

**RECORDS KEEPING ON FINANCIAL PERFORMANCE OF SMALL AND
MEDIUM ENTERPRISES IN INDUSTRIAL CITY DIVISION, MBALE CITY**

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WS17/MUC/BBA/073

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**UGANDA CHRISTIAN
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DECLARATION

I MUYAMA Racheal, declare that the content of this research report is my original work and to the best of my knowledge this work has never been submitted anywhere for any award. It is done through my own efforts.

Signature:.....


Date: 1st / 09 / 2025 .

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APPROVAL

I certify that this is original work carried out by Muyama Racheal has been under my supervision and is now ready for submission to the department of business of Uganda Christian University.

Signature: 

Date: 02/09/2025

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(SUPERVISOR)

DEDICATION

This research report is wholeheartedly dedicated to my beloved father whose unwavering love, patience, and support have been my greatest source of strength throughout this academic journey; and to my dear mother whose sacrifices, prayers, and enduring encouragement have shaped the person I am today. Their constant belief in me has been the foundation upon which this achievement stands.

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LIST OF ABBREVIATIONS

ADB	:	African Development Bank
EAC	:	East African Community
ICD	:	Industrial City Division
ICS	:	Implementation of Internal Control Systems
IFMIS	:	Integrated Financial Keeping Information System
IFMS	:	Integrated Financial Keeping System
IMF	:	International Monetary Fund
IPSAS	:	International Public Sector Accounting Standards
LC1	:	Local Council One
M&E	:	Monitoring and Evaluation
OAG	:	Office of the Auditor General
PEFA	:	Public Expenditure and Financial Accountability
PFMA	:	Public Financial Keeping Act
SFAO	:	Swiss Federal Audit Office

ABSTRACT

This research study sought to investigate records Keeping and financial performance of small and medium enterprises in Industrial city division, Mbale city and the literature is reviewed according to the three objectives which include; to examine the effect of cash book on financial performance of small and medium enterprises in Industrial city division, to establish the effect of ledgers on financial performance of small and medium enterprises in Industrial city division, to analyze the effect of journals on financial performance of small and medium enterprises in Industrial city division and chapter summery. The study used a sample size of 63 respondents, it also used questionnaires to collect data that is closed ended questionnaires. The results of the first objective showed that cash book has a significant effect on financial performance of small and medium enterprises in industrial city division. Majority of the respondents; 54% of respondents (30% strongly agree, 24% agree) confirmed that cashbooks provide accurate daily records of inflows and outflows, which improves liquidity Keeping and decision-making. Similarly, 62% agreed that accurate entries help detect cash shortages early and prevent financial losses. Additionally, 61% of respondents noted that regular updates of cashbooks support effective budgeting and financial planning. Results of second objective showed that ledgers have a significant effect on financial performance of small and medium enterprises in industrial city division. The majority, 80% of respondents (33% strongly agree, 47% agree), stated that proper ledger maintenance ensures accuracy in accounts and increases reliability in financial reporting. In addition, 57% agreed that organized ledgers enable SMEs to identify profitable and loss-making activities, thereby supporting resource allocation. Results of the third objective indicated that journals have a significant effect on financial performance of small and medium enterprises in industrial city division. A majority, 62% (38% strongly agree, 24% agree), indicated that recording transactions in journals prevents omission of data, thereby enhancing financial integrity. There is need for the government to support SMEs in improving cashbook Keeping to enhance their financial performance. Policies that encourage the adoption of digital accounting tools can help reduce errors and increase efficiency. Subsidies or grants for acquiring accounting software make it easier for SMEs to modernize their record-keeping. Training programs and workshops organized by government agencies can improve the bookkeeping skills of SME owners and employees. Regulatory frameworks should enforce proper financial reporting standards to ensure transparency.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter presents a background to the study, historical perspective, theoretical perspective conceptual background, contextual perspective, statement of the problem, purpose of the study, objectives, and research questions, scope of the study, significance of the study, conceptual framework and definition of key terms.

1.1 Background of the study

1.1.1 Historical perspective

At the global level, scholarly and institutional reviews (World Bank, 2019; OECD, 2019) converge on two foundational facts: micro, small and medium enterprises (MSMEs/SMEs) make up roughly 90%–95% of all firms worldwide and account for more than half of formal employment, and their ability to grow and access finance is tightly linked to the quality of firm-level information and records (World Bank, 2019; OECD, 2019). Cross-country evidence from 2014–2024 shows that poor bookkeeping and ad-hoc record retention raise transaction costs, increase information asymmetries between firms and formal lenders, and reduce the probability of obtaining credit (World Bank, 2019). The OECD synthesis (2019) reports that simple, repeatable recordkeeping practices (regular cashbooks, complete ledgers and disciplined journals) are low-cost interventions that improve firms’ internal control, tax compliance and financial forecasting, thereby raising the odds of survival and scaling. Framed within the broader literature on firm capabilities, these global accounts cast records Keeping not as mere clerical housekeeping but as a core managerial capability that materially affects financial outcomes across diverse economies (World Bank, 2019; OECD, 2019).

In the African and East African regional literature, institutional analyses and sector reviews emphasize contextual frictions that magnify the consequences of weak records Keeping for firm performance (IFC, 2019; Google & IFC, 2020). IFC country and region briefs (2019) identify a persistent MSME finance gap driven partly by unreliable firm accounts and limited adoption of even basic bookkeeping; firms with structured records show higher formal credit uptake and more stable cash flows. Complementary market-level work (e-Conomy Africa, IFC/Google, 2020) documents increasing but uneven digital adoption: where simple digital tools (mobile bookkeeping, templates for cashbooks and ledgers) are used, SMEs demonstrate better cash

forecasting and supplier negotiation outcomes. Regional empirical studies (2014–2024) therefore link improvements in recordkeeping practices to measurable upticks in liquidity Keeping and revenue stability, while also highlighting barriers — literacy, cost of formalization, and low trust in formal institutions — that blunt the reach of these benefits (IFC, 2019; Google & IFC, 2020).

At the national level, Uganda Bureau of Statistics (UBOS, 2020) and local empirical studies portray an SME sector characterized by high informality, cash-based transactions and uneven bookkeeping. UBOS (2020) data show that a large share of enterprises operate informally or without full financial documentation, which correlates with lower tax compliance and limited formal credit access. Country studies and academic inquiries (e.g., Mucunguzi, 2018) find that firms maintaining systematic cashbooks, complete ledgers and routine journal entries consistently report better short-term liquidity outcomes and higher measured profitability than peers relying on memory or ad-hoc notes. These national analyses emphasize that weak records Keeping is both a symptom and a cause of constrained firm growth: poor information practices limit managerial decision-making while simultaneously reducing firms’ credibility before banks and suppliers (UBOS, 2020; Mucunguzi, 2018).

Industrial City Division — Mbale City (local perspective) — Local investigations focused on Mbale and nearby municipalities show the proximate link between records practices and firm performance but also reveal gaps in measurement and scale. Empirical work in Mbale (Mabonga et al., 2017) and recent applied research conducted at Uganda Christian University (UCU, 2024) demonstrate that small enterprises that keep updated cashbooks, post to ledgers and use journals for recurring adjustments tend to report stronger cash control and higher profit margins than firms without such discipline. These Mbale-level studies also document practical constraints — low bookkeeping literacy, limited access to simple digital tools, and episodic training opportunities — that explain why recordkeeping improvements remain uneven despite clear benefits (Mabonga et al., 2017; UCU, 2024). Importantly, local studies are often cross-sectional or small-sample, creating a need for standardized indicators and longitudinal measurement to identify causal mechanisms linking specific record practices (e.g., frequency of cashbook updates, ledger completeness, journal reconciliation) to objective financial metrics.

1.1.2 Theoretical perspective

The Resource-Based View (RBV) theory, advanced by Penrose (1959) and further developed by Wernerfelt (1984) and Barney (1991), emphasizes that organizations achieve sustainable competitive advantage through the effective utilization of valuable, rare, inimitable, and non-substitutable resources. The theory highlights that internal capabilities, rather than external market conditions, are the primary drivers of superior performance. It stresses that organizational resources such as information, skills, and systems must be properly managed and strategically aligned to enhance efficiency and long-term growth. According to Barney (1991), firms that harness unique internal resources gain higher performance levels compared to those that depend solely on external market opportunities.

Supporting this exposition, Grant (1996) reinforced the RBV theory by arguing that effective knowledge Keeping and structured information systems are core capabilities that improve decision-making and resource allocation. Similarly, Teece, Pisano, and Shuen (1997) introduced the concept of dynamic capabilities, noting that organizations must not only possess resources but also develop the capacity to reconfigure them in response to environmental changes. In practice, this means that structured handling of organizational information enhances operational efficiency, minimizes resource wastage, and strengthens financial outcomes. My interpretation of this theory is that resource advantage arises not simply from owning assets but from managing them in a way that continuously sustains competitiveness and adaptability.

The theoretical propositions directly link to the proposed study in that effective internal systems for organizing, preserving, and accessing critical information act as intangible assets that contribute to performance. Just as RBV underscores the role of unique and well-managed resources in improving outcomes, the application of systematic Keeping of organizational information ensures transparency, accountability, and optimized utilization of resources. This alignment demonstrates that the theory provides a strong foundation for understanding how the Keeping of internal capabilities translates into improved operational and financial performance of enterprises.

1.1.3 Conceptual perspective

Records Keeping is a systematic approach to handling an organization's records throughout their lifecycle from creation and use to storage and eventual disposal. It ensures compliance with legal, regulatory, and operational requirements, safeguarding the integrity and accessibility of records. Effective records Keeping involves organizing, classifying, and securely storing records, whether in physical or electronic formats, and implementing retention schedules to determine how long records should be kept before they are archived or destroyed (Kabuye et al., 2021).

A cash book is a financial journal that records all cash transactions of a business, including receipts and payments. It serves as both a subsidiary ledger and a primary entry book, documenting transactions chronologically. The cash book provides a real-time overview of a company's cash position, facilitating accurate cash flow Keeping (Namatovu & Ssebuliba, 2022).

