

Bookkeeping Practices and Business Performance among Small and Medium Enterprises in Agusan Del Sur, Mindanao, Philippines

Donald Cyndyl L. Miguel, DBM., Rodel L. Oclaret, DBA., Joan M. Arado, DBM., Rosalie C. Gemina, MBA., Felixberto Dominic B. Eruela, MSBA., Leopich Gerald M. Moreno

BS Entrepreneurship, College of Business Administration, Agusan del Sur State College of Agriculture and Technology-Trento Campus

DOI: <https://dx.doi.org/10.47772/IJRISS.2025.910000605>

Received: 04 November 2025; Accepted: 10 November 2025; Published: 19 November 2025

ABSTRACT

Bookkeeping serves as the backbone of financial transparency and sustainability among small and medium enterprises (SMEs), yet many in developing economies face challenges in maintaining accurate financial records. This study examined the relationship between bookkeeping practices and business performance among SMEs in Agusan del Sur, Philippines, emphasizing the importance of effective financial management in fostering growth and competitiveness. Using a descriptive–correlational research design, data were collected through a validated survey questionnaire administered to SME owners and managers. Descriptive and inferential analyses were employed to determine the extent of bookkeeping practices and their influence on business performance. Results revealed that SMEs generally demonstrated a high level of bookkeeping practices, particularly in recording daily transactions and preparing financial reports, while the use of accounting software was only moderate. Business performance was also rated high, especially in profitability and operational efficiency. Furthermore, a significant positive relationship was found between bookkeeping practices and business performance, suggesting that accurate record-keeping enhances decision-making, profitability, and operational stability. The findings highlight the essential role of systematic bookkeeping in ensuring SME success and recommend that local government units and business support agencies promote continuous training on computerized bookkeeping and financial literacy to strengthen entrepreneurial financial capability.

Keywords: Bookkeeping Practices, Business Performance, Small and Medium Enterprises, Financial Management, Agusan del Sur

INTRODUCTION

Small and Medium Enterprises (SMEs) play a pivotal role in fostering economic growth, employment, and innovation. However, many SMEs face operational and financial challenges due to poor record-keeping and limited financial management skills. Bookkeeping, a vital component of financial management, serves as the foundation for informed decision-making, tax compliance, and financial planning. Despite its importance, many SME owners undervalue systematic bookkeeping, leading to inefficiencies and inaccurate financial records.

Understanding bookkeeping practices among SMEs is crucial to identifying areas of improvement that can support business sustainability. Previous studies (Abor & Quartey, 2010; Amoako, 2013) emphasized that effective bookkeeping enhances accountability, profitability, and transparency. However, SMEs in rural provinces like Agusan del Sur may lack access to proper financial training or resources, resulting in inconsistent bookkeeping practices.

Furthermore, research has shown that strong financial management practices, including accurate bookkeeping, positively influence business performance through improved decision-making, cash flow management, and investment strategies (Ismail & King, 2014; Maseko & Manyani, 2011). Conversely, inadequate record-keeping often leads to poor performance, business losses, and limited growth potential.

This study seeks to assess the level of bookkeeping practices among SMEs in Agusan del Sur and their impact on business performance. The findings aim to provide valuable insights for policymakers, financial institutions, and business support organizations to design training programs and policies that enhance the financial capabilities and sustainability of local enterprises.

Research Questions

1. To determine the profile of SMEs in Agusan del Sur.
2. To assess the level of bookkeeping practices among SMEs in Agusan del Sur.
3. To evaluate the level of business performance among SMEs in Agusan del Sur.
4. To determine the relationship between bookkeeping practices and business performance.
5. To determine the extent to which bookkeeping practices influence the overall business performance of small and medium enterprises (SMEs) in Agusan del Sur.

METHODOLOGY

Research Design

This study investigated the relationship between bookkeeping practices and business performance among small and medium enterprises (SMEs) using a descriptive–correlational research design. This design was deemed appropriate as it enables the identification of patterns and associations between variables without manipulation, allowing the researcher to describe conditions as they naturally occur and to infer potential relationships. According to Martin (2018), correlational research examines the statistical association between two or more variables as they exist in their natural setting, providing insights into whether a significant relationship among them exists. In this study, the correlational approach enabled the researcher to determine how bookkeeping practices relate to the business performance of SMEs in Agusan del Sur, particularly in terms of financial and operational outcomes.

