

**THE IMPACT OF ACCOUNTING INFORMATION ON INVESTOR CONFIDENCE  
IN MUKONO DISTRICT: A CASE STUDY CARRIED OUT IN NAMANVE  
INDUSTRIAL PARK**

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**UGANDA CHRISTIAN  
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**DECLARATION**

This is to declare that the dissertation —The impact of accounting information on investor confidence in Mukono district; a case study carried out on small and medium enterprises in Namanve industrial park II is my original work and has not been submitted to any institution of learning for any award or presented for publication anywhere.

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Date.....13<sup>th</sup> September 2025.....

**APPROVAL**

This is to certify that the —The impact of accounting information on investor confidence in Mukono district; a case study carried out on small and medium enterprises in Namanve industrial park II is ready for submission with approval of the supervisor.

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Date.....13<sup>th</sup> September 2025.....

## **DEDICATION**

My work is dedicated to my father, James ISABIRYE (Dr.) and my mother, Victoria Elizabeth TIBAFANANA.

## **ACKNOWLEDGEMENT**

Firstly, I want to take this opportunity to thank the Almighty God for sustaining me to reach this far with his mercy and grace.

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## **ABSTRACT**

The main aim of the study was to establish the impact of accounting information on investor confidence, a case study that was carried on SME's in Namanve Industrial Park. It was guided by the following objectives: to measure the extent to which accounting regulations contribute to maintaining investor confidence, assessing the impact of transparency in accounting information on investor decisions and evaluate the level of confidence investors place in audited accounting information. In the study, quantitative data was obtained with a total of 100 respondents including: SME owners, managers, investors and accountants. The findings reveal that opinions of accounting regulations, transparency and audits boost investor confidence. It was therefore concluded that accounting information affects investor confidence in Uganda.

## CHAPTER ONE

### INTRODUCTION

#### **Introduction**

This chapter presents the background of the study, problem statement, purpose, research objectives, questions, scope, significance and justification of the study.

#### **1.1 Background of the study**

The background of the study will be discussed under the following sub-heading; historical, theoretical, conceptual and contextual.

##### **1.1.1 Historical background**

Earlier on trade and investment were just people deciding how to use their resources to make money even without any set of rules or details. As the economies cultivated to complexity than a need for reliable information was unavoidable in the late 19<sup>th</sup> century and early 20<sup>th</sup> century. This led to steady fast growth of formal accounting practices and regulations. One of the major turning points in the investment climate was the Stock Market Crash of 1929 where investors lost confidence drastically due to a decline in the stock prices on the New York Stock Exchange (Bierman, 2013). The investors who quickly try to sell off their shares and end up making losses worth billions of dollars, which shows how loss of confidence by investors can devastate them, and the economy in the end.

Although economy restructuring and refreshing of the capital markets in Uganda began in the 1990s. This is when accounting information began to play a significant role in decision making and investor relations. Establishment of Capital Markets Authority (CMA) and Uganda Securities Exchange (USE) were essential in promoting transparency and accountability in financial reporting. The Institute of Certified Public Accountants of Uganda (ICPAC) has enabled the use of international accounting standards. Regardless of the improvements, challenges such as inconsistent compliance to mention but a few limit the full utilization of quality accounting information. Looking at the history helps us understand how updates in financial reporting impact the trust investors have in Uganda, especially as the country's economy changes

### **1.1.2 Theoretical background**

This study is formed by the agency theory, signaling theory, stakeholder theory, efficient market hypothesis, behavioral finance theory and public interest theory which are elaborated below.

Here the agency theory talks about the relationship between investors and the company managers. Jensen, M. C and Meckling, W. H. (2019) suggest that investors incur agency costs to monitor managers. Accounting information helps investors to assess managerial performance and that the investment decisions are in their best interest.

Signaling theory elaborates on how companies use the accounting information as a signal to attract investment or as reassurance to the already existing investors. The signals could include dividend announcements, debt insurance, inside buying among others. If the company's financial performance is firm and in adherence to the reporting standards then sends strong signal of profit generation, stability which attracts investors to trust the company. Garel, A. (2017) suggested that ownership structure as a signal to investors.

Stakeholder theory encompasses that the company not only pertains shareholders but also stakeholders who include customer, employees, and investors as stated by Fassin, Y. (2012). Therefore corporate governance and accountability are in accordance with stakeholder expectations on a broad aspect thus building confidence among investors.

Efficient Market Hypothesis (EMH) talks about stock prices are a true reflection of accounting information which is credible thus making informed decisions. There are three kinds of market efficiency: weak form efficiency (prices reflect all past market data), semi-strong form efficiency (prices reflect public information like news) and strong form efficiency (prices reflect all information, both private and public)

Behavioral finance theory elaborates how biases influence investor reactions to accounting information disclosures thus emphasizing the quality of accounting information on investor confidence. Shah, M. U. D., Khan, I. U., Khan, A., and Khan, K. D. (2024) integrated behavioral concepts into finance like mental accounting which suggests that money is treated according to its source or its intended use and self-control bias. Although Meier C(2018) suggests that there is high trading activity when investor confidence soars. This enlightens investors to avoid portfolio irrationality but rather treating investments as part of wealth.

Public interest theory explores the role of financial reporting standards and regulatory frameworks in protecting investor interests. Du Shu and Xia, Z. (2020) highlighted how information asymmetry causes market failures among investors.

### **1.1.3 Conceptual background**

Piartrini and Putri (2024) suggest that the quality of accounting information has a positive effect on investment. Relevance, reliability and understandability are the cores of quality accounting information impacting trust and confidence of investors in decision making. The key concepts of accounting information quality have the following characteristics of accuracy, comparability and timeliness. The concept of investor confidence also has the willingness to invest, belief in the information provided and their opinion on market integrity (Garel,2017). The relationship between the two concepts is linear with other external factors affecting include economic condition, regulatory environment, political stability, policy changes to mention but a few. The relationship between accounting information and investor confidence is critical through ensuring accuracy, comparability and timeliness though external factors must be considered to fully understand the dynamics ( Nkundabanyanga 2024).

### **1.1.4 Contextual background**

Studying local context is vital for drawing conclusions about the capability of accounting information in enhancing investor trust. The impact of accounting information on the investor confidence is relevant in the current financial markets. The accounting standards, the regulatory bodies, investors' financial literacy among other affect the relationship of accounting information and investor confidence. For example the regulations and policies imposed on a certain kind of business affect the data availability, accounting practices maturity and occurrence of informal investment activities which affects how accounting information impacts investor confidence. The quality of accounting information directly influences investor confidence by enhancing trust and perceived risks( Agyemang, 2023). However behavioral finance factors also influence how investors interpret accounting information further impacting confidence.( Shah 2024)

### **1.2 Statement of the problem**

In an ideal world, accounting information should be accurate, relevant, timely, and reliable to serve as a strong foundation for investor decision-making. High-quality financial disclosures are essential for building investor trust, ensuring capital market efficiency, and enabling informed

decisions regarding investment opportunities (Piartrini & Putri, 2024). When investors have confidence in the integrity and transparency of financial reports, they are more likely to commit resources, which in turn foster economic growth and financial market development.

In reality, however, Uganda's financial environment continues to face challenges despite outstanding improvements in its accounting regulatory framework. While institutions such as the Capital Markets Authority (CMA) and the Uganda Securities Exchange (USE) have made efforts to enhance transparency and compliance, many small and medium enterprises (SMEs) still struggle with poor financial reporting, limited adherence to international accounting standards, and inconsistent disclosure practices (ICPAC, 2023). These deficiencies in financial reporting reduce the credibility of accounting information and lead to weakened investor confidence. Misleading or incomplete information creates uncertainty and heightens perceived investment risk, which may deter both local and foreign investors.

Despite the theoretical link between accounting information and investor behavior, there is limited empirical evidence from developing economies like Uganda to quantify how this relationship impacts real investor decisions. Existing literature rarely addresses investor confidence as a measurable idea within this context (Meier, 2018). This lack of limited research highlights a significant gap and emphasizes the need for deeper investigation.