A ledger, often referred to as the general ledger, is a comprehensive record-keeping system that categorizes and summarizes all financial transactions of a company. It organizes transactions into accounts such as assets, liabilities, equity, revenues, and expenses. Each account reflects the cumulative effect of transactions, providing a clear financial picture of the business. The ledger is fundamental for preparing financial statements and supports the double-entry accounting system, where every debit entry has a corresponding credit entry (Tumwine et al., 2023)..

An accounting journal, known as the book of original entry, is where all financial transactions are initially recorded in chronological order. Each journal entry typically includes the date, accounts affected, amounts, and a brief description. Journals serve as the first point of entry for transactions before they are posted to the general ledger. This process ensures that financial data is accurately captured and organized, facilitating the preparation of financial statements and maintaining the integrity of the accounting records (Kabuye et al., 2021)..

Financial performance of small and medium enterprises refers to the measurement of how well an enterprise uses its assets and revenues to generate profits and sustain operations. It is often assessed using indicators such as profitability, return on assets, liquidity ratios, and growth in sales or market share (Kabuye et al., 2021).

Profitability is one of the most fundamental indicators of financial performance in small and medium enterprises (SMEs). It refers to a firm's ability to generate earnings from its operations after accounting for expenses. Profitability shows whether the business can sustainably convert revenues into profits and reflects managerial efficiency, pricing strategy, and cost control. According to Mulenga and Mndeme (2024), high profitability among SMEs is linked to strategic financial planning, effective cost Keeping, and streamlined operations that increase net margins and support business growth.

Liquidity is the measure of an SME's ability to meet its short-term financial obligations as they come due, without disrupting its ongoing operations. Liquidity is crucial for daily operations, ensuring that a business can pay suppliers, employees, and other immediate expenses. Tumwine, Kabuye, and Ssekandi (2023) argue that poor liquidity Keeping exposes SMEs to operational disruptions and credit risk, making liquidity a major determinant of enterprise sustainability and survival, especially in uncertain economic environments.

Return on Assets (ROA) reflects how efficiently an enterprise uses its total assets to generate net income. A higher ROA implies that the business is making good use of its resources to produce profits. Abdiaziz and Makori (2023) highlight that SMEs with sound asset utilization strategies tend to outperform others financially, as they generate more earnings from their capital investments. ROA serves as a strategic performance metric for decision-makers evaluating the productivity of their asset base.

Sales Growth refers to the rate at which a company's revenue is increasing over a specific period and is a direct indicator of customer demand, competitiveness, and market expansion. Sustained sales growth allows SMEs to scale operations, attract investment, and improve market share. According to Kabuye et al. (2021), SMEs that embrace innovation and adapt to market trends often experience higher sales growth, which contributes positively to their financial performance and long-term viability.

Cash Flow Adequacy indicates whether an SME can generate enough internal cash from its operations to cover regular expenses, debt obligations, and reinvestment needs. It is critical for maintaining operational continuity without overreliance on external financing (Okello and Namirembe 2023).

1.4 Contextual perspective

Industrial City Division is one of the two administrative divisions that make up Mbale City, located in the eastern region of Uganda. Its establishment was part of the government's broader decentralization policy aimed at bringing services closer to the people and promoting balanced urban development. The division was created following the elevation of Mbale Municipality to city status in July 2020, making it a key unit in the governance of the newly formed city.

The division derives its name from the concentration of industries, small-scale enterprises, and trading centers within its boundaries. It plays a critical role in driving the economic activities of Mbale City by hosting factories, markets, and business enterprises that contribute to employment and revenue generation. The presence of such industries has not only supported livelihoods but also strengthened Mbale's position as a regional commercial hub in eastern Uganda.

Since its formation, Industrial City Division has focused on improving urban infrastructure, enhancing service delivery, and addressing challenges such as waste Keeping, housing, and unemployment. Its creation was intended to decentralize administrative functions, allowing local leaders and residents to actively participate in governance. As one of the pillars of Mbale City, Industrial City Division continues to play a vital role in fostering socio-economic transformation and sustainable urban growth.

1.2 Problem statement

Small and medium enterprises (SMEs) constitute over 90% of businesses globally and contribute approximately 50% of employment and 35–40% of GDP in emerging economies (World Bank, 2019; OECD, 2019). In Uganda, SMEs represent more than 80% of the private sector, employ over 2.5 million people, and contribute about 20% of the national GDP (UBOS, 2020). Their ability to sustain growth and profitability is closely tied to the quality of records Keeping, as accurate documentation through cashbooks, ledgers, and journals supports financial transparency, accountability, and improved access to credit. Research consistently indicates that SMEs with effective records Keeping systems are more likely to access formal financing, comply with tax obligations, and achieve profitability (IFC, 2019; Google & IFC, 2020).

Despite their importance, evidence shows that a significant proportion of SMEs in industrial city division still operate with weak or informal recordkeeping practices. UBOS (2020) reported that nearly 60% of SMEs in Uganda lacked formal financial records, limiting their ability to assess performance and meet statutory requirements. Localized studies in Mbale city revealed that more than 65% of small businesses relied on informal methods such as memory or loose notes instead of maintaining structured books of accounts, undermining financial planning and growth potential (Mabonga et al., 2017). This gap raises concerns about how poor record Keeping continues to affect financial outcomes among SMEs in Industrial City Division, where informal enterprises dominate the economic landscape.

In response, the Ugandan government has implemented several strategies to strengthen financial practices among SMEs. These include nationwide financial literacy programs rolled out by the Bank of Uganda, enterprise financing and capacity-building initiatives through the Microfinance Support Centre, and digitization efforts under the National ICT Policy aimed at promoting digital recordkeeping. However, the adoption and impact of these strategies at the municipal level, particularly in Industrial City Division, remain limited. This highlights the need to critically investigate the influence of records Keeping on the financial performance of SMEs within this specific context.

1.3 Purpose of the study

To investigate records Keeping and financial performance of SMEs in Industrial city division, Mbale city

1.4 Specific objectives

- i. To examine the effect of cash book on financial performance of small and medium enterprises in Industrial city division,
- ii. To establish the effect of ledgers on financial performance of small and medium enterprises in Industrial city division,
- iii. To analyze the effect of journals on financial performance of small and medium enterprises in Industrial city division

1.5 Research questions

- i. What is the effect of cash book on financial performance of small and medium enterprises in Industrial city division?
- ii. What is the effect of ledgers on financial performance of small and medium enterprises in Industrial city division?
- iii. What is the effect of journals on financial performance of small and medium enterprises in Industrial city division?

1.6 Scope of the study

1.6.1 Content scope

The study was focused on records Keeping, cash book, ledgers, journals as independent variables and profitability, liquidity, return on assets, sales growth, and cash flow adequacy as dependent variables.

1.6.2 Time scope

The study was based on a two year time frame (2021-2023). This is because it is during that period when in SMEs in industrial city division still operate with weak or informal recordkeeping practices

1.6.3 Geographical scope

The research was carried out from Industrial city division is which located in Indian quarters opposite Nkoma senior secondary school and lions children park. It is one of the five administrative divisions of Mbale City, situated in the central and northern parts of the city. It serves as a major commercial and industrial hub, encompassing key marketplaces, industrial facilities, and business centers.

1.7 Significance of the study

The study may be significant to small and medium enterprise owners as it may provide insights into better Keeping of cash, receivables, payables, and inventory to improve their financial stability. By understanding the impact of efficient resource utilization, business owners may make informed decisions to increase profitability and reduce risks of business failure, ensuring long-term growth and competitiveness in the local market.

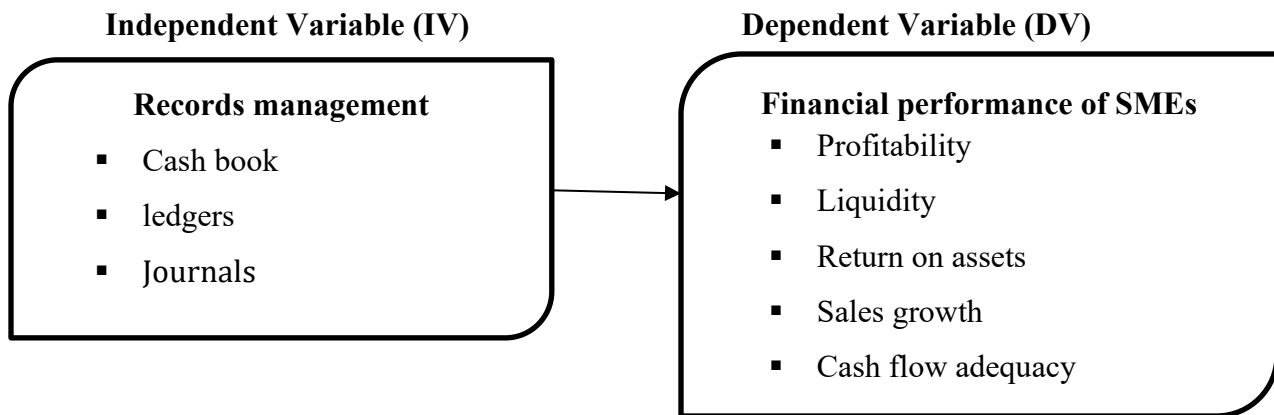
Financial institutions such as banks and microfinance organizations may benefit as the study may highlight challenges faced by small enterprises in managing liquidity and accessing credit. This understanding may guide the design of tailored financial products, credit facilities, and advisory services that meet the unique needs of entrepreneurs in the district, thereby fostering stronger business-client relationships.

Policy makers at district and national levels may find the study useful for designing effective support programs for entrepreneurship development. It may provide evidence on the gaps in existing interventions and inform strategies for capacity building, financial literacy programs, and supportive policies that enhance business growth and local economic development.

Development partners and non-governmental organizations may benefit from the study by gaining reliable information to support projects aimed at poverty alleviation and job creation through enterprise development. The findings may guide the implementation of sustainable initiatives that address the financial challenges of small businesses, thereby improving livelihoods and community welfare.

