THE IMPACT OF DIGITAL ACCOUNTING SYSTEMS ON THE QUALITY OF FINANCIAL REPORTING OF SMALL AND MEDIUM ENTERPRISES IN UGANDA KAMPALA: A CASE STUDY OF SELECTED BUSINESSES IN KAMPALA CENTRAL

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DECLARATION

I, Nakalema Catherine, declare that this dissertation is my original work and has not been presented for a degree or any other academic award in this or any other university or institution of higher learning.

Where other people's work has been used, it has been duly acknowledged and referenced in accordance with academic standards.

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APPROVAL

This dissertation has been submitted for examination with my approval as the university supervisor.

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Date: 10/05/2026

DEDICATION

With a warm heart I dedicate this work to my lovely parents and family who have always supported me throughout my education and have encouraged me never to give up. May the almighty God bless you.

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May God richly bless you all.

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ABSTRACT

The study examined the impact of digital accounting systems on the quality of financial reporting among small and medium enterprises in Kampala Uganda focusing on Automatic Transaction Recording (ATR), Automatic Financial Report Generation (AFRG) and Automatic Income and Expense Tracking (AIET). A descriptive research design and quantitative approach were adopted. Data was collected using questionnaires from 61 respondents representing a response rate of 76.25%

The findings revealed that digital accounting systems significantly improve the quality of financial reporting. Specifically,63.9% of respondents agreed that ATR reduces manual errors in transactions, while 65.6% agreed that AFRG improves the timeliness and consistency of financial reports. In addition, 70.5%responds agreed that AIET improves the accuracy of income and expense monitoring among SMEs.

The study concluded that digital accounting systems positively influence the accuracy, reliability and timeliness of financial reporting among SMEs. The study recommended the SMEs. The study recommended that SMEs should adopt affordable computerized accounting systems and strengthen staff training to improve financing reporting practices

CHAPTER ONE

INTRODUCTION

INTRODUCTION

This chapter introduced the research project on the influence of digital accounting technologies (DAT) on the accuracy of financial reporting in small and medium enterprises (SMEs) in Kampala. It gives the background, problem, objectives, research questions, scope, significance and justification of study. Relevant terminologies were outlined to establish a platform to support the information of how Digital Accounting Technology can improve financial reporting in SMEs.

1.1 BACKGROUND OF THE STUDY

Small and Medium Enterprises (SMEs) are instrumental in economic growth of most economies with Uganda not being exceptions. They contributed to the employment rates, poverty eradication, and the general economy in general (Adewale, 2019; Eze and Okeke, 2020). SMEs have a sizeable share of the business environment in Kampala, and they have been involved in various businesses like agriculture, manufacturing, trade, and services. Nevertheless, although they are important, most SMEs had a lot of problems, which interfere with their growth and sustainability. Some of these obstacles include poor financial management, absence of proper record keeping and ineffective accounting procedures, and in most cases, this has contributed to low accuracy in financial reporting and difficulty in accessing credit facilities (Oluwole, 2021). As information technology has been improved at a high rate, new accounting systems that are digital have come out as important tools that can revolutionize the financial management practice in SMEs. These systems automate the normal accounting processes like bookkeeping, invoicing, payroll processing and financial reporting. Digital accounting systems offer business reliable financial data that can help make an informed decision by reducing errors and errors made in processing financial information and enhancing the speed and accuracy with which financial information can be processed manually (Kalu & Nwankwo, 2018; Okafor, 2022). Moreover, the electronic systems will help to improve adherence to tax laws and support the transparency and accountability of financial practices. Regardless of the identified

advantages, the uptake of digital accounting solutions among SMEs in Kampala is comparatively poor, and it is commonly associated with such factors as high cost of purchase, insufficient technical skills, and resistance to change (Eze and Okeke, 2020; Oluwole, 2021). The accuracy of financial reporting of SMEs is a serious factor in determining their survival and growth chances. The indicators of financial reporting accuracy, profitability, liquidity, and solvency, directly depend on the efficiency of the financial management systems that these enterprises use (Adeyemi and Yusuf, 2019).

1.2 STATEMENT OF THE PROBLEM

SMEs in Kampala are struggled to keep their financial records calm, precise and effective and as a result, this tends to hindered their general financial reporting accuracy and development. The manual accounting systems that most SMEs operate with are often liable to errors, are time-consuming and unable to provide real-time reporting, making it impossible to make financial decisions on a poor basis and accessing financing options (Oluwole, 2021; Eze and Okeke, 2020). Even though digital accounting systems have the potential to enhance the accuracy, speed, and reliability of financial data, the adoption rate of this technology among SMEs in Kampala remained rather low. The main obstacles to widespread adoption include the high implementation costs, poor technical competencies, and technological change (Kalu and Nwankwo, 2018; Oluwole, 2021).

1.3 PURPOSE OF THE STUDY

This study aimed at investigating the effect of digital accounting systems on the quality of financial reporting in Small and Medium Enterprises (SMEs) in Kampala with emphasis given to the automated capabilities that condition financial information integrity. In particular, it explored the impact of the characteristics of automatic recordings of transactions, automatic generation of financial reports and automatic tracking of revenues and expenses on the accuracy of the financial statements prepared by the owners of SMEs in recording transactions, preparing reports, and tracking cash flows. Through these automation factors, the research sought to provide empirical evidence on how digital tools can caused a reduction in errors, increased compliance or audit readiness. The generated insights were intended to assist the SME owners with more reliable and timely financial reporting and direct policymakers and financial institutions in drafting interventions to overcome the barriers to the adoption of digital accounting (Oluwole, 2021; Eze and Okeke, 2020; Kalu and Nwankwo, 2018).

