BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTANCY

THE RELEVANCE OF ADOPTING COST ACCOUNTING TECHNIQUES ON PERFORMANCE OF SMEs IN ZIMBABWE.

Research Project

By

B211296B

A Dissertation Submitted in Partial Fulfilment of the Requirements for the

Bachelor of Accountancy (Hons) Degree

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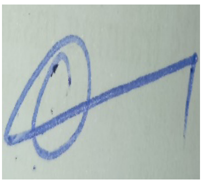
APPROVAL FORM

The undersigned verify that they have facilitated student **B211296B** on dissertation titled, **The Relevance of Adopting Cost Accounting Techniques on Performance of SMEs in Zimbabwe,** submitted in partial fulfilment of the requirements for the Bachelor of Accountancy (Hons) Degree at Bindura University of Science Education.



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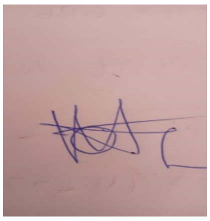

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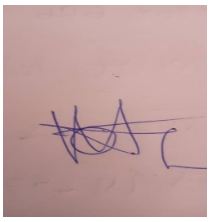

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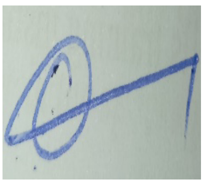

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DEDICATION

I dedicate this project to the people at home, for I would not have been part of this life, has it not been their presence. Special dedication goes to my father, Charles, who has always believed in me since day one. This may not go a long way without mentioning my little sister, Ropafadzo, saying this is the inspiration I became.

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Glory be to Christ Jesus, for the revelation of grace through which I have made it this far. My mentor and supervisor, Mr. Manyani deserve special credit for leading by example. I appreciate also, my colleagues in academia, as well as the business community in Bindura for making this project a success. It has been an honour to travel such a journey on the shoulders of my university of choice, BUSE.

ABSTRACT

This project attests the relevance of cost accounting techniques on SME performance in Zimbabwe. A survey was carried in Bindura urban area, where 80 questionnaires were distributed online to selected businesses, with 65 valid responses obtained. The research data underwent descriptive and inferential analysis. Findings reveal that SMEs have adopted cost accounting techniques to a relatively low extent. Non-adopters point out knowledge deficits and scarce resources as main barriers. An analysis of replies shows that adopters attain substantial advantages though they are yet to consolidate the full benefits. Regression analysis supported a significant relationship between adoption of cost accounting techniques and performance of SMEs. The research established that duration in business alongside educational background, as well as the level of concern for cost accounting drive the adoption of such practices. The research advocates for financial literacy, a comprehensive framework and policy incentives to promote adoption. The project adds to the body of knowledge on SME sustainability through presenting actionable information that entrepreneurs along with policymakers and scholars can utilise to promote value for money in the SME sector.

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CHAPTER I

INTRODUCTION

1.0 Introduction

There is accumulating interest in the link between cost accounting and SME performance. The goal of this study is to attest the relevance of cost accounting techniques on performance of SMEs. This chapter includes a brief research background, problem statement, research questions, research objectives, statement of hypothesis, significance of study, assumptions, scope of the study, limitations as well as definition of key terms.

Bhimani (2020) examines the way in which cost accounting is changing the modern business paradigm. He argues that, while cost accounting techniques (such as activity-based costing, target costing and lifecycle costing) present meaningful benefits, their application in specific business contexts require additional analysis on efficiency and effectiveness. This project aims to partially cover the gap in knowledge by attesting the relevance of cost accounting on performances of SMEs.

1.1 Background to the Study

SMEs are seen as vital engines of economic growth especially in developing economies. SMEs provide opportunities for individuals to engage in business, contribute to community development, and foster innovation (Beck and Demirguc-Kunt, 2006). Despite their importance, the survival of SMEs remains low due to various challenges, including limited capital, peripheral management and insufficient know-how of modern business practices (Sarma, 2019).

The United Nations` 2030 Agenda for Sustainable Development, cited by, (Adams, 2017; Schaltegger, 2018 and Lehner, 2019) emphasizes the importance of sustainable and inclusive economic growth, which implicitly includes the need for sound financial management practices for SMEs. The agenda stresses the importance of fostering sustained, inclusive economic growth, productivity, as well as decent work for all. To attain this, SMEs need to understand and control their cost structures (United Nations, 2016).

In essence, the UN agenda encourages SMEs to adopt good practices, including sound financial management. While not explicitly mentioning cost accounting, the goal promotes a need for SMEs to be financially responsible.

In Africa, SMEs continue to play an essential role in the economy, with the African Development Bank (AFDB, 2021) estimating that SMEs contribute approximately 90% of all businesses and up to 60% of total employment. However, the majority of these enterprises operate informally and face challenges like, inconducive infrastructure, high costs of doing business, and lack of access to both technical and financial resources (Chong, 2018). Despite the considerable efforts of African governments to promote the growth of SMEs such as, African Union`s Agenda 2063 (African Union, 2015), the success of these initiatives has been somewhat limited, and many small firms continue to struggle with survival.

Within Southern Africa, Zimbabwe`s economic landscape is a reflective of the broader challenges faced by SMEs in the region. SADC (2012) recognizes the importance of SMEs as a means to promote economic growth and regional integration. In response to that, several initiatives have been introduced to support SMEs, including access to finance, entrepreneurship training, and capacity-building programs (Kanyenze et al., 2017). However, SMEs within the bloc continue to face significant obstacles in maintaining long-term financial stability, with many failing to adopt more advanced financial management.

Several initiatives put over the recent decade by the Zimbabwean Government have contributed positively to skill development and the establishment of small businesses. However, small ventures are still grappling with survival owing to inability to adapt to rapid changes in the business environment, and this situation has resulted in a cyclical pattern of start-ups that fail to achieve long term sustainability (Gukurume, 2020).

NDS1 emphasizes the crucial role of SMEs in embracing the devolution for an upper middle-class income economy (Government Gazette, 2020). SMEs are implicitly required to adopt efficient operational and management practices where cost accounting plays a vital role in identifying cost drivers, improving efficiency, and informing pricing strategies (Dlamini and Schutte, 2021).

As SMEs grow and seek funding, including venture capital, demonstrating sound financial management through costing techniques becomes essential for investor confidence (RBZ, 2017). NDS1 aims to capacitate SMEs with necessary business skills (The Manica Post, 2021). Maseko et al., (2011) stated that the ways of SMEs empowerment are not yet enough to move their status from where they are to some businesses in full. With that being said, SMEs would need not just funding through public finance mechanisms but also assistance in form of capacity building.

The strategy (nds1), seeks to formalise SMEs (The Herald, 2024), since formalised businesses are more likely to adopt structured accounting practices for compliance and better management. Given the continued emphasis on SME development as highlighted in the approval of NDS2 (New Ziana, 2025), it is highly probable that the subsequent strategy will further emphasize the need for SMEs to enhance their operational efficiencies and financial management capabilities.

In line with the development strategy, the National Venture Capital Company of Zimbabwe (NVCCZ) was launched on January 16, 2025. This initiative, introduced in the 2020 national budget, aims to bridge the gap between Zimbabwe`s abundant innovative ideas and the capital required to transform them into successful businesses. NVCCZ is dedicated to providing equity financing referred to as "patient capital"-long term investment without immediate repayment pressure- to businesses that might struggle to access traditional banking loans. The venture focuses on promoting real businesses, thereby necessitating the need for formalisation.

1.2 Problem Statement

In-spite-of SMEs being expected to build the economy, they continue to struggle in navigating persistent economic crisis. The government made substantial investments aimed at revitalizing the economy, with the SME sector positioned as a key driver for economic growth (Kanyenze et al., 2017). Nonetheless, a number of small business units find it challenging to translate short-term successes into going concern. Inadequate application of cost accounting practices might be concerning. According to (Maseko and Manyani, 2011) most SMEs continue to rely on traditional accounting methods. This limits their ability to effectively manage financial performance. Consequently, SMEs are often unable to make informed financial decisions, leading to poor performance and, in many cases, business failure. Mbogo (2011) cited by Maziriri (2017) points with respect to cyclical demise of South African SMEs and findings from neighbouring nations indicating that at least some part of this failure ratio attributes to improper management accounting practices. Maziriri (2017) citing Ahmad (2012) pointed out inferior problem-solving ability as one of the reasons for business flops. Bhimani (2020) points out also that even though cost accounting techniques offer many benefits, their usage in unchartered territory needs constant research on applicability, effectiveness and adaptation to emerging business models. Maziriri (2017) proposed that upcoming studies need to expand the framework to evaluate other variables for instance, the influence of cost accounting practices. The need for continuing research in this area becomes imperative in a dynamic and unpredictable economic environment. It is set against the above context that the study seeks to explore how far adoption of cost accounting techniques can support in improving the performance of SMEs in Zimbabwe.

1.3 Research Questions

1. To what extent have SMEs adopted cost accounting techniques?
2. What impact does cost accounting techniques have on performance of SMEs?
3. Which factors are influencing the adoption of cost accounting techniques in SMEs?
4. What recommendations should I provide to promote adoption of cost accounting techniques by SMEs?

1.4 Research Objectives

1. To investigate the extent at which SMEs have adopted cost accounting techniques.
2. To examine the impact of cost accounting techniques on performance of SMEs.
3. To identify factors influencing the adoption of cost accounting techniques by SMEs.
4. To recommend on most suitable cost accounting techniques for SMEs in their particular industries.

1.5 Statement of Hypothesis

H_0 (null hypothesis): There is no significant relationship between adoption of cost accounting techniques and performance of SMEs.

H_1 (alternative hypothesis): Adoption of cost accounting techniques has a significant impact on performance of SMEs.

1.6 Significance of Study

This project is an additional brick to work-in-progress. In fact, it is just a molecule to the chemical equation of ongoing literature, providing valuable insights to entrepreneurs, policy makers, the academic fraternity and other stakeholders. The study aims at promoting the development of a comprehensive framework for effective adoption of costing accounting techniques by SMEs in Zimbabwe and beyond.

1.7 Assumptions

During the fieldwork, several key assumptions guided the researcher`s approach. First, it is assumed that the sample selected for the study accurately represents the broader population of SMEs in Bindura, Zimbabwe. By focusing on a local sample, the researcher expected to draw conclusions that reflect the unique challenges and practices faced by SMEs in this particular region. To ensure the validity of this assumption, the researcher carefully selected a mix of SMEs across various sectors and sizes so as to ensure diversity within the sample, which enhances representativeness of the findings.

Secondly, the researcher assumes that the data collected from the selected SMEs is reliable, valid and bias free. To mitigate potential biases, the researcher employed a robust data collection strategy that includes a combination of semi-structured questionnaires and document reviews. By combining these methods, the researcher ensures that the information gathered is comprehensive and reflects the true state of cost accounting practices in the participating SMEs. Additionally, all data collection processes were conducted with strict ethical guidelines to ensure honesty and transparency from participants.

Another assumption is that, conventional metrics are effective in measuring financial performance of SMEs. These metrics are the core for assessing whether cost accounting functions are of value to SMEs and are of central focus in this study as they offer quantifiable indicators of performance. In addition, the researcher assumes that, the research design and methodology are appropriate for study purposes. Given the exploratory nature of the study, a semi-structured questionnaire was used, allowing for in-depth analysis of SMEs` costing practices.