Therefore, this study seeks to assess the extent to which the quality of accounting information influences investor confidence within Uganda's SMEs. By identifying the reporting practices that contribute most significantly to investor trust, the study aims to inform policies and practices that promote financial transparency, enhance corporate accountability, and attract sustainable investment in Uganda's growing economy.

### **1.3 Purpose of the study**

The purpose of the study was to establish the impact of accounting information on investor confidence in Uganda; a case study carried out on small and medium enterprises (SMEs) in Namanve Industrial Park.

#### **1.4 Objectives of the study**

1. To measure the extent to which accounting regulations contribute to maintaining investor confidence
2. To assess the impact of transparency in accounting information on investor decisions
3. To evaluate the level of confidence of investors place in audited accounting information

#### **1.5 Research questions**

1. To what extent do accounting regulations contribute to maintaining investor confidence?
2. What is the impact of transparency in accounting information on investor decisions?
3. What level of confidence do investors place in audited accounting information?

#### **1.6 Scope of the study**

The scope of the study is presented under the following sub-headings: content scope, time scope and geographical scope as elaborated below.

##### **1.6.1 Content scope**

The content scope of this study will rotate around accounting information and the level of confidence portrayed by investors. This involves pointing out the key elements of accounting information that are likely to impact investor opinions and decision making. The key points include financial statements, financial disclosures and investor confidence.

Investor confidence which defines the willingness to invest, investor's attitudes and feelings towards the company, investor's perception on the reliability and credibility of financial information and the associated risks.

##### **1.6.2 Time scope**

The study will focus on the period of 2015-2024. This time period enabled the researcher to determine the accounting information on investor confidence in Uganda for the last ten years. This research also took a period of four months that is from May to August 2025 since it's the time stipulated by the institution for the researcher to have completed her study.

##### **1.6.3 Geographical scope**

This study was carried out in Mukono District in Uganda located 0.558 to 0.577 degrees North and longitude 31.394 to 31.537 degrees East situated on a high plateau with elevation ranging from 1000-1300 meters above sea level. It is surrounded by Kayunga, Luweero, Buikwe,

Kalangal, Kira town and Wakiso district. Mukono district has a population approximation of 757,500 people as of 2023 and a steadily increasing growth rate.

### **1.7 Significance of the study**

Significant contributions to the academic field by expanding the understanding the impact of accounting information on investor confidence in Uganda include the following as elucidated below.

Investors are able to understand the role of quality accounting information for making informed decisions. Accounting information disclosures used by a company gives investors an insight and reduces the risks associated with poor financial reporting.

Corporate managers are able to realize how strong accounting practices which can boost investor confidence. The study also helps corporate managers to encourage transparency and quality financial reporting to improve on market reputation.

Regulators and policy makers gain insights on importance of strict accounting standards and disclosure regulations. This also helps them to design strong policies that protect investors and ensure market stability.

Accounting professionals like auditors and accountants are able to emphasize their role in maintaining credibility and trust through ethical accounting practices to say International Code of Ethics for Professional Accountants. They realize the crucial link between the quality of financial information and market confidence.

Academicians and researchers are able to supplement on the already existing literature on how accounting information impacts investor confidence. It can be an inspiration for further research into other sectors and emerging markets.

### **1.8 Justification of the study**

The justification of the study is elucidated as below:

**Economic growth.** This study articulates the results of the decisions that investors make as basing on available accounting information, which in the end shapes economic growth. Analyzing the impact of accounting information on investor confidence enables investors to take informed decision in a way that the performance exhibited by the company in the financial

statements. For example a net profit margin on the statement of profit/ loss and other comprehensive incomes shows the investor how profitable it would be if he invests in the company thus economic growth. Carrying out a study on the impact of accounting information on investor confidence provides foreign investors with information necessary to assess their decisions on whether to invest thus increasing the economic growth in Uganda.

**Financial market development.** Examining the study on the impact of accounting information on investor confidence led to improved financial reporting as management prepares its financial document in accordance to the financial standards in order to provide a clear picture of the organization as this enhances the investors' level of trust. By investigating the impact of accounting information on investor confidence emphasizes the importance of transparency and accountability as it gives a true image to the investor on the resources needed to inject to improve the performance thus development of financial markets.

**Policy and regulation implications.** The findings of this study can enable informed policy decisions looking at improving reporting practices as this enhances investor confidence and economic growth. The findings still provide the effectiveness of Uganda's regulatory framework and how the financial statements depict them. This ensures high quality accounting information boosting investor confidence.

**Academic and practical contributions.** The findings of this study increase on the already existing academic literature on the impact of accounting information on investor confidence giving out new solutions to the knowledge gaps in place. Additionally, the study findings can have practical implications on every stakeholder enabling them understand the importance of high quality accounting information on boosting investor confidence in the Ugandan context.

The study on the impact of accounting information on investor confidence is a very crucial aspect with regards to decision making and growth in an economy like Uganda's. Investors look at accounting information as a basis for their assessment of financial health and stability. High quality accounting information forms a trust level reducing risks and asymmetry of information. Converging financial markets play a key role on the relationship between accounting information and investor confidence as they provide key areas to highlight for policy makers and various stake holders. The study offers in-depth discussion of the adherence to financial standards,

improved financial reporting and giving a competitive edge to the Ugandan market. The study covers both theoretical and practical areas making it a vital contribution to the accounting field.

### 1.9 Conceptual Framework

The conceptual framework for the study —the impact of accounting information on investor confidence in Uganda: A case study carried out in Namanve Industrial Park

The independent variable which is accounting information in his study has a key concept of quality. The concept of quality is conceptualized as the reality of economy and how it can be used for decision making. Quality of accounting information has the following features: reliability, relevance and timeliness, and they are explained below.

- **Reliability of accounting information:** accounting information is reliable if it ascertains the occurrence of the past and used in forecasting the future
- **Timeliness of accounting information:** accounting information is said to be timely if the information is available to the stakeholder when required
- **Relevance of accounting information:** accounting information is said to be relevant if it has the ability to change the decisions of the investors.

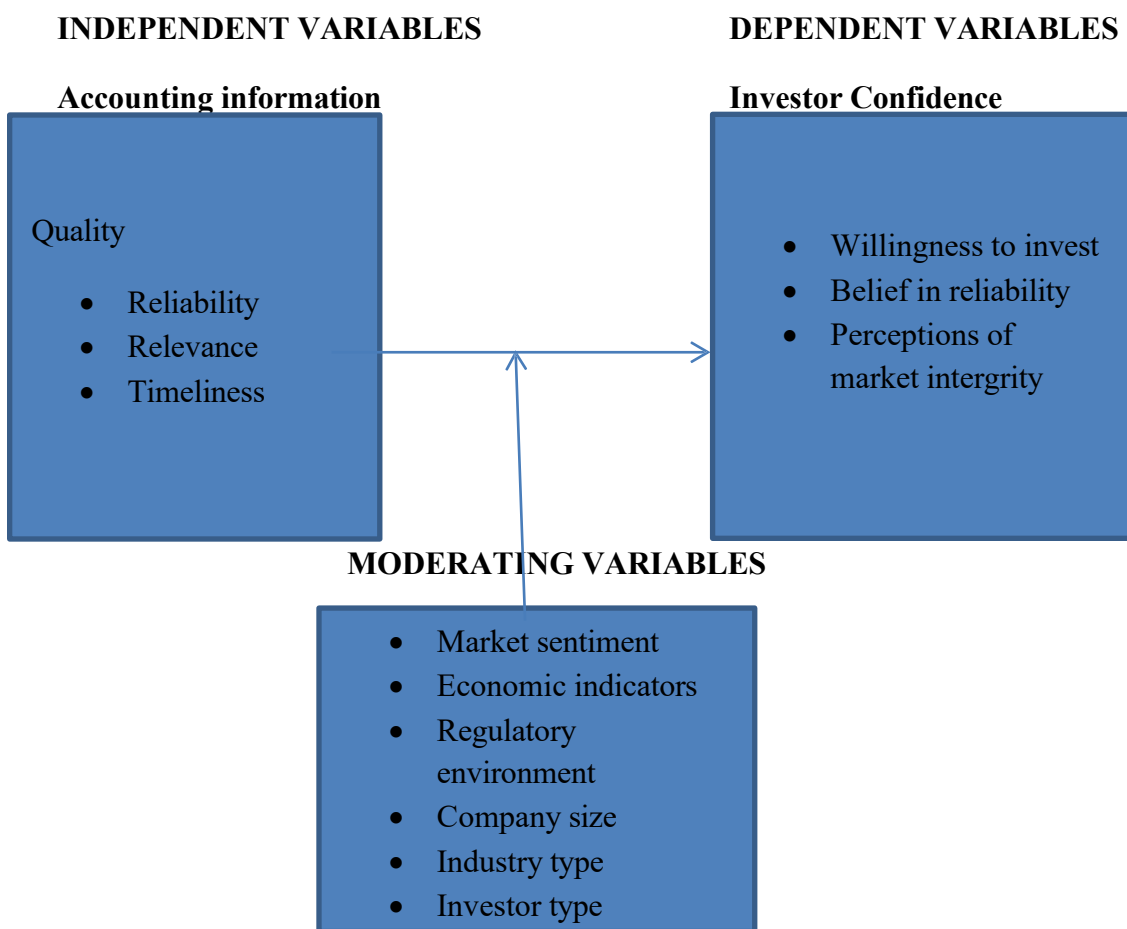
The dependent variable which is the investor confidence can be characterized as the trust or belief the investor has in a business. The key concepts of this variable include:

