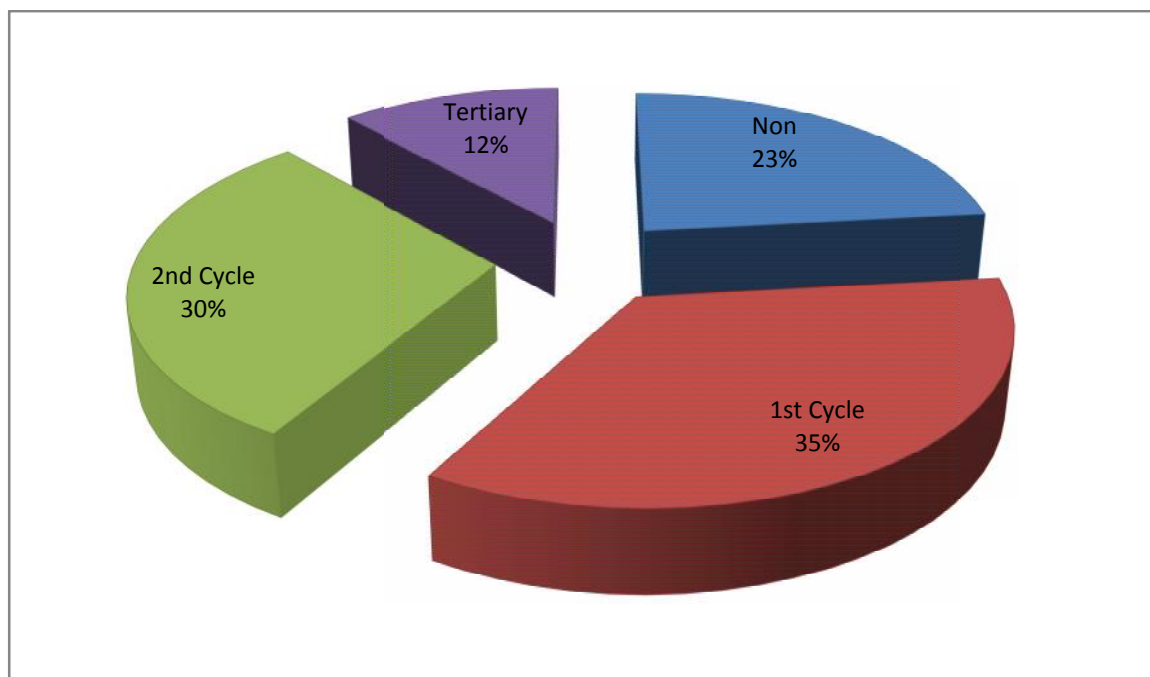
Table 4.2: Educational Level

LEVEL	FREQUENCY	PERCENTAGE
Non	14	23.3
1 st Cycle	21	35
2 nd Cycle	18	30
Tertiary	7	11.7
TOTAL	60	100

Source: Researchers' field work, 2012

The level of education was determine because proper bookkeeping goes with knowledge one has acquired in his/her career of education and ability to put some of the things learnt down. Unfortunately, people under this sector have little or no knowledge in bookkeeping. The evidence above indicates that those with no education is 23.3%, 35% had 1st cycle education and 30% had 2nd cycle education. This may result from people who drop out from school because of financial constraints, economic problems, broken homes etc. This evidence shows that the level of education under this sector is very low hence, poor bookkeeping in that sector. Again, only 11.7% represents people who had tertiary education and some do not have knowledge about bookkeeping since some of them did different courses at the various tertiary institutions with only a few who have knowledge in accounting.