1.8 Delimitations of the Study

The study is delimited to SMEs within Bindura urban, which provides a controlled setting for examining cost accounting practices in a specific geographic area. While this decision narrows the scope of the study, it has allowed the researcher to gain deep understanding of local context and identify challenges that are unique to the Bindura SME sector. By focusing on one town, the researcher has been able to engage closely with entrepreneurs, building rapport and trust with local business people to encourage open expressions on their costing practices.

The study is limited to a sample size of 80 SMEs which may impact generalizability to the broader SME population in Zimbabwe. However, the researcher employed a purposive sampling method, intentionally selecting SMEs from a range of industries and sizes within Bindura. The sample includes a balanced representation of manufacturing, retail, mining and service-oriented SMEs. This approach enabled the researcher to capture a broad spectrum of perspectives within the SME landscape. The researcher ensured that each sector is proportionately represented. To ensure that the number of questionnaires remains reasonable and manageable while allowing for meaningful data collection, the researcher went for at least 20 participants from each sector. This approach strikes a balance between gathering diverse perspectives and maintaining a feasible data collection process.

The use of primary data collection through questionnaires was a key aspect of this study. While secondary data from existing reports and databases can a provide a broad contextual background, it is acknowledged that such data may not reflect the most entity-specific or up-to-date information. To address that, primary data was gathered directly through questionnaires, ensuring a more focused and detailed understanding of each individual firm.

1.9 Limitations of the Study

Several limitations became apparent during the course of the study, and the researcher implemented appropriate mitigation strategies. One significant limitation was the time constraint associated with balancing the research project and other academic responsibilities. At the final stages of the research, the researcher was currently preparing for end-of-semester examinations, which limited the time available for in-depth data analysis and additional follow-ups. However, the researcher managed this challenge by prioritizing key data collection and analysing activities, as well as maintaining a structured timeline that ensured all critical steps of the study were completed within a reasonable timeframe.

The researcher was also faced with budgetary constraints, which affected the scope of data collection and analysis. Accessing advanced data software and as well, seeking external consultation became a challenge. Inability to meet travelling costs limited the researcher to carry-out the survey only within the local town of Bindura. The researcher adopted a cost-effective data collection method, by distributing electronic questionnaires via google forms to reduce logistical costs. Moreover, the researcher was able to browse on relevant websites to gain access to secondary data.

Accessing data from SMEs proved challenging due to confidentiality concerns and the reluctance of business owners to share sensitive information. Many SMEs are hesitant to divulge their cost structures, pricing strategies, or financial performance owing to fear of financial investigators digging down on their underground activities. Past studies argue that SMEs have a tendency to hide because of reluctancy to submit tax returns. To overcome this, the researcher emphasized on confidentiality of the process and mutual benefits of participating. Additionally, the researcher anonymised all the responses to further reassure participants of their privacy.

1.10 Definition of Terms

Cost Accounting: Choudhary and Rodrigues (2017) published by (IJSAT, 2025) describes cost accounting as a fundamental aspect of financial management that focuses on gathering, analysing, and managing costs within an organisation. As businesses sail through the turbulences of financial management, cost accounting emerges as a critical tool for ensuring operational efficiency and profitability

Cost Accounting Techniques: refer to the systematic methods used to collect, analyze, and assign costs to products, services, or activities within an organisation. These techniques help businesses determine profitability, control expenses, and support decision-making processes (Horngren et al., 2015). According to Drury (2018), cost accounting techniques are essential for management accounting as they provide insights into cost behaviour, cost allocation, and performance measurement.

Small to Medium Enterprise (SMEs): are private business units, most of which are not separate legal entities. These firms typically face resource constraint and require efficient management practices to stay active (Ayyagari et al., 2011).

Financial Performance: refers to the measurement of profitability and liquidity.

For SMEs, financial performance is a critical indicator of business success, which can be influenced by effective cost management (Bhimani et al., 2012).

Activity-Based Costing: is a cost accounting method that assigns overhead costs to products or services based on activities required to produce them. ABC provides a more accurate reflection of the costs associated with each product, thus helping businesses to identify cost drivers and tracing expenses to costs objects with greater precision (Horngren et al., 2015; FasterCapital, 2025).

Target Costing: is a cost management approach whereby a firm determines a target cost for a product based on its desired profitability and competitive pricing. This technique helps SMEs control their costs from the onset of production, ensuring that costs remain within predetermined limits while maintaining quality standards (Bhimani et al., 2012).

Standard Costing: is a cost accounting technique that establishes predetermine costs for materials, labour, and overheads, and comparing them to actual costs then analyse variances (Drury, 2013). It serves as a managerial tool for budgeting, performance evaluation, and operational efficiency enhancement (Horngren et al., 2015).

Throughput Accounting: is simplified form of cost accounting that capitalises on producing and selling most profitable items. It emphasizes lean production so as to optimize throughput in reducing holding and operating costs (Goldratt and Cox, 2014).

Cost Control: refers to the management process used to monitor and regulate expenditure. It involves strategies to minimize unnecessary expenses and improve cost efficiency (Mwangi et al., 2014).

1.11 Chapter Summary

This chapter provides an introduction to the research study, setting scene for analyses that follow. Research background is elaborated in this chapter, highlighting the context and relevance of the study. Specific issues tackled in the thesis are presented by the problem statement and then briefly outlined by what needs to be solved. The chapter clearly defines objectives, providing the framework of work to be carried out. This chapter also presented underlying assumptions of the study, as well as limitations and delimitations of this research. Finally, key terms used in the study are defined, ensuring clarity and consistency in the language used throughout the research.

CHAPTER II

LITERATURE REVIEW

2.0 Introduction

This chapter provides a comprehensive review of existing literature on the adoption of cost accounting techniques in SMEs. The initial section looks at the theoretical and conceptual frameworks that underpin the study. A review then, of empirical studies dealing with SMEs and adoption of cost accounting techniques follows. We end the chapter by looking at the obstacles to cost accounting implementation, together with the benefits of running it.

2.1 Theoretical Framework

The adoption of cost accounting techniques in SMEs can be understood through the lens of several theoretical frameworks. This study draws on the contingency theory, resource-based view (RBV), and institutional theory to explain the adoption of cost accounting techniques in SMEs.

2.1.1 Contingency Theory

Found in the 1960s by Joan Woodward and Fred Fiedler, sought to explain how organizational characteristics and leadership styles must align with specific situational variables for optimal performance. Joan Woodward (1965) found that manufacturing technologies significantly influenced the organizational structure and management practices, suggesting that firms need to adapt their management systems, including accounting techniques, to fit their technological environment. Fred Fielder (1964), with his contingency model of leadership, emphasized that effective leadership is not solely dependent on a leader`s traits but on the interaction between the leader`s style and the situation, influencing management practices, including those in accounting and finance.

In the 1980s to early 2000s, the theory was adopted to management accounting, with scholars like Galbraith (1973) and Chenhall (2003) applying contingency theory to explain the adoption and design of management control systems, including cost accounting techniques in firms. Galbraith (1973) suggested that organizational structure should match the complexity of the environment in which the firm operates. He further argued that, firms adopt specific accounting practices based on their structural needs. Chenhall (2003) highlighted that management control practices, including cost accounting, should be contingent on factors such as firm size, industry, strategy and technology.

The theory continues to evolve as it now addresses the SME sector. Modern research focuses on how SMEs adopt simpler or more flexible cost accounting techniques that align with their specific needs.

This theory argues that there is no one-size-fits-all approach to management accounting, and that the most effective approach will depend on a firm`s specific characteristics such as size, structure, and technology.

2.1.2 Resource-Based View (RBV)

Building on Wernerfelt (1984) previous work, J. Barney perfected the RBV in 1991. According to Barney`s RBV, a firm`s internal resources-which are valuable, rare, imitable, and non-substitutable (VRIN)-are essential to establishing a long-term competitive edge. The principle suggests that firms can use their internal resources and competences to obtain a competitive edge (Barney, 1991). According to this view, instead of attempting to copy their rivals, businesses should concentrate on creating and utilizing their own resources.

Wernerfelt (1984) first conceptualized the importance of resources in gaining competitive advantage, arguing that firms should focus on their internal capabilities rather than external market conditions. Barney (1991) extended this idea by developing the VRIN framework, which suggests that for resources (like, cost accounting systems) to provide a sustained competitive advantage, they must meet the VRIN criteria.

Since its inception, RBV has been applied to various areas of management, including marketing, human resources, and operations. In the context of cost accounting, scholars such as Kaplan and Norton (1996) expanded RBV by linking cost management techniques to the strategic management process, especially through frameworks like the Balanced Scorecard, which incorporates cost accounting as a key resource in achieving strategic goals.

2.1.3 Institutional Theory

Institutional theory emerged in the late 1940s with the initial work of Philip

Selznick. It was later developed by John Meyer and Brian Rowan in the 1970s. Selznick`s early work focused on how organisations adapt their environment to gain legitimacy. Meyer and Rowan (1977) suggested that organisations adopt similar practices and structures owing to uniformity of institutional requirements.

The theory has been used to explore how institutional demands shape the uptake of accounting practices. Bar and Covaleski (2005) extended institutional theory to examine how SMEs adopt accounting practices to gain legitimacy and align with industry standards or investor expectations.

2.2 Conceptual Framework

In bid to comprehend the variables under study, the conceptual framework combines resource-based approach, institutional theory and contingency theory. According to the concept, three factors-organizational characteristics, internal resources and institutional environment-influence SMEs` adoption of cost accounting systems. It then establishes a pathway by which these elements directly or indirectly influence how costing methods are applied and how that affects financial performance. The framework consists of the following components:

Independent variables

1. Organisational Characteristics:

According to the Contingency Theory, the adoption of management practices, including accounting systems, depends on the specific context of the organisation. SMEs may not require complex or rigid cost accounting systems, as smaller organisations with simpler structures often operate in a more flexible environment. The complexity of the business environment and its alignment with the organisation`s internal structures are key drivers in determining which cost accounting system is best suited to the firm. Larger organisations might adopt more sophisticated systems due to the complexities of their operations, while smaller firms may prefer simpler systems that are more aligned with their resources and needs.

2. Internal Resources:

According to the Resource-Based View, internal resources of an enterprise play a critical role in its ability to adopt and effectively implement costing techniques. These include, financial resources, human capital and management expertise. Enterprises with more financial capital, skilled personnel, and experienced management are better positioned to invest in and utilize advanced costing techniques. On the other hand, firms with fewer resources may adopt simpler systems.

3. Institutional Environment:

This encompasses external forces such as government regulations, industry norms and investor expectations. According to Institutional Theory, organizations adopt certain practices to gain legitimacy, conform to industry standards, or comply with regulations. For SMEs, external pressures can include adherence to tax laws, regulatory compliance, or meeting expectations of investors and other stakeholders.

Predictor variable

Adoption of Cost Accounting Techniques:

The predictor variable in this study is the adoption of cost accounting techniques. These include systems such as, ABC, Standard Costing, Target Costing and Throughput Accounting. The decision to adopt a specific technique depends on the organisational context, internal resources, as well as external pressures.