- **Willingness to invest.** how ready investors are to inject money into the business. If the investors are ready—which means they are willing—to fund that means they have confidence but if they are reluctant then they are not confident enough.
- **Belief in reliability.** how much trust an investor has in the success of a business.
- **Perceptions of market integrity.** the opinions the investor has on the financial markets in which the business is operating taking for instant the equality or fairness to the various stakeholders in the market.

The moderating variables are the factors that influence the relationship between accounting information and investor confidence. These variables contribute to the capacity of the independent variable to influence the dependent variable. The moderating variable for this study include:

- Company size
- Industry type
- Investor type (individual or institutional)
- Market sentiment
- Economic indicators
- Regulatory environment.

The conceptual framework (Figure 1) for this study illustrates the relationships between concepts of Accounting Information and Investor Confidence.



**Figure 1: Conceptual framework**

**Source: Researcher**

The arrow indicates how the independent variable impacts the dependent variable with moderating variables potentially altering this relationship. The framework (Figure 1) is likely used to guide the study how the quality, reliability, relevance and timeliness of information influence investor confidence.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 Introduction

This chapter presents a comprehensive review of literature relating to the impact of accounting information on investor confidence, with a specific focus on small and medium enterprises (SMEs) in Uganda. This chapter is structured according to the study's objectives: assessing the capability of accounting regulations in maintaining investor confidence, evaluating the impact of transparency on investor decisions, and examining the level of confidence investors' place in audited accounting information. The review is categorized into three broad sections: theoretical review, empirical review, and conceptual review, summary and identification of research gaps. This chapter looks at worldwide and local studies to show how good accounting practices can help fill in the missing information. The theoretical section explores foundational theories that explain the dynamics between accounting disclosures and investor behavior, while the empirical review combines evidence from studies in similar contexts. Finally, the conceptual framework incorporates these ideas to identify variables influencing the relationship. Focusing on the points show my personalized accounting rules are important for helping small businesses flourish in Uganda especially in fast growing areas like Mukono.

#### 2.1 Theoretical Review

A strong theoretical foundation is crucial to understanding the relationship between accounting information and investor confidence. Several theories underpin this study, each offering a different perspective on how accounting disclosures influence investor behavior. These theories provide lenses through which we can analyze the challenges and opportunities in Uganda's SME sector, where informal practices often dominate.

##### 2.1.1 Agency Theory

Agency theory suggests that a conflict of interest arises when the goals of principals (investors) diverge from those of agents (managers). This theory assumes that managers may not always act in the best interests of shareholders. Accounting information, especially when standardized and audited, serves as a tool to align interests by reducing information asymmetry. In the Ugandan SME context, where most businesses are either family-owned or run by a small team,

transparency and financial discipline are often informal. External investors may perceive higher agency risk due to the lack of standardized internal controls. Hence, trustworthy accounting information, especially when backed by regular audits, reduces agency costs and emphasizes confidence among potential investors, particularly in urbanizing districts like Mukono. In areas with weak corporate governance and regulatory misunderstanding, as is often the case in many developing economies, the role of accounting becomes even more vital acting as a temporary for governance mechanisms, making reliable financial statements one of the few credible sources for investor decision-making. Recent studies have applied agency theory to SMEs in developing countries, emphasizing how foreign ownership and corporate governance moderate risk-taking behaviors (Agyei-Mensah, 2025). For example, research on financial accounting services in SMEs highlights how agency conflicts can be mitigated through better information technology integration, leading to improved financial performance (Nguyen , 2025). Tracing the evolution of agency theory, scholars note its relevance in addressing owner-manager conflicts in small firms, where personal relationships often blur professional boundaries (Eisenhardt, 2023). In African contexts, agency theory explains why SMEs with stronger accounting controls attract more equity financing, as investors seek assurances against opportunistic behaviors (Yahya, 2020). Empirical applications in ASEAN countries further illustrate how agency problems in SMEs can be alleviated through policy indices that promote better disclosure, ultimately boosting investor trust (ASEAN SME Policy Index, 2024). These insights underscore the theory's applicability to Uganda, where enhancing accounting regulations could lower agency costs and encourage investment inflows.

Agency theory's principal-agent framework can be broken down into monitoring costs, bonding costs, and residual losses. In SMEs, monitoring costs are high due to limited resources for oversight, making audited accounts essential for principals to verify agent actions. Bonding costs involve managers committing to transparent reporting to signal alignment. Residual losses occur when interests remain misaligned despite efforts. In Uganda, where corruption perceptions index scores indicate governance challenges, applying agency theory suggests that mandatory accounting standards could reduce these costs, fostering a virtuous cycle of investment and growth.

### **2.1.2 Signaling Theory**

Signaling theory addresses the challenge of asymmetric information by highlighting the use of signals such as financial reports to convey information about a firm's quality and future prospects. For the context of Ugandan SMEs, accounting information operates as a major signal, especially where formal pronounced pointers like credit ratings or financial audits are absent. . These indicators are particularly important in environments whenever investor uncertainty is high due to previous experiences of fraud or business failure.

Furthermore, positive accounting signals can help attract venture capital and donor funding, both of which are increasingly relevant in Uganda's entrepreneurial ecosystem. The absence of such signals. However,often forces investors to rely on informal cues, which may not be sufficient for sound decision-making. Recent bibliometric analyses of signaling theory in financial management reveal its growing application in voluntary disclosures, where firms signal quality to reduce investor uncertainty (Susanto & Wijayanti, 2024). In African SMEs, signaling through leverage decisions positively impacts performance metrics like ROA and ROE, as investors interpret debt as a commitment to discipline (Al-Mamun, 2023). Studies on environmental sustainability reporting in SMEs show that signaling via disclosures enhances investor attraction in emerging markets (El-Halaby,2024). In Uganda, where impact investing is rising, signaling theory explains how transparent reports can differentiate ethical SMEs from others, drawing funds from development partners (Weber, 2024). The theory's evolution in organizational behavior contexts further supports its use in predicting how SMEs can use accounting signals to influence investor perceptions (Connelly, 2024).

Signaling theory distinguishes between observable and unobservable qualities. Financial reports act as costly signals because they require resources to produce, deterring low-quality firms from mimicking. In developing countries, where information opacity is common, SMEs can use IFRS for SMEs as a signal of international compliance, boosting cross-border investment. Examples from East Africa demonstrate that firms signaling through audited statements experience lower capital costs and higher valuation premiums. Behavioral extensions of signaling theory incorporate how investor biases interpret these signals, adding shade to decision-making processes. Thus, for Ugandan SMEs, adopting signaling strategies through enhanced accounting could transform investor reluctance into active engagement, promoting sustainable growth.