Figure 4.2: Percentage distribution of educational level



Source: Researchers' field work, 2012

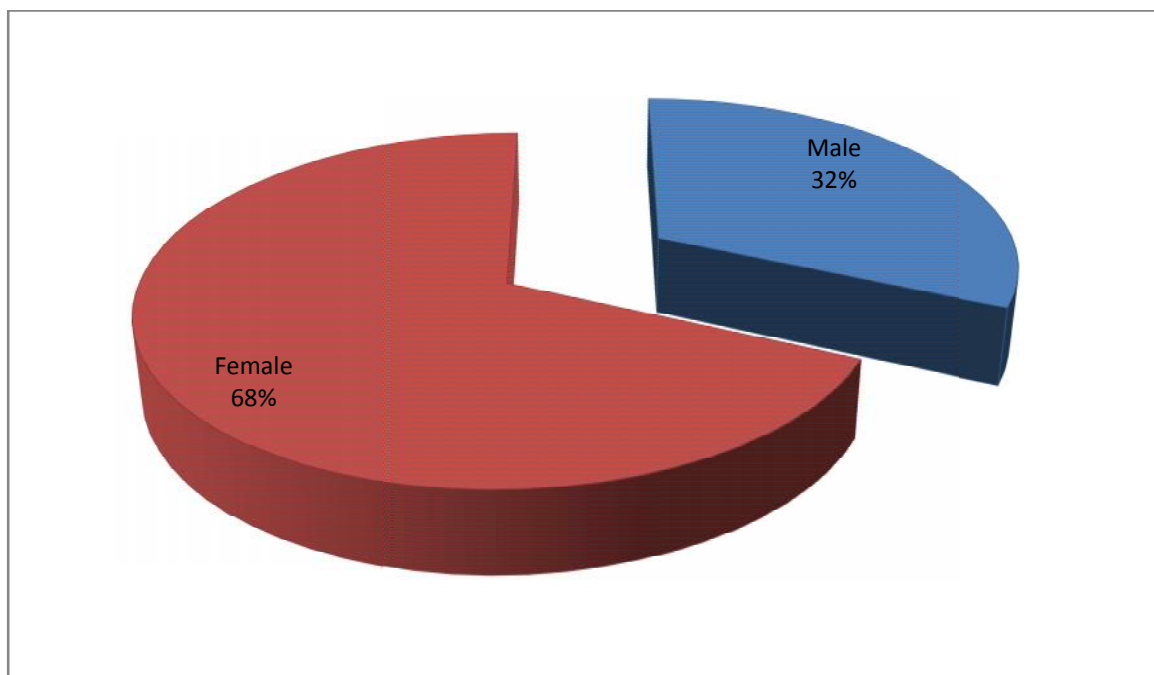
Under the social background issues, male to female ratio in the area were also measured. This male/female ratio was determined to know the number of men and women who are engaged in those activities. The findings have been presented in the table 4.3 and figure 4.3 respectively.

Table 4.3: Male/Female Ratio

SEX	FREQUENCY	PERCENTAGE
Male	19	31.7
Female	41	68.3
TOTAL	60	100

Source: Researchers' field work, 2012

Figure 4.3: Percentage distribution of male/female ratio



Source: Researchers' field work, 2012

The data above depicts that 68.3% of the sample size is female while only 31.7% represent male. This means that the energetic women who can work more effectively and tirelessly for national development engage themselves in the informal sector economy. This prompts the various stakeholders as to how important it is to educate the women in order to build the part of their analytical ability of their brains to be able to read well in between the lines in the course of their bookkeeping processes as well, than depending solely on the physical ability to work for national growth and development.

4.3: Economic Background of People under the Sector

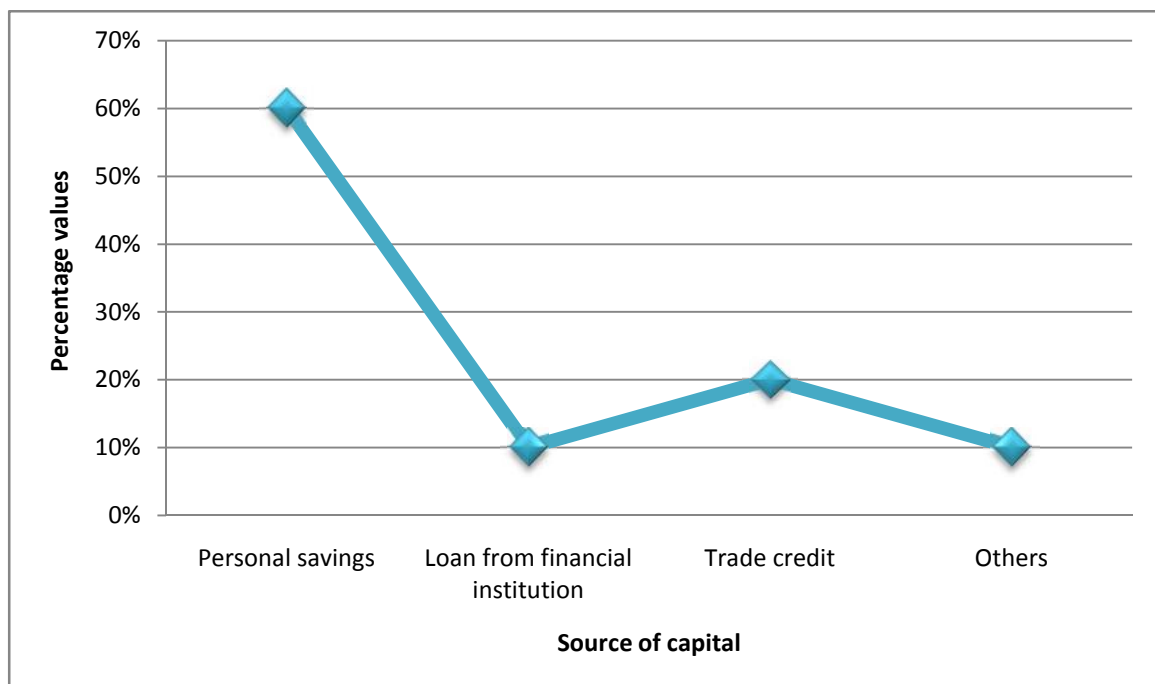
The source of capital available to people under the informal sector economy is very limited. This problem is mostly attributed to the poor bookkeeping and sustainability of those businesses. In view of this, the study went further to find out the various sources of capital. The findings have been presented in the charts below.