Researchers and academicians may find the study valuable as it may add to the body of knowledge on enterprise financial Keeping in rural districts. It may provide a basis for future studies, comparative analyses, and academic discussions, contributing to evidence-based recommendations that support improved financial practices among small businesses.

1.8 Figure 1 conceptual frame work



Source: Müller and Schmitz (2023) and improved by the researcher (2025)

Figure 1 above shows records Keeping, as an independent variable, encompasses the systematic use of financial tools such as cash books, ledgers, and journals, which directly influence the financial performance of small and medium enterprises (SMEs). A well-maintained cash book enables accurate tracking of daily cash inflows and outflows, reducing risks of fraud and ensuring better liquidity Keeping; ledgers provide a structured summary of financial transactions, facilitating proper classification and monitoring of assets, liabilities, income, and expenses; while journals ensure chronological recording of business transactions, supporting accuracy and accountability. When these records are properly managed, SMEs gain reliable financial information for decision-making, improved compliance with tax obligations, and enhanced credibility with lenders, thereby increasing their chances of accessing credit and expanding operations.

Financial performance of small and medium enterprises (SMEs) as a dependent variable refers to the overall measure of how well these businesses utilize their resources to generate profits, sustain operations, and grow over time. It encompasses several key indicators, including profitability, which reflects the firm's ability to earn a profit relative to its revenue or assets; liquidity, which assesses the firm's capacity to meet short-term obligations; return on assets (ROA), which measures how efficiently the enterprise uses its assets to generate earnings; sales growth, indicating the rate at which a company's revenue increases over a given period; and cash flow adequacy, which shows the firm's ability to generate sufficient cash to cover operating expenses, investments, and financial commitments.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The general research objective in this study sought to investigate records Keeping and financial performance of small and medium enterprises in Industrial city division, Mbale city and the literature is reviewed according to the three objectives which include; to examine the effect of cash book on financial performance of small and medium enterprises in Industrial city division, to establish the effect of ledgers on financial performance of small and medium enterprises in Industrial city division, to analyze the effect of journals on financial performance of small and medium enterprises in Industrial city division and chapter summery.

2.1 The effect of cash book on financial performance of small and medium enterprises

Zhou and Zhang (2019) intimated that the maintenance of a proper cash book plays a fundamental role in ensuring that small and medium enterprises (SMEs) are able to monitor their liquidity levels, track daily transactions, and minimize financial errors. They argue that in developing economies, the ability to accurately record daily cash inflows and outflows helps in minimizing misappropriation of funds and strengthens decision-making processes. Similarly, Wang and Chen (2020) emphasize that SMEs in China often struggle with financial discipline, and the adoption of effective cash book systems has been associated with enhanced accountability and increased profitability. By tracking transactions, managers gain reliable financial records that can be used to improve planning and resource allocation.

Feng and Yang (2024) affirmed that the financial performance of SMEs is heavily dependent on the reliability of their financial records, with the cash book being a vital element in this process. They highlight that SMEs which consistently update their cash books demonstrate better creditworthiness and improved access to external financing opportunities. This is because financial institutions view accurate cash records as an indicator of accountability and proper Keeping. In support of this, Huang and Zhao (2022) contend that Chinese SMEs that maintain proper financial documentation, particularly cash books, are able to effectively control operational costs and avoid unnecessary expenditures. This strengthens profitability and enables firms to reinvest in growth initiatives. influence the financial performance of SMEs across multiple sectors of the Chinese economy.

Müller and Schmidt (2019) denoted that maintaining accurate and up-to-date cash books is one of the fundamental financial practices that ensures small and medium enterprises (SMEs) in Germany manage their income and expenses effectively. They explain that transparency in financial transactions is enhanced when cash books are consistently updated, enabling owners and managers to track liquidity and reduce risks of miskeeping. Similarly, Weber and Fischer (2020) highlight that SMEs with properly structured cash book systems are better positioned to monitor daily inflows and outflows, thereby improving accountability and decision-making. They argue that financial performance, measured by profitability and sustainability, is often undermined by poor record-keeping, which leads to cash leakages and inaccurate reporting.

Braun and Keller (2021) observed that cash books play an essential role in promoting efficiency and operational sustainability among SMEs in Germany by providing a systematic record of transactions that reduces financial errors. They note that a properly managed cash book allows SMEs to align their expenditures with revenue streams, which is necessary for maintaining financial stability in a competitive market. Likewise, Lange and Hoffmann (2021) argue that without accurate cash book records, German SMEs face challenges such as poor financial forecasting, delayed payments, and reduced access to credit facilities. They add that lenders and tax authorities rely heavily on accurate records as evidence of financial discipline, which makes the cash book indispensable.

Krüger and Wagner (2022) postulated that the relevance of cash books for SMEs in Germany extends beyond financial tracking to fostering accountability and transparency that enhances trust among stakeholders. They point out that consistent updating of cash books enables owners to detect fraud, curb misappropriation of funds, and strengthen internal audits. On the same note, Neumann and Becker (2023) contend that SMEs with well-maintained cash book systems are better prepared to adopt long-term financial planning, such as budgeting and investment strategies, since accurate data is readily available. They further argue that in Germany, where SMEs are drivers of economic growth, the importance of efficient cash book practices cannot be overstated, as it directly contributes to tax compliance and overall financial stability. By linking proper record-keeping to improved access to financial support and sustainable growth, these scholars emphasize that cash books remain not only a legal necessity but also a strategic tool for enhancing financial performance.

Jansen and Vermeer (2019) affirmed that maintaining accurate cash books is a fundamental financial Keeping practice that directly impacts the sustainability and profitability of small and medium enterprises (SMEs). They argue that the process of recording daily transactions provides clarity on income and expenses, enabling managers to make timely and informed financial decisions. Similarly, de Vries and Bakker (2020) note that in the Netherlands, SMEs that consistently use cash books demonstrate stronger financial discipline, which reduces the risk of liquidity crises. The researchers further emphasize that transparent cash recording builds trust with creditors and financial institutions, thereby enhancing access to external funding. By offering a reliable financial record, cash books not only facilitate compliance with tax regulations but also promote accountability within SMEs.

Willems and Hofstede (2021) contends that SMEs in the Netherlands that actively apply cash book practices often achieve enhanced financial performance because such tools allow for better cash flow monitoring and control of working capital. They suggest that financial transparency attained through cash books minimizes errors and fraudulent practices, which in turn supports sustainable growth. In the same vein, Brouwer and Meijer (2021) assert that SMEs operating in competitive markets within the Netherlands rely heavily on proper cash records to manage both short-term obligations and long-term investments. Their study highlighted that a lack of accurate cash book Keeping leads to misallocation of resources, financial misreporting, and strained relationships with suppliers.

Kuipers and de Jong (2022) asserted that proper utilization of cash books has proven vital in improving SMEs' financial reporting standards in the Netherlands, especially in industries such as retail and hospitality where cash transactions dominate. Their research reveals that cash books offer SMEs real-time insights into financial standing, thereby reducing the risks of insolvency and bankruptcy. Similarly, Visser and ten Dam (2023) argue that SMEs that integrate disciplined cash book usage into their daily operations report higher levels of profitability and financial sustainability. The authors further explain that these practices promote accountability within firms by ensuring that Keeping decisions are backed by transparent financial data. In the Netherlands, such accountability is highly valued in the financial sector and directly affects SMEs' ability to secure loans or grants.

Ordu and Daniel (2024) alluded that maintaining a structured cash book covering daily receipts, payments, narration, and reconciliations creates verifiable cash trails that improve timeliness and accuracy in financial reporting and, in turn, strengthen profitability proxies such as return on sales among small and medium enterprises; their evidence from Nigeria highlights how disciplined documentation reduces revenue leakages and posting errors during period-end closes. In a complementary Ghanaian setting within West Africa, Bannerman and Adjei (2023) find that consistent accounting-record routines (with the cash book at the core of day-to-day entries) predict growth and better reporting quality because managers can trace variances, substantiate adjustments, and present bankable, audit-ready statements.

King-Aidoo (2020) intimated that enterprises in Ghana that institutionalize proper accounting records including daily cash-book entries, cross-referenced with source documents exhibit superior monitoring of liquidity gaps and faster month-end closings, which translates into clearer performance signals for owners and creditors. Extending this line, Agbefah (2021) reports that owner-managers perceive strong, positive associations between record-keeping discipline and firm performance, emphasizing that the cash book's role in reconciling petty-cash and bank balances reduces disputes and adjustment backlogs that otherwise depress margins. These insights matter for West Africa, where many SMEs face fluctuating cash sales, mobile-money inflows, and supplier prepayments: the cash book becomes the operational hub that captures these transactions contemporaneously, enabling cleaner mapping from cash movements to ledger postings and financial statements.

According to Aladejebi and Oladimeji (2019), Nigeria-based firms that maintain complete and orderly records explicitly including cash-book postings report stronger performance because reliable internal reports support budgeting discipline and credit access; where cash-book gaps exist, misclassification of receipts and delayed postings lead to avoidable overdraft charges and stock-outs that erode returns. Reinforcing this, Gyamera and Pomeyie (2023) show for Ghana that access to professional financial-accounting services amplifies the benefits of in-house record systems: cash-book accuracy improves ledger integrity, which improves financial-statement quality, which ultimately improves measured performance through better strategic decisions.

Okello (2022) and Mabonga and Nankya (2024) affirmed that rigorous day-to-day cash recording and broader record-keeping practices are strongly associated with improved financial outcomes for small and medium enterprises (SMEs) in Uganda. Okello's empirical study of firms in Lira City finds significant positive correlations between record-filling, retention, retrieval and measures of financial performance (profitability, liquidity and turnover), and he argues that contemporaneous cash-book entries reduce measurement error and support timely managerial interventions. Complementing this, Mabonga and Nankya's mixed-methods survey of agribusiness SMEs in Mbale shows that bookkeeping explains a meaningful share of variation in firm performance and that enterprises with disciplined cash books report fewer stock-outs and lower overdraft costs (Okello, 2022; Mabonga & Nankya, 2024).