1.4 OBJECTIVES OF THE STUDY

The primary goals of the study were to determine the Effect of Digital Accounting Systems on Financial Reporting Precision of Small and Medium Enterprises (SMEs) in Kampala. In particular, the research was intended to determine the:

I. To determine the impacts of Automatic transaction recording (ATR) on the Financial Reporting Accuracy of Small and medium enterprises (SMEs) in Kampala.

II. To determine the impact of Automatic Financial Report Generation (AFRG) on Financial Reporting Accuracy of Small and Medium Enterprises (SMEs) in Kampala.

III. To assess the Effect that Automatic Income and Expense Tracking (AIET) has on Financial Reporting Accuracy of Small and Medium Enterprises (SMEs) in Kampala.

1.5 RESEARCH QUESTIONS

Three research questions were developed in this study in accordance with the specific objectives.

I. How far does automatic transaction recording (ATR) influence the financial reporting of the Small and Medium Enterprises (SMEs) in Kampala?

II. What role does automatic financial report generation (AFRG) play in the accuracy of financial reporting of SMEs in Kampala?

III. How do automatic income and expense tracking (AIET) affect financial reporting accuracy of SMEs in Kampala?

1.6 SCOPE OF THE STUDY

The study was done in three dimensions which are; content, geographical and time and this is discussed in detail below.

1.6.1 CONTENT SCOPE

The research problem is the impact of digital accounting systems on the accuracy of financial reporting of the Small and Medium Enterprises (SMEs) in Kampala. Namely, it examined the impacts of particular digital characteristics (e.g. automatic recording of transactions, automatic generation of financial reports, and automatic tracking of income and expenses) on the accuracy of financial reporting in SMEs, reduction of errors in financial statements, and the integration of real-time data in influencing compliance and audit readiness in SMEs (Kalu & Nwankwo, 2018; Okafor, 2022).

1.6.2 GEOGRAPHICAL SCOPE

The research was based on Small and Medium Enterprises (SMEs) in Kampala, Uganda. There are numerous active SMEs in this area that work in different industries including trade, services, manufacturing, and agriculture which made it a better choice to study the impact of digital accounting systems on financial reporting accuracy (Eze & Okeke, 2020).

1.6.3TIME SCOPE

The research targeted the small to medium-sized businesses that have existed since the year 2019 to the year 2025, which were the years that brought into the picture the new trends and trends. changes in digital accounting use and financial reporting behaviors among emerging market SMEs.

1.7 SIGNIFICANCE OF THE STUDY

The results of the present research will be relevant to different stakeholders. First, the research will add to the existing literature on accounting systems in the digital environment and small and medium enterprises (SMEs) in emerging markets. The findings will serve as a reference point to future scholars and researchers to conduct further research on digital accounting practices and financial reporting accuracy on developing economies. Second, policymakers will gain by the study as it will offer evidence-based information on the advantages and issues in implementing digital accounting systems. Such information can be used to develop enabling programs like training programs, financial support and technology-oriented policies that enable the integration of DAS among the SMEs. Third, owners and managers of SMEs will gain practical experience on how digital accounting systems can enhance record-keeping, timely and accurate financial reporting and decision-making. This helps them to improve on profitability and sustainability in their operations. Lastly, the research will be beneficial to the investors and other stakeholders in the financial sector as it will enable them to make informed decisions on investment in the sector by giving them useful data on the performance of the SMEs and their growth prospects.

1.8 LIMITATIONS OF THE STUDY

I. The research was restricted to SMEs in Kampala, which could limit the possibility of generalizing the results to other areas or industries.

II. It uses data given by the owners of SMEs and this can be affected by individual opinion or faulty memory.

III. The study also concentrates on some digital accounting characteristics such as recording of automatic transactions, generation of automatic financial reports, and tracking of income and expenses but other aspects that influence the financial reporting accuracy are not mentioned.