Outcome Variable

Financial Performance:

The ultimate goal of adopting cost accounting techniques is to improve financial performance. This can be measured in terms of profitability, cost reduction, and overall business sustainability. Costing techniques enable firms to make better decisions about resource allocation, product pricing and operational efficiency. Through effective cost management, enterprises are able to optimize their financial performance, thereby achieving long-term profitability and competitive advantage. The adoption of cost accounting systems, coupled with sound management practices, can lead to a more informed decision-making process that directly influences the financial outcomes of a business.

2.3 Theoretical Assumptions

The adoption of cost accounting techniques is assumed to be a deliberate and conscious decision made by SMEs. SMEs adopt cost accounting practices not merely due to external pressures, but because they believe such practices will offer strategic benefits, such as improved cost control and enhanced decision -making.

The adoption of cost accounting techniques is influenced by a combination of organisational characteristics, internal resources and the institutional environment. SMEs are not isolated enterprises but operate within a dynamic interplay of internal capabilities and external influences.

It is assumed that the adoption of cost accounting techniques positively impacts financial performance. Whilst the relationship may vary across different SMEs, it is expected that firms which adopt effective costing techniques will be able to implement better cost management practices, thereby ultimately improving financial outcomes.

2.4 Empirical Evidence

Maseko and Manyani (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.

This could be a foundational study that sheds light on the adoption of cost accounting techniques by SMEs in Zimbabwe. This research provides an initial understanding of the general accounting landscape within Zimbabwean SMEs, specifically focusing on their record-keeping practices and the impact on performance measurement. The study was conducted in Bindura, offering a specific regional context for investigation.

A structured questionnaire was used to gather primary data from the respondents, which was then analysed to produce statistical results. The target population consisted 100 SMEs that operated retail stores, manufacturing businesses and providers of various services in Bindura. A structured questionnaire was used to collect primary data from the respondents, which was analysed to generate frequencies and percentages. The research methodology employed a survey research design.

Owing to lack of accounting expertise as well as the perceived expense of engaging professionals, the survey found that SMEs resort to zero or minimal accounting. Consequently, many businesses utilize accounting data inefficiently to gauge their financial performance. Additionally, the study found that most SMEs felt more at ease with cash bases of accounting than accruals. A significant portion of SMEs did not create a full set of financial accounts, and others did not prepare any financial statements at all, according to the survey. According to the report, authorities have to develop accounting principles tailored to SMEs and offer template forms for SMEs to use in gathering and calculating accounting data.

These findings have significant relevance to potential adoption of cost accounting techniques. The lack of basic accounting knowledge and the tendency to maintain incomplete records would undoubtedly pose a substantial challenge to successful implementation of more sophisticated cost accounting methods. Cost accounting often requires a solid foundation of basic accounting practices. The preference for cash basis may not provide the detailed insights into costs needed for effective cost management and decision-making, that accruals concept offers. The scholars advocated for development of a specific framework tailored for SMEs and initiate accounting training programs for entrepreneurs. It also suggested mandatory record-keeping so as to improve accounting practices in SMEs so as to increase chances of them formalising operations. This highlights a recognized need for external intervention to enhance basic accounting capabilities of SMEs, which is a prerequisite for the adoption of costing techniques.

Moyo (2012). An evaluation of accounting methods used by SMEs in Zimbabwe and their influence on company performance: A case study of Harare Metropolitan Retail Sector. (Master`s Degree thesis). University of Zimbabwe.

The research adopted a triangulation research method which included survey questionnaires, interviews and focus groups. The findings showed that some SMEs partially keep books of accounts and some, not at all. Most of these enterprises are unable to hire skilled personnel for their accounting function. A number of SMEs were found not keeping accounting information which is vital for assessment of business success. The study indicated that lack of effective accounting processes impedes business success. Owner-managers running these businesses lack the needed accounting expertise.

Dlamini (2022). Adoption of Management Accounting Practices: Challenges and Opportunities for Small and Medium-scale Enterprises in Zimbabwe. Thesis for PhD in Management Accountancy. Lupane State University.

More contemporary insights into the adoption of cost accounting techniques can be found in the study carried out by Dlamini (2022). This research offers a more recent perspective on the factors that either promote or hinder the use of these practices within the SME sector in Zimbabwe.

The study employed a qualitative research methodology, in which a chain referral sampling technique was used to collect data across all provinces nationwide. The collected data was then analysed using qualitative content analysis. The study found that classic costing methods (job, batch and process costing) are more extensively employed than contemporary systems such as ABC. Some SMEs blindly copy and paste their rivals` prices or just use random guesswork to establish cost of their items. The findings also highlighted that SMEs in the survey used conventional budgeting techniques and are non-adopters of contemporary budgeting owing to related expenses.

A considerable portion of respondents stated that they stopped using budgets because they were obsolete as a result of hyperinflation. During economic downturns, SMEs have a tendency of turning to informal business practices to deal with uncertainty. According to Dlamini (2022), the participants also indicated that they could not afford accounting packages as well as hiring accounting personnel due to inadequate resources. According to the survey, small businesses employ fewer management accounting solutions because they have lower amounts of information to handle. The study also discovered most SMEs have underqualified personnel and that the owners lack knowledge in management accounting.

This research underscored the critical role of financial literacy. This echoes the findings of an earlier study by Maseko and Manyani (2011), suggesting that a lack of financial literacy and qualified personnel continues to be a substantial impediment to the adoption of more advanced accounting practices. The study recommended educating SME owners on the importance of having in-house cost controllers and suggested that those unable to hire fulltime professionals could collaborate with accounting firms as business partners. The study also proposed that the government should subsidize training programs, not only on tax compilation and bookkeeping, but also on broader management accounting principles.

Dlamini, B., (2023). Use of Management Accounting Practices: A Remedy or Delusion for SMEs in Zimbabwe. EuroEconomica. 2(42), 1582-8859.

A year later, the author carried yet another research to determine if SMEs` perceptions of management accounting are true or a mere fiction. Purposive sampling and a mixed-methods strategy were used to gather data from 188 SMEs throughout four provinces in Zimbabwe. According to the survey, SMEs in the country have low adoption rate of management accounting. According to the findings, management accounting help businesses establish a competitive edge, evaluate profitable prospects as well as possible risks. The author recommended that, as these are essential components of success, there should be greater understanding of the related advantages.

Kanhukamwe, L., (2020). 'Fostering SMEs Survival Through Cost Reduction': Evidence from SMEs in Harare'. Thesis for Masters in Business Administration. University of Zimbabwe. An explanatory research design was used for this study. A survey was conducted and a structured questionnaire was used to collect data from 200 SME managers. A correlation analysis indicated a positive correlation between cost reduction strategies and survival of SMEs. The researcher recommended that the government should provide guidance to SMEs on cost management practices that will foster their survival. The researcher also suggested workshops and training programs for entrepreneurs.

Mwila, A., Masaka, V., and Tukumana, K. (2022). The Impact of Activity Based-Costing on SMEs` Financial Performance in Lusaka Zambia (II), CECCAR Business Review, (7), pp. 43-54.

While several studies regarding cost accounting have been conducted in broad, these scholars specifically focused on one contemporary costing technique. The purpose of the study was to investigate how ABC costing affecting financial performance of SMEs in Zambia. The researchers set out to look at the impact of implementing ABC costing in SMEs, the link between

ABC costing and financial performance, as well as the reasons why majority of SMEs have not embraced the ABC approach.

A study of replies from 20 participants in the survey found that just seven respondents (35%) had adopted the ABC method, while 13 (65%) other were still using traditional costing. The survey also found that all SMEs that had embraced the ABC approach had reported a favourable impact on their financial performance. The survey further showed that there were three main reasons for not adopting the system, namely being satisfied with the conventional system, high cost of implementing ABC system, and lack of competence required to administer the system.

Kabamba, K. M., Mutono-Mwanza, B. G., and Haabazoka, L. (2024). An Assessment of the Effect of Management Accounting Practices on the Performance of Small and Medium Enterprises (SMEs) in Lusaka, Zambia. Social Science Journal for Advanced Researched, 4(3), pp. 11-21.

This research aimed to evaluate how management accounting practices affect SMEs` performance in Zambia. The research objectives involved studying current practices and evaluating their application in measuring financial performance, as well as identifying constraints to adoption. The survey method involved a self-administered questionnaire.

Findings reveal that SMEs employ various MAPs, including flexible budgeting which stands as the most adopted strategy, followed by competitor monitoring and decision support tools such as break-even analysis. ABC approach showed a low uptake rate compared to standard costing and balanced scorecard. Management Finance and Target Costing showed the lowest adoption levels. Challenges to implementing MAPs included limited involvement from accounting personnel and managers` insufficient comprehension of such practices, production scale, organizational changes, and corporate strategy. These findings emphasized the diverse application of MAPs among SMEs and highlighted areas for improvement.

In respect of the findings, the following recommendations were made: the implementation of flexible budgeting should be a top priority to handle business variations and enhance financial planning. SMEs need to invest in competitor analysis for strategic decision-making and market competitiveness. Though regular training programs, break-even and cost-volume-profit analysis should be used for pricing purposes. Firms should adopt ABC approach to understand cost structures and control spending. The knowledge base of accountants and managers needs continuous enhancement. Organisations should tailor MAPs that satisfy industry needs and conduct frequent checks on organisational structure while adopting a complete approach to financial management. The organisation should maintain current knowledge of new accounting techniques and align its financial planning with overall strategic plan for success.

Zulu, L. T., and Nzuza, Z. W., (2024). Adoption of Strategic Management Accounting by Small Enterprises in South Africa. Accounting and Financial Control 5(1): 29-45.

Two researchers from beyond our borders joined hands in investigating the rate of strategic management accounting uptake by South African SMEs. The research framework was based on contingency theory. The work employed a quantitative and cross-sectional design based on a self-administered questionnaire. The findings indicated that strategic management accounting is adopted because it helps address money issues including how to improve cashflows and measuring return on investment. The findings underscored the critical role of strategic management accounting for small enterprises, stressing that it is essential for their survival.

Maziriri, E. T. (2017). Impact of Management Accounting Practices on Performance of SMEs in Gauteng Province, South Africa. Journal of Accounting and Management, 7, 345-358.

In the same cross-border environment, another research was conducted to evaluate the influence of management accounting practices on SMEs performance. The study was conducted using a quantitative research technique. Regression analysis was used to investigate the relationship between management accounting procedures and business success. The results demonstrated that management accounting procedures had a favourable impact on performance of SMEs.

Mudzedzereki, W. P., (2023). The Impact of Management Accounting Practices (MAPs) on Corporate Sustainability of Small and Medium Enterprises (SMEs) in Zimbabwe. Dissertation for Bachelor of Commerce Honours Degree in Accounting. Great Zimbabwe University.

The study employed a quantitative methodology through distribution of self-administered questionnaires. Descriptive statistics were used to analyse the data and summarise respondent` views. The study concluded that while management accounting techniques were not frequently employed, traditional and process costing were most widely used. Lack of experience and expertise, as well as the expense of hiring management accountants were identified as factors influencing the application of management accounting techniques. The author recommended that SMEs should either hire management accountants, go through management accounting training, or outsource management accounting function.