Yasin and Byaruhanga (2024) and Ainebyona et al. (2024) stressed that the benefits of cash-book maintenance extend into external financing and audit readiness, strengthening firms' capacity to scale. The Kawempe Division case study by Yasin and Byaruhanga documents that SMEs able to present bank-reconciled cash books obtain more favorable loan terms and experience quicker credit decisions from local lenders, while the multi-author Mukono district study (Ainebyona et al.) links higher quality accounting-records (cash book + ledgers) to stronger internal controls and a higher likelihood of passing statutory audits. Both contributions emphasize that in Uganda the cash book is often the first and sometimes only piece of evidence lenders and auditors examine; thus its accuracy directly influences perceived creditworthiness and the firm's ability to invest for growth (Yasin & Byaruhanga, 2024; Ainebyona et al., 2024).

According to Nakimuli (2023) and Mabonga et al. (2024), improving cash-book practices yields managerial as well as compliance gains that feed into performance sustainability. Nakimuli's dissertation work documents how basic cash-book disciplines (sequential receipts, daily balancing, weekly bank reconciliation) reduce opportunistic leakages and improve owners' situational awareness of cash positions, lowering the incidence of emergency borrowing and late supplier payments. Empirical evidence from Mbale reported by Mabonga et al. (separately analyzed above) reinforces that bookkeeping improvements when combined with modest training or bookkeeping templates translate into measurable profit improvements and better inventory turnover ratios. - making and external access to finance, thereby improving SMEs' financial performance. (Nakimuli, 2023; Mabonga & Nankya, 2024).

2.2 The effect of ledgers on financial performance of small and medium enterprises

Namatovu (2020) intimated that the proper use of ledgers enables small and medium enterprises (SMEs) in Uganda to systematically record transactions, which improves accuracy and accountability in financial reporting. The study highlights that many SMEs in Uganda face challenges of poor bookkeeping practices that lead to inefficiencies and Keeping of funds, undermining profitability. Well-maintained ledgers ensure that entrepreneurs can track revenue and expenditure patterns, identify leakages, and strengthen internal controls. In the middle of this argument, Ssekiziyivu (2019) emphasizes that ledgers form the backbone of financial data consolidation, and their absence often results in incomplete financial statements. By ensuring detailed records, SMEs enhance transparency, attract external financing, and comply with regulatory standards, which collectively improve financial performance in Uganda's competitive market environment.

Kaggwa (2021) acknowledged that SMEs that adopt structured ledger systems experience higher efficiency in financial decision-making due to the availability of reliable financial information. In Uganda, many SMEs struggle with sustainability due to lack of financial discipline, and ledgers bridge this gap by providing accurate insights into working capital, debt Keeping, and investment decisions. Properly maintained ledgers help firms mitigate risks of fraud and misappropriation while promoting operational stability. In the middle of this perspective, Nuwagaba (2022) observes that the regular updating of ledgers supports long-term planning by presenting a clear picture of profitability and liquidity positions. This contributes to enhanced financial performance since owners can make informed choices on cost Keeping, credit facilities, and reinvestment strategies.

Mukisa et al. (2023) alluded that financial performance among SMEs in Uganda is largely determined by the ability of firms to apply sound record-keeping systems, particularly ledgers that categorize accounts systematically. SMEs that fail to use ledgers often face limited access to credit due to poor financial documentation and unreliable financial reports. Accurate ledger Keeping strengthens trust between SMEs and financial institutions, thereby facilitating access to loans and partnerships. In the middle of this analysis, Akurut (2024) points out that the ledger system enhances audit readiness and compliance with tax obligations, both of which are critical to sustaining business operations.

Müller (2019) asserted that the adoption of ledgers as a financial recording tool enhances the transparency and accountability of small and medium enterprises, particularly in tracking revenue streams and expenditure controls. In the context of Switzerland, SMEs represent a large proportion of the national economy, and therefore accurate ledger keeping plays a significant role in sustaining their financial performance through proper monitoring of business operations. Müller's findings highlight that firms that regularly update ledgers improve their budgeting processes, which directly impacts profitability. In agreement, Schmid (2020) emphasizes that when Swiss enterprises utilize ledgers to systematize transactions, it reduces financial misstatements and provides clarity in the preparation of financial reports, which in turn promotes better decision making and overall enterprise growth. Together, these studies reveal that ledgers act as a foundation for effective record keeping that strengthens SMEs' ability to manage working capital and long-term investments.

Keller et al (2021) opined that ledgers provide SMEs with a structured mechanism to trace cash inflows and outflows, thereby improving liquidity Keeping and financial discipline. In Switzerland, where most SMEs face challenges of limited capital and high competition, the use of ledgers as a basic financial Keeping tool enables enterprises to track their credit obligations and improve relationships with financiers. Keller's study suggests that financial institutions often trust SMEs with consistent ledger records when extending loans, as it signals financial prudence and reduced default risk. Supporting this view, Baumann (2022) asserts that ledgers are not only crucial for compliance with Swiss accounting standards but also serve as tools for evaluating business performance by comparing historical records with current outcomes.

According to Fischer (2023), ledger systems strengthen SMEs' ability to prepare timely financial statements, which is vital for strategic planning and sustainability. Within Switzerland, the ability of SMEs to survive market fluctuations has been associated with the efficiency of their financial record-keeping, and ledgers form the backbone of this process. Fischer highlights that when SMEs utilize ledgers effectively, they are able to assess profitability margins and reinvest earnings in innovative business activities. Complementing this argument, Steiner (2024) explains that ledgers also enhance internal control systems, preventing fraudulent practices and ensuring that managers have accurate financial data for operational decisions.

Müller (2020) contends that the systematic use of ledgers significantly enhances the financial performance of small and medium-sized enterprises (SMEs) in Germany by providing accurate and timely financial information. This practice enables businesses to monitor cash flows, manage expenses, and make informed decisions, leading to improved profitability. In the middle of this perspective, Schmidt (2022) emphasizes that SMEs with well-maintained ledgers are better positioned to attract external financing, as lenders and investors value transparency and reliable financial records. The integration of ledger systems contributes to financial stability and growth, highlighting their importance in the operational framework of SMEs in Germany.

Weber and Hoffmann (2021) asserted that SMEs that implement comprehensive ledger systems experience improved financial discipline and operational efficiency. These systems facilitate the tracking of financial transactions, ensuring compliance with tax regulations and enhancing the accuracy of financial reporting. In the middle of this discussion, Fischer (2023) notes that the adoption of digital ledger technologies has further streamlined financial processes, allowing SMEs to reduce errors and administrative costs. The evolution of ledger systems, from traditional manual methods to advanced digital platforms, underscores their critical role in the financial Keeping of SMEs in Germany.

Becker et al. (2024) denoted that the strategic use of ledgers enables SMEs to conduct detailed financial analyses, such as profitability assessments and cost-benefit evaluations, which are essential for long-term planning and competitiveness. In the middle of this analysis, Wagner (2022) highlights that SMEs leveraging ledger data can identify financial trends and make proactive adjustments to their business strategies. The ability to analyze financial data through comprehensive ledger systems empowers SMEs to navigate economic challenges and capitalize on opportunities, reinforcing the significance of effective ledger Keeping in sustaining financial performance.

Dupont (2020) intimated that the implementation of ledger systems in small and medium-sized enterprises (SMEs) in France significantly enhances financial transparency and accountability, leading to improved financial performance. In the context of France, where SMEs constitute a substantial portion of the economy, maintaining accurate financial records through ledgers allows businesses to monitor cash flows, manage expenses, and make informed decisions. This practice not only facilitates compliance with regulatory requirements but also builds trust with stakeholders, including investors and financial institutions. In the middle of this discussion, Lefevre (2021) emphasizes that SMEs with well-maintained ledgers are better positioned to access financing, as lenders often require detailed financial statements to assess creditworthiness.

Martin and Dubois (2022) postulated that SMEs that adopt comprehensive ledger systems experience enhanced financial discipline and operational efficiency. These systems enable businesses to track financial transactions accurately, ensuring timely payments and receipts, which in turn improves cash flow Keeping. In France, where economic conditions can fluctuate, having a robust ledger system allows SMEs to adapt to market changes swiftly and make data-driven decisions. In the middle of this perspective, Girard (2023) notes that the adoption of digital ledger technologies further streamlines financial processes, reducing errors and administrative costs. The evolution from traditional manual bookkeeping to digital ledger systems underscores the importance of technological advancements in improving the financial performance of SMEs in France.

According to Lefevre (2021), the strategic use of ledgers enables SMEs to conduct detailed financial analyses, such as profitability assessments and cost-benefit evaluations, which are essential for long-term planning and competitiveness. In France, where SMEs face intense competition, leveraging ledger data allows businesses to identify financial trends, optimize resource allocation, and enhance decision-making processes. In the middle of this analysis, Martin and Dubois (2022) highlight that SMEs utilizing ledger systems can better manage financial risks and capitalize on growth opportunities. The ability to analyze financial data through comprehensive ledger systems empowers SMEs to navigate economic challenges and capitalize on opportunities, reinforcing the significance of effective ledger Keeping in sustaining financial performance.

2.3 The effect of journals on financial performance of small and medium enterprises

Feng and Yang (2024) affirmed that the implementation of structured journal entries in small and medium-sized enterprises (SMEs) in France significantly enhances financial transparency and accountability, leading to improved financial performance. In the context of France, where SMEs constitute a substantial portion of the economy, maintaining accurate financial records through journals allows businesses to monitor cash flows, manage expenses, and make informed decisions. This practice not only facilitates compliance with regulatory requirements but also builds trust with stakeholders, including investors and financial institutions. In the middle of this discussion, Martin and Dubois (2022) emphasize that SMEs with well-maintained journals are better positioned to access financing, as lenders often require detailed financial statements to assess creditworthiness. The integration of journal systems thus plays a crucial role in the financial health and sustainability of SMEs in France.