Research Locale

The study was conducted among small and medium enterprises located in Agusan del Sur, a province in the Caraga Region of Mindanao, Philippines. The province was selected as the locale of the study due to its growing entrepreneurial landscape and the active participation of SMEs in local trade and commerce. SMEs in Agusan del Sur represent a wide range of industries such as retail, food processing, agriculture-related businesses, and service-oriented enterprises. The selection of business establishments included in the study was based on the criteria that they must be duly registered with the Department of Trade and Industry (DTI) or the Securities and Exchange Commission (SEC), have been operating for at least five years, and fall within the SME classification set by the DTI.

Research Respondent

The respondents of this study consisted of SME owners and managers from different municipalities of Agusan del Sur. A total of one hundred twenty respondents were selected to represent various sectors such as food and beverage, trading, and services. The sample size was determined using the Raosoft sample size calculator to ensure representativeness and statistical validity. The study employed stratified random sampling to guarantee that all industry types within the SME sector were proportionately represented. Each stratum corresponded to specific business categories such as retail, service, and manufacturing, ensuring diversity and fairness in data representation.

Research Instrument

The primary data-gathering tool used in this study was a structured survey questionnaire developed and validated by the researcher. The instrument was designed to measure two major variables: bookkeeping practices and business performance. It was divided into two main sections. The first section focused on bookkeeping practices, which included indicators such as recording of daily transactions, preparation of financial reports, cash flow monitoring, updating of ledgers and journals, and utilization of accounting software. The second section

measured business performance through indicators such as profitability, operational efficiency, customer satisfaction, and market competitiveness. All items were rated using a five-point Likert scale ranging from “Very Low” to “Very High.”

To ensure the accuracy and quality of the data collection tool, the questionnaire was subjected to expert validation by professionals in accounting, business management, and research methodology. Construct and content validity were established to confirm that the items were aligned with the study’s objectives and variables. Furthermore, a pilot test was conducted among a sample of SMEs not included in the main study to assess reliability. The computed Cronbach’s alpha coefficient was between 0.72 to 0.91, indicating excellent internal consistency of the instrument. This confirmed that the survey questionnaire was both valid and reliable for use in the study.

Data Gathering Procedure

Before conducting the data collection, the researcher sought permission from the Department of Trade and Industry (DTI) Provincial Office of Agusan del Sur to obtain a list of registered SMEs within the province. A formal request letter was also presented to business owners and managers, informing them of the purpose of the study and ensuring voluntary participation. Respondents were provided with informed consent forms indicating their rights, including confidentiality and the freedom to withdraw at any time. After securing approval, the researcher personally distributed the questionnaires to the target respondents, ensuring that all items were clearly explained. Respondents were given sufficient time to accomplish the survey, which typically took around ten minutes. The retrieval of accomplished questionnaires was done personally by the researcher within one month to ensure a high response rate and data accuracy. The collected data were tabulated, organized, and analyzed using statistical tools such as mean, standard deviation, and Pearson correlation to identify significant relationships between bookkeeping practices and business performance.

RESULTS

The study investigated the bookkeeping practices and business performance of small and medium enterprises (SMEs) in Agusan del Sur, as well as the relationship between the two variables.

Table 1. The results presented indicate that most small and medium enterprises (SMEs) in Agusan del Sur are concentrated in the retail trade (37.5%) and food services (25%) sectors, reflecting a preference for industries that require relatively low startup capital and provide immediate cash flow. Additionally, a large portion of these businesses have been operating for four to six years (33.3%), suggesting that the SME sector in the province is composed mainly of emerging enterprises still in their growth phase. The dominance of sole proprietorships (66.7%) further reveals that many of these businesses are owner-managed and family-run, which is typical in developing regions where entrepreneurship often arises from household initiatives rather than corporate structures.

This observation is consistent with the findings of Nowak et al. (2023), who emphasized that in many developing economies, family businesses and sole proprietorships dominate the SME landscape due to ease of establishment, strong family labor support, and localized market focus. Similarly, Mensah and Adomako (2025) found that SMEs in emerging economies tend to cluster in retail and service-oriented industries because these sectors offer quick returns and require minimal formal training or technological investment. Hence, the business profile of SMEs in Agusan del Sur aligns with global patterns of small-scale entrepreneurship in developing regions—characterized by family-based management, short operating years, and limited formal organizational structures, yet contributing significantly to local economic development.