CHAPTER TWO

LITERATURE REVIEW

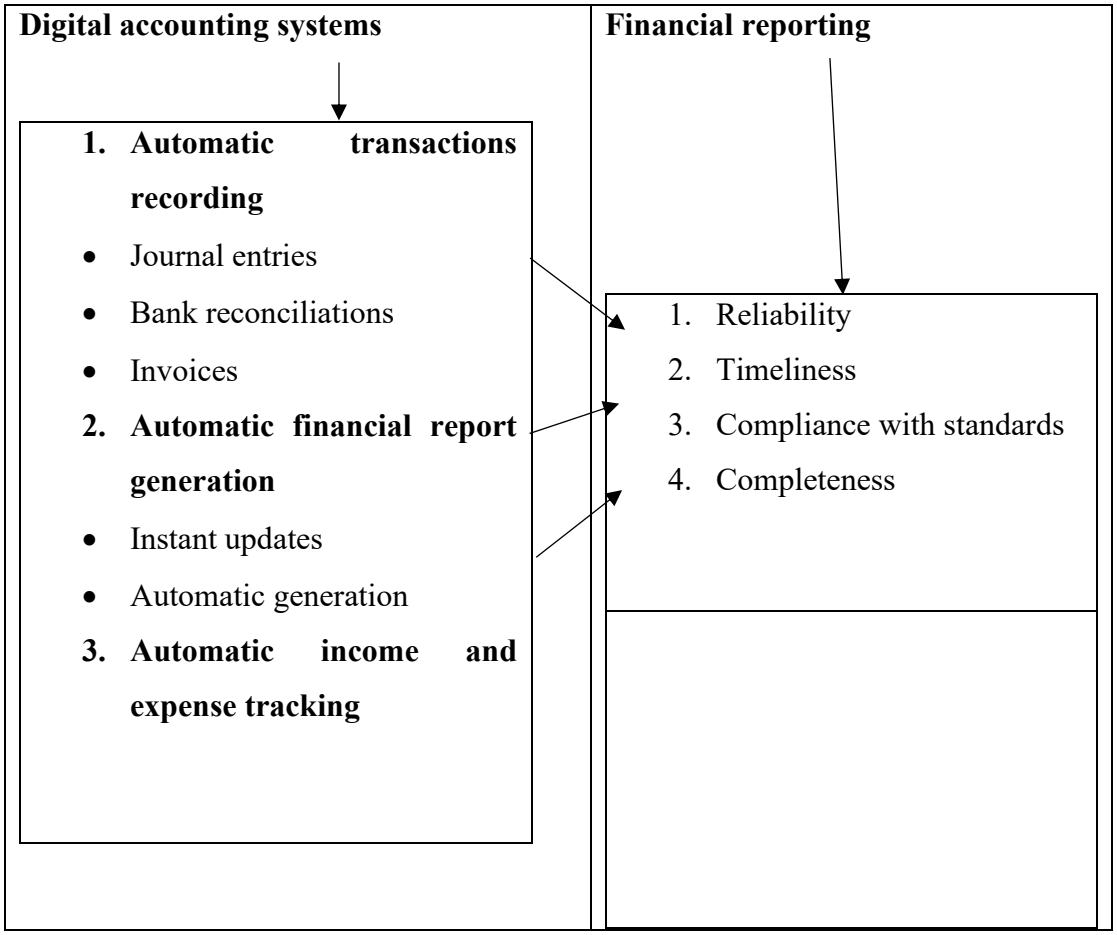
2.0 INTRODUCTION

This chapter is a detailed review of the literature on the effects of the use of digital accounting systems on the financial reporting accuracy within the Small and Medium Enterprises (SMEs) in Kampala. It starts by providing a theoretical framework based on the Resource-Based View (RBV) theory, concept definitions of some important variables, and a thorough review of empirical literature. The chapter recognizes the gaps in the study that have already been carried out and provides a basis to the ongoing investigation (Kalu and Nwankwo, 2018; Okafor, 2022).

2.1 CONCEPTUAL FRAMEWORK

A conceptual framework gives a pictorial and theoretical illustration of how the main variables of research are connected with one another. In this research, the framework is used to explain the impacts of digital accounting technologies on the financial reporting of the Small and Medium Enterprises (SMEs) in Kampala. Digital accounting technologies include Automatic Transaction Recording (ATR), Automatic Financial Report Generation (AFRG) and Automatic Income and Expense Tracking (AIET). The technologies would minimize the impact of human error, increase the adherence to reporting standards, and deliver real-time financial data. Accuracy in financial reporting is indicated by accuracy in records and completeness, compliance with accounting standards and suitability of the information in decision-making. The framework highlights that automation in accounting operations enhances the capacity of SMEs to generate correct, timely and decision-supportive financial reports.

Independent variable ⟶ dependent variable



Source adopted From Ganyam And Ivungu(2019) and modified by the researcher

This paper will be founded on the Resource-Based View (RBV) Theory, which was initially introduced by Barney (1991) and elaborated by Wernerfelt (1984).

2.2.1 Resource Based View Theory (RBV)

The RBV assumed that the long-term competitive advantage of a firm was to be achieved by a specific set of resources and capabilities in form of a bundle of resources and capabilities that is valuable, rare, inimitable and non-substitutable (VRIN). Specifically, in the framework of this study, the concept of digital accounting system

(DAS) is operationalized in terms of the Automatic Transaction Recording (ATR), Automatic Financial Report Generation (AFRG), and Automatic Income and Expense Tracking (AIET) as strategic technological resources that SMEs in Kampala could use to attain high levels of financial reporting accuracy. DAS minimizes errors in manual operations, increases the accuracy of real-time data, and facilitates the achievement of regulatory compliance, which have a direct impact on the increase in financial transparency and readiness to audit (Adebayo, 2022; Ogungbade, 2021). The costs, infrastructure, and skills of adoption of fully integrated digital accounting systems against SMEs in emerging markets such as Uganda are still low despite the increasing awareness (Eze and Okeke, 2020). In cases where DAS is tailored and entrenched in the operations of individual firms and in the workflows, processes, and decision-making models, it becomes challenging to copy without comparable investments in technology and training (Romney, 2018). Digital systems are more efficient, accurate, and scalable than manual or semi-automated accounting systems to produce error-free and real-time financial reports (Nwankwo, 2021). The RBV framework describes the way the SMEs in Kampala transforms the DAS into organizational capabilities that can lead to the financial reporting accuracy, lower the risks of fraud, increase the confidence of stakeholders, and ease access to credit and investment. The empirical studies on the RBV usage in the technology adoption settings confirm that the IT-based resources have a substantial impact on performance results in SMEs (Okafor, 2022; Adeyemi and Yusuf, 2019). In this way, RBV can be used to offer a powerful theoretical framework in the analysis of the role of digital accounting systems as a competitive advantage source due to improved financial reporting accuracy in resource-constrained settings.