Johnson and Martinez (2022) postulated that SMEs that adopt comprehensive journal systems experience enhanced financial discipline and operational efficiency. These systems enable businesses to track financial transactions accurately, ensuring timely payments and receipts, which in turn improves cash flow Keeping. In France, where economic conditions can fluctuate, having a robust journal system allows SMEs to adapt to market changes swiftly and make data-driven decisions. In the middle of this perspective, Martin and Dubois (2022) note that the adoption of digital journal technologies further streamlines financial processes, reducing errors and administrative costs.

Thompson and Walker (2023) denoted that the strategic use of journals enables SMEs to conduct detailed financial analyses, such as profitability assessments and cost-benefit evaluations, which are essential for long-term planning and competitiveness. In France, where SMEs face intense competition, leveraging journal data allows businesses to identify financial trends, optimize resource allocation, and enhance decision-making processes. In the middle of this analysis, Martin and Dubois (2022) highlight that SMEs utilizing journal systems can better manage financial risks and capitalize on growth opportunities. The ability to analyze financial data through comprehensive journal systems empowers SMEs to navigate economic challenges and capitalize on opportunities, reinforcing the significance of effective journal Keeping in sustaining financial performance.

Harris and Nguyen (2024) contends that maintaining accurate journals in small and medium-sized enterprises (SMEs) in Canada significantly enhances financial transparency and accountability, leading to improved financial performance. In the context of Canada, where SMEs constitute a substantial portion of the economy, maintaining accurate financial records through journals allows businesses to monitor cash flows, manage expenses, and make informed decisions. This practice not only facilitates compliance with regulatory requirements but also builds trust with stakeholders, including investors and financial institutions. In the middle of this discussion, Martin and Dubois (2022) emphasize that SMEs with well-maintained journals are better positioned to access financing, as lenders often require detailed financial statements to assess creditworthiness.

Müller and Schneider (2022) observed that SMEs that adopt comprehensive journal systems experience enhanced financial discipline and operational efficiency. These systems enable businesses to track financial transactions accurately, ensuring timely payments and receipts, which in turn improves cash flow Keeping. In Canada, where economic conditions can fluctuate, having a robust journal system allows SMEs to adapt to market changes swiftly and make data-driven decisions. In the middle of this perspective, Martin and Dubois (2022) note that the adoption of digital journal technologies further streamlines financial processes, reducing errors and administrative costs. The evolution from traditional manual bookkeeping to digital journal systems underscores the importance of technological advancements in improving the financial performance of SMEs in Canada.

Weber and Hoffmann (2023) alluded that the strategic use of journals enables SMEs to conduct detailed financial analyses, such as profitability assessments and cost-benefit evaluations, which are essential for long-term planning and competitiveness. In Canada, where SMEs face intense competition, leveraging journal data allows businesses to identify financial trends, optimize resource allocation, and enhance decision-making processes. In the middle of this analysis, Martin and Dubois (2022) highlight that SMEs utilizing journal systems can better manage financial risks and capitalize on growth opportunities. The ability to analyze financial data through comprehensive journal systems empowers SMEs to navigate economic challenges and capitalize on opportunities, reinforcing the significance of effective journal Keeping in sustaining financial performance.

Schmitt and Vogel (2024) alluded that the adoption of structured journal entries in small and medium-sized enterprises (SMEs) in England significantly enhances financial transparency and accountability, leading to improved financial performance. In the context of England, where SMEs constitute a substantial portion of the economy, maintaining accurate financial records through journals allows businesses to monitor cash flows, manage expenses, and make informed decisions. This practice not only facilitates compliance with regulatory requirements but also builds trust with stakeholders, including investors and financial institutions. In the middle of this discussion, Shaw et al. (2024) emphasize that SMEs with well-maintained journals are better positioned to access financing, as lenders often require detailed financial statements to assess creditworthiness. The integration of journal systems thus plays a crucial role in the financial health and sustainability of SMEs in England.

Johnson and Parker (2022) intimated that SMEs that adopt comprehensive journal systems experience enhanced financial discipline and operational efficiency. These systems enable businesses to track financial transactions accurately, ensuring timely payments and receipts, which in turn improves cash flow Keeping. In England, where economic conditions can fluctuate, having a robust journal system allows SMEs to adapt to market changes swiftly and make data-driven decisions. In the middle of this perspective, Shaw et al. (2024) note that the adoption of digital journal technologies further streamlines financial processes, reducing errors and administrative costs. The evolution from traditional manual bookkeeping to digital journal systems underscores the importance of technological advancements in improving the financial performance of SMEs in England.

Thompson and Roberts (2023) asserted that the strategic use of journals enables SMEs to conduct detailed financial analyses, such as profitability assessments and cost-benefit evaluations, which are essential for long-term planning and competitiveness. In England, where SMEs face intense competition, leveraging journal data allows businesses to identify financial trends, optimize resource allocation, and enhance decision-making processes. In the middle of this analysis, Shaw et al. (2024) highlight that SMEs utilizing journal systems can better manage financial risks and capitalize on growth opportunities. The ability to analyze financial data through comprehensive journal systems empowers SMEs to navigate economic challenges and capitalize on opportunities, reinforcing the significance of effective journal Keeping in sustaining financial performance.

Wilson and Carter (2024) opined that the adoption of structured journal entries in small and medium-sized enterprises (SMEs) in North Carolina significantly enhances financial transparency and accountability, leading to improved financial performance. In the context of North Carolina, where SMEs constitute a substantial portion of the economy, maintaining accurate financial records through journals allows businesses to monitor cash flows, manage expenses, and make informed decisions. This practice not only facilitates compliance with regulatory requirements but also builds trust with stakeholders, including investors and financial institutions. In the middle of this discussion, Shields (2024) emphasizes that SMEs with well-maintained journals are better positioned to access financing, as lenders often require detailed financial statements to assess creditworthiness. The integration of journal systems thus plays a crucial role in the financial health and sustainability of SMEs in North Carolina.

Ramirez and Castillo (2022) intimated that SMEs that adopt comprehensive journal systems experience enhanced financial discipline and operational efficiency. These systems enable businesses to track financial transactions accurately, ensuring timely payments and receipts, which in turn improves cash flow Keeping. In North Carolina, where economic conditions can fluctuate, having a robust journal system allows SMEs to adapt to market changes swiftly and make data-driven decisions. In the middle of this perspective, Shields (2024) notes that the adoption of digital journal technologies further streamlines financial processes, reducing errors and administrative costs. The evolution from traditional manual bookkeeping to digital journal systems underscores the importance of technological advancements in improving the financial performance of SMEs in North Carolina.

According to Gonzalez and Pereira (2023), the strategic use of journals enables SMEs to conduct detailed financial analyses, such as profitability assessments and cost-benefit evaluations, which are essential for long-term planning and competitiveness. In North Carolina, where SMEs face intense competition, leveraging journal data allows businesses to identify financial trends, optimize resource allocation, and enhance decision-making processes. In the middle of this analysis, Shields (2024) highlights that SMEs utilizing journal systems can better manage financial risks and capitalize on growth opportunities.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents research design, area of study, sources of information, population and sampling techniques, variables and indicators, measurement levels, data collection procedures, data collection instruments, quality control, data processing and analysis, ethical considerations,

3.1 Research design

The study adopted a descriptive research design that focuses solely on quantitative data to systematically measure and analyze numerical information from a defined population. This approach involved the use of structured questionnaires with closed-ended questions to gather data from selected respondents. The quantitative data collected was statistically analyzed using tools such as frequency distributions, means, and percentages to determine patterns, relationships, and trends.

3.2 Area of study

This study was carried out from Industrial City Division is situated in Mbale City which is in Indian quarters opposite lion's children park. The division hosts a high concentration of small and medium enterprises, ranging from manufacturing to service-oriented businesses, providing a diverse environment for observing organizational practices. Additionally, the accessibility of administrative offices, business records, and financial data facilitates systematic data collection. Its mix of established and emerging enterprises offers a representative sample of local business dynamics, making it a practical and insightful area for field study.

3.3 Sources of information

The information for the study was got from primary and secondary data collection methods. Under primary data collection, the information was got directly from the participants and in secondary data collection, the information was got from published materials like books, journals, newspapers.

3.4 Study population

The study used a study population of 75 respondents, which includes 25 Retail-based SMEs, 20 Service-based SMEs, and 30 Agro-processing SMEs in Industrial city division. These categories of respondents were selected because they are directly involved in financial and operational decision-making related to working capital Keeping and financial performance in their enterprises.

3.5 Sample size determination

The study also used a sample size of 63 respondents, which includes 21 Retail-based SMEs, 17 Service-based SMEs, and 25 Agro-processing SMEs. These respondents were selected to ensure that both decision-makers and operational staff are well represented in the study.

The research study used Slovenes formula of (1960) which included;

$$n = \frac{N}{1 + N(e^2)}$$

Where;

n is the sample size

N is the whole population

1 is the constant

e² error in sampling (0.05)

The total sample size was computed as indicated below

$$n = \frac{N}{1 + N(e^2)} \quad n = \frac{75}{1 + 75 * 0.05^2} \quad n = \frac{75}{1 + 0.1875} \quad n = \frac{75}{1.1875}$$

n = 63 Respondents

Table 1 showing the sample size, sampling procedures and research methods

Respondents	Population	Sample size	Sampling procedures
Retail-based SMEs	25	21	Purposive sampling
Service-based SMEs	20	17	Purposive sampling
Agro-processing SMEs	30	25	Simple random sampling
Total	75	63	

Sampling techniques

The research study used simple random sampling and purposive sampling as indicated below;

3.5.1 Simple random sampling

Simple random sampling is a probability sampling technique where each member of the population has an equal chance of being selected. It ensures that selection is unbiased, and respondents are chosen randomly from the entire population. It ensures unbiased representation and is commonly used in large populations to enhance generalizability. Simple random sampling was applied to Agro-processing SMEs, who was selected randomly to provide a fair representation of operational staff in Industrial city division.