Table 4.4: Sources of Capital

SOURCES OF CAPITAL	FREQUENCY	PERCENTAGE VALUES
Personal savings	36	60
Loans from financial institutions	6	10
Trade credits	12	20
Others	6	10
TOTAL	60	100

Source: Researchers' field work, 2012

Figure 4.4: Percentage distributions of sources of capital



Source: Researchers' field work, 2012

From the data above, 60% of the total population's source of capital is from their own personal savings, 10% get their capital from the various financial institutions, 20% use trade

credits while other sources is also 10%. The other sources of capital apart from the three main ones include inheritance, retained profit, remittances etc. It can be observed clearly that majority get their capital from their own savings. This explains why people under this sector always have limited capital to expand their businesses. This is because financial institutions may require financial statements to find out whether the business has future and loan that are given out can be repaid back at the appropriate time. This financial statement is always lacked by them as a result of poor or no bookkeeping and hence the limited amount of capital leading to slow growth or collapse of such businesses.

4.4: The Level of Bookkeeping under the Sector

Once again a sample of 60 questionnaires was used to determine the level of bookkeeping under the sector with reference from the case study area which is the Kumasi Central Market area. The level of bookkeeping which has been the main objective of this study was to examine the percentage of the people under the informal sector who keeps proper books in the course of their business.

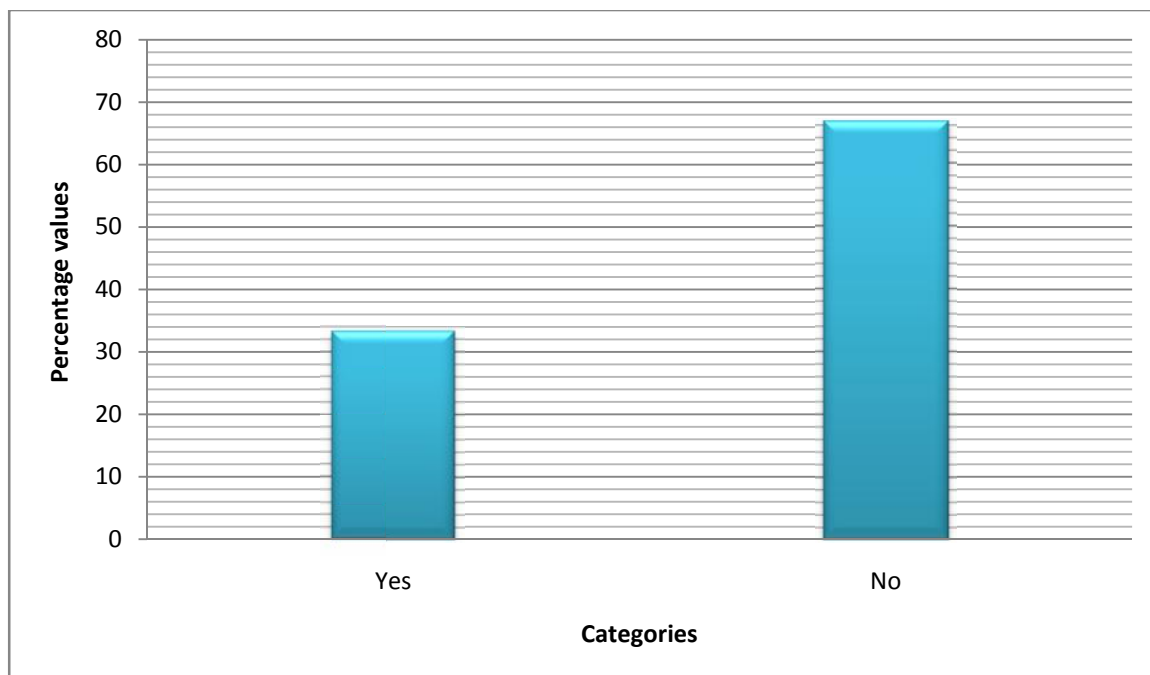
Bookkeeping in modern business is very vital because it serves as the platform for the measurement of the business performance. It helps businesses to determine profit or loss from the business for purposes of budgeting, access credit facilities in financial institutions etc. Table 4.5 and figure 4.5 shows the level of bookkeeping under the sector.

Table 4.5: Level of Bookkeeping

CATEGORY	FREQUENCY	PERCENTAGE
Those with records	20	33.3
Those with little or no records	40	66.7
TOTAL	60	100

Source: Researchers' field work, 2012

Figure 4.5: Percentage distribution of level of bookkeeping



Source: Researchers' field work, 2012

From the above chart and table, it is observed that 33.3% of the population keep records of their daily transactions and 66.7% do not keep accounts at all. This statistics shows that majority of the population does not keep records of their daily business transactions. Bookkeeping is very important when it comes to serious business. Little or no bookkeeping on the part of the businessman or a company could bring the business to a halt because without past records a business cannot measure performance as well as budgeting for the future. This calls for various stakeholders like the Ghana Revenue Authority, the Kumasi Metropolitan Assembly etc. to educate the people in the area as to how to keep records of daily business activities.