2.3 Automatic Recording of Transactions on SMEs Financial Reporting In Kampala.

The accuracy and dependability of financial data are always enhanced with automatic transaction recording, which is supported by empirical evidence. A computerized accounting system study conducted by Asha (2021) on Ugandan SMEs discovered that journal entries and bank reconciliations automated greatly minimized the number of manual errors and improved the quality of financial records. Equally, a study by Mutiso and Muchemi (2020) in Kenya found that the SMEs with automated transaction recording systems had a better audit trail and a higher adherence to tax laws. These

results indicate that ATR will lead to more precise and transparent reporting, which is essential to the SMEs in Kampala where manual bookkeeping is still widespread.

2.4 Automatic Financial Report Generation (AFRG) Of SMEs Financial Reporting in Kampala.

The empirical studies showed that automated generation of financial reports enhanced consistency and international standards. Research by Nkundabanyanga et al. (2019) on the topic of financial reporting practices in Uganda established that SMEs that automated their reporting processes generated more timely and standardized reports and this increased their credibility in the eyes of lenders and authorities. Besides, a study by Alsharari (2021) on digital transformation in accounting has shown that automation helps to minimize human error in preparing reports and to make sure that SMEs use the IFRS. This evidence suggests that AFRG enhanced reporting accuracy as it reduces aggregation errors and boosts the accuracy of financial reports.

2.5automatic Income and Expense Tracking (AIET) Of Financial Reporting of SMEs in Kampala.

Automatic tracking of income and expenses also has empirical evidence that can help increase transparency and decision-making. In research on mobile money integration in SME accounting in Uganda, Kizito (2020) established that real-time tracking of expenses decreased differences in cash flow statements and enhanced compliance with taxes. In a similar study, Oduor and Waweru (2021) in East Africa have shown that SMEs with automated dashboards to monitor income and expenses had more financial discipline and reliable reporting. These results imply that AIET helps in proper classification of inflows and outflows, and therefore enhances the accuracy of the financial reporting.

CONCLUSION

To sum up, the Resource-Based View (RBV) theory offers an extensive and solid theoretical framework on the ways in which digital accounting systems that include Automatic Transaction Recording, Automatic Financial Report Generating and Automatic Income and Expense Tracking can be utilized as strategic resources to enable the creation of sustained competitive advantage among SMEs in Kampala.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

The chapter presented the research methodology followed in the study titled as The Impact of Digital Accounting Systems on Financial Reporting of Small and Medium Enterprises (SMEs) in Kampala, Uganda. It explained the research design, target population, population size, sampling methods, data collection methods, validity and reliability of instruments, data analysis methods, and ethical issues. The research design gives a clear outline that helped the researcher in the collection and analysis of data that are pertinent to the research goals.

3.1 Research Design

The research design used in the study was descriptive and quantitative. Kothari (2014) is of the view that a descriptive design can help the researcher to unravel the nature of a population or a phenomenon as it is. This design was suitable since it enabled the researcher to gather factual data among the owners of SMEs, accountants, and managers concerning the impact of adopting digital accounting systems on the quality of financial reporting. Quantitative approach was used to provide the process of collecting and analyzing the numerical data using structured questionnaires. This method enabled the possibility of quantifying the responses, statistical analysis, and drawing relationships between the adoption of digital accounting systems and the accuracy, timeliness, and reliability of financial reporting among SMEs (Creswell, 2014).

3.2Study Population

The population to be studied consisted of owners and managers of small-scale businesses that are in operation in Kampala central division. As per the records made by the (2024), around 100 plus small-scale businesses are registered in the division. These will be retail trade, hospitality, manufacturing and service businesses.

3.3 Sample Size

The representative sample was used as it will not be possible to study the entire population because of time and resource constraints. The table that will be used to determine the sample size will be that of Krejcie and Morgan (1970), which suggests a population of 100 with a sample size of 80. Table of sample size distribution.

Category	Examples of businesses	Population	Sample Size
Retail Businesses	Supermarkets, boutiques, stationery shops, and hardware stores	40	32
Hospitality Businesses	Hotels, restaurants, bars, and lodges	20	15
Manufacturing Businesses	Bakeries, furniture workshops, beverage producers, and metal fabricators	30	25
Service Providers	Salons, internet cafés, consultancy firms, and repair services	10	8
Total		100	80

The target population will include 100 businesses, where 80 representatives of the target would be obtained by proportional sampling. These categories will be subdivided into the key sectors of small and medium enterprises (SMEs) that will be operating in the study region. The retailing businesses will consist of supermarkets, boutiques, stationery, and hardware shops that will primarily deal with selling consumer goods. The hospitality businesses will include restaurants, hotels, and bars that will offer food, accommodation and leisure services. The manufacturing industries will be made up of small-scale manufacturers, bakeries, furniture manufacturers, beverage manufacturers, and metal fabricators. Finally, the service providers will include business like salons, internet cafes, consultancy firms, and repair service providers that will prioritize the provision of intangible services. This classification will make sure that the sample is accurate in terms of the diversity of the business types within the study area, and the research variables will be more thoroughly analyzed in the various sectors of the economy.