Mwera, Y., (2024). The Effects of Financial Illiteracy on Small and Medium Enterprises (SMEs) in Zimbabwe: A Case Study of Listed Companies in Zimbabwe. Dissertation for Bachelor of Accountancy (Honours) Degree. Bindura University of Science Education.

In light of the topic under study, Mwera (2024) worked on the umbrella phenomenon from a broader perspective. This study investigated the effects of financial illiteracy on SMEs in Zimbabwe, focusing on its impact on financial management practices, decision-making processes, and overall business performance. The study used a mixed-method approach, combining quantitative surveys and in-depth interviews. The findings revealed that financial illiteracy is a significant barrier to effective financial management, leading to poor financial practices and suboptimal decision-making.

According to the author, most entrepreneurs lack understanding of basic financial concepts which undermines their ability to make informed decisions for sustainable growth. The author recommended that addressing financial illiteracy is crucial for enhancing performance and resilience of SMEs in Zimbabwe. It is therefore reasonable to argue that cost accounting techniques are inclusive of the recommended financial literacy.

Harrison, T., F., and Kwenda, F., (2025). The Effects of Management Accounting Practices on Financial Performance of Manufacturing Small and Medium Enterprises in Zimbabwe. Journal of Accounting and Management, 15(1), 2284-9459.

This research looked at how management accounting approaches affected financial performance of manufacturing (SMEs) in Zimbabwe. According to the author, the research admits that SMEs fail owing to poor financial performance caused by inadequate management accounting practices. The study analysed the adoption of informal, conventional and modern management accounting procedures, as well as practice integration. The study used a quantitative research approach and a cross-sectional survey research design. The research used primary data gathered via online surveys from 315 manufacturing SMEs in Harare.

According to the report, informal and conventional management accounting procedures are more extensively employed than current approaches. Significant favourable direct correlations between these techniques and financial performance were discovered. The study`s findings also reveal that management techniques have an impact on asset value and revenue turnover.

The researchers determined that the complexity of management accounting methods used is affected by the type of the firm and its size. The adoption of management techniques results in increased quality and efficiency. SMEs may use management accounting approaches to enhance asset value, revenue turnover, and ultimately improving overall financial performance.

In summary, these studies were conducted across various sectors in Zimbabwe and similar countries, focusing on the unique challenges and opportunities facing SMEs in the context of a dynamic and often challenging economic environment. Their application aimed to enhance the understanding and implementation of cost management practices, ultimately supporting sustainability and growth of SMEs. By providing insights and practical recommendations, these studies have contributed to the broader discourse on improving SME performance through effective cost accounting and management strategies.

This collection of studies provides a robust overview of the significance of cost accounting techniques in enhancing the performance of SMEs in Zimbabwe. The consistent findings across these studies suggest that effective cost management, financial literacy, and strategic implementation of accounting practices are critical for sustainable growth and competitiveness of SMEs in the country.

2.5 Benefits of Adopting Cost Accounting Techniques

According to, **(Choudhary and Rodrigues, 2017),** reliable cost data allow firms to identify successful items and efficiently manage pricing. Cost accounting helps strategic choices by giving information on cost drivers and resource use. Identifying cost inefficiencies leads to process improvements and cost savings. Furthermore, cost accounting approaches can assist SMEs in identifying areas for improvement and developing plans to increase efficiency and productivity (Bhimani et al., 2012).

2.6 Challenges faced by SMEs in Implementing Cost Accounting Techniques

In support of prior studies, Choudhary and Rodrigues (2017) also highlighted the same challenges faced by SMEs in implementing cost accounting techniques. These include, high initial setup costs for systems installation and staff training, complexity of the systems as well as resistance to change.

2.7 Research Gap

Despite the existing literature on cost accounting techniques and SMEs` performance, there are significant gaps in the current knowledge. Few studies focus specifically on Zimbabwean context, neglecting the unique challenges and opportunities thereof. Existing literature primarily explores the benefits of management accounting practices in broad, without further examining the specific techniques. Few studies investigate the correlation between specific cost accounting techniques and financial performance. There is also limited empirical evidence on the impact of cost accounting techniques on SMEs` competitiveness and sustainability in Zimbabwe. Also, no comprehensive framework has yet been developed to guide adoption of cost accounting techniques by SMEs in Zimbabwe. This study aims to investigate the level of cost accounting adoption among SMEs, examine barriers to implementation, analyse the relationship between cost accounting and financial performance and ultimately recommend a comprehensive framework for adoption of cost accounting techniques by SMEs in Zimbabwe.

2.8 Chapter Summary

A critical analysis of existing literature reveals a significant gap in the understanding of cost accounting techniques adoption in SMEs. This chapter synthesizes the findings of prior studies, highlighting the complexities and nuances of cost accounting techniques adoption. The development of a conceptual framework provides a novel perspective on the interplay between organizational, internal and external factors influencing the adoption of cost accounting techniques.

CHAPTER III

RESEARCH METHODOLOGY

3.0 Introduction

This chapter outlines the research design, methods, and procedures used to attest the relevance of cost accounting techniques on the financial performance of SMEs in Zimbabwe. The chapter provides a detailed description of the research approach, sampling strategy, data collection methods, and data analysis techniques used to achieve the study`s objectives.

3.1 Research Design

The study employed a quantitative approach, using a survey design to collect data from a sample of 80 SMEs in Bindura urban. This survey design was chosen because it allows for the collection of numerical data that can be analysed statistically.

3.2 Sampling Strategy

A stratified random sampling technique was used to select a representative sample of SMEs. Stratification ensures that SMEs from different industry sectors including (manufacturing, retail, mining, services and others) are proportionately represented. This method enhances the reliability and generalizability of research findings.

To determine an appropriate sample size, the study applied the **Krejci and Morgan (1970) formula:**

$$S = \frac{X^2 \times N \times P \times (1-P)}{e^2 \times (N-1) + X^2 \times P(1-P)}$$

$$S = \frac{3.841 \times 100 \times 0.5 \times (1-0.5)}{0.05^2 \times (100-1) + 3.841 \times 0.5(1-0.5)}$$

S= 80

- Where, S= Required sample size

  X^2= Chi-square value (3.841 for 95% confidence level)

  N= Population size

  P= Population proportion (assumed 0.5 for maximum variability)

e= Margin of error (assumed 0.05 for higher accuracy).

With a target population of about 100 SMEs in Bindura urban, the estimated sample size is approximately 80 SMEs. This number ensures sufficient representation and statistical power for hypothesis testing.

3.3 Data Collection Instruments

The study used a survey questionnaire as the primary data collection tool. The questionnaire was designed to collect data on the demographic characteristics of the respondents, their knowledge of costing techniques and their perceptions on the importance of cost accounting techniques in their organizations. The questionnaire consisted of three sections. Section one collected demographic data, such as the respondent`s position, industry and firm size. Section two collected data on the respondent`s experience with cost accounting techniques, and section three collected data on the respondent`s perceptions on importance of cost accounting techniques.

The researcher also made use of desktop review which involves, the web, journals, articles and newspapers. This option was very convenient to the researcher in terms of readily available data though it may be irrelevant as far as research objectives are concerned. Critical document review was considered since secondary sources may contain unverified and unauthentic information.

3.4 Data Analysis Techniques

The study used descriptive and inferential statistics to analyse data. Descriptive statistics, such as mean and standard deviation, were used to summarize the demographic data and the respondent`s perceptions of the importance and effectiveness of cost accounting techniques. Inferential statistics, such as regression analysis, were used to test hypothesis and examine the relationships between variables. The data was analysed using IBM SPSS 26.

3.5 Data Analysis and Display

The data collected was cleaned and edited so as to ensure accuracy and consistency. This involved, checking for missing values, outliers, and inconsistencies in the data. The data was then coded in Excel Spreadsheet to facilitate numerical analysis. The coding scheme was based on research objectives. The data was entered in a way that allows easy analysis and manipulation. The data was analysed using IBM SPSS 26 software. SPSS was chosen because it is a powerful statistical software package that can handle large datasets and perform complex statistical analysis. Data visualization techniques used include tables, figures and charts.

3.6 Ethical Considerations

The study ensured that anonymity and confidentiality rights are protected. Respondents were informed that participation is anonymous. The study also ensured that respondents were not coerced or deceived in any manner. Respondents were furnished with clear explanation of the purpose of study, as well as the potential benefits of participating in the survey.

3.7 Chapter Summary

This chapter outlined the methodology used in carrying out the investigation. The chapter discussed on the research design, sampling strategy, data collection methods as well as data analysis techniques used.

CHAPTER IV

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.0 Introduction

This chapter presents the findings of this study, focusing on data presentation, analysis and discussion. As the chapter unfolds, descriptive statistics and data visualization are presented to provide an overview of the study`s key variables. Results of inferential statistical analysis are reported, addressing the research questions and hypothesis. Finally, the findings are discussed in relation to literature review, highlighting implications, limitations, and avenues for future research.

Table 1: Response Rate

Questionnaires Distributed	Responses Obtained	Response Rate
80	65	81.25%

Source: Primary Data

The study achieved a commendable response rate of 81.25%, with 65 out of 80 participants responding. According to Fincham (2008)**,** response rates above 80% are generally viewed as high and indicative of a well-conducted survey. This enhances the reliability and validity of the findings. The strong participation rate minimizes the risk of non-response bias, thereby increasing confidence in the generalizability of the results.

Table 2: Reliability Statistics

Cronbach's Alpha	N of Items
.781	3

Source: Primary Data

For a reliability test, questions should measure the same underlying construct (for instance, perceptions and effectiveness of cost accounting techniques. Suitable questions include those assessing perceived importance, effectiveness and challenges. For the purpose of this study, three questions including (Q9, Q11, and Q13) were considered most suitable as they align with the theoretical definition of internal consistency (Field, 2018)**.** According to (Field, 2018)**,** reliability tests require items to measure the same latent construct. Question 9 (effectiveness of cost accounting techniques), Question 11 (importance of cost accounting techniques, and Question 13 (Cost-Benefit) were justified because they tap into related dimensions of the same construct. A reliability test done using SPSS software shows a Cronbach`s alpha coefficient of **0.781,** which is an acceptable internal consistency. The questionnaire was reviewed by experts in the field of accounting to ensure that it is validly relevant. Literature review identified key variables that are relevant to the study. Factor analysis showed that the questionnaire measured the constructs that it is intended to measure. The study was conducted in a small town, henceforth, the results may not be generalizable to the country as a whole. Given the small sample size, the research findings should be interpreted with caution, and further research may be needed.