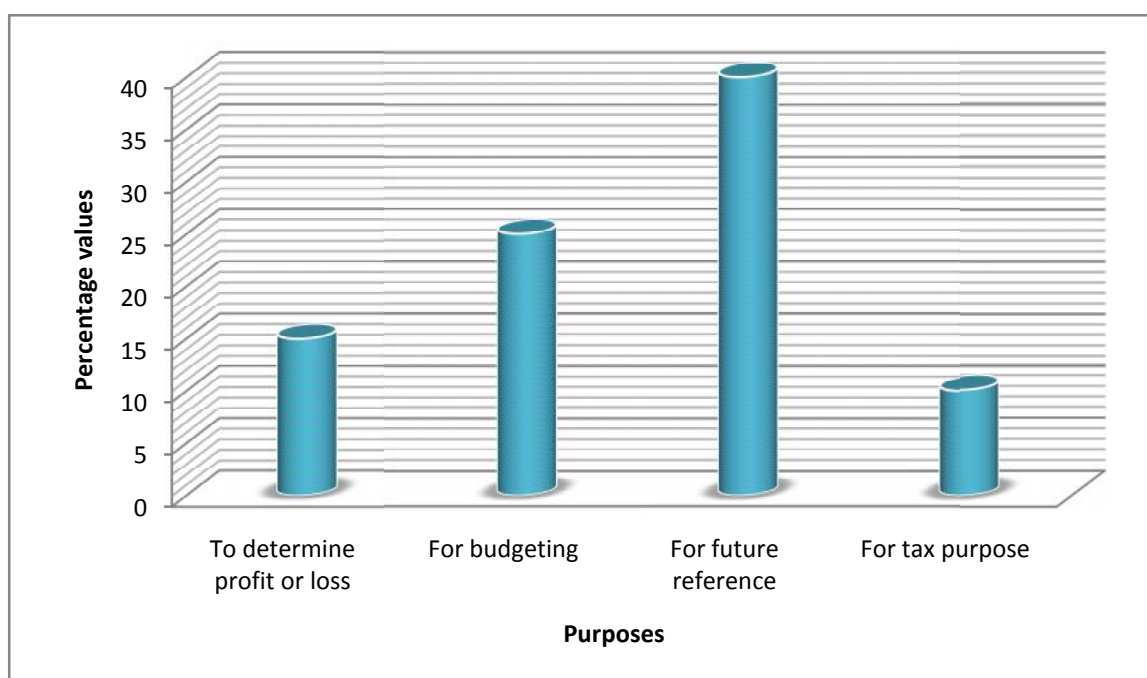
Respondents were also asked why they have to keep records and the responses have been presented in the table 4.6 and figure 4.6. This data corresponds to the percentage of people who keeps books of accounts.

Table 4.6: Purpose of Bookkeeping

ALTERNATIVES	FREQUENCY	PERCENTAGE VALUES
To access loan	2	10
To determine profit or loss	3	15
For budgeting	5	25
For future reference	8	40
For tax purposes	2	10
TOTAL	20	100

Source: Researchers' field work, 2012

Figure 4.6: Percentage distribution for purpose of bookkeeping.



Source: Researchers' field work, 2012

The data above shows that 10% keeps the books for loans, 15% keeps them to determine profit or loss, 25% uses the books for budgeting. 40% keeps the books for future reference and 10% is for tax purposes. This shows that majority of the people keep the books for the purpose of future reference. The basic idea behind in the keeping of books is to determine profit and loss and to make budget but the people under this sector makes future reference a

priority. This means that they may only keep the accounts to remember sales made or those who owed them without preparing any financial statement to know whether the business is losing or gaining in order to strategize.