3.4 Sampling Techniques

The research used a stratified random sampling method to make sure that it represents various classes of small-scale businesses, i.e. retail, hospitality, manufacturing, and service. Simple random sampling shall be employed after stratification to sample the

respondents in each category. This approach will allow reducing selection bias and increase the representativeness and reliability of the results.

3.5 Sources of Data

The research was based on the primary and secondary data. 3.5.1 Structured questionnaires were used to collect primary data by direct means (respondents who are owners of SMEs, managers, and accountants).

3.5.2 Secondary Data

Were collected using the available literature sources including textbooks, journal articles, past research reports and online publications on the topics of digital accounting, financial reporting and SME management. Mugenda and Mugenda (2019) also note that combining the two sources of data can increase research results validity and comprehensiveness.

3.6 Data Collection Methods

The research employed the structured questionnaires as the main data collection tool, but the brief interviews were used to explain the unclear answers.

3.6.1 Questionnaires

The questionnaire was based on both closed and open-ended questions that helped gather data on various variables of taxation (tax rates, tax awareness, and tax administration) and their effects on financial performance (profitability, return on assets, and liquidity). It will be suitable to use questionnaires as they will enable gathering of information on a high number of respondents in a short period of time and manage anonymity and interviewer bias.

3.7 Analysis And Presentation Of Data.

The data was collected and after completion was checked to ensure that no data is omitted and they coded and uploaded into the Statistical Package of Social Sciences (SPSS) to be analyzed. Demographic data and important variables will be summarized using descriptive statistics frequencies, means, and percentages. Different inferential statistics such as correlation and regression analysis will be used to establish the correlation between taxes and small-scale businesses financial performance. The data

under analysis will be discussed in tables, charts, and graphs to increase the clarity and simplicity of interpretation.

3.8 Ethical Considerations

The research will uphold high ethical principles in order to ensure that the rights and welfare of the respondents are not compromised. The researcher will also request informed consent of all the respondents, in which he explained the purpose of the study and assure them confidentiality and anonymity. The involvement will be voluntary and the respondents will be allowed to drop out at any point without any consequences. The research will not harm the subjects either physically or psychologically, and all the results will be stated in a truthful, reliable and objective manner (Saunders, Lewis, and Thornhill, 2009).

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS, INTERPRETATION, AND DISCUSSION

4.0 Introduction

This chapter presents and discusses the results of analysis that has been done to look at the specific objectives of the study on the impact of the digital accounting systems on the quality of financial reporting on small and medium enterprises in Kampala central market square. The study was carried out using structured questionnaires administered to the owners and managers of the selected SMES. The findings are presented using the tables for clarity and ease of interpretation

4.1 Response Rate

A total of 80 questionnaires were distributed to the owners and managers of SMES in Kampala central market square 61 questionnaires were successfully retired and used for analysis giving a response rate of 76.25% as shown in table 4.1

Table 4.1: Response Rate

Category	Questionnaires Distributed	Questionnaires Returned	Response Rate (%)
Retail Businesses	36	36	100.0
Hospitality Businesses	22	11	50.0
Manufacturing Businesses	21	5	23.8
Service Providers	21	8	38.1
Others	1	1	100.0
Overall	80	61	76.25

Source: Primary data

Table 4.1 shows an overall response rate of 76.25% was achieved, which is considered high and suggests that the survey results are reasonably representative of the target population of SMEs in Kampala. According to Fincham (2008), a response rate of 50% or higher is generally acceptable for survey research. The variation in response rates across categories may reflect accessibility challenges, particularly in the manufacturing

and hospitality sectors, but the final sample maintains adequate coverage across the major SME types.

4.2 Background of the Respondents

This section reflects the distribution of respondents by gender, age, level of education, type of business, and number of years in operation as shown in Table 4.2.

Table 4.2: Background Information on the Respondent

Item	Details	Frequency	Percentage
Gender of the respondent	Male	38	62.3
	Female	23	37.7
	Total	61	100
Age group of the respondent	21–30 years	12	19.7
	31–40 years	22	36.1
	41–50 years	21	34.4
	Above 50 years	6	9.8
	Total	61	100
Level of education	Primary	3	4.9
	Secondary	12	19.7
	Certificate/diploma	18	29.5
	Bachelor's	18	29.5
	Master's	9	14.8
	Others	1	1.6
	Total	61	100
Type of business	Retail	36	59.0
	Hospitality	11	18.0
	Manufacturing	5	8.2
	Service provider	8	13.1
	Others	1	1.6
	Total	61	100
Number of years in operation	1–5 years	22	36.1
	6–10 years	19	31.1
	11–15 years	12	19.7

	Over 15 years	8	13.1
	Total	61	100

Source: *primary data*

According to Table 4.2 above, the majority of respondents were male, represented by 62.3%, while female respondents made up 37.7%.
The findings also revealed that most respondents fall within the age bracket of 31-40 years (36.1%), followed by 41-50 years (34.4%). This distribution suggests that the respondents are mostly mature and experienced business owners/managers.
Furthermore, the findings established that respondents with Bachelor's degrees and those with Certificates/Diplomas each represented 29.5%. This implies that the majority of respondents had attained reasonable levels of education and could understand and respond to the questionnaire with ease.
In addition, the highest percentage of respondents came from retail businesses (59.0%), followed by hospitality (18.0%). This reflects the dominance of retail activities in Kampala Central Market Square.
Lastly, the findings revealed that the majority of businesses had been in operation for 1-5 years (36.1%) and 6-10 years (31.1%). This indicates that most of the SMEs are relatively young but established enough to have financial-reporting-practices.