4.3 Demographic Characteristics

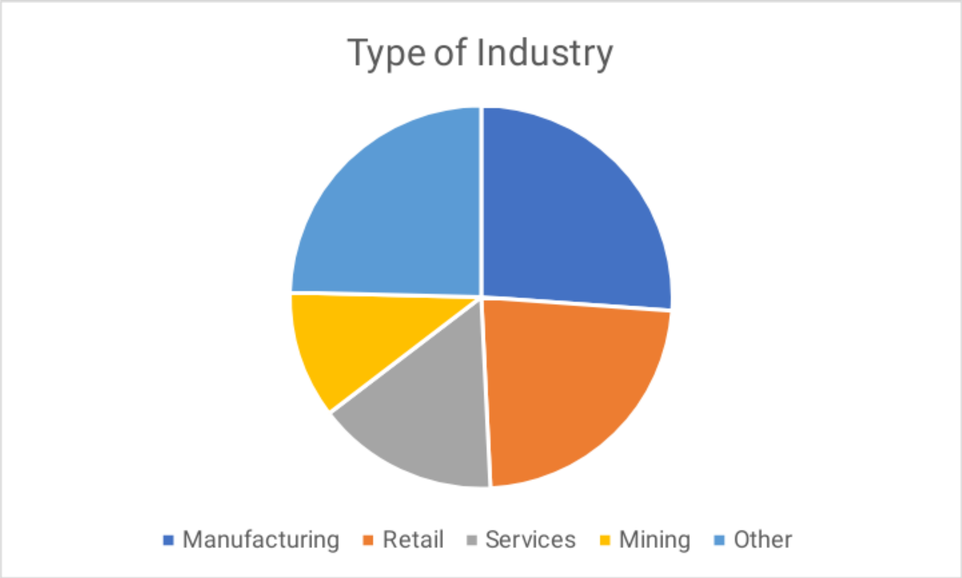

Figure 1: Type of Industry Source: Primary Data

The demographic analysis of the respondents` industries reveal a diverse representation across various sectors. The pie chart shows that manufacturing sector accounts for 26.2%, retail sector 23.1%, services 15.4%, mining 10.8%, and other sectors accounting for 24.6% of the selected sample. This balanced distribution strengthens generalizability of the study.

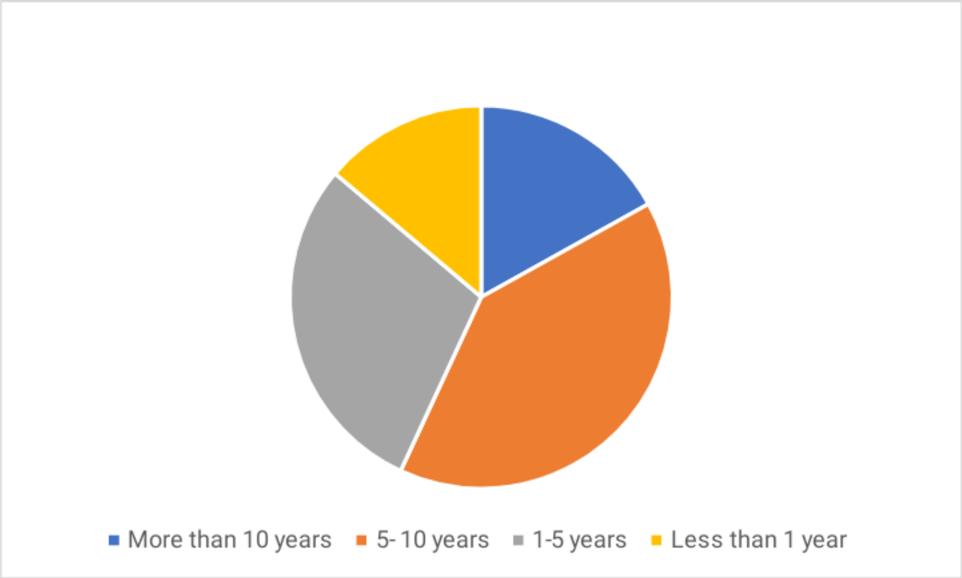

Figure 2: Period in Business Source: Primary Data

An analysis of respondents` business tenure reveals interesting insights. The pie chart shows that 13.8% of the businesses are most recent start-ups. About 29.2% of the respondents have been operating for 1-5 years, indicating a significant proportion of businesses in survival stage whilst 40% have already reached the deemed growth phase (5-10 years), with 16.9% being established giants (more than 10 years).

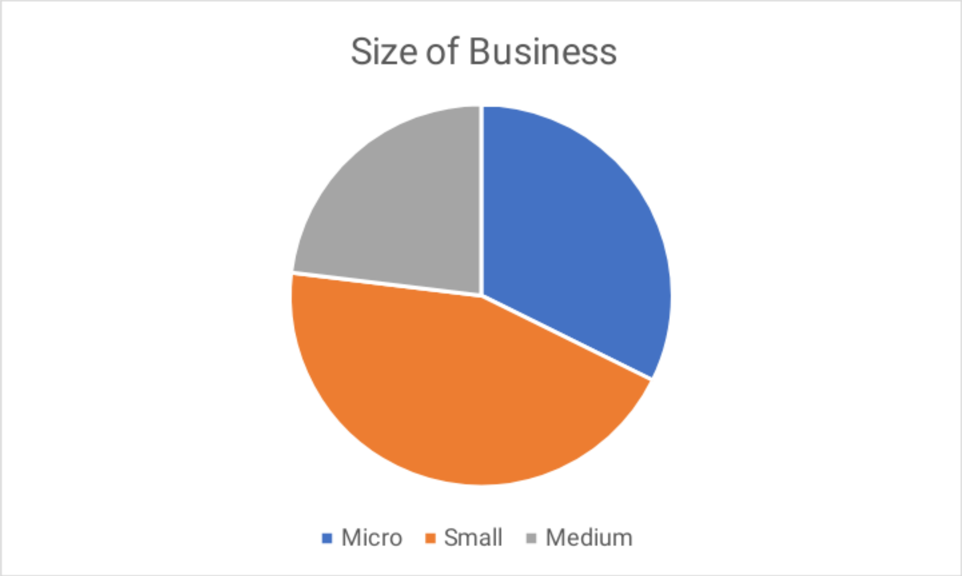

Figure 3: Size of Business Source: Primary Data

The distribution indicates dominance of small enterprises (45%), categorized by employing about 5-10 workers. Micro businesses constitute 32% of the selected sample and these are categorized by employing less than 5 workers. About 23% of the businesses are medium enterprises. The inclusion of various business sizes provides valuable insights into the unique challenges and opportunities faced by each category, thereby enhancing the study`s relevance and applicability.

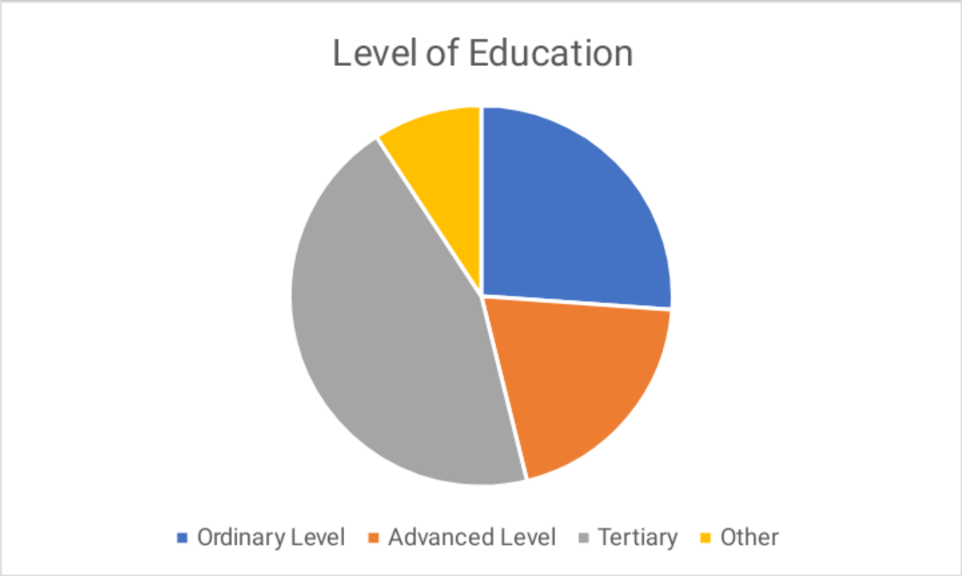

Figure 4: Level of Education Source: Primary Data

An analysis of respondents` educational backgrounds reveal a significant insight into their understanding of cost accounting techniques. The distribution shows that, 45% have tertiary education which implies a strong foundation for understanding cost accounting phenomenon. 20% reached advanced level, with 26% having attained the basic ordinary level only. 9% of the respondents attained other educational qualifications for instance, vocational training which makes them practical experts but not necessarily literate people as far as cost structures are concerned.

Figure 5: Position in Organisation Source: Primary Data

Analysis of respondents` positions within their respective organisations provides insight into the organisational structure and its impact on adoption of cost accounting techniques. The distribution shows that majority of the respondents (55%) are owners or senior managers, whilst 15% are middle level general managers and 14% are accountants. About 14% of the respondents are in operational or supervisory roles whilst 2 % hold other positions. This breakdown suggests that key decision makers (Owners/Founders and General Managers) and finance professionals

(Accountants) are well represented, providing valuable insights into strategic and financial aspects of costing techniques. The presence of operational staff also offers a practical perspective on implementation.

4.4 Descriptive Statistics

This section provides an overview of the study`s main variables, summarizing key characteristics and patterns in the data. The aim is to understand central tendencies and dispersion of each variable, identify potential trends and relationships and as well, lay the groundwork for further analysis and interpretation. Examining descriptive statistics helps to gain insights into the research context, inform subsequent analysis, and set the stage for addressing the objectives of the study.

4.4.1 Objective One: To Investigate the extent at which SMEs have adopted Cost Accounting Techniques.

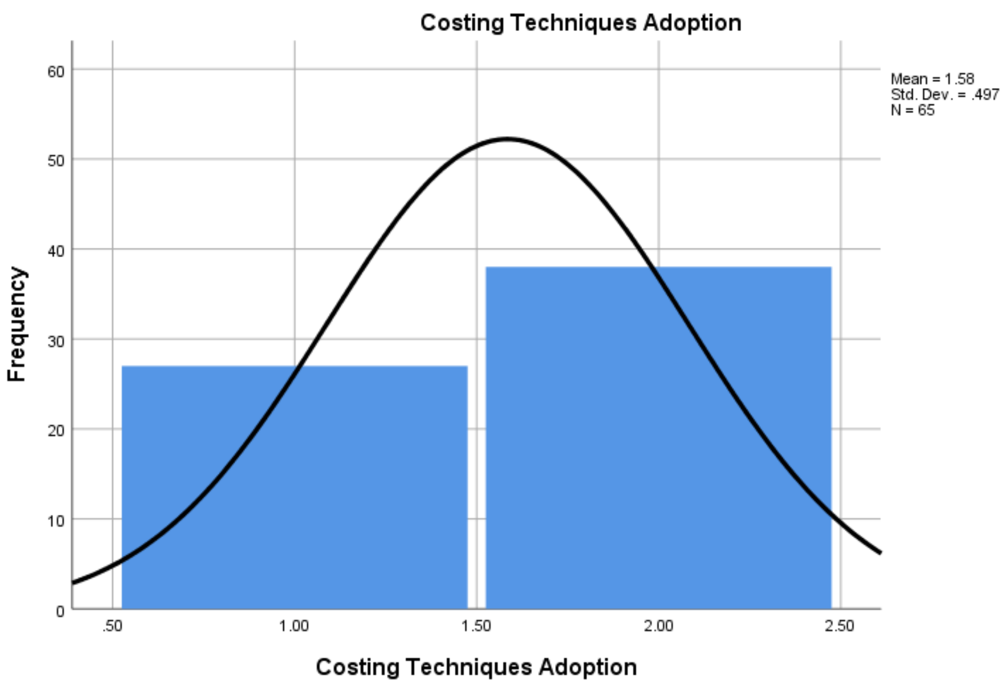

Figure 6: Costing Techniques Adoption Source: Primary Data

Research data shows that SMEs have adopted cost accounting techniques to a relatively low extent. Only 41.5% of the respondents have adopted cost accounting techniques whilst the majority (58.5%) have not. Given the binary nature of the scale (Yes=1) and (No=2), the mean value (1.58) suggests that on average, respondents lean towards the 'No' response, indicating non-adoption of cost accounting techniques. The relatively low standard deviation (0.497) indicates moderate consistency in responses, suggesting that most SMEs have similar levels of adoption. The slight asymmetric distribution curve, with a longer tail towards the left may imply that while the majority have not adopted cost accounting techniques, there is still tendency to adopt.