4.5: The Method of Bookkeeping under the Informal Sector Economy

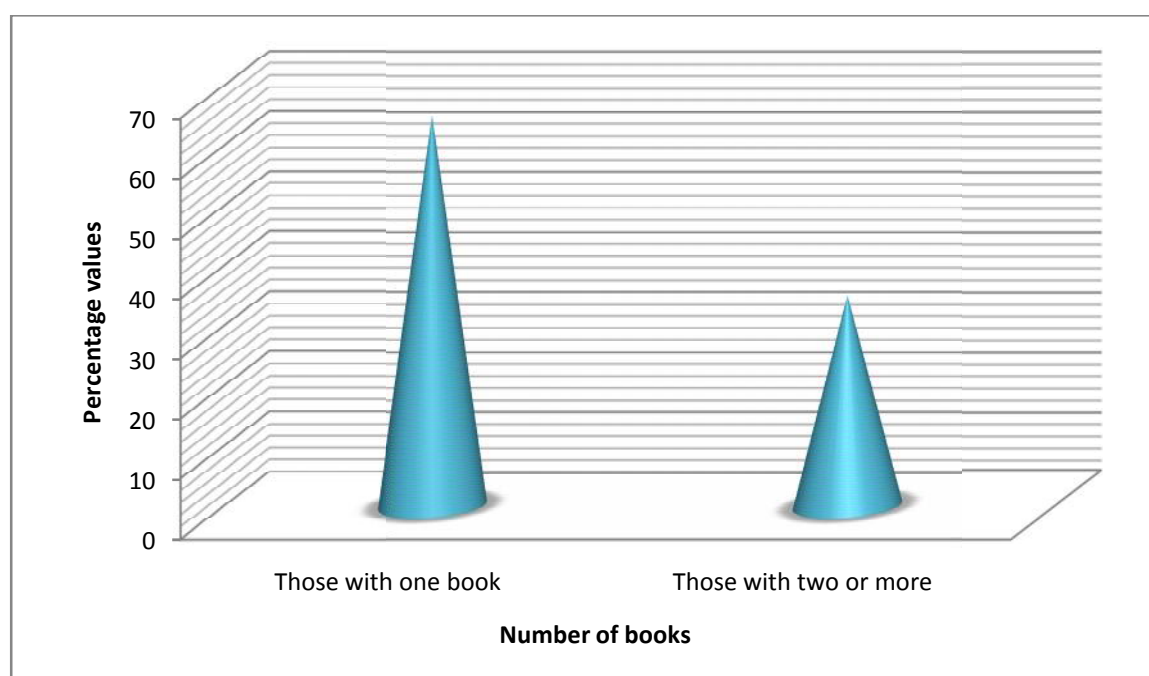
The operation as to how people keep records of their transactions which have been the other objective of this study is about incomplete records among the sector. This factor was considered because incomplete record keeping prevent the business from getting enough or accurate data to make analysis. The tables and figures below shows the respondents view.

Table 4.7: Number of books kept

	FREQUENCY	PERCENTAGE VALUES
Those with one book	13	65
Those with two or more	7	35
TOTAL	20	100

Source: Researchers' field work, 2012

Figure 4.7: Percentage distribution of number of books kept



Source: Researchers' field work, 2012

The analysis above shows that those who keep one book are 65% and those with two or more books is 35%. This can tell one that most of the people keep a single book where one book is used to record purchases, sales, return inwards etc. This means that an incomplete record is common among them. Single or incomplete record keeping do not help organizations to get enough data for preparation of final account. Keeping two or more books here means that separate books is kept for various transactions where purchase day book will be different from sales day book and not to combine them in one book to ensure accurate and reliable accounts.

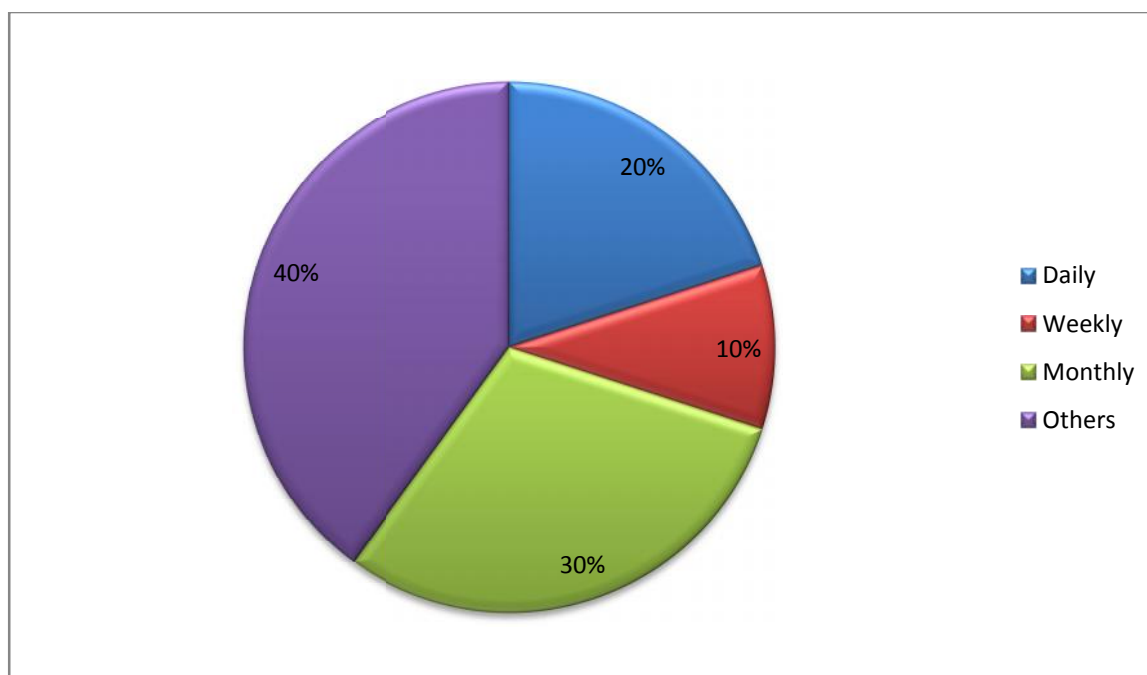
The researchers went further to find out as to how often they do their recording. This is because regular recording is more important than rarely. This could really lead to incomplete or the single entry bookkeeping. These are the responses of the sample size.