4.3Automatic Transaction Recording (ATR) and Quality of Financial Reporting

The first objective of the study was to evaluate the effects of Automatic Transaction Recording (ATR) on financial reporting accuracy among SMEs in Kampala. ATR was measured using five items on a five-point Likert scale. The results are presented in Table 4.3.

Table 4.3 summarizes respondents' responses on the effect of Automatic Transaction Recording (ATR) on the quality of financial reporting using a 5-point Likert scale where SA (Strongly Agree), A (Agree), NS (Not Sure), D (Disagree) and SD (Strongly Disagree).

Table 4.3: Descriptive Results for Automatic Transaction Recording (ATR)

Statement	SA (%)	A (%)	NS (%)	D (%)	SD (%)
ATR reduces manual errors in recording transactions	15 (24.6)	24 (39.3)	12 (19.7)	7 (11.5)	3 (4.9)
ATR improves the completeness and reliability of financial records	13 (21.3)	27 (44.3)	13 (21.3)	6 (9.8)	2 (3.3)
Failure to use ATR increases the risk of errors and affects reporting	17(27.9)	26(42.6)	10(16.4)	6(9.8)	2(3.3)
ATR provides stronger audit trails and enhances compliance with regulations	12(19.7)	23(37.7)	15(24.6)	8(13.1)	3(4.9)
ATR saves time and improves real-time data accuracy for decision making	16(26.2)	25(41.0)	11(18.0)	7(11.50	2(3.3)

Source: *Primary data*

The results in Table 4.3 indicate that respondents generally agreed that Automatic Transaction Recording (ATR) positively influences the quality of financial reporting among SMEs in Kampala. Specifically, respondents agreed that ATR reduces manual errors in recording transactions, as reflected by 24.6% who strongly agreed and 39.3% who agreed, indicating that most SMEs perceive ATR as improving accuracy in transaction recording. Similarly, ATR was viewed to improve the completeness and reliability of financial records, with 21.3% strongly agreeing and 44.3% agreeing, suggesting strong confidence in the ability of ATR to enhance the quality and dependability of financial information. In addition, respondents agreed that failure to use ATR increases the risk of errors and negatively affects reporting, with 27.9% strongly agreeing and 42.6% agreeing. This implies that many SMEs recognize the weaknesses associated with manual transaction recording systems. Furthermore, ATR was perceived to provide stronger audit trails and enhance compliance with regulations, as indicated by 19.7% who strongly agreed and 37.7% who agreed. However, 24.6% of the respondents were neutral, showing that some SMEs were uncertain about the compliance-related benefits of ATR. Respondents also agreed that ATR saves time and improves real-time data accuracy for decision-making, with 26.2% strongly agreeing

and 41.0% agreeing. This demonstrates that efficiency and timely access to accurate financial data are among the major benefits associated with ATR.

4.4Automatic Financial Reporting Generation (AFRG)And Financial Reporting Accuracy

The second objective of the study was to evaluate the influence of automatic Financial Reporting Generation (AFRG)And Financial Reporting Accuracy on financial reporting accuracy. AFRG was measured using five items, and the results are presented in Table 4.4. Table 4.4 summarizes respondents' responses on the effect of Automatic Transaction Recording (AFRG) on the quality of financial reporting using a 5-point Likert scale where SA (Strongly Agree), A (Agree), NS (Not Sure), D (Disagree) and SD (Strongly Disagree).

Table 4.4: Descriptive Results for Automatic Financial Reporting Generation (AFRG)

Statement	**Strongly Agree (%)**	**Agree (%)**	**Not Sure (%)**	**Disagree (%)**	**Strongly Disagree (%)**
AFRG reduces errors in financial reporting preparation	19(31.1)	29(47.0)	7(11.5)	4(6.6)	2(3.3)
AFRG improves consistency in financial statements	16(26.3)	31(50.8)	8(13.1)	5(8,2)	1(1.6)
AFRG enhances timelessness of financial reporting	18(29.5)	28(45.9)	9(14.8)	6(9.8)	0(0)
AFRG improves compliance with accounting standards	15(24.6)	27(44.3)	11(18.0)	6(9.8)	2(3.3)

AFRG makes financial reporting easier and efficient	19(31.1)	32(52.5)	6(9.8)	3(4.9)	1(1.6)

Source: *primary data*

The findings in Table 4.4 further show that respondents generally agreed that Automatic Financial Reporting Generation (AFRG) improves the quality and efficiency of financial reporting among SMEs in Kampala. Specifically, respondents agreed that AFRG reduces errors in financial reporting preparation, as indicated by 31.1% who strongly agreed and 47.0% who agreed, implying that automated reporting systems help minimize reporting mistakes and improve accuracy. Similarly, AFRG was perceived to improve consistency in financial statements, with 26.3% strongly agreeing and 50.8% agreeing, suggesting that respondents believe AFRG promotes uniformity and reliability in financial reporting practices. In addition, respondents agreed that AFRG enhances the timeliness of financial reporting, with 29.5% strongly agreeing and 45.9% agreeing. This indicates that automated reporting systems enable SMEs to prepare and present financial reports more quickly and efficiently. Furthermore, AFRG was viewed to improve compliance with accounting standards, as reflected by 24.6% who strongly agreed and 44.3% who agreed, showing that respondents believe automated reporting systems support adherence to established accounting principles and guidelines. Respondents also agreed that AFRG makes financial reporting easier and more efficient, with 31.1% strongly agreeing and 52.5% agreeing. This demonstrates that the majority of SMEs perceive AFRG as an important tool for simplifying reporting processes and improving operational efficiency.