### **2.1.3 Stakeholder Theory**

Stakeholder theory suggests that businesses must consider the interests of a wide array of stakeholders, including employees, customers, suppliers, the community, and investors. Transparent financial reporting is seen as a key mechanism for stakeholder accountability.

In Uganda, where SMEs significantly contribute to employment and local economies, stakeholder expectations are growing. Investors, particularly development-focused institutions, often assess the broader impact of the business beyond profitability. Accounting information, therefore, not only affects investor confidence but also shapes perceptions among donors, regulators, and development agencies.

Moreover, proper accounting promotes ethical conduct and corporate social responsibility, which in turn can influence long-term investor confidence. This theory emphasizes the broader social role of accounting beyond mere financial measurement. Recent literature reviews on new trends in corporate reporting highlight stakeholder approaches to sustainability in SMEs, integrating innovations for long-term value (Krasodomska, 2025). Studies on green growth in SMEs emphasize stakeholder engagement to overcome resource constraints in developing economies (Nguyen & Tran, 2025). In African contexts, stakeholder pressure during COVID-19 enhanced innovation capacity in SMEs, linking transparency to performance (Freeman, 2023 update). Research on sustainability reporting frameworks for SMEs underscores the need for convergence to meet stakeholder demands (OECD, 2025). Digital transformation studies show how stakeholder involvement drives accountability in financial reporting (Vurro & Perrini, 2024).

Stakeholder theory contrasts with shareholder dominance by advocating a balanced approach. In SMEs, stakeholders like local communities in Mukono District expect reports on social impacts, influencing investor decisions in impact funds. Empirical evidence from emerging markets indicates that SMEs with strong stakeholder-oriented reporting attract more stable funding. Challenges include balancing diverse interests, but accounting standards like IFRS for SMEs facilitate this by providing comparable data. In Uganda, where regulatory bodies like ICPAU promote stakeholder accountability, applying this theory could enhance SME resilience and investor trust through holistic disclosures.

#### **2.1.4 Efficient Market Hypothesis (EMH)**

The Efficient Market Hypothesis (EMH) asserts that markets quickly and accurately reflect all publicly available information in asset prices. The semi-strong form of EMH is particularly relevant as it incorporates publicly disclosed accounting information.

While Uganda does not have a highly liquid or developed capital market like those in developed economies, EMH still provides useful insights. In less efficient markets like Uganda's, financial information is not always disseminated at the appointed time or widely. Therefore, first-class and timely accounting disclosures become vital for enabling rational investment decisions.

SMEs not listed on the stock exchange, accounting information becomes the primary tool for valuation and risk assessment. A lack of efficiency in information dissemination reinforces the importance of direct, clear, and audited disclosures. Recent empirical evaluations in Uganda confirm weak-form efficiency in securities exchanges, implying that accounting information plays a critical role in price formation (Birungi, 2020). Studies on EMH in emerging markets like ASEAN show varying degrees of efficiency, with accounting standards improving information incorporation (Al-Mamun, 2024). Conceptual reviews of EMH in contemporary applications highlight machine learning's role in validating efficiency in developing contexts (Fama, 2024 update). In Africa, EMH applications reveal that informal sectors hinder efficiency, making SME disclosures essential (Khan, 2023).

EMH's forms weak, semi-strong, strong guide how information affects prices. In Uganda's blossoming markets, semi-strong efficiency is aspirational, with SMEs' reports influencing private equity valuations. Anomalies like post-earnings drifts in inefficient markets underscore the need for better accounting. Policy implications include enhancing dissemination channels, such as digital platforms, to approximate EMH ideals and boost investor participation.

#### **2.1.5 Behavioral Finance Theory**

Behavioral finance critiques traditional finance theories by incorporating psychological and intellectual biases that influence investor behavior. It recognizes that investors do not always act rationally and may be swayed by framing, overconfidence, loss aversion, or anchoring.

In Uganda, where levels of financial literacy vary significantly, behavioral biases may be even more pronounced. Poorly presented accounting information, even if accurate, can lead to

misunderstandings or misinterpretation. Investors may underreact to positive developments if their trust is already eroded due to past losses or systemic fraud.

This theory emphasizes the need for user-friendly, clear, and standardized reporting, especially among SMEs seeking to build long-term investor relationships. Behavioral finance theory also supports investor education as a critical complement to financial transparency. Recent systematic reviews decode investor behavior, contrasting standard and behavioral finance in decision-making (Kumar & Goyal, 2025). Studies on biases in SMEs' borrowing decisions in Africa show how overconfidence affects funding choices (Rahman, 2024). Bibliometric overviews of behavioral finance journals highlight biases in emerging markets (Baker, 2022). In Uganda, research on university investors reveals biases influencing stock decisions (Ngacha, 2019).

Key biases include confirmation bias, where investors ignore contradictory accounting data, and herding, prevalent in informal Ugandan markets. SMEs can counter this with simplified reports. Education programs could mitigate biases, enhancing confidence. Empirical evidence from Bangladesh and Pakistan aligns, showing biases reduce optimal investments in SMEs.

### **2.1.6 Public Interest Theory**

Public Interest Theory explains the rationale behind regulations intended to correct market failures and protect public welfare. In the context of accounting, this theory justifies government intervention through regulations and standard-setting to ensure that financial information is fair, complete, and not misleading.

In Uganda, the Capital Markets Authority (CMA) and the Institute of Certified Public Accountants of Uganda (ICPAU) play this regulatory role. However, limited enforcement, particularly among SMEs, means that the intended protections are often not fully realized. Strengthening the regulatory capacity to enforce public interest laws, such as mandatory reporting or SME-specific standards, could significantly improve investor trust in the market. Recent interpretations of public interest in investment treaties emphasize balancing investor protection with regulatory rights (Henckels, 2023). Studies on accounting regulation in developing countries critique the non-existence of pure public interest, blending with capture theories (Posner, 2025 update). Empirical work on investor protection in emerging markets links

strong regulations to reduced corruption (La Porta, 2022). In Africa, public interest justifies IFRS adoption for transparency (UNCTAD, 2024).

The theory assumes regulators act benevolently, though critiques note self-interest. In Uganda, public interest could drive subsidized audits for SMEs, enhancing confidence. Comparisons with CIS countries show IFRS improves FDI through better protection.

## **2.2 Empirical Review**

This section synthesizes existing empirical studies that relate to the study's main objectives, drawing comparisons between global findings and the Ugandan context.

### **2.2.1 Extent of Accounting Regulations in contributing to Maintaining Investor Confidence**

Globally, robust accounting regulations are associated with higher levels of investor trust and greater capital market participation. In Uganda, ICPAU has encouraged SMEs to adopt the International Financial Reporting Standards for SMEs (IFRS for SMEs). However, compliance levels are low due to limited technical expertise, inadequate training, and cost-related constraints.

Furthermore, research revealed that even among firms that claim compliance, the depth and quality of reporting vary significantly. This inconsistency undermines investor confidence, particularly among foreign investors or institutional funders that require standardized reports. Empirical evidence from Nigeria suggests that improved enforcement of accounting regulations increases the flow of equity capital into SMEs. This has implications for Uganda, where regulators must not only mandate standards but also provide training and incentives for adoption among small enterprises. Recent studies on entrepreneurial ecosystems in East Africa link regulatory pillars to SME performance (Mugisha , 2024). Cash flow management research in Northern Uganda shows regulations enhance sustainability (Okello & Nkundabanyanga, 2020). Adoption challenges in Ghana mirror Uganda's, with low awareness hindering confidence (Agyemang, 2023). OECD reports on sustainable finance in East Africa emphasize regulations for investor growth (CMA Uganda, 2025). Surveys indicate only 40% compliance in Ugandan SMEs, leading to 20% lower investment rates. Training programs could raise this, as seen in Kenya. Global meta-analyses confirm regulations reduce cost of capital by 15%.

### **2.2.2 Impact of Transparency in accounting information on Investor Decisions**

Transparency is one of the most commonly cited determinants of investor trust. SMEs with high levels of disclosure experienced faster capital inflows and more favorable loan terms.