4.4.2 Objective two: To examine the impact of cost accounting techniques on performance of SMEs.

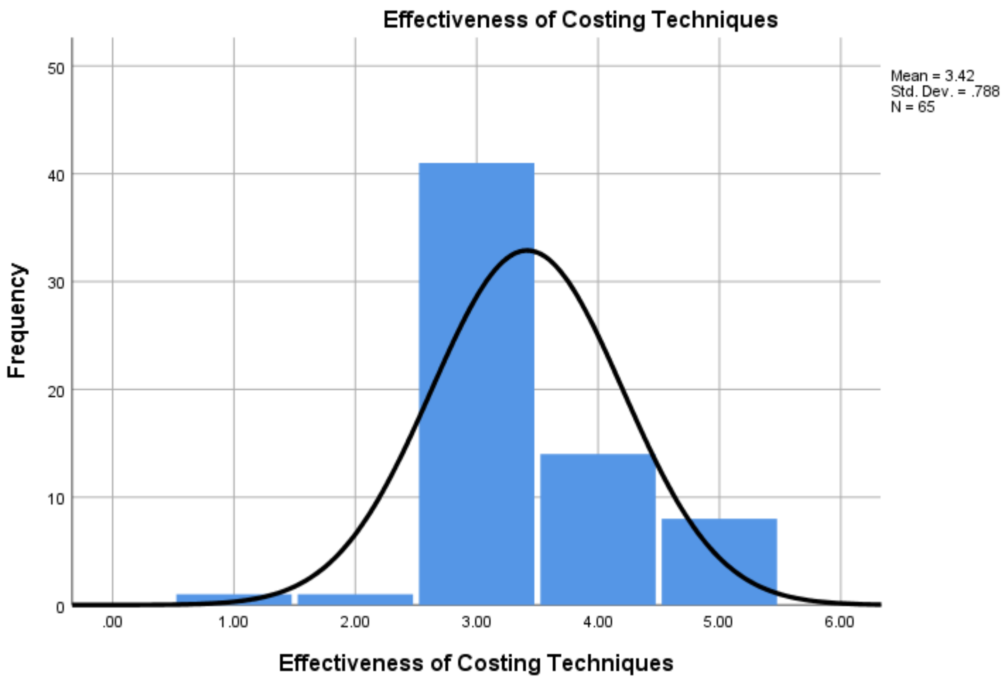

Figure 7: Effectiveness of Costing Techniques Source: Primary Data

The mean value of (3.42) indicates that, on average, respondents perceive the effectiveness of costing techniques to be between 'neutral' (3) and 'somewhat effective' (4). This suggests a generally positive perception of the effectiveness of these techniques, leaning towards effectiveness. The standard deviation of (0.788) indicates moderate variability in the responses. This means that while the average perception is around 3.42, there is a reasonable spread in how respondents view the effectiveness of cost accounting techniques. Some respondents may feel strongly that the techniques are indeed effective, while others have a more neutral or negative view.

4.4.3 Objective 3: To identify factors influencing the adoption of cost accounting techniques in SMEs.

The study found that the factors influencing the adoption of cost accounting techniques in SMEs include organisational characteristics, internal resources, perceived importance of costing techniques as well as cost-benefit analysis. Each of the identified factors is explained with the aid of statistical data as follows:

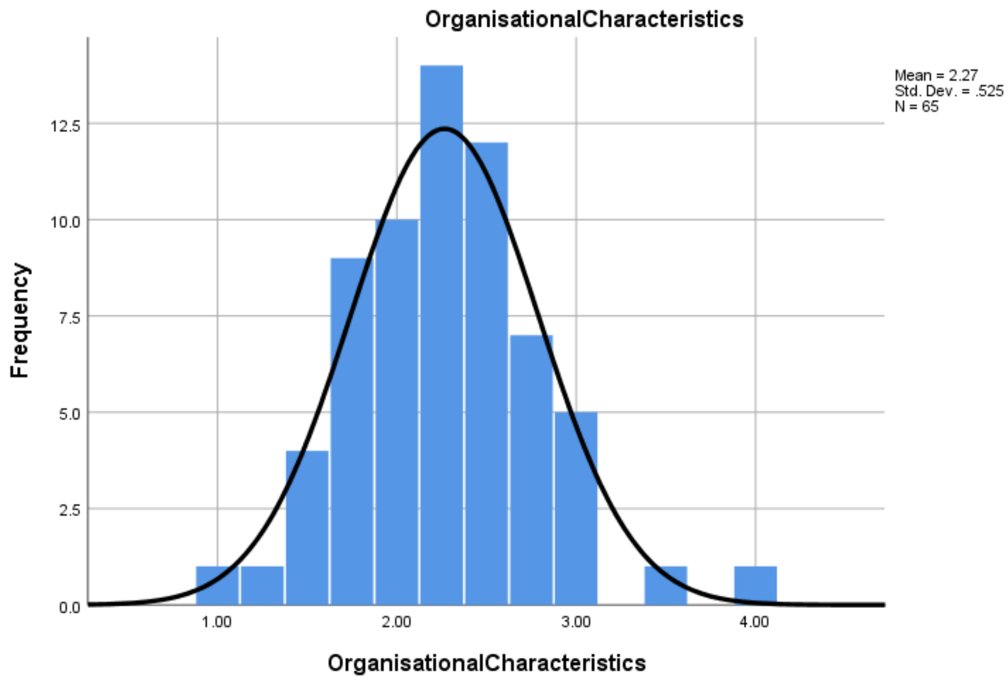

Figure 8: Organisational Characteristics Source: Primary Data

This variable is in line with the Contingency theory which sought to explain how organisational characteristics must align with specific situational variables for optimal performance. According to research data, organisational characteristics are made up four components including, type of business, period in business, size of business and organisational structure. These are represented by the scale of 1-4 respectively. The mean value of 2.27 indicates that, on average, respondents perceive the period in business (2) as the most influential factor affecting the adoption of cost accounting techniques. This suggests that respondents believe the length of time a firm has been in business plays a significant role in whether they adopt these techniques. Respondents likely believe that firms with a longer history are more likely to adopt cost accounting techniques due to established practices and familiarity with the dynamic financial environment.

The standard deviation of 0.525 indicates moderate variability in the responses. This suggests that while the average perception is around 2.27, there is some spread in how respondents view the influence of organisational characteristics. Some respondents may feel that other factors such as, type of industry, size of business, or organisational structure, are also influential. Harrison and Kwenda (2025) argued that business nature and size affect the complexity of management accounting practices used.

While type of industry is included in the analysis, the results suggests that it is not perceived as the most influential factor, meaning any business can adopt appropriate costing techniques regardless of the type of industry. According to the Institutional Theory, organisations adopt similar practices and structures due to external pressures such as, legal requirements, professional standards, or mimicking competitors. Size of business is perceived as less influential, indicating that both small and large businesses can adopt costing techniques regardless of their size. The component of organisational structure is also perceived as less influential, suggesting that the role of individuals within an organisation does not significantly impact the adoption of cost accounting techniques. The longer tail on the right of the distribution curve suggests that, while there are some higher ratings, positive statistics lean towards period in business as the most significant factor.

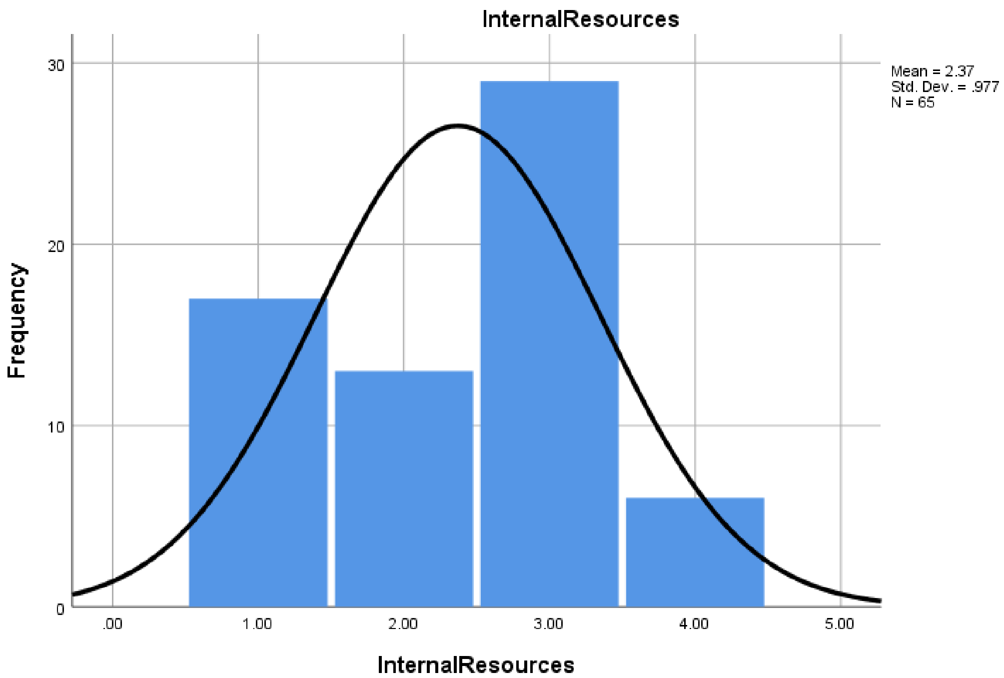

Figure 9: Internal Resources Source: Primary Data

The variable tabulated above is derived from respondents` level of education based on the fact that human capital is a major component of internal resources. This is in line with the Resource-Based View which argues that a firm`s internal resources, which are valuable, rare, imitable, and non-substitutable, are key to gaining a sustainable competitive advantage. It is undeniable that education explains a lot in terms of literacy, awareness and tendency to facilitate cost accounting practices. For the purpose of the study, the levels of education are scaled as, Ordinary Level=1, Advanced Level=2, Tertiary Level=3 and Other=4.