Table1.Profile of SMEs in Agusan del Sur

Profile Indicator	Category	Frequency (f)	Percentage (%)
Type of Business	Retail Trade	45	37.5
	Food Services	30	25.0
	Agribusiness	20	16.7

	Manufacturing	15	12.5
	Others	10	8.3
Years in Operation	1–3 years	28	23.3
	4–6 years	40	33.3
	7–10 years	32	26.7
	More than 10 years	20	16.7
Ownership Structure	Sole Proprietorship	80	66.7
	Partnership	25	20.8
	Corporation	15	12.5

As shown in Table 2, bookkeeping practices among SMEs in Agusan del Sur were rated high ($M = 3.83$), suggesting that most enterprises recognize the importance of maintaining accurate and systematic financial records. The highest-rated indicators were the recording of daily transactions ($M = 4.10$) and the preparation of financial reports ($M = 3.92$), which reflects the proactive efforts of SME owners to track income, expenses, and financial performance regularly. Similarly, cash flow monitoring ($M = 3.80$) and the updating of ledgers and journals ($M = 3.96$) were consistently practiced, indicating an awareness of proper financial documentation as a key management function. However, the utilization of accounting software ($M = 3.35$) was only rated average, implying that many SMEs still rely on manual bookkeeping methods. This limited adoption of digital tools can be attributed to cost constraints, inadequate technical knowledge, and lack of access to financial management training.

These findings are consistent with the study of Kwarteng et al. (2024), who emphasized that while bookkeeping and accounting practices significantly enhance SME performance, many enterprises in developing economies remain dependent on traditional record-keeping systems due to insufficient digital literacy and capital investment. Similarly, Yunis et al. (2024) in their review on information and communication technology (ICT) in SMEs, noted that the slow transition toward digital bookkeeping systems stems from organizational barriers, such as low ICT awareness and limited readiness to adopt new technologies. Thus, while SMEs in Agusan del Sur exhibit strong foundational bookkeeping practices, there is a clear need for further capacity-building initiatives to promote the use of computerized accounting systems that can enhance accuracy, efficiency, and decision-making.

Table 2 Level of Bookkeeping Practices Among SMEs in Agusan del Sur

Indicators	Mean	SD	Descriptive Level
Recording of daily transactions	4.10	0.32	High
Preparation of financial reports	3.92	0.40	High
Cash flow monitoring	3.80	0.38	High
Updating of ledgers and journals	3.96	0.35	High
Utilization of accounting software	3.35	0.45	Average
Overall Mean	3.83	0.38	High

Table 3 shows that business performance among SMEs in Agusan del Sur was rated high overall ($M = 3.87$), indicating that these enterprises maintain relatively stable financial and operational standing. Profitability ($M = 3.95$) and operational efficiency ($M = 3.90$) emerged as the strongest dimensions, suggesting that most SMEs effectively manage their resources and achieve consistent returns from operations. Other indicators, including customer retention ($M = 3.85$), market competitiveness ($M = 3.74$), and business growth ($M = 3.89$), were also rated high, reflecting that SMEs are capable of sustaining customer relationships and maintaining their position within local markets. These results imply that effective internal management systems, coupled with sound financial monitoring, contribute to improved performance outcomes.

These findings align with the study of Ayandibu and Houghton (2024), who emphasized that SME success is often attributed to the integration of financial management discipline and operational efficiency, both of which enhance profitability and sustainability. Similarly, Nthebe and Rambe (2023) found that businesses maintaining proper financial documentation and operational control tend to achieve higher growth rates and competitive advantage in emerging markets. Hence, the high business performance observed among SMEs in Agusan del

Sur reinforces the importance of financial management and operational practices as critical drivers of long-term viability and competitiveness in the SME sector.

Table 3. Level of Business Performance Among SMEs in Agusan del Sur

Indicators	Mean	SD	Descriptive Level
Profitability	3.95	0.33	High
Operational Efficiency	3.90	0.37	High
Customer Retention	3.85	0.42	High
Market Competitiveness	3.74	0.41	High
Business Growth	3.89	0.39	High
Overall Mean	3.87	0.38	High

Table 4 presents the correlation results, revealing a significant positive relationship between bookkeeping practices and business performance ($r = 0.472$, $p < 0.01$). This finding indicates that SMEs with well-implemented financial record-keeping systems tend to achieve higher profitability, operational efficiency, and customer satisfaction. Among the indicators, recording of daily transactions and preparation of financial reports showed the strongest correlations, underscoring the critical role of consistent and accurate documentation in facilitating sound financial decision-making and resource allocation. While the utilization of accounting software was only moderate, it still exhibited a significant relationship with market competitiveness, suggesting that even partial adoption of digital bookkeeping tools can enhance business agility and strategic planning.