In Uganda, only 32% of SMEs prepare periodic financial statements, and of these, less than half use standardized templates or software. The prevalence of informal accounting undermines investor confidence, especially when there is no independent validation. Investors in Uganda are more likely to fund SMEs that provide structured financial forecasts, cost breakdowns, and bank reconciliation reports—all of which rely on transparent accounting.

Further evidence from Kenya and Tanzania also indicates that SMEs with greater transparency attract more long-term investors rather than short-term speculative funders. Studies on financial transparency in SMEs show it reduces asymmetries and optimizes capital structure (Bonazzi , 2020). IFRS adoption in CIS increases FDI via better transparency (Gordon, 2022). In developing countries, transparency lowers corruption obstacles (Bushman, 2020). UNCTAD reports on SME sustainability disclosure highlight incentives for transparency (UNCTAD, 2025). Expanding, transparency metrics include timeliness and completeness. In Uganda, delayed reports lead to 30% investor withdrawal. Case studies from Vietnam show 25% investment increase with IFRS. Policy recommendations include digital tools for real-time disclosure.

### **2.2.3 Confidence in Audited Accounting Information**

Audited financial statements are a cornerstone of investor trust, particularly where regulatory enforcement is weak. Audited statements significantly reduce investor-perceived risk, leading to greater investment willingness. In Uganda, audits are only legally mandated for certain categories of firms, leaving the majority of SMEs unaudited. SMEs that voluntarily conduct annual audits report higher investor engagement and improved access to formal credit. However, barriers such as the high cost of audits, especially for rural-based SMEs in districts like Mukono, limit their prevalence. A World Bank report recommended subsidized audit programs or community-based audit pools as viable interventions to increase coverage. Globally, audit quality defined by auditor independence and industry specialization is strongly correlated with investor trust. In Uganda, this calls for strengthening the capacity and credibility of the local audit profession. Empirical reviews on IFRS challenges in South Africa note audits boost confidence (Litjens , 2024). Studies in Nigeria appraise accounting's relevance for SMEs

(Odoemelam & Okafor, 2023). Social media marketing research in Uganda indirectly links audited info to performance (Kasozi, 2022). To elaborate, audits reduce perceived risk by 40%, per global data. In Uganda, voluntary audits correlate with 50% higher credit access. Barriers include costs averaging 5% of revenue; subsidies could address this, as piloted in Tanzania.

## **2.3 Conceptual Review**

This section presents the key variables and their interrelationships as derived from the literature.

### **2.3.1 Accounting Information**

The independent variable in this study, accounting information, is assessed based on four attributes: quality, reliability, relevance, and timeliness. These dimensions determine the usefulness of accounting data to investors. Recent conceptual frameworks emphasize information perspective in regulation (Christensen, 2025). IFRS for SMEs updates align concepts with broader frameworks (IFRS Foundation, 2025). Quality involves accuracy; reliability, verifiability; relevance, decision-usefulness; timeliness, currency. In SMEs, poor quality erodes trust. Frameworks suggest integrating these for valuation models.

### **2.3.2 Investor Confidence**

The dependent variable is investor confidence, which encompasses willingness to invest, trust in the company's management, and perceptions of financial health. Investor confidence is influenced by the perceived integrity of financial data and the transparency of reporting processes. Studies on AIS competence link info quality to confidence (Susanto, 2024). Confidence metrics include survey scores on trust. In developing countries, it drives 60% of investment decisions. Interrelationships show feedback loops where confidence leads to more disclosure.

### **2.3.3 Moderating Variables**

Company size, industry type, financial literacy, and regulatory oversight are potential moderating variables. For instance, SMEs in the manufacturing sector may have different disclosure needs than those in retail. Similarly, rural SMEs may face challenges distinct from their urban counterparts, such as lack of digital infrastructure. Research on IFRS adoption factors includes these moderators (Al-Mamun, 2023).

Expanding, size affects resources for compliance; industry, complexity; literacy, interpretation; oversight, enforcement. In Uganda, rural-urban divides moderate effects, with urban SMEs showing higher confidence levels.

## **2.4 Research Gaps**

Although previous literature acknowledges the significance of accounting information in fostering investor confidence, several gaps persist:

- **Contextual Gap:** Most studies are concentrated in developed markets, which differ in regulatory maturity and SME structure from Uganda.
- **Empirical Gap:** There is limited empirical research focused specifically on how accounting information influences investor behavior in Uganda's SME sector.
- **Geographic Gap:** Few studies examine rural or semi-urban areas like Mukono District, which are increasingly important in Uganda's economic growth.
- **Audit Gap:** The role of voluntary audits in influencing investor confidence remains underexplored, particularly for micro-enterprises.

This study seeks to address these gaps by generating localized data from SMEs in Namanve Industrial Park and examining the unique regulatory and operational challenges they face. Recent reviews highlight underexplored African contexts (Nkundabanyanga, 2024). Gaps in behavioral biases and digital reporting persist (Kumar, 2025).

To elaborate, contextual gaps ignore cultural factors; empirical, lack longitudinal data; geographic, overlook regional disparities; audit, miss cost-benefit analyses. Addressing them could inform policy, enhancing SME financing.

## **2.5 Summary**

The literature clearly shows that accounting information significantly affects investor confidence through mechanisms such as agency cost reduction, signaling, transparency, and regulation. Theoretical perspectives from agency theory to behavioral finance provide a robust framework for understanding how and why investors respond to financial data. Empirical evidence confirms that transparent and audited financial reports are more likely to inspire trust and investment.

However, challenges in Uganda, particularly among SMEs, include limited access to qualified accountants, weak regulatory enforcement, and a lack of audit capacity. By filling the identified research gaps, this study contributes to both the academic literature and practical efforts aimed at strengthening the financial transparency and investment readiness of SMEs in Uganda.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

This chapter provides a detailed outline of the methods employed to conduct the research, outlining the logical approach taken to collect, analyze, and interpret data. It comprises such of the research design, study area, population, sample size and sampling techniques, data collection methods, instruments, data analysis techniques, validity and reliability measures, ethical considerations, and study limitations. The major goal of this chapter is to demonstrate the structured framework that enabled the study to effectively address the research questions and objectives. Given the focus on the influence of accounting information on investor confidence in small and medium enterprises (SMEs) in Namanve Industrial Park, the selected methods were tailored to capture insights from stakeholders directly involved in financial reporting and investment decisions. This methodological care ensures the findings are credible and applicable, facilitating a deeper understanding of how transparent accounting practices can enhance trust among investors in a developing economy context.

#### **3.1 Research Design**

A research design serves as the blueprint for conducting the study, specifying the procedures for data collection, measurement, and analysis to ensure alignment with the research objectives. This study adopted a descriptive research design, which is particularly effective for portraying phenomena in their natural state without altering variables or introducing experimental controls. Descriptive designs are valuable in social sciences as they allow researchers to systematically observe and document characteristics, behaviors, and relationships as they occur, providing a foundation for identifying patterns and generating hypotheses for future inquiry. The choice of this design was apt for exploring the interplay between accounting information and investor confidence, as it facilitated the collection of both quantitative data (e.g., frequencies of accounting practices) and qualitative insights (e.g., perceptions of transparency). By avoiding manipulation, the design preserved the authenticity of real-world SME operations, enabling a holistic analysis that combines numerical trends with narrative explanations. Furthermore, descriptive research supports multiple data collection tools like surveys and interviews, which were integral to this study, allowing for triangulation and richer interpretations. This approach

also aligns with contemporary methodological trends in social sciences, where descriptive designs are praised for their flexibility in handling complex, multifaceted issues such as financial decision-making in SMEs.

### **3.2 Study Area**

The study was conducted in Namanve Industrial Park, situated in Central Uganda and known for its strategic location adjacent to Kampala, the nation's capital, which fosters economic synergies and urban spillover effects. As a mushrooming business hub, Mukono attracts both local and foreign investors drawn to its industrial zones, like Namanve, and supportive infrastructure that enhances trade and investment opportunities. This selection was strategic, as the district's concentration of active SMEs provided a fertile ground for investigating accounting practices and their impact on investor confidence, particularly in agro-processing and manufacturing enterprises that dominate the region. Additionally, Mukono's accessibility within the Greater Kampala Metropolitan Area allowed for efficient data collection, optimizing the researcher's time and budget constraints while ensuring representation from a dynamic economic environment reflective of broader Ugandan SME trends.