The mean value of 2.37 indicates that, on average, respondents` level of education ranges between 'Advanced Level (2) and Tertiary Level (3). This suggests that most of the respondents generally have a higher level of education, which may positively influence their understanding and tendency to adopt cost accounting techniques.

The standard deviation of 0.977 indicates a relatively high dispersion in the responses. This suggests that there is a diverse range of educational backgrounds among the respondents, with some having only Ordinary level and most having Tertiary or other qualifications. This variability may reflect differing levels of familiarity with cost accounting techniques based on educational attainment. A smaller proportion of the respondents fall within the ordinary level, indicating that those with Ordinary level only may feel less equipped to adopt cost accounting techniques. The Advanced level group represents a transitional stage which implies having knowledge of costing techniques though they may lack depth understanding that comes with tertiary education.

The ‘Other’ category includes respondents with professional or technical qualification. According to research findings, about 9% of the respondents attended vocational training. This further indicates a substantial portion of respondents who possess technical skills but lacking what it takes to adopt cost accounting techniques.

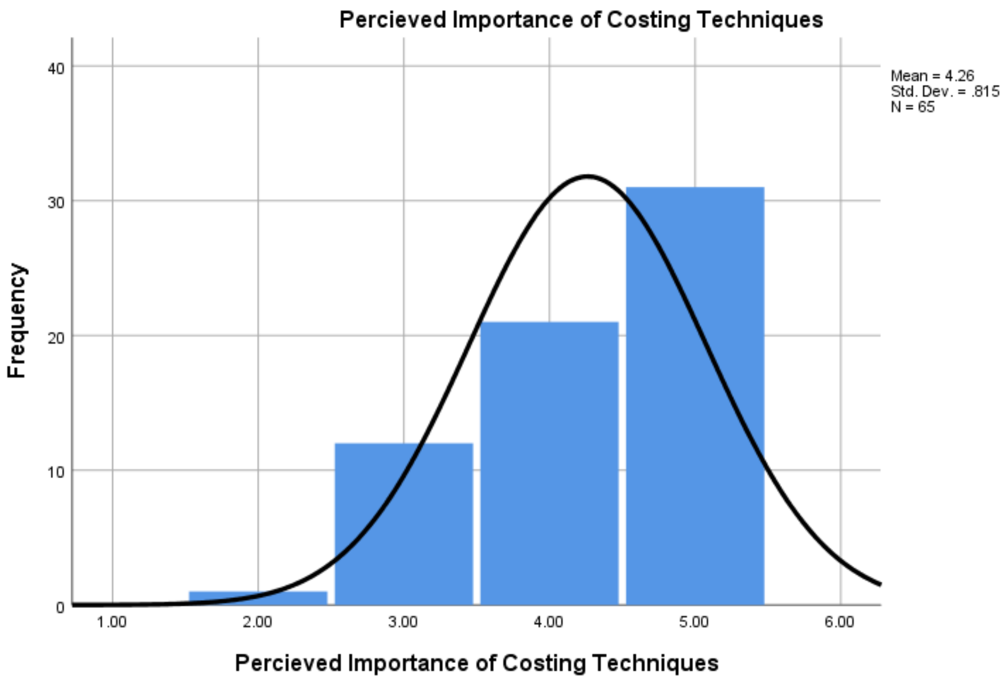

Figure 10: Perceived Importance of Costing Techs Source: Primary Data

The above presented variable is derived from a Likert scale question on the research questionnaire. The question sought to investigate one of the reasons for adopting and not adopting cost accounting techniques by SMEs based on whether they perceive the techniques as important or not. This draws from institutional theory which states that adoption of such techniques is based on what the environment demands. A Likert scale of 1-5 was given, representing 'not important at all', 'partially important', 'neutral', 'somewhat important', and 'very important' respectively.

The mean value of 4.26 indicates that, on average, respondents perceive cost accounting techniques as 'somewhat important' to 'very important'. This suggests a strong consensus among respondents regarding the significance of these techniques for their business operations. The median value of 4.00 indicates that at least half of the respondents rated the importance of costing techniques as 'somewhat important' indicating that they recognize the value of costing techniques but may not fully integrate them into their business practices due to other reasons.

The standard deviation of 0.815 indicates moderate variability in the responses. Such dispersion may reflect differing opinions based on individual experiences or business contexts. The neutral responses suggest that some respondents may not have a strong opinion on the importance of costing techniques, possibly due to lack of experience or understanding.

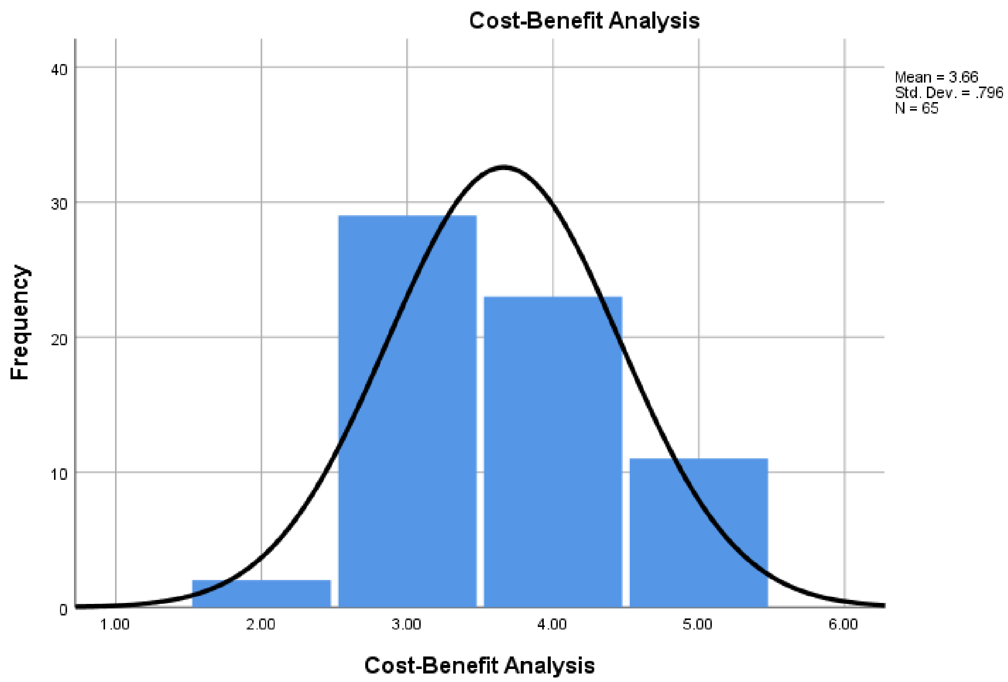

Figure 11: Cost-Benefit Analysis Source: Primary Data

An analysis of the perceived cost-benefit relationship of these techniques is essential for understanding their value proposition to organisations in their respective environments. Respondents were asked to evaluate whether the benefits of cost accounting techniques outweigh their implementation costs, and the results indicate a generally positive sentiment towards this relationship.

Identifiable benefits include formalisation, access to venture capital, improved cost control, and ultimate profitability. The costs of implementing cost accounting techniques include initial implementation expenses, ongoing maintenance, as well as resistance to change.

The mean value of 3.66 suggests that on average, respondents perceive that the benefits of cost accounting techniques outweigh their implementation costs. The median value of 4.00 indicates that at least half of the respondents rated their response as 'Agree'. This reinforces the idea that a significant portion of the respondents believe that the benefits of cost accounting techniques justify the costs associated with their implementation. The standard deviation of 0.796 indicates moderate variability in the responses.

While the average perception is positive, there is some spread in how respondents view the cost-benefit relationship. This variability may reflect differing experiences on the implementation of cost accounting techniques. The neutral (3) responses suggest that some respondents may have mixed feelings or lack sufficient information to from a strong opinion.

4.5 Regression Analysis

Inferential statistics played a pivotal role in drawing conclusions on the findings. This section focuses on the application of regression analysis to evaluate the relationship between adoption of cost accounting techniques (predictor variable) and the performance of SMEs (outcome variable). Specifically, the aim was to test the hypothesis that there is a significant relationship between these two variables. The hypothesis is structured around two competing statements: the null hypothesis (H_0), which posits that there is no significant relationship between adoption of cost accounting techniques and performance of SMEs, and the alternative hypothesis (H_1), which asserts that a significant relationship actually exists.

To attest this relationship, the researcher utilised two key variables: 'Costing Techniques Adoption,' which measures the extent to which SMEs implement cost accounting practices, and 'Effectiveness of Costing Techniques,' which assesses the perceived impact of these of practices on overall business performance. The variables used for hypothesis testing are based on (Question 9: See Appendix) from the survey questionnaire. A Likert scale of 1-5 was used, representing 'not effective at all' to 'very effective'. Hove, Sibanda and Pooe (2014) cited by Maziriri (2017) explains that business performance refers to how the aggregate technology enabled performance impacts all firm activities such as, cost reduction, revenue enhancement and competitiveness

The preceding descriptive statistics **(Figure 6-11)** confirm that the data follows a normal distribution, validating its suitability for parametric analysis. Given the categorical nature of the variables under study, linear regression was employed to assess the relationship between costing techniques adoption and performance of SMEs. This approach aligns with methodological recommendations for analysing ordinal data in management accounting research (Wooldridge, 2020; Hair et al., 2022). The statistical results are presented as follows:

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.590[a]	.348	.338	.64163

a. Predictors: (Constant), Costing Techniques Adoption

Source: Primary Data

Table 4: Analysis of Variance

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	13.848	1	13.848	33.637	.000[b]
	Residual	25.937	63	.412		
	Total	39.785	64			

a. Dependent Variable: Effectiveness of Costing Techniques

b. Predictors: (Constant), Costing Techniques Adoption

Source: Primary Data

Table 5: Coefficients

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	T	Sig.	95.0% Confidence Interval for B Lower Bound
1	(Constant)	4.900	.268		18.282	.000	4.364
	Costing Techniques Adoption	-.937	.161	-.590	-5.800	.000	-1.259

a. Dependent Variable: Effectiveness of Costing Techniques

Source: Primary Data

The R-Square value of 0.348 indicates that approximately 34.8% of the variance in the effectiveness of costing accounting techniques can be explained by their adoption. Maziriri (2017) found an R-Square value of 0.424 which denoted that MAPs considered in his study explained approximately 42% of the variance on business performance. This suggests a moderate level of explanatory power, meaning that while the adoption of costing techniques is a significant factor, there are other matters evolving around this phenomenon. Although (34.8%) is a reasonable amount of variance explained, it also indicates that there is still a considerable portion (65.2%) of the variance in effectiveness that is not accounted by simply adopting cost accounting techniques. Future research could explore additional elements pertaining effective adoption of these techniques.

The p-value of both the ANOVA and coefficients is (0.000). In a study carried out by Maziriri (2017), costing system emerged as a statistically significant predictor of business performance with a p-value of 0.048. Since the p-value is less than the significance level (0.05), we can conclude that the relationship between adopting cost accounting techniques and their effectiveness on financial performance is significant. Therefore, we reject (H_0) and conclude that adoption of cost accounting techniques has a significant impact on performance of SMEs.