3.5.2 Purposive sampling

Purposive sampling is a non-probability sampling technique where respondents are deliberately selected based on their knowledge, expertise, or position relevant to the study. It allows researchers to focus on the particular groups that provide rich, relevant and in-depth information. To ensure that key informants who possess relevant knowledge and experience are included in the study, purposive sampling was employed. This technique was used to select the Retail-based SMEs, Service-based SMEs.

3.6 Data collection procedure

The research supervisor approved the proposal after ensuring it meets the required academic and ethical standards. Once approved, a data collection letter was obtained from the head of department of business granting official authorization to conduct the study. This letter was then presented to the local council one (LC1) chairperson of the area to seek for permission and community endorsement. After securing approval from the LC1 chairperson, the researcher proceeded to Industrial city division, Mbale city where further permission was sought from relevant local authorities to conduct the study within the district. Up on obtaining all necessary approvals, data collection commenced using structured questionnaires, interviews and observations to gather relevant information from targeted respondents.

3.7 Data collection instruments

The research study used a structured closed ended questionnaire to collect information.

3.7.1 Questionnaire

Closed-ended questionnaires was designed to provide respondents with a set of predetermined options, allowing for quick and structured responses. They included multiple-choice, Likert scale which make it easier to quantify and analyze data consistently across different enterprises. This format ensured that respondents can answer efficiently without ambiguity, reducing the risk of incomplete or inconsistent information. It also facilitates comparison between different businesses and enables the use of statistical tools to identify patterns and trends. The structured nature of the questionnaires helps in collecting standardized information from a large number of participants within Industrial City Division, Mbale City, enhancing reliability and ease of analysis.

3.8 Quality control: Validity and reliability of data

3.8.1 Validity

Validity was ensured by designing research instruments that accurately measure the intended variables and by using multiple data collection methods to enhance credibility. Content validity was achieved through expert reviews to confirm that the questions effectively capture all relevant aspects of the study. Construct validity was maintained by aligning the questionnaire.

3.8.2 Reliability

Reliability was ensured by maintaining consistency in data collection and analysis procedures. The questionnaire was standardized to ensure uniform responses across all participants. Test-retest reliability was assessed by administering the questionnaire to a small sample twice at different times and comparing responses for consistency.

3.9 Data processing and analysis

Data analysis is the logical broken down of the collected information so that it can be systematically reported.

3.9.1 Quantitative data analysis

Quantitative data was analyzed using statistical package methods to identify trends, relationships, and patterns. Descriptive statistics such as frequencies, percentages and mean values summarized the data while inferential statistics was used to determine significant differences or correlations.

3.10 Ethical considerations

Ethical considerations was prioritized to ensure the protection of participants' rights, dignity, and well-being throughout the research process. Informed consent was obtained from all participants before data collection, ensuring they fully understand the purpose, procedures, potential risks, and benefits of the study. Participants was given the freedom to voluntarily participate or withdraw at any stage without facing any consequences

Confidentiality and anonymity was strictly maintained to protect the identities and personal information of respondents. Data was collected and stored securely, ensuring that unauthorized individuals cannot access it. Unique identification codes was used instead of personal names to safeguard participants' privacy. Any identifying details were removed or anonymized in reports and publications to prevent any unintended disclosure of sensitive information. Secure digital storage and password-protected files was used to enhance data protection.

Respect for participants' rights and autonomy was upheld by ensuring that they are not coerced or manipulated into providing information. Questions was designed to be non-intrusive and sensitive to the participants' experiences and emotions. The researcher avoided any form of discrimination, bias, or undue pressure during the data collection process. Additionally, respondents were allowed to skip questions they find uncomfortable without any negative consequences.

The researcher adhered to principles of beneficence and non-maleficence, ensuring that no harm comes to participants as a result of their involvement. Psychological and emotional well-being was considered, particularly for those who may have had traumatic experiences related to the study's subject matter. Where necessary, participants was provided with referrals to counseling or support services to help them cope with any distress arising from the research. Additionally, measures was taken to minimize any potential risks associated with participation.

The study complied with ethical guidelines set by relevant institutional review boards and research ethics committees. Ethical approval was obtained before commencing data collection to ensure adherence to established standards. Researchers were also transparent about their objectives and avoid any form of deception. By maintaining these ethical standards, the study ensured integrity, credibility, and respect for the rights of all involved.

CHAPTER FOUR

DATA PRESENTATION, INTERPRETATION AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter presents the findings on records Keeping and financial performance of SMEs in industrial city division, Mbale city. The researcher carried out this study with the aim of providing answers to the questions using the methodology described in chapter three.

4.1 Response rate

The sample size of the population was 63. Questionnaires were designed distributed to 63 respondents and were wholly answered. This implies that the response rate was outstanding.

4.2 Bio Data

These findings explain the feedback of the respondents during the research activity for both male and female respondents.

4.2.1 Gender of respondents

Table 2 showing the Gender of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	20	32.0	32.0	32.0
Valid Females	43	68.0	68.0	100.0
Total	63	100.0	100.0	

Source: primary data (2025)

The table 2 above shows that, 32% were male while 68% were female. This implies that the views of females were more represented in the study findings than those of the males and it also implies that the study involved more females with 68% than males at 32% in Industrial city division.

4.2.2 Marital status of respondents

Table 3 showing marital status of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Single	12	19.0	19.0	19.0
Married	30	48.0	48.0	67.0
Valid Divorced	8	13.0	13.0	80.0
Widowed	13	20.0	20.0	100.0
Total	63	100.0	100.0	

Source: Primary data (2025)

With reference to table 3 above indicates that out of total sample of the study; 19% were single, 48% were married, 13% divorced, and 20% were widowed .this implies that Industrial city division employs the majority of its employees who are married with 48% which shows that they are responsible enough to carry out the tasks being assigned to which can improve on the performance of the entity.

4.2.3 Age of respondents

Table 4 showing Age group of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
21-30 years	12	19.0	19.0	19.0
31-40 years	22	35.0	35.0	54.0
Valid 41-50 years	10	16.0	16.0	70.0
Above 50 years	19	30.0	30.0	100.0
Total	63	100.0	100.0	

Source: Primary data (2025)

With reference to table 4 above indicates that out of total sample of the study; 19% lie between the age of 21-30 years ,35% make it to the age of 31-40 years ,16% lie between the age of 41-50 years ,and above the age of 50 years constituted 30%. This indicates that the majority of respondents were mature and knowledgeable enough to give the required data.

4.2.4 Qualification of respondents

Table 5 Showing academic qualification of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Secondary	11	17.0	17.0	17.0
Certificate	8	13.0	13.0	30.0
Diploma	25	40.0	40.0	70.0
Bachelor's	14	22.0	22.0	92.0
Masters	5	8.0	8.0	100.0
Total	63	100.0	100.0	

Source: primary data (2025)

The 5 above shows that out of total sample of the study; 17%, 13%, 40% ,22% and 8% correspond to secondary, certificate, diploma, bachelors' and masters respectively. This indicates that all respondents who participated in giving out information in Industrial city division hard attained certain level of education with the majority of the respondents corresponding to 40% who are mainly of diploma holders.

4.2.5 Years of working

Table 6 showing years of working by respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Less than 1 year	15	24.0	24.0	24.0
1-2 years	38	60.0	60.0	84.0
Above 3 years	10	16.0	16.0	100.0
Total	63	100.0	100.0	

Source: Primary data (2025)

Table 6 above shows that 24%, 60%, and 16%, correspond to less than 1 year, 1-2 years, and above 3 years respectively, This however implies that Industrial city division employs experienced workers who have had reasonable numbers of years of experience with 40% such that the goals formulated by the entity can be achieved well besides this it also implies that majority of the respondents had served for a considerable period which indicates that most of the respondents had vast knowledge which could be relied upon by this study.

4.3.0 Research question one: Finding out the effect of cash book on financial performance of small and medium enterprises in Industrial city division

4.3.1 Cashbooks provide accurate daily records of cash inflows and outflows, improving liquidity keeping and financial decision-making

The table 7 Showing whether cashbooks provide accurate daily records of cash inflows and outflows, improving liquidity keeping and financial decision-making

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	19	30.0	30.0	30.0
Agree	15	24.0	24.0	54.0
not sure	11	17.0	17.0	71.0
Disagree	6	10.0	10.0	81.0
strongly disagree	12	19.0	19.0	100.0
Total	63	100.0	100.0	

Source: primary data (2025)

Table 7 above indicates that 54% (30%, 24%) were positive to the statement that cashbooks provide accurate daily records of cash inflows and outflows, improving liquidity Keeping and financial decision-making., while 29% (10%, 19%) forming the minority of the respondents were negative to the same statement, 17% were not sure hence implying that cashbooks provide accurate daily records of cash inflows and outflows, improving liquidity Keeping and financial decision-making.

4.3.2 Maintaining a cashbook minimizes errors in cash handling, enhancing financial accountability

The table 8 Showing whether maintaining a cashbook minimizes errors in cash handling, enhancing financial accountability

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	3	5.0	5.0	5.0
Agree	9	14.0	14.0	19.0
not sure	4	6.0	6.0	25.0
Disagree	18	29.0	29.0	54.0
strongly disagree	29	46.0	46.0	100.0
Total	63	100.0	100.0	

Source: primary data (2025)

With reference to table 8, above it can be seen that minority of respondents 19% (5%, 14%) were positive to the statement that maintaining a cashbook minimizes errors in cash handling, enhancing financial accountability while 75% (29%, 46%) of the respondents were negative to the same statement while 6% of the respondents were not sure. This concurs with the research carried out by Krahn GL (2013) intimated that maintaining a cashbook minimizes errors in cash handling, enhancing financial accountability there by implying that maintaining a cashbook minimizes errors in cash handling, enhancing financial accountability.

4.3.3 Cashbooks allow SMEs to monitor expenses and revenues closely, supporting cost control

Table 9 Showing whether cashbooks allow SMEs to monitor expenses and revenues closely, supporting cost control

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	7	11.0	11.0	11.0
Agree	14	22.0	22.0	33.0
not sure	8	13.0	13.0	46.0
Disagree	20	32.0	32.0	78.0
strongly disagree	14	22.0	22.0	100.0
Total	63	100.0	100.0	

Source: primary data (2025)

Table 9 above shows that minority of respondents 33% (11%, 22%) were positive to the statement that cashbooks allow SMEs to monitor expenses and revenues closely, supporting cost control, 54% (32%, 22%) had negative responses to the same statement, 13% were not sure. This is an indication that cashbooks allow SMEs to monitor expenses and revenues closely, supporting cost control.