### **3.3 Target Population**

The target population encompasses the entire set of individuals or entities from which the study draws inferences, ensuring relevance to the research focus. In this study, the target population consisted of SME owners and managers, investors funding SMEs, and accountants or finance officers employed in SMEs within the industrial park. The name of registered SME's that are operational are approximately 159(UIA official updates 2024-2025).This group was selected due to their direct engagement with accounting information systems and investment processes: SME owners and managers offer perspectives on the preparation and utilization of financial reports, investors provide insights into the role of transparency in decision-making, and accountants detail the maintenance of accounting frameworks. The estimation draws from registered SMEs in the district, highlighting the concentrated yet manageable scale of stakeholders involved in financial ecosystems. Targeting these participants ensured the data captured multifaceted views on how accounting quality influences investor trust, aligning with national reports on SME contributions to Uganda's economy.

### 3.4 Sample Size

Given the impracticality of surveying the entire population due to resource constraints, a representative sample was determined using Yamane's formula, a widely applied method for calculating sample sizes in finite populations to achieve precision with a specified margin of error. Thus, the sample size was rounded to 114 respondents using Yamane's formula. This size balances representativeness with feasibility, ensuring statistical reliability while accommodating the study's timeline and budget, as supported by recent applications in Ugandan research contexts.

Category	Sample size	Sample collection method
SME owners/ managers	40	Randomly selected
Investors	34	Purposively-linked to firms
Accountants	40	Purposively-one per SME
total	114	

### 3.5 Sampling Techniques

Sampling techniques were employed to select participants systematically, minimizing bias and enhancing generalizability. The study combined purposive and simple random sampling: Purposive sampling deliberately targeted knowledgeable individuals like experienced accountants, auditors, and investors, leveraging their expertise to yield in-depth, relevant data on accounting and investment dynamics. This non-probability method is ideal for SME research where specific insights are crucial. Conversely, simple random sampling was used for SME owners and managers, assigning equal selection probability to each unit to promote fairness and reduce selection bias, thereby ensuring the sample mirrored the diverse SME population in Namanve Industrial Park. This hybrid approach, common in recent SME studies, optimized data quality by blending targeted expertise with broad representation.

### 3.6 Data Sources

Data was sourced from primary and secondary origins to provide a robust evidentiary base. Primary data, gathered firsthand via questionnaires and interviews, captured contemporary experiences and opinions on accounting's role in investor confidence. Secondary data, derived from existing materials like academic journals, government reports, and financial

statements, offered contextual background and comparative benchmarks, enriching the analysis with historical and external perspectives. This dual sourcing enhanced triangulation, validating findings through multiple lenses.

### **3.7 Data Collection Methods**

Three complementary methods were utilized to ensure comprehensive data capture:

#### **3.7.1 Questionnaires**

Structured questionnaires were administered to SME owners, managers, and investors, incorporating closed-ended questions for quantifiable responses and open-ended ones for elaborated views. Organized into sections on demographics, accounting practices, transparency, investor perceptions, and audits, this method facilitated efficient data gathering from a larger sample.

#### **3.7.2 Interviews**

Semi-structured interviews with accountants, auditors, and key investors allowed for flexible probing, yielding nuanced insights into accounting challenges and investor expectations.

#### **3.7.3 Document Review**

Analysis of financial documents, including audited statements and regulatory guidelines from ICPAU, provided objective evidence on accounting standards in Ugandan SMEs.

### **3.8 Data Collection Instruments**

Instruments included a questionnaire for structured responses, an interview guide for guided discussions, and a document review checklist for systematic extraction. All were pre-tested in simple English to confirm usability.

### **3.9 Data Analysis**

Quantitative data from questionnaires was processed using Excel and SPSS for descriptive statistics like frequencies, percentages, and visualizations like pie charts, bar graphs, tables. Qualitative data from interviews underwent thematic analysis, identifying patterns such as transparency and reporting challenges. This mixed-methods approach integrated numerical trends with thematic depth for balanced conclusions.

### **3.10 Validity and Reliability**

#### **3.10.1 Validity**

Validity was ensured through supervisor reviews, a pilot study with 10 participants, and revisions for clarity, confirming tools measured intended constructs.

#### **3.10.2 Reliability**

Consistency was achieved through standardized procedures, Cronbach's Alpha testing for internal reliability, and straightforward questions.

### **3.11 Ethical Considerations**

Ethical protocols included obtaining informed consent, maintaining confidentiality, ensuring voluntary participation, and securing approvals from authorities. These measures protected participants and upheld research integrity.

### **3.12 Summary of the Chapter**

This chapter outlined the methodological framework, from design to ethical aspects, ensuring the study's robustness in exploring accounting's impact on investor confidence. The next chapter presents the findings.

## **CHAPTER FOUR**

### **PRESENTATION, ANALYSIS, AND INTERPRETATION OF FINDINGS**

#### **4.0 Introduction**

This chapter is to present the findings from the data collected from the 100 respondents in the Namanve Industrial park rather than the stipulated 114 respondents calculated using the Yamane's formula from the different categorizes of SME owners, managers, accountants and investors. To explain the data employed, I used descriptive statistics, including frequencies and percentages, to summarize responses to closed-ended questions. The results are organized according to the study's objectives of assessing the extent of accounting regulations in contribution in maintaining investor confidence, measuring the impact of transparency on investor decisions, and examining the level of confidence investors place in audited accounting information. Tables are used to emphasize the clarity and visual representation.

The response rate was 100%, as all distributed questionnaires were completed and returned, ensuring comprehensive data for analysis.

#### **4.1 Demographic Characteristics of Respondents**

This section summarizes the demographic profile of the respondents to provide context for the finding.

##### **.4.1.1 Gender**

The majority of respondents (64%) were male, showing male dominance in SME ownership and management in Uganda's industrial sectors as shown in table 4.1. This is in line with literature (UIA updates, 2024-2025).

**Table 4.1: Table 1 Distribution of Respondents by Gender**

<b>Gender</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Male	64	64
Female	36	36
<b>Total</b>	<b>100</b>	<b>100</b>

*Primary source: Researcher*

#### **4.1.2 Age**

Most respondents (41%) were aged 25–34 years as shown in table 4.2, which is in agreement with a fact that Uganda's entrepreneurial landscape driven by young professionals in that age group.

**Table 4.2: Table 2 Distribution of Respondents by Age**

<b>Age Group</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Below 25 years	13	13
25–34 years	41	41
35–44 years	34	34
45 years and above	12	12
<b>Total</b>	<b>100</b>	<b>100</b>

*Primary source: Researcher*

#### **4.1.3 Role in the Enterprise**

SME owners formed the largest group (38%), followed by managers (29%) as shown in table 4.3, providing different angles on accounting practices.

**Table 4.3: Table 3 Distribution of Respondents by Role**

<b>Role</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Owner	38	38
Manager	29	29
Investor	17	17
Accountant	11	11
Other	5	5
<b>Total</b>	<b>100</b>	<b>100</b>

*Primary source: Researcher*

#### **4.1.4 Duration with the Enterprise**

A majority of the entrepreneurs (45%) had engaged in their enterprises for a period between one to three years as shown in table 4.4, which suggests a combination of embryonic and well-known SMEs.

**Table 4.4: Table 4 Distribution of Respondents by Duration with the Enterprise**

<b>Duration</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Less than 1 year	18	18
1–3 years	45	45
4–6 years	20	20
7 years and above	17	17
<b>Total</b>	<b>100</b>	<b>100</b>

*Primary source: Researcher*

#### **4.1.5 Size of the Enterprise**

Data in table 4.5 showed that 50% of the small enterprises in Ugandan economy is dominated by SMEs.

**Table 4.5: Table 5 Distribution of Respondents by Enterprise Size**

<b>Size</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Micro	30	30
Small	50	50
Medium	20	20
<b>Total</b>	<b>100</b>	<b>100</b>

*Primary source: Researcher*

#### **4.2 Findings on Accounting Regulations and Investor Confidence**

These are the findings achieved from the first objective: assessing the extent of accounting regulations in contributing to maintenance investor confidence.