However, the Beta coefficient (-0.590) may indicate an inverse relationship between adoption of cost accounting techniques and current performance of a significant number of SMEs. This may suggest that while some SMEs have adopted costing techniques, there might be underlying challenges concerning effective implementation and maintenance. According to (Maziriri, 2017) previous researches on the relationship between these variables are not consistent in terms of the results. Majority of the respondents in this study perceive the effectiveness of costing techniques as neutral (**Figure 7**) which means they may not be so sure whether its working or not.

4.6 Chapter Summary

This chapter analysed data from 65 respondents, revealing that while only 41.5% had adopted cost accounting techniques, those that did reported significant benefits. Regression analysis confirmed a significant relationship between adoption and performance, with adoption explaining 34.8% of performance variance. Key adoption drivers identified include, period in business, education levels, as well as perceived importance of cost accounting.

CHAPTER V

SUMMARY, CONLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter synthesizes the key findings of the study, presents research-based conclusions, and offers actionable recommendations for SMEs, policy makers, and future research. The discussion is grounded in the empirical data presented in the preceding chapter, ensuring alignment with the study`s objectives and hypotheses.

5.1 Summary of Key Findings

The study investigated the adoption and impact of cost accounting techniques on SME performance in Zimbabwe. The study found that only 41.5% of the surveyed SMEs had adopted cost accounting techniques, whilst 58.5% relied on informal or other traditional methods. Non-adoption was attributed to factors such as lack of awareness and expertise, financial constraints, perceived complexity and resistance to change (**Figure 6)**. Respondents rated cost accounting techniques as moderately to highly effective, particularly for cost control, pricing strategy and profitability (**Figure 7**). SMEs using these techniques reported improved financial performance, thereby validating their practical utility. Firms with a longer operational tenure were more likely to adopt costing techniques, reflecting accumulated financial management experience (**Figure 8**). Higher education levels correlated with greater adoption, underscoring the role of financial literacy (**Figure 9**). About

86% of the respondents viewed cost accounting techniques as ‘somewhat’ to ‘very important’, yet adoption gaps persist due to implementation barriers (**Figure 10**). Most SMEs agreed that the benefits of cost accounting outweigh their implementation costs (**Figure 11**). Regression analysis confirmed a significant relationship ($p < 0.001$) between adoption of cost accounting techniques and SME performance, therefore rejecting the null hypothesis (**Tables 3-5**). 34.8% of performance variance was explained by adoption, with the remaining 65.2% suggesting that effectiveness of these techniques is not guaranteed by mere adoption. The costing environment need to be conducive in terms of, ensuring a culture that values data-driven decision-making, management commitment to cost accounting practices, adequate skills development, structured accounting information systems, suitable IT systems as well as seamless integration with other systems through enterprise resource planning.

5.2 Conclusions

Despite recognising their importance, most SMEs in Zimbabwe have not adopted formal cost accounting techniques mainly due to resource constraints and knowledge gaps. Adopting cost accounting techniques enhances financial performance, particularly in cost efficiency and pricing strategies. Continuous education and sustainability are pivotal for adoption, highlighting the need for capacity building. The weak influence of regulatory compliance and investor expectations on cost accounting adoption underscores the importance of developing a robust regulatory framework to promote accountability and value for money in SMEs.

Since it is impracticable to conclude that cost accounting techniques are inherently costly, several factors might be contributing to the inverse relationship indicated on (**Table 5**) from the preceding chapter. It is worth noting that the variables under study are not continuous unlike (education and literacy, for example), hence cannot produce predetermined outcomes. Some costing techniques such as Activity-Based Costing can be complex, and if not correctly implemented, effectiveness may be compromised. The adoption of certain costing techniques may not align with specific goals or operational realities of some firms. Also, an excessive focus on cost control may lead to short-term decision-making that undermines long-term effectiveness for instance, cutting costs in areas that are critical for quality could negatively impact overall performance. Literature review asserts that for these techniques to be effective, certain theoretical conditions must be fulfilled. The accounting information system must be structured so as to ensure, data accuracy, timeliness, relevance, understandability, adaptability, integration with other systems, user accessibility, compliance with standards as well as feedback mechanisms to allow continuous improvement.

5.3 Recommendations

For SME Owners:

SMEs owners should invest in financial literacy programs to understand basic cost accounting principles. They should collaborate with accounting firms for outsourced cost management services where in-house expertise is lacking. Adoption of cost accounting should be a process in relation to growth phase of a particular enterprise, that is, start with simpler techniques (for instance, standard costing) before transitioning to advanced methods such as Activity-Based Costing. SMEs can leverage free or low-cost accounting packages (e.g. QuickBooks) to streamline cost tracking.

In the manufacturing sector, it is recommended that SMEs adopt Activity-Based Costing (ABC) so as to allocate overheads based on cost drivers. This approach not only aids in identifying cost-saving opportunities but also enhances product pricing. For retail businesses, implementing standard costing can be beneficial as it allows for the establishment of benchmarks for inventory and operational costs, facilitating effective variance analysis and optimized pricing.

In the services industry, job order costing is advisable as it enables service-oriented SMEs to track costs associated with specific projects. Mining firms should consider utilising Cost-Volume-Profit Analysis (CVP) to understand the relationship between costs, production costs, volume and profits. For the automotive sector, adopting lean costing or throughput accounting is recommended to minimize waste and optimize production processes. Contractors would benefit from project costing, which allows tracking of expenses related to individual projects. The transport sector should consider fleet costing techniques that analyse costs associated with vehicle operation, maintenance, and fuel consumption, ultimately optimizing fleet management.

The Blueprint for Effective Adoption of Cost Accounting Techniques

1. **Industry Analysis**

   Conduct a thorough analysis of the industry in which the firm operates so as to understand unique cost structures and challenges. Compare costing practices of similar SMEs within the industry to identify best practices and common challenges.

2. **Select Appropriate Costing Techniques**

   Evaluate costing methods based on industry analysis to determine which methods align best with the firm`s operational model. Assess the resources available (financial, human, technological) to implement and maintain the selected techniques effectively.

3. **Training and Capacity Building**

   Develop a training program tailored to the selected costing techniques, ensuring that staff understand the methodologies and their application. Focus on building analytical skills to interpret cost data.

4. **Implementation Strategy**

   Start with a pilot project to implement the selected costing technique in a specific area of the business. This allows for testing effectiveness and making adjustments before a full-scale rollout. Ensure that the new costing techniques are integrated into existing business processes and accounting systems to facilitate smooth operations.

5. **Monitoring and Evaluation**

   Establish key performance indicators to measure effectiveness of the adopted costing techniques. Metrics may include, cost savings, improved pricing, customer satisfaction and enhanced profitability. Create channels for feedback from both the staff and the customers.

6. **Continuous Improvement**

   Schedule regular reviews of costing techniques to assess their relevance and effectiveness in light of changing business conditions and market dynamics. Be prepared to adapt and refine the techniques based on feedback, performance metrics and evolving industry standards.

7. **Documentation and Communication**

   Maintain a thorough documentation of the costing techniques adopted, including procedures and outcomes. This serves as a reference for future decision-making. Communicate the costing policy across departments to foster commitment and innovation.

For Policy-Makers and Institutions:

The Government of Zimbabwe, together with accounting bodies, should create simplified cost accounting frameworks tailored to SMEs` resource constraints and provide templates for cost recording and analysis. Financial schemes (such as NVCCZ) should be linked to adoption of formal accounting practices, thereby incentivising compliance. ZIMRA should offer tax incentives for SMEs that implement recognised cost accounting systems.

For Future Research:

Future researchers should replicate this study with a much larger, nationally representative sample to improve its generalisability. The researchers may use mixed-method approaches so as to explore contextual challenges in depth. Researchers should examine the role of cloud-based accounting tools in reducing implementation costs and improving accessibility for SMEs.

5.4 Chapter Summary

This study underscores the transformative potential of cost accounting techniques for Zimbabwean SMEs. By addressing adoption barriers and fostering collaboration between entrepreneurs, policy-makers, and educators, the sector can achieve sustainable growth and resilience in this dynamic economic landscape.

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APPENDIX

QUESTIONNAIRE

Dear Respondent,

I am a final year Bachelor of Accountancy student at Bindura University of Science Education. I am carrying out a project on **The Relevance of Adopting Cost Accounting Techniques on Performance of SMEs in Zimbabwe,** in partial fulfilment of my degree program. As a valued member of the SMEs community in Zimbabwe, your input is crucial in helping us understand the impact of cost accounting techniques in driving business success. Please note that your responses are anonymous.

INSTRUCTIONS

1. **Show your responses by ticking in the boxes.**
2. **Where necessary, please express your opinion on the blank spaces provided.**

Section A: Demographic Information

1. **Which industry does your business operate in? (Select One)**
   1. Manufacturing ☐
   2. Retail ☐
   3. Services ☐
   4. Mining ☐
   5. Other(please specify) …………………………

2. How long have you been in business?

1. More than 10 years ☐
2. 5-10 years ☐
3. 1-5 years ☐
4. Less than 1 year ☐

3. **What is the size of your business?**
   1. Micro (less than 5 workers) ☐
   2. Small (5-10 workers) ☐
   3. Medium (more than 10 workers) ☐

4. What is your position in the firm?

1. Owner/Founder
2. General Manager
3. Accountant
4. Operational Staff
5. Other (please specify)

5. Level of Education

1. Ordinary Level
2. Advanced Level
3. Tertiary
4. Other (please specify) …………………..

Section B: Your Experience with Costing Accounting Technique

6. Have you ever heard about cost accounting techniques?

1. Yes
2. No

7. If yes, does your firm currently use any?

1. Yes
2. No

8. If yes, which costing techniques does your firm use? (multi-select)

1. Activity Based Costing (ABC)
2. Target Costing
3. Standard Costing
4. Throughput Accounting
5. Traditional Costing
6. Other (please specify) ……………………..

9. **How effective do you think the implemented costing techniques have been improving your business` performance (in terms of cost control, competitive pricing and profitability)?**

   1. Not effective at all
   2. Somewhat ineffective
   3. Neutral
   4. Somewhat effective
   5. Very effective

10. **What challenges has your business faced in implementing costing techniques? (multi-select)**

    1. Lack of expertise
    2. Limited resources
    3. Difficulty in data collection
    4. Resistance to chance
    5. Other (please specify) …………………………

SECTION C: Your Perceptions on the Importance of Cost Accounting Techniques.

11. **How important do you think costing techniques are for your business?**

    1. Not important at all
    2. Partially important
    3. Neutral
    4. Somewhat important
    5. Very important

12. **Which of the following costing techniques do you think are most relevant for your business? (multi-select)**

1. Activity Based Costing (ABC)
2. Target Costing
3. Standard Costing
4. Throughput Accounting
5. Traditional Costing
6. Other (please specify) ………………………..

13. The benefits of cost accounting techniques outweigh their implementation costs.

1. Strongly Disagree
2. Disagree
3. Neutral
4. Agree
5. Strongly Agree

Section D: Suggestions and Recommendations

14. What suggestions do have you for SMEs looking forward to implementing costing accounting techniques for improved performance?

………
………

15. What recommendations do you have for policy makers, researchers or organizations supporting SME development in Zimbabwe regarding the adoption of costing accounting techniques?

………
………

Thank you for participating!