Table 4.8: Schedule for recording

SCHEDULE	FREQUENCY	PERCENTAGE VALUES
Daily	4	20
Weekly	2	10
Monthly	6	30
Others	8	40
TOTAL	20	100

Source: Researchers' field work, 2012

Figure 4.8: Percentage distribution for schedule of recording



Source: Researchers' field work, 2012

The table and the figure above depicts how often people in the area do their recordings. It can be observed that 20% of the people do their recordings daily, 10% also do their recordings weekly while 30% do theirs' on monthly basis and 40% do their recordings as and when they deem it fit to. The respondents' responses for others were as follows:

- When the business is booming
- When I have enough time
- To check for client information

This shows that most of the people under the informal sector economy do not record their account very often and this normally lead to incomplete and single entry book because keeping account for long without recording them may lead to omission. Recording transactions as they come in is very important because it gives reliable, accurate, and timeliness account.

4.6: Problems for Non Recording

There are always some problems that are encountered by the people under this sector for not keeping records. It was necessary for this study to review the challenges facing them for none

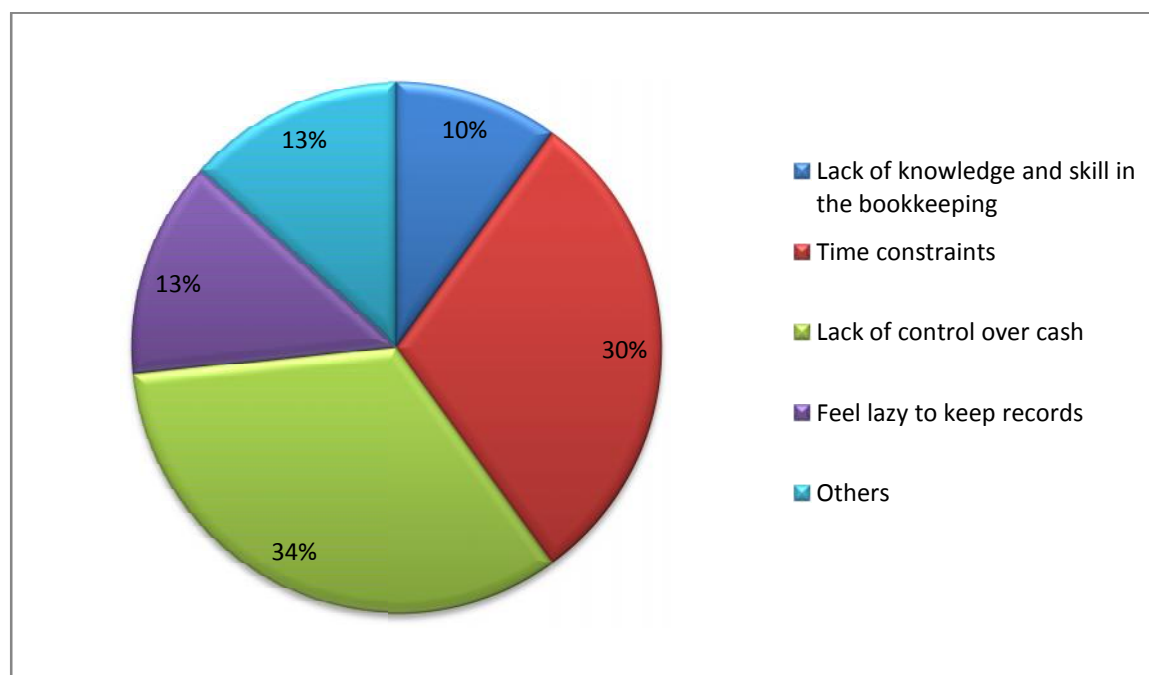
recording or incomplete recordings in order to find solutions to them. Some major problems that they encounter in the course of recording or not to record at all have been summarized in table 4.9 and figure 4.9 below.

Table 4.9 Problems for non recording

FACTOR	FREQUENCY	PERCENTAGE VALUES
Lack of knowledge and skill in the bookkeeping	6	10
Time constraints	18	30
Lack of control over cash	20	33.4
Feel lazy to keep records	8	13.3
Others	8	13.3
TOTAL	60	100

Source: Researchers' field work, 2012

Figure 4.9: Percentage distribution for Non Recording



Source: Researchers' field work, 2012

The table 4.9 and figure 4.9 depicts the various problems that are associated with bookkeeping under the sector. The data above shows that 10% lacked the knowledge and skill in bookkeeping, 30% was for time constraints, 33.4% for the lack of control over cash,

13.3% feel lazy to keep records and 13.3% is for other factors. The respondents also gave other problems apart from the major ones above which include the nature of their business, cost of maintaining a set of books, the business is small, the business is not booming etc. The records above show that major problems faced by the people are the lack of control over cash followed by time constraints. The respondents had the view that customers do not come to buy in bulk regularly and therefore did not see the need to record every petty good or service the customer bought and also sees it as a waste of time. The second major problem is time constraints. The people have little or no time at all for bookkeeping and hence non recording. This therefore implies that the various stakeholders need to educate them about the importance of financial recording.