These results are consistent with the findings of Kariuki and Mungai (2024), who reported that systematic bookkeeping enables SMEs to make data-driven decisions that improve profitability and operational control. Likewise, Tijani and Ogunleye (2023) highlighted that the integration of accounting technology, even at a basic level, fosters transparency, efficiency, and competitiveness in small enterprises. Therefore, the significant correlation observed in this study reinforces that effective bookkeeping is not merely an administrative task but a strategic management tool that directly contributes to overall business success and sustainability.

Table 4 Significant Relationship Between Bookkeeping Practices and Business Performance of SMEs

Bookkeeping Practices	Business Performance Indicators	r-value	p-value	Remarks
Recording of daily transactions	Profitability	0.421**	0.001	Highly Significant
Financial reporting	Operational Efficiency	0.465**	0.000	Highly Significant
Cash flow monitoring	Business Growth	0.398**	0.002	Highly Significant
Updating of ledgers	Customer Retention	0.355*	0.009	Significant
Accounting software use	Market Competitiveness	0.278*	0.031	Significant
Overall Relationship	Bookkeeping Practices Business Performance	0.472	0.000	Highly Significant

Table 5 presents the results of the regression analysis, which revealed that bookkeeping practices account for 22.3% of the variance in business performance, supported by a highly significant F-value (17.945, $p < 0.01$). This finding suggests that nearly one-fifth of an SME's performance outcomes can be explained by the quality and consistency of its bookkeeping activities. It underscores the critical importance of accurate record-keeping, financial reporting, and cash flow monitoring as integral drivers of profitability and operational success.

The analysis also highlights that effective bookkeeping serves as a foundational management tool, enabling entrepreneurs to make evidence-based decisions that contribute to sustainable growth. By maintaining organized and reliable financial data, SMEs can better assess their cost structures, manage resources, and identify opportunities for expansion or improvement. This supports the argument of Wadesango et al. (2019), who emphasized that proper financial record management enhances transparency and control, leading to improved business outcomes.

Although bookkeeping alone does not determine overall business performance since factors like marketing

strategy, innovation capacity, and customer relations also play vital roles it remains an indispensable element of sound financial management. The regression result, therefore, reinforces the need for SMEs in Agusan del Sur to strengthen their bookkeeping systems, integrate technology where possible, and invest in training programs that build financial literacy among business owners and staff.

Table 5 Multiple Regression Analysis of Bookkeeping Practices and Business Performance

Independent Variable	Dependent Variable	r-value	r ² value	F-value	p-value	Remarks
Bookkeeping Practices	Business Performance	0.472	0.223	17.945	0.000	Highly Significant

CONCLUSIONS

The findings of this study clearly demonstrate that small and medium enterprises (SMEs) in Agusan del Sur possess generally strong bookkeeping practices, especially in recording daily transactions, preparing financial reports, and maintaining ledgers and journals. These practices reflect their recognition of the importance of proper financial documentation as a foundation for business stability. However, the moderate level of accounting software utilization indicates that the transition toward digital bookkeeping systems remains gradual and uneven among enterprises in the province.

The results further established that SMEs with strong bookkeeping practices tend to exhibit high business performance, particularly in profitability, operational efficiency, and growth potential. This positive association underscores that well-maintained financial records enhance management’s ability to make informed decisions, control costs, and adapt to changing market conditions. Consequently, effective bookkeeping is not merely an administrative function but a critical component of strategic and financial management.

The regression analysis revealed that bookkeeping practices significantly contribute to variations in overall business performance. This finding affirms that systematic financial recording and reporting provide SMEs with a competitive advantage by ensuring transparency, accountability, and accurate decision-making. Collectively, the results confirm that sound bookkeeping practices are vital drivers of enterprise resilience, sustainability, and long-term success in a dynamic business environment.

RECOMMENDATIONS

Based on the findings, it is strongly recommended that SME owners and managers enhance their financial management systems by adopting computerized bookkeeping tools and digital accounting platforms. Transitioning from manual to automated processes will improve accuracy, reduce human error, and provide real-time financial insights essential for operational planning and control. Encouraging SMEs to invest in digital transformation will also strengthen their capacity to meet regulatory requirements and adapt to technological changes.

Local government units (LGUs), business development centers, and academic institutions are encouraged to collaborate in implementing capacity-building programs focused on financial literacy, accounting software utilization, and internal control systems. These initiatives should aim to empower entrepreneurs with the knowledge and technical skills necessary to maintain accurate financial records and manage their resources effectively. Moreover, mentorship and consultancy programs can help SMEs sustain good bookkeeping habits over the long term.