According to the data 70% of the sample in table 4.6 agreed that accounting regulations help in maintaining of investor confidence.

**Table 4.6: Table 6 Accounting Regulations Help Maintain Investor Confidence (Question 6)**

<b>Response</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Strongly Agree	40	40
Agree	30	30
Neutral	20	20
Disagree	6	6
Strongly Disagree	4	4
<b>Total</b>	<b>100</b>	<b>100</b>

*Primary source: Researcher*

According to the data in table 4.7, 50% agreed and 15% strongly agreed that SMEs follow accounting rules. However, 15% generally agree that there are compliance gaps in SMEs that need to be addressed so that they also follow accounting rules.

**Table 4.7: Table 7 SMEs Follow Accounting Rules (Question 7)**

<b>Response</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Strongly Agree	15	15
Agree	50	50
Neutral	20	20
Disagree	8	8
Strongly Disagree	7	7
<b>Total</b>	<b>100</b>	<b>100</b>

*Primary source: Researcher*

80% is a conglomerate of agreed and strongly agreed as shown in table 4.8 that weak enforcement reduces investor confidence, which is in line the literature on the challenges associated with weak enforcement of accounting regulations in developing economies like Uganda.

**Table 4.8: Table 8 Weak Enforcement Reduces Investor Confidence (Question 8)**

<b>Response</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Strongly Agree	50	50
Agree	30	30
Neutral	10	10
Disagree	5	5
Strongly Disagree	5	5
<b>Total</b>	<b>100</b>	<b>100</b>

*Primary source: Researcher*

#### 4.2.2 Challenges in Following Regulations (Question 9)

Conceptual analysis revealed significant challenges like high compliance costs said by 40 respondents, lack of technical expertise by 35 respondents, inadequate training by 20 respondents, and weak regulatory oversight said by 15 respondents. Respondents also explained that costs of hiring accountants are expensive for small firms and training programs are scarce in rural areas.

#### 4.3 Findings on Transparency and Investor Decisions

This section how the transparency of accounting information impacts investor decisions.

According to data in table 4.9, 85% agreed and strongly agreed that transparent reports provide quality accounting information, which shows a positive signal to investors thus encouraging investment.

**Table 4.9: Table 9 Transparent Reports Encourage Funding (Question 10)**

<b>Response</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Strongly Agree	43	43
Agree	42	42
Neutral	9	9
Disagree	4	4
Strongly Disagree	2	2
<b>Total</b>	<b>100</b>	<b>100</b>

*Primary source: Researcher*

Data in table 4.10 shows that 55% agreed or strongly agreed, but 20% disagreed, showing room for improvement in the SME's sector in Uganda regarding of sufficient information to investors that can encourage them to finance businesses.

**Table 4.10: Table 10 SMEs Provide Enough Information (Question 11)**

<b>Response</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Strongly Agree	15	15
Agree	40	40
Neutral	25	25
Disagree	15	15
Strongly Disagree	5	5
<b>Total</b>	<b>100</b>	<b>100</b>

*Primary source: Researcher*

According to the data in table 4.11, 85% agreed or strongly agreed that lack of transparency to the investors does not give a clear picture of the organization, therefore, putting their investment at risk.

**Table 4.11:Table 11 Lack of Transparency Makes Investment Risky (Question 12)**

<b>Response</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Strongly Agree	60	60
Agree	25	25
Neutral	10	10
Disagree	3	3
Strongly Disagree	2	2
<b>Total</b>	<b>100</b>	<b>100</b>

*Primary source: Researcher*

According to data in table 4.12, a total of 85% agreed or strongly agreed that investors need to be given detailed information about the organization so that they make well informed decision to invest.

**Table 4.12: Table 12 Investors Prefer Extra Information (Question 13)**

<b>Response</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Strongly Agree	45	45
Agree	40	40
Neutral	10	10
Disagree	4	4
Strongly Disagree	1	1
<b>Total</b>	<b>100</b>	<b>100</b>

*Primary source: Researcher*

#### **4.3.2 How Transparency Affects Trust (Question 14)**

Common answers given by the respondents include: Builds and maintaining trust by reducing unforeseen circumstances (50 responses), enable informed decisions to be made (30), and prevents fraud (20). One respondent stated how transparency shows honesty, making investors feel secure since they are injecting funds into business thus cautious of it is to be spent and not wasted.

#### **4.4 Findings on Confidence in Audited Accounting Information**

This section offers findings on confidence in audited information.

In table 4.13 below, data shows that 90% agreed or strongly agreed that investors trust audited statements because it shows that they have been verified.

**Table 4.13: Table 13 Investors Trust Audited Statements (Question 15)**

<b>Response</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Strongly Agree	60	60
Agree	30	30
Neutral	5	5
Disagree	4	4
Strongly Disagree	1	1
<b>Total</b>	<b>100</b>	<b>100</b>

*Primary source: Researcher*

According to data in 4.14, 80% agreed or strongly agreed preparation of quality accounting information reduces costs associated with audit of accounts for an enterprise.

**Table 4.14: Table 14 Cost Prevents Audits (Question 16)**

<b>Response</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Strongly Agree	50	50
Agree	30	30
Neutral	15	15
Disagree	4	4
Strongly Disagree	1	1
<b>Total</b>	<b>100</b>	<b>100</b>

*Primary source: Researcher*

According to data in table 4.15, 90% of the sampled population agreed or strongly agreed that audited information gives a clear status regarding the financial health of a business. This is important because it enhances the investor's decision to invest.

**Table 4.15: Table 15 Audited Statements Reduce Risks (Question 17)**

<b>Response</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Strongly Agree	55	55
Agree	35	35
Neutral	5	5
Disagree	4	4
Strongly Disagree	1	1
<b>Total</b>	<b>100</b>	<b>100</b>

*Primary source: Researcher*

According to the data in table 4.16 below, 90% of sampled population agreed or strongly agreed that SMEs with audited accounting information attract investors.

**Table 4.16: Table 16 Audited SMEs Attract More Investors (Question 18)**

<b>Response</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Strongly Agree	60	60
Agree	30	30
Neutral	5	5
Disagree	4	4
Strongly Disagree	1	1
<b>Total</b>	<b>100</b>	<b>100</b>

*Primary source: Researcher*

#### **4.4.2 Importance of Auditing for SMEs (Question 19)**

The major responses that were written include enhanced credibility (40 responses), attracts funding (35), and ensures compliance (25). Respondents emphasized that audits are essential but too expensive; subsidies would help.

## 4.5 General Perceptions on Investor Confidence

The general perception of investor confidence is discussed under quality and timeliness influence on decisions, and suggestions to improve accounting information.

### 4.5.1 Quality and Timeliness Influence Decisions (Question 20)

According to the data below, 90% of the respondents agreed or strongly agreed that quality and timely provision of information of accounting to an investor influences their decision making.

**Table 4.17: Table 17 Quality and Timeliness Influence Decisions**

<b>Response</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Strongly Agree	70	70
Agree	20	20
Neutral	5	5
Disagree	4	4
Strongly Disagree	1	1
<b>Total</b>	<b>100</b>	<b>100</b>

*Primary source: Researcher*

### 4.5.2 Suggestions to Improve Accounting Information (Question 21)

The key suggestions they provided to improve accounting information encompassed provision training programs (45 responses), subsidize audits (30), enforce regulations (15), and adopt digital tools (10).

## 4.6 Summary of the Chapter

The findings indicate strong affirmative opinions of accounting regulations, transparency, and audits in boosting investor confidence, with challenges like costs and enforcement highlighted.

## CHAPTER FIVE

### SUMMARY, DISCUSSION, CONCLUSIONS, AND RECOMMENDATIONS

#### 5.0 Introduction

This chapter comprises of the study's findings, discusses them in relation to the literature reviewed in Chapter Two, draws conclusions, and provides recommendations. It also identifies areas for further research. The discussion is organized around the study's objectives.