CHAPTER FIVE

SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION

5.1: Summary of Major Findings

The findings of this study are of four folds. The first of these sections relates to the social background issues of the people under the informal sector economy. The research has unearthed certain facts about the sources of funds available to the people under the sector. The findings shows that out of the sixty sample, 60% financed their business through personal savings. This method of financing business which is common among the sector can be attributed to the improper bookkeeping or non recording of transactions in their operations. It further revealed that the level of education is low under the sector as the sixty sample shows 23.3% did not have any education and 35% had only primary education and also the number of women who have been engaged under this sector is more than men as 68.3% of the sample population represent women. These women represent the labour population and they can contribute to the nation's Gross Domestic Product (GDP). So if these women engage in the informal activities without yielding a good result, the nation would not be able to achieve its set objectives. The study also uncovered the youthful nature of the sector as 18.3% is between the ages of 10 – 20, 36.7% is between the ages of 21 – 30 and 25% is between the ages of 31 – 40.

From the data gathered, one major concern is the source of funds. This source of funds has been only one because of the improper bookkeeping and this call for various stakeholders to understand how important it is to educate them about the significance of bookkeeping.

The second section deals with the level of bookkeeping under the sector. 66.7% of the respondents are of the view that they keep single or no accounts at all while the remaining 33.3% have an account of their various transactions. Reasons given to single or non recording are that; the business is small and does not need any accounts, customers do not pay regularly and do not have time for the recording etc. The above reasons has contributed to poor bookkeeping and there is the need to change this idea because no matter how small a business would be or time scheduled for the owner, proper bookkeeping will boost that business.

A further 40% of respondents say they keep the record for the purpose of future reference. This means that they keep the account purposely to remember petty things that they have done not to the extent of keeping the account to determine the financial position of the business.

The data for the level of bookkeeping shows that under the sector, the level of bookkeeping is very low.

The third section of the findings revealed some methods of bookkeeping under the sector. Respondents came up with the view of the number of books that they keep. It was revealed that 65% of the people who keep records use only one book. This means that one book is used for sales, purchases, cash received as well as all the expenses made. This have negative effects on bookkeeping because there will always be errors in the entry such as error of principle, error of commission, etc. Keeping one book for all accounts is severe threatening in a situation where the book is misplaced.

In conclusion for this section, one positive aspect the method of bookkeeping is that, the respondents keep at least one book and this can assist them in their business transactions for future reference as evidenced in the findings. The problem here is the only one book that they keep.

The final section under the findings dealt with problems as to why bookkeeping is very low under this sector. The study revealed that 33.4% of the respondents attributed the improper bookkeeping to lack of control over cash and 30% is for time constraints. The major problem that people face for non recording of their transaction is lack of control over cash and the time that they will use to enter the various transactions. They also do not have the skill and knowledge to record those transactions. The authors' field survey reviewed that some even do not know the various books that can be used and when to record those transactions. This does not help them to know their financial position and to budget for their activities in order to achieve their set objectives. The authors also realized from the field survey that the people under the sector do not know the significance of bookkeeping and so do not see the need to spend their time on bookkeeping.

From the above analyses, there is a clear indication that, bookkeeping is very low under the sector. The people do not recognize the importance of bookkeeping and there is the need for

serious education to be embarked on the sector as to why it is important to keep records of various transactions in their day to day administration of their business.

5.2: Recommendations

The following recommendations are necessary in order to increase the level of bookkeeping in the informal sector. These include:

Changing the perception people have on the bookkeeping. They have the impression that bookkeeping is meant for big businesses and that there is no need to keep records for small businesses. Small businesses also need simple accounting records in order to know their financial position and also to budget for the future. Without recording, the so called small businesses will never expand.

Secondly, the stakeholders under the sector need to embark on mass education. The level of education under the sector is very low as most of the people under the sector are primary and secondary school leavers and do not have knowledge and the necessary skill to keep record of their daily transactions. These educations could be in the form of workshops, conferences that would be organized by the various stakeholders to teach the people as to how they can practice simple bookkeeping.

Furthermore, in related development of the point raised above, the people should seek the services of the experienced people under the sector in order for the people under the sector to be abreast with bookkeeping; the services of those who have the knowledge and skill in accounting should be employed to prepare the accounts for them and through this they can learn how to keep simple records. They can do this by engaging the skilled personnel on part time basis where, as and when they prepare the books for them, they can as well give them training about how to prepare and keep proper books of accounts. These personnel that they may employ could be individuals or a group of Chartered Accountants or holders of Diploma in Business Studies, HND's, and degree in Administration with accounting option.