4.5 Automatic Income and Expense Tracking (AIET) and Financial Reporting Accuracy

The third objective of the study was to evaluate the influence of Automatic Income and Expense Tracking (AIET) on financial reporting accuracy. AIET was measured using five items, and the results are presented in Table 4.5. Table 4.5 summarizes respondents' responses on the effect of Automatic Transaction Recording (AIET) on the quality of financial reporting using a 5-point Likert scale where SA (Strongly Agree), A (Agree), NS (Not Sure), D (Disagree) and SD (Strongly Disagree).

Table 4.5: Descriptive Results for Automatic Income and Expense Tracking (AIET)

Statement	Strongly Agree (%)	Agree (%)	Not Sure (%)	Disagree (%)	Strongly Disagree (%)
AIET improves cash flow accuracy	17(27.9)	26(42.6)	10(16.4)	6(9.80)	2(3.3)
AIET reduces discrepancies in financial statements and enhances tax compliance	15(24.6)	24(39.3)	12(19.7)	7(11.50)	3(4.9)
AIET provides better financial discipline and reliable categorization	13(21.3)	27(44.3)	11(18.0)	7(11.5)	3(4.9)
AIET supports more accurate monitoring of profitability and costs	12(19.7)	25(41.0)	13(21.3)	8(13.1)	394.9)
Lack of AIET leads to poor cash flow management and inaccurate reporting	18(29.5)	24(39.3)	11(18.0)	6(9.8)	2(3.3)

Source: *Primary data*

Specifically, respondents agreed that AIET improves cash flow accuracy, as shown by a high proportion of agreement responses 27.9% strongly agree and 42.6% agree, indicating that most respondents perceive enhanced accuracy in cash flow management through the use of Automatic Income and Expense Tracking. Similarly, AIET was viewed to reduce discrepancies in financial statements and enhance tax compliance, with 24.6% strongly agreeing and 39.3% agreeing, demonstrating strong support for its role in minimizing errors and improving regulatory compliance. In addition, respondents agreed that AIET provides better financial discipline and reliable categorization, with 21.3% strongly agreeing and 44.3% agreeing, showing that the majority of respondents recognize its contribution to improved financial control and accurate transaction categorization. Furthermore, AIET was perceived to support more accurate monitoring of profitability and costs, with 19.7% strongly agreeing and 41.0%

agreeing, although a notable 21.3% remained neutral, suggesting moderate-to-strong but not unanimous confidence in its monitoring capabilities. Respondents also agreed that lack of AIET leads to poor cash flow management and inaccurate reporting, as reflected by 29.5% strongly agreeing and 39.3% agreeing, highlighting a clear awareness of the risks and negative consequences associated with the absence of automated income and expense tracking systems.

S

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATION

5.0 Introduction

This chapter provides the research findings, concludes, and offers recommendations to policy, practice, and future research. The discussion is structured objective by objective, based on the relationship between the empirical findings and the existing literature, indicate consistencies and contradictions, and implications to SMEs in Kampala.

5.1 Discussion

The key finding of this study are summarized below.

5.1.1 Automatic Transaction Recording (ATR) and Financial Reporting Accuracy

The study found that Automatic Transaction Recording (ATR) significantly improves financial reporting accuracy among SMEs. Respondents agreed that ATR reduces manual errors, enhances completeness of records, and improves reliability. This shows that automation minimizes human mistakes such as omissions and duplication. The findings are consistent with recent studies which show that digital accounting systems improve the accuracy and reliability of financial information by automating transaction processing (Al-Hattami & Almaqtari, 2023). Similarly, research indicates that ICT adoption enhances accountability and systematic financial record-keeping among SMEs (Sani & Mohammed, 2024). In line with the Resource-Based View (RBV) theory, ATR acts as a valuable technological resource that enhances efficiency and strengthens financial reporting quality.

5.1.2 Automatic Financial Report Generation (AFRG) and Financial Reporting Accuracy

The findings revealed that Automatic Financial Report Generation (AFRG) improves financial reporting by enhancing consistency, reducing errors, and increasing timeliness. However, the level of agreement was moderate, suggesting partial adoption among SMEs. The improvement in consistency is due to standardized reporting processes embedded in accounting software. This ensures uniformity and comparability of financial statements. These findings agree with studies showing that digital accounting tools improve reporting efficiency and quality (Zotorvie et al., 2025).

However, limited adoption may be explained by lack of technical skills and high costs, which are common barriers to digital system usage among SMEs (Nguyen et al., 2022). According to RBV theory, AFRG improves performance only when firms effectively utilize the technology.