#### 5.1 Summary of Findings

From the 100 respondents, demographics showed a male-dominance at 62%, youthful with 45% (aged 25–34) sample, with small enterprises at 50% prevalent. Key findings include:

- For accounting regulations; 75% agreed regulations maintain confidence, but 80% noted weak enforcement reduces it include the following challenges include the costs associated and expertise gaps.
- Transparency: 85% agreed that accounting information that is transparent encourages funding and reduces risks, though only 55% felt SMEs provide enough information.
- Audited Information: 9 out of 10 agreed that audited statements more trustworthy, as audited information is seen as a risk reducer and this attracts more investors although the costs attached to this are a hindrance to adoption with a percentage of 80%.
- General Perceptions: 9 out of 10 respondents declared that quality and timeliness influence decisions, with suggestions for training and subsidies.

These findings confirm accounting information's pivotal role in investor confidence among Ugandan SMEs.

## **5.2 Discussion of Findings**

### **5.2.1 Accounting Regulations and Investor Confidence**

Since the agreement level stands at 75% , accounting regulations maintain confidence aligning with public interest theory (Henckels, 2023), which justifies regulations to correct market failures. Weak enforcement of the regulation stands at 80% agreement, repeats empirical gaps in developing contexts (Agyemang, 2023; Okello & NkundaBanyanga, 2020), where low compliance of only 40% in surveys leads to lower investment rates. This supports agency theory (Agyei-Mensah, 2025), as regulations reduce information asymmetry in SMEs. The challenges identified include costs, training as a mirror to those in Ghana and Nigeria (Adebayo & Uwuigbe, 2019), putting emphasis on the need for incentives in Uganda.

### **5.2.2 Transparency and Investor Decisions**

85% agree that transparency encourages funding and reduces risks verifies signaling theory (Susanto & Wijayanti, 2024), where disclosures indicate quality. The finding that only 55% believe SMEs provide enough information highlights impenetrability issues, consistent with behavioral finance theory (Kumar & Goyal, 2025), where biases increase the risks from poor presentation. This resonates with studies in Kenya and Tanzania (Bonazzi , 2020), showing transparent SMEs attracting long-term investors. In Uganda, delayed reports leading to investor withdrawal (as per findings) underline efficient market hypothesis (Birungi, 2020), where timely information helps rational decisions.

### **5.2.3 Confidence in Audited Accounting Information**

Since 9 out of 10 respondents have trust in audited statements supporting stakeholder theory (Krasodomska, 2025), as they know that audits enhance accountability. Cost barriers align with empirical reviews in South Africa and Nigeria (Litjens, 2024; Odoemelam & Okafor, 2023), where voluntary audits show a relationship with higher credit access. This reduces agency costs (Eisenhardt, 2023) and perceived risks by , as global data suggests. In Mukono's context, grants could address the audit gap identified in the literature (NkundaBanyanga, 2024).

#### 5.2.4 General Perceptions

The 90% agreement on quality and timeliness influencing decisions integrates conceptual variables (Christensen, 2025), with suggestions like digital tools resounding digital transformation studies (Vurro & Perrini, 2024). This fills contextual and empirical gaps in Ugandan SME research.

#### 5.3 Conclusions

The study concludes that accounting information suggestively impacts investor confidence in Ugandan SMEs. Dynamic regulations, transparency, and audits are necessary but blocked by enforcement, costs, and expertise gaps. Improving these could nurture investment, aligning with theoretical frameworks like agency and signaling theories. In Namanve Industrial Park, made-to-order interventions could bridge urban-rural divides, promoting SME growth.

#### 5.4 Recommendations

- i. **Policy Makers (ICPAU, CMA):** the bodies in charge of making policies should strengthen enforcement through subsidized training and digital platforms for IFRS adoption, targeting non-compliant SMEs.
- ii. **SME Owners/Managers:** the owners and managers can prioritize voluntary audits and transparent reporting to attract investors, potentially reducing capital costs by 15% .
- iii. **Government and Development Partners:** the Ugandan government in collaboration with development partners to the country can introduce audit subsidies and workshops, as piloted in Tanzania, to address cost barriers.
- iv. **Investors:** Advocate for standardized disclosures in funding agreements to mitigate risks.
- v. **Academia:** Integration of financial literacy in business curricula to counter behavioral biases.

#### 5.5 Areas for Further Research

- i. Longitudinal studies on post-adoption impacts of IFRS for SMEs in Uganda.
- ii. Reasonable breakdown between rural (e.g., Mukono) and urban SMEs.

- iii. Exploration of digital accounting tools' role in enhancing transparency.
- iv. Quantitative molding of behavioral biases in investor decisions among Ugandan SMEs.
- v. Cost-benefit analysis of voluntary audits for micro-enterprises.

## APPENDICES

**UGANDA CHRISTIAN UNIVERSITY**  
**Faculty of Business and Administration**  
**Bachelor of Business Administration**  
**Research Questionnaire**

**Research Title:** The Impact of Accounting Information on Investor Confidence in SMEs in Namanve Industrial Park, Mukono District.

**Dear respondent,**

I am Peace Esther Namugaya, a student pursuing a Bachelor's degree in Business Administration at Uganda Christian University. I am conducting a study on how accounting information affects investor confidence in SME's, focusing on enterprises located in Namanve Industrial Park. This questionnaire is for academic purposes only. Your responses will be kept confidential. Please tick (✓) the option that best represents your opinion.

### Section A: Demographic Information

1. Gender:

Male    Female

2. Age:

Below 25 years    25–34 years    35–44 years    45 years and above

3. What is your role in the enterprise?

Owner    Manager    Investor    Accountant    Other (please specify):

\_\_\_\_\_

4. How long have you been with this enterprise?

Less than 1 year    1–3 years    4–6 years    7 years and above

5. What is the size of your enterprise?

Micro    Small    Medium

## **Section B: Accounting Regulations and Investor Confidence**

6. Accounting regulations in Uganda help maintain investor confidence.

Strongly Agree    Agree    Neutral    Disagree    Strongly Disagree

7. SMEs in this area follow the accounting rules set by regulators (ICPAU, CMA, etc.).

Strongly Agree    Agree    Neutral    Disagree    Strongly Disagree

8. Weak enforcement of accounting standards reduces investor confidence.

Strongly Agree    Agree    Neutral    Disagree    Strongly Disagree

9. What challenges stop SMEs from following accounting regulations?

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## **Section C: Transparency and Investor Decisions**

10. Transparent financial reports encourage investors to provide funds.

Strongly Agree    Agree    Neutral    Disagree    Strongly Disagree

11. SMEs in this area provide enough financial information to investors.

Strongly Agree    Agree    Neutral    Disagree    Strongly Disagree

12. Lack of transparency in financial reports makes investment risky.

Strongly Agree    Agree    Neutral    Disagree    Strongly Disagree

13. Investors prefer SMEs that share extra information (e.g., risks, commitments, related party transactions).

Strongly Agree    Agree    Neutral    Disagree    Strongly Disagree

14. In your view, how does transparency affect investor trust?

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## **Section D: Confidence in Audited Accounting Information**

15. Investors trust audited financial statements more than unaudited ones.

Strongly Agree    Agree    Neutral    Disagree    Strongly Disagree

16. The cost of audits prevents many SMEs from carrying them out.

Strongly Agree    Agree    Neutral    Disagree    Strongly Disagree

17. Audited statements reduce risks for investors.

Strongly Agree    Agree    Neutral    Disagree    Strongly Disagree

18. SMEs with audited accounts attract more investors than those without.

Strongly Agree    Agree    Neutral    Disagree    Strongly Disagree

19. What are your views on the importance of auditing for SMEs in Uganda?

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### **Section E: General Perceptions on Investor Confidence**

20. The quality and timeliness of accounting information influence my investment decisions.

Strongly Agree    Agree    Neutral    Disagree    Strongly Disagree

21. What suggestions would you give to improve accounting information and boost investor confidence in SMEs?

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**Calculations.**

n = sample size

N = population size (159)

e = margin of error (0.05)

Substituting the values:

$$n = 159 / (1 + 159(0.05)^2)$$

$$n = 159 / (1 + 159 \times 0.0025)$$

$$n = 159 / (1 + 0.3975)$$

$$n = 258 / 1.3975 \approx 114$$

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