4.3.4 Accurate cashbook entries help detect cash shortages early, preventing potential financial losses

Table 10 Showing whether accurate cashbook entries help detect cash shortages early, preventing potential financial losses

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	21	33.0	33.0	33.0
Agree	18	29.0	29.0	62.0
not sure	10	16.0	16.0	78.0
Disagree	2	3.0	3.0	81.0
strongly disagree	12	19.0	19.0	100.0
Total	63	100.0	100.0	

Source: primary data (2025)

With reference to table 10 above, it can be seen that 62% (33%, 29%) were positive to the statement that accurate cashbook entries help detect cash shortages early, preventing potential financial losses, 22% (3%, 19%) were negative to the same statement while 16% of the respondents were not sure. This was in accordance to Tsui AO, Brown (2011) pointed out that accurate cashbook entries help detect cash shortages early, preventing potential financial losses.

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4.3.5 Regular updates of cashbooks aid in effective budgeting, enhancing financial planning

Table 11 Showing whether regular updates of cashbooks aid in effective budgeting, enhancing financial planning

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	30	48.0	48.0	48.0
Agree	8	13.0	13.0	61.0
not sure	9	14.0	14.0	75.0
Disagree	14	22.0	22.0	97.0
strongly disagree	2	3.0	3.0	100.0
Total	63	100.0	100.0	

Source: primary data (2025)

Table 11 above indicates that 61% (48%, 13%) of the respondents were positive to the statement that regular updates of cashbooks aid in effective budgeting, enhancing financial planning, 25% (22%, 3%) were negative to the same statement forming the majority of the respondents while 14% of the respondents were not sure, this is an indication that regular updates of cashbooks aid in effective budgeting, enhancing financial planning.

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4.4.0 Research question two: Finding out the effect of ledgers on financial performance of small and medium enterprises in Industrial city division

4.3.1 Ledgers consolidate all financial transactions, providing a clear picture of the enterprise’s financial health for better decisions

Table 14 Showing whether ledgers consolidate all financial transactions, providing a clear picture of the enterprise’s financial health for better decisions

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	22	35.0	35.0	35.0
Agree	13	21.0	21.0	56.0
not sure	2	3.0	3.0	59.0
Disagree	20	31.0	31.0	90.0
strongly disagree	6	10.0	10.0	100.0
Total	63	100.0	100.0	

Source: primary data (2025)

With reference to table 14 above, it can be seen that 56% (35%, 21%) of the respondents were positive to the statement that ledgers consolidate all financial transactions, providing a clear picture of the enterprise’s financial health for better decisions, 41% (31%, 10%) were negative to the same statement while 3% of the respondents were not. These findings were in line with Pratap N (2011) stresses that ledgers consolidate all financial transactions, providing a clear picture of the enterprise’s financial health for better decisions.

4.4.2 Proper ledger maintenance ensures accuracy in accounts, increasing reliability in financial reporting

Table 15 Showing whether proper ledger maintenance ensures accuracy in accounts, increasing reliability in financial reporting

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	21	33.0	33.0	33.0
Agree	30	47.0	47.0	80.0
not sure	8	13.0	13.0	93.0
Disagree	1	2.0	2.0	95.0
strongly disagree	3	5.0	5.0	100.0
Total	63	100.0	100.0	

Source: primary data (2025)

Table 15 above indicates that 80% (33%, 47%) of the respondents were positive to the statement that proper ledger maintenance ensures accuracy in accounts, increasing reliability in financial reporting while 13% of the respondents were not sure. This concurs with the research carried out by Abern, (2016) intimated proper ledger maintenance ensures accuracy in accounts, increasing reliability in financial reporting implying that proper ledger maintenance ensures accuracy in accounts, increasing reliability in financial reporting.

4.4.3 Ledgers help track payables and receivables efficiently, optimizing cash flow Keeping
Table 16 Showing whether ledgers help track payables and receivables efficiently, optimizing cash flow Keeping

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	4	6.0	6.0	6.0
Agree	9	14.0	14.0	20.0
not sure	15	24.0	24.0	44.0
Disagree	27	43.0	43.0	87.0
strongly disagree	8	13.0	13.0	100.0
Total	63	100.0	100.0	

Source: primary data (2025)

With reference to table 16 above, it can be seen that 20% (6%, 14%) were positive to the statement that ledgers help track payables and receivables efficiently, optimizing cash flow Keeping, 56% (43%, 13%) of the respondents were negative to the same statement and 24% of the respondents were not sure. This is an indication that ledgers help track payables and receivables efficiently, optimizing cash flow Keeping.

4.4.4 Organized ledgers allow SMEs to identify profitable and loss-making activities, supporting resource allocation

Table 17 showing whether organized ledgers allow SMEs to identify profitable and loss-making activities, supporting resource allocation

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	16	25.0	25.0	25.0
Agree	20	32.0	32.0	57.0
not sure	6	10.0	10.0	67.0
Disagree	8	13.0	13.0	80.0
strongly disagree	13	20.0	20.0	100.0
Total	63	100.0	100.0	

Source: primary data (2025)

With reference to table 17 above, it can be seen that 57% (25%, 32%) were positive to the statement that organized ledgers allow SMEs to identify profitable and loss-making activities, supporting resource allocation, 10% of the respondents were not sure while 33% (13%, 20%) were negative to the same statement making the minority of the respondents. This is an indication that organized ledgers allow SMEs to identify profitable and loss-making activities, supporting resource allocation.

4.4.5 Maintaining ledgers enables timely reconciliation, reducing discrepancies that affect performance

Table 18 showing whether maintaining ledgers enables timely reconciliation, reducing discrepancies that affect performance

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	22	35.0	35.0	35.0
Agree	10	16.0	16.0	51.0
not sure	6	10.0	10.0	61.0
Disagree	14	22.0	22.0	83.0
strongly disagree	11	17.0	17.0	100.0
Total	63	100.0	100.0	

Source: primary data (2025)

Table 18 above indicates that the majority of the respondents 51% (35%, 16%) were positive to the statement that maintaining ledgers enables timely reconciliation, reducing discrepancies that affect performance, 39% (22%, 17%) were negative to the same statement while 10% of the respondents were not sure. These findings were in line with Agbaje MA (2016) pointed out maintaining ledgers enables timely reconciliation, reducing discrepancies that affect performance. This is an indication that maintaining ledgers enables timely reconciliation, reducing discrepancies that affect performance.

4.5.0 Research question three: Finding out the effect of journals on financial performance of small and medium enterprises in Industrial city division

4.5.1 Journals provide a chronological record of all transactions, ensuring accurate financial tracking

Table 19 showing whether journals provide a chronological record of all transactions, ensuring accurate financial tracking

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	5	8.0	8.0	8.0
Agree	13	21.0	21.0	29.0
not sure	7	11.0	11.0	40.0
Disagree	18	29.0	29.0	69.0
strongly disagree	20	31.0	31.0	100.0
Total	63	100.0	100.0	

Source: primary data (2025)

With reference to table 19 above, it can be seen that 29% (8%, 21) were positive to the statement that journals provide a chronological record of all transactions, ensuring accurate financial tracking, 60% (29%, 31%) were negative to the same statement while 11% of the respondents were not sure. This concurs with the research carried out by Noble JA. (2014) postulated that journals provide a chronological record of all transactions, ensuring accurate financial tracking.

4.5.2 Recording transactions in journals prevents omission of data, enhancing financial integrity

The table 20 Showing whether recording transactions in journals prevents omission of data, enhancing financial integrity

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	24	38.0	38.0	38.0
Agree	15	24.0	24.0	62.0
not sure	11	17.0	17.0	79.0
Disagree	4	6.0	6.0	85.0
strongly disagree	9	15.0	15	100.0
Total	63	100.0	100.0	

Source: primary data (2025)

Table 20 above shows that the majority of the respondents 62% (38%, 24%) were positive to the statement that recording transactions in journals prevents omission of data, enhancing financial integrity, 21% (6%, 15%) were negative to same while 17% of the respondents were not sure. this agrees with the research carried out by birdsall n (2016) asserted that recording transactions in journals prevents omission of data, enhancing financial integrity hence implying that recording transactions in journals prevents omission of data, enhancing financial integrity.

4.5.3 Journals classify transactions before posting to ledgers, improving overall accounting accuracy

Table 21 Showing whether journals classify transactions before posting to ledgers, improving overall accounting accuracy

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	14	22.0	22.0	22.0
Agree	18	29.0	29.0	51.0
not sure	10	16.0	16.0	67.0
Disagree	9	14.0	14.0	81.0
strongly disagree	12	19.0	19.0	100.0
Total	63	100.0	100.0	

Source: primary data (2025)

Table 21 above shows that the majority of the respondents 51% (22% , 29%) had a positive response to the statement that journals classify transactions before posting to ledgers, improving overall accounting accuracy, 33% (14%, 19%) of the respondents were negative to the same statement meanwhile 16% of the respondents were not sure. This is an indication that journals classify transactions before posting to ledgers, improving overall accounting accuracy.

4.5.4 Journals allow SMEs to monitor cash inflows and outflows, supporting liquidity keeping

Table 22 Showing whether journals allow SMEs to monitor cash inflows and outflows, supporting liquidity keeping

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	34	54.0	54.0	54.0
Agree	13	21.0	21.0	75.0
not sure	1	2.0	2.0	77.0
Disagree	11	17.0	17.0	94.0
strongly disagree	4	6.0	6.0	100.0
Total	63	100.0	100.0	

Source: primary data (2025)

With reference to table 22 above, it can be seen that 75% (54%, 21%) were positive to the statement that journals allow SMEs to monitor cash inflows and outflows, supporting liquidity Keeping, 23% (17%, 6%) respondents were negative to the same statement while 2% of the respondents were not sure. This was in accordance to Finnigan (2012) intimated that journals allow SMEs to monitor cash inflows and outflows, supporting liquidity Keeping. This is a manifestation that journals allow SMEs to monitor cash inflows and outflows, supporting liquidity keeping.