5.1.3 Automatic Income and Expense Tracking (AIET) and Financial Reporting Accuracy

The study found that Automatic Income and Expense Tracking (AIET) have the strongest positive effect on financial reporting accuracy. Respondents indicated that AIET improves cash flow accuracy, reduces discrepancies, and enhances financial discipline. This suggests that real-time tracking enables SMEs to maintain accurate and up-to-date financial records. These findings are supported by studies which show that digital accounting systems improve financial management and decision-making by providing timely and accurate data (Al-Hattami & Almaqtari, 2023). Further research confirms that automated tracking systems enhance financial transparency and operational efficiency in SMEs (Kumar & Singh, 2024). In line with RBV theory, AIET is a strategic resource that strengthens financial management capabilities.

5.2 Conclusion

The study concludes that the adoptions of digital accounting systems have a significant positive effect on the financial performance of SMEs in central Kampala through enhancing accuracy, efficiency and timelessness in financial reporting which ultimately improves decision making and overall financial management.

5.3 Policy and Practice Recommendations.

Managers of SMEs are supposed to focus more on the gradual implementation of digital accounting software that focuses on automatic recording of transactions, generation of reports, and tracking of incomes/expenses. Since the perception of moderate-strong positive, training programs must be carried out basing on the practical benefits (error reduction, cash flow visibility, compliance) in addition to the obstacles that are common to most people (cost, technical skills).

There should be a promotion of affordable and user-friendly digital accounting solutions that are adapted to small business by policy makers, financial institutions and SME support agencies (e.g. Uganda Investment Authority, Private Sector Foundation

Uganda and commercial banks). The adoption could be expedited by the use of subsidies, cheap software packages, and awareness programs because the perception is generally and not universally negative.

Vendors and software developers are encouraged to come up with simple, less expensive digital accounting platforms that combine the features of ATR, AFRG, and AIET with low requirement of training. Focus should be made on cash flow and tax compliance modules since this was perceived to have the highest benefit.

The training and support interventions must reach out to SMEs of all the sectors and profiles of owners since no group of demographics reported significantly better or worse perceptions.

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APPENDICES

QUESTIONNAIRE

For owners of Small and Medium Enterprises in Kampala central.

I am Nakalema Catherine, a student of Uganda Christian University pursuing a Bachelor's Degree in Accounting and finance. I am conducting a research study titled "The Impact of Digital Accounting Systems on the Quality of Financial Reporting of Small and Medium Enterprises in Uganda Kampala."

The purpose of this questionnaire is to collect data to fulfill the requirements for the award of the above degree. I kindly request you to answer the following questions honestly. The information provided will be treated with the highest level of confidentiality and used strictly for academic purposes.

SECTION A: Demographic information

(Please tick √ the appropriate box)

1. Gender of the respondent
   ☐ Male ☐ Female
2. Age group of the respondent
   ☐ 21–30 years ☐ 31–40 years ☐ 41–50 years ☐ Above 50 years
3. Level of education
   ☐ Primary ☐ Secondary ☐ Certificate ☐ Diploma ☐ Bachelor's ☐ Master's ☐ Others (specify)……
4. Type of business
   ☐ Retail ☐ Hospitality ☐ Manufacturing ☐ Service provider ☐ Others (specify)……
5. Number of years in operation
   ☐ 1–5 years ☐ 6–10 years ☐ 11–15 years ☐ Over 15 years

SECTION B: Impact of Digital Accounting Systems on Financial Reporting-Accuracy

(Tick √ the response that best represents your opinion using the scale below)

Scale:

5= Strongly Agree 4= Agree 3= Not Sure 2= Disagree 1= Strongly Disagree

A. The effect of Automatic Transaction Recording (ATR) on Financial Reporting Accuracy

Statement	**1**	**2**	**3**	**4**	**5**
Automatic transaction recording reduces manual errors in recording transactions in small businesses.					
Automatic transaction recording improves the completeness and reliability of financial records.					
Failure to use Automatic transaction recording increases the risk of errors and affects overall financial reporting equality.					
Automatic transaction recording provides stronger audit trails and enhances compliances with regulations					
Automatic transaction recording saves time and improves real time data accuracy for decision making					

B. The Effects Of Automatic Financial Report Generation On Financial Reporting Accuracy

Statement	**1**	**2**	**3**	**4**	**5**
Automatic generations of financial reports ensure consistency and standardization					
Automatic generations of financial reports reduce human errors in reports preparation and aggregation.					
Automatic generations of financial reports produce more timely financial reports, improving credibility with lenders and regulators					
Automatic generations of financial reports enhance the reliability and transparency of financial statements					

Manual report generation leads to inconsistencies and delays in financial reporting					

C. The Effect of Automatic Income and Expenses Tracking on Financial Reporting Accuracy

Statement	**1**	**2**	**3**	**4**	**5**
Automatic tracking of income and expenses improves cash flow accuracy					
Automatic tracking of income and expenses reduces discrepancies in financial statements and enhances tax compliance					
Automatic tracking of income and expenses provides better financial discipline and reliable categorization of inflows and outflows					
Automatic tracking of income and expenses supports more accurate monitoring of profitability and operational costs					
Lack of automatic income and expenses tracking leads to poor cashflow management and inaccurate financial reporting					

Thank you for your cooperation

Your participation is highly appreciated