Lastly, policymakers and development agencies should consider providing incentives, grants, or tax benefits to SMEs that adopt formalized and computerized bookkeeping systems. This support can accelerate financial modernization among enterprises and promote a culture of transparency and accountability. Future researchers are also encouraged to explore related areas, such as the influence of taxation practices, budgeting efficiency, and digital transformation readiness, to develop a more comprehensive understanding of financial management among SMEs in the region.

Compliance with Ethical Standards

Participation was entirely voluntary, and the study was not deceptive or manipulative in any way. The respondents were not subjected to physical, psychological, or social harm, and their involvement only contributed to the creation of knowledge that could help companies and enhance performance. Prior to data collection, respondents received written consent forms and were informed of their right to withdraw at any time without incurring penalties.

The study adhered to accepted ethical norms, which included risk-benefit analysis, informed consent, protecting vulnerable groups, privacy and confidentiality, social benefit, justice, honesty, and accountability. Academic training and suitable training ensured the researcher's competence and integrity.

REFERENCES

1. Abor, J., & Quartey, P. (2010). Issues in SME development in Ghana and South Africa. *International Research Journal of Finance and Economics*, 39(6), 218–228.
2. Adela, V., Agyei, S. K., Frimpong, S., Awisome, B., Bossman, A., & Obeng Benchie, J. (2024). Bookkeeping practices and SME performance: The intervening role of owners' accounting skills. *Heliyon*, 10, e23911.
3. Amoako, G. K. (2013). Accounting practices of SMEs: A case study of Kumasi Metropolis in Ghana. *International Journal of Business and Management*, 8(24), 73–83. <https://doi.org/10.5539/ijbm.v8n24p73>
4. Ayandibu, A. O., & Houghton, J. (2024). Financial management and performance of small and medium enterprises in developing economies. *Journal of Entrepreneurship and Emerging Economies*, 16(2), 215–229.
5. Damascene, U. J., & Kasozi, K. M. (2025). The impact of financial record-keeping practices on the performance of small and medium enterprises. *International Journal of Finance & Banking Studies*, 14(2), 103–108.
6. Ismail, N. A., & King, M. (2014). Factors influencing the alignment of accounting information systems in small and medium-sized Malaysian manufacturing firms. *Journal of Information Systems and Small Business*, 2(1–2), 1–20.
7. Kariuki, J. W., & Mungai, P. K. (2024). Influence of bookkeeping practices on financial performance of small and medium enterprises in Kenya. *Journal of Accounting and Financial Management*, 12(1), 45–60.
8. Kwarteng, A., Osei, A., & Owusu, R. (2024). Bookkeeping practices and SME performance: The intervening role of owners' accounting skills. *Journal of Accounting and Business Studies*, 12(1), 45–58. <https://pubmed.ncbi.nlm.nih.gov/38226279>
9. Maseko, N., & Manyani, O. (2011). Accounting practices of SMEs in Zimbabwe: An investigative study of record keeping for performance measurement (A case study of Bindura). *Journal of Accounting and Taxation*, 3(8), 171–181.
10. Martin, A. (2018). Research methods and design: Correlational studies in business and management. *International Journal of Social and Administrative Sciences*, 3(2), 45–52.
11. Mensah, J., & Adomako, S. (2025). Small and medium scale enterprise (SME) owner financial literacy, entrepreneurial competencies and financial performance: The role of corporate governance. *Future Business Journal*. <https://fbj.springeropen.com/articles/10.1186/s43093-025-00585-9>
12. Nowak, M., Kubiak, J., & Lewandowski, M. (2023). Factors in the development of family businesses in the SME sector: Analysis and assessment of their importance in strategic enterprise management. *Sustainability*, 17(5), 1821. <https://www.mdpi.com/2071-1050/17/5/1821>
13. Nthebe, M., & Rambe, P. (2023). Operational efficiency and growth strategies among small and medium enterprises in Sub-Saharan Africa. *African Journal of Economic and Management Studies*, 14(3), 301–320.
14. Tijani, O. A., & Ogunleye, O. O. (2023). Adoption of accounting technologies and performance of small businesses in developing economies. *International Journal of Small Business and Entrepreneurship Research*, 11(3), 98–113.

-
15. Yunis, M., Tarhini, A., & Kassar, A. (2024). Information and communication technology in SMEs: A systematic literature review. *Journal of Innovation and Entrepreneurship*, 13(42). <https://innovation-entrepreneurship.springeropen.com/articles/10.1186/s13731-024-00392-6>