Again, the people under the sector should maintain a complete set of books. Single or incomplete bookkeeping is common from the authors' field of survey. This means people under the sector usually record transactions only on one side of the accounts. The golden rule of double entry says that "every debit entry must have a corresponding credit entry and vice versa" because every transaction has two fold effect. The sector people record one without

the other and this always do not give enough information to determine their true financial position. Also they use one book for all transactions. In this instance one book will be used for purchase day book, sales day book, cash book as well as the general ledgers. In related development of this issue they should know the type of books which is relevant for each particular transaction. In order for people to understand the types of books that they have to keep, they have to be introduced by consulting professionals who have knowledge about bookkeeping.

Time schedule for transactions to be entered into various books need to be improved. The study revealed that the time taking by people to record their daily transaction is very long as it takes some about a month or more to record a transaction. Delays in recording a transaction is always associated with complete omission from books at all. In order to avoid this problem early treatment is very important. It facilitates preparation of final account through access to all information.

The people under the sector should develop measures to cut down goods or services that are given on credit basis. Another major problem for bookkeeping is the lack of control over cash. This means that customers do not usually give them ready cash in demanding of their goods or services. As a result of this the people do not feel like recording the transaction. This is very bad on their side because if one buys goods on credit from you, there is the need to keep record for that transaction. Also, because of small capital for the sector people, they find ways to reduce goods or services given to their client on credit. This can be done through promotion, price reductions for prompt payment and incentives packages for cash purchases.

Finally the government should help them to raise capital. The informal sector contributes to the development of this country. The major source of their capital has been mainly on individual savings and at times is very small to expand their business, and this can solve some of the problem of unemployment in this country.

5.3: Concluding Note

Following the years of deterioration of informal sector activities leading to the decline in their earnings, it is time for the sector to take steps to reposition it in order to generate enough revenue from its activities. In line with this, the people under the sector should develop a habit of keeping simple records for their daily activities. To determine financial position of a

firm is very instrumental when it comes to a business. This prominent activity has been relegated in the sector.

Currently the level of recording under this sector is very low. This is as a result of the level of education and the perception of people under the sector. In this case something needs to be done to help the informal sector to make their businesses to flourish.

We have to work on the problems faced by the people of this sector in order to improve their work. The method of bookkeeping needs to be worked out for sustainable development.

It can be concluded that, informal sector is very important sector in this economy and there is the need to take a second look at their mode of operations. The key aspect for successful business development is the management of financial resources. So there is the need for various stakeholders to help them to know how it is of importance to keep records.

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APPENDIX
CHRISTIAN SERVICE UNIVERSITY COLLEGE
DEPARTMENT OF BUSINESS STUDIES
BACHELOR OF BUSINESS ADMINISTRATION

Students Research Questionnaire

We are students at the Christian Service University College working on a research topic “the role of bookkeeping in the informal sector in national development”. A case of Kumasi Central Market.

We would be very grateful if you could provide answers to the questions below. Please tick where applicable.

The study is purely an academic exercise and all information provided including your personal views would be treated confidential.

(1). Age of the respondent

- a) 10 – 20 [] b) 21 – 30 [] c) 31 – 40 [] d) 41 – 50 [] e) above 50 []

(2). Sex

- a) Male [] b) Female []

(3). Educational background

- a) Non [] b) 1st Cycle [] c) 2nd Cycle [] d) Tertiary []

(4). Marital Status

- a) Single [] b) Married [] c) Divorced []

(5). What type of business do you undertake.....

(6). Sources of Capital

- a) Personal loan [] b) Loan from financial institutions [] c) Trade credit []
a) Others, please specify.....

(7). What mode of payment does customers use

- a) Cash [] b) Credit [] c) Cheque []

(8). Do you keep records of sales?

- a) Yes [] b) No []

(9). If yes, how often do you do it?

- a) Daily [] b) Weekly [] c) Monthly [] d) Other, please specify.....

(10). How do you keep your records.

- a) Memory [] b) Writing in exercise books [] c) Columnal books []

(11). Why do you like to keep records of your daily sales?

- a) To access loan [] b) To determine profit and loss [] c) For future reference []
d) For budgeting [] e) For tax purposes []

(12). Do you keep your money at the bank?

- a) Yes [] b) No []

(13). Has the bookkeeping helped you?

- a) Yes [] b) No []

(14). If yes, how far has the record keeping of your sales helped in your transactions/business

(15). If no, Why?

(16). What type of books do you keep?

(17). What problems do you encounter in recording of your daily, weekly, monthly sales?

- a) Lack of knowledge and skill in the bookkeeping [] b) Ignorance [] c) Time Constraints []
d) Lack of control over cash [] e) Feel lazy to keep records []

(18). What is your business prospects or future plans.....