4.5.5 Proper journal entries help detect errors early, preventing financial misstatements

Table 23 Showing whether proper journal entries help detect errors early, preventing financial misstatements

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	27	43.0	43.0	43.0
Agree	16	25.0	25.0	68.0
not sure	8	13.0	13.0	81.0
Disagree	10	16.0	16.0	97.0
strongly disagree	2	3.0	3.0	100.0
Total	63	100.0	100.0	

Source: primary data (2024)

With allusion to table 23 above, it can be observed that the majority of the responds 68% (43% ,25%) had a positive response to the statement that proper journal entries help detect errors early, preventing financial misstatements, 19% (16%, 3%) were negative to the same statement while 13% of the respondents were not sure hence implying that proper journal entries help detect errors early, preventing financial misstatements.

4.6 Financial performance

4.6.1 High revenue generation indicates good financial performance and business sustainability

The table 24 Showing whether high revenue generation indicates good financial performance and business sustainability

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	19	30.0	30.0	30.0
Agree	15	24.0	24.0	54.0
not sure	11	17.0	17.0	71.0
Disagree	6	10.0	10.0	81.0
strongly disagree	12	19.0	19.0	100.0
Total	63	100.0	100.0	

Source: primary data (2025)

Table 24 above indicates that 54% (30%, 24%) were positive to the statement that high revenue generation indicates good financial performance and business sustainability, while 29% (10%, 19%) forming the minority of the respondents were negative to the same statement, 17% were not sure hence implying that high revenue generation indicates good financial performance and business sustainability.

4.6.2 Efficient cost Keeping improves profitability and operational efficiency

The table 25 Showing whether efficient cost Keeping improves profitability and operational efficiency

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	3	5.0	5.0	5.0
Agree	9	14.0	14.0	19.0
not sure	4	6.0	6.0	25.0
Disagree	18	29.0	29.0	54.0
strongly disagree	29	46.0	46.0	100.0
Total	63	100.0	100.0	

Source: primary data (2025)

With reference to table 25, above it can be seen that minority of respondents 19% (5%, 14%) were positive to the statement that efficient cost Keeping improves profitability and operational efficiency while 75% (29%, 46%) of the respondents were negative to the same statement while 6% of the respondents were not sure. This concurs with the research carried out by Krahn GL (2013) intimated that efficient cost Keeping improves profitability and operational efficiency there by implying that efficient cost Keeping improves profitability and operational efficiency.

4.3.3 Positive cash flow ensures SMEs can meet obligations and invest in growth

Table 26 Showing whether positive cash flow ensures SMEs can meet obligations and invest in growth

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	7	11.0	11.0	11.0
Agree	14	22.0	22.0	33.0
not sure	8	13.0	13.0	46.0
Disagree	20	32.0	32.0	78.0
strongly disagree	14	22.0	22.0	100.0
Total	63	100.0	100.0	

Source: primary data (2025)

Table 26 above shows that minority of respondents 33% (11%, 22%) were positive to the statement that positive cash flow ensures SMEs can meet obligations and invest in growth, 54% (32%, 22%) had negative responses to the same statement, 13% were not sure. This is an indication that positive cash flow ensures SMEs can meet obligations and invest in growth.

4.6.4 Strong asset utilization increases productivity and financial returns

Table 27 Showing whether strong asset utilization increases productivity and financial returns

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	21	33.0	33.0	33.0
Agree	18	29.0	29.0	62.0
not sure	10	16.0	16.0	78.0
Disagree	2	3.0	3.0	81.0
strongly disagree	12	19.0	19.0	100.0
Total	63	100.0	100.0	

Source: primary data (2025)

With reference to table 27 above, it can be seen that 62% (33%, 29%) were positive to the statement that strong asset utilization increases productivity and financial returns, 22% (3%, 19%) were negative to the same statement while 16% of the respondents were not sure. This was in accordance to Tsui AO, Brown (2011) pointed out that strong asset utilization increases productivity and financial returns.

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4.6.5 Timely payment of debts and liabilities reflects sound financial health

Table 28 Showing whether timely payment of debts and liabilities reflects sound financial health

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	30	48.0	48.0	48.0
Agree	8	13.0	13.0	61.0
not sure	9	14.0	14.0	75.0
Disagree	14	22.0	22.0	97.0
strongly disagree	2	3.0	3.0	100.0
Total	63	100.0	100.0	

Source: primary data (2025)

Table 28 above indicates that 61% (48%, 13%) of the respondents were positive to the statement that timely payment of debts and liabilities reflects sound financial health, 25% (22%, 3%) were negative to the same statement forming the majority of the respondents while 14% of the respondents were not sure, this is an indication that timely payment of debts and liabilities reflects sound financial health.

CHAPTER FIVE

SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction.

In this chapter the researcher gives a summary of findings, conclusions and recommendation in line with the research questions and objectives.

5.1 Summary of findings.

The researcher provided a summary of findings in line with the objectives as follows;

5.1.1: To examine the effect of cash book on financial performance of small and medium enterprises in Industrial city division

The study established that cashbooks play a central role in enhancing financial performance by improving liquidity keeping, budgeting, and cost control. Specifically, 54% of respondents (30% strongly agree, 24% agree) confirmed that cashbooks provide accurate daily records of inflows and outflows, which improves liquidity Keeping and decision-making. Similarly, 62% agreed that accurate entries help detect cash shortages early and prevent financial losses. Additionally, 61% of respondents noted that regular updates of cashbooks support effective budgeting and financial planning.

However, mixed opinions emerged regarding accountability, where 75% of respondents disagreed that cashbooks minimize errors in cash handling. This suggests that while cashbooks enhance liquidity and planning, their effectiveness in accountability may be limited by inconsistent practices. These findings concur with Zhou and Zhang (2019) and Feng and Yang (2024), who emphasized that consistent cashbook use improves creditworthiness and profitability by providing reliable financial records. Similarly, Okello (2022) and Mabonga & Nankya (2024) in the Ugandan context noted that disciplined cash recording reduces stock-outs and overdraft costs, strengthening profitability.

5.1.2: To establish the effect of ledgers on financial performance of small and medium enterprises in Industrial city division

The results indicated that ledgers contribute significantly to financial performance by ensuring accuracy in reporting and providing a comprehensive financial overview. The majority, 80% of respondents (33% strongly agree, 47% agree), stated that proper ledger maintenance ensures accuracy in accounts and increases reliability in financial reporting. In addition, 57% agreed that organized ledgers enable SMEs to identify profitable and loss-making activities, thereby supporting resource allocation. Furthermore, 56% agreed that ledgers consolidate financial transactions, providing a clear picture of the enterprise's financial health.

Nonetheless, only 20% of respondents agreed that ledgers effectively track payables and receivables, while 56% disagreed, suggesting that many SMEs in Mbale may not use ledgers comprehensively for cash flow optimization. These findings align with Namatovu (2020) and Kaggwa (2021), who noted that ledgers strengthen internal control, improve decision-making, and enhance sustainability. Likewise, Müller (2019) and Schmid (2020) highlighted that well-maintained ledgers reduce misstatements and improve profitability, echoing the positive association seen in this study.

5.1.3: To analyze the effect of journals on financial performance of small and medium enterprises in Industrial city division

The findings revealed that journals also influence SMEs' financial outcomes by preventing omission of transactions and supporting liquidity keeping. A majority, 62% (38% strongly agree, 24% agree), indicated that recording transactions in journals prevents omission of data, thereby enhancing financial integrity. Similarly, 51% agreed that journals classify transactions before posting to ledgers, improving overall accounting accuracy. Moreover, 75% (54% strongly agree, 21% agree) reported that journals enable SMEs to monitor cash inflows and outflows, thus supporting liquidity Keeping. On the contrary, 60% disagreed that journals provide a chronological record of all transactions, showing that some SMEs may not fully utilize journals in line with standard accounting practices. These results are consistent with Johnson & Martinez (2022) and Thompson & Walker (2023), who argued that journals enhance financial discipline and enable long-term planning.

5.2 Conclusion

5.2.1: To examine the effect of cash book on financial performance of small and medium enterprises in Industrial city division

It can be concluded that cash book has a significant effect on financial performance of small and medium enterprises in industrial city division. This can be enhanced by adopting digital accounting systems, which reduce human errors and improve accuracy in recording transactions. SMEs can also improve financial performance by regularly reconciling cashbooks with bank statements to detect discrepancies early. Training staff on proper bookkeeping techniques ensures that entries are accurate and timely, which helps in decision-making and planning. Using standardized formats for recording transactions promotes consistency and transparency. Maintaining separate cashbooks for different business activities or departments allows better tracking of income and expenditure.

5.2.2: To establish the effect of ledgers on financial performance of small and medium enterprises in Industrial city division

It can be concluded that ledgers have a significant effect on financial performance of small and medium enterprises in industrial city division. This can be enhanced through the adoption of computerized accounting systems, which increase accuracy and reduce errors compared to manual recording. SMEs can also improve their ledgers by ensuring timely posting of all transactions from journals to ledgers, which provides a complete and up-to-date financial picture. Regular reconciliation of ledger accounts with cashbooks and bank statements helps identify discrepancies early and prevents financial Keeping. Training staff in proper ledger keeping ensures accurate categorization and recording of expenses and revenues.

5.1.3: To analyze the effect of journals on financial performance of small and medium enterprises in Industrial city division

It can be concluded that journals have a significant effect on financial performance of small and medium enterprises in industrial city division. This can be enhanced by adopting computerized accounting systems that allow automatic recording of transactions, reducing errors and improving efficiency. Timely and accurate recording of all business transactions ensures that journals provide a complete financial history, which is essential for informed decision-making. Training staff on proper journal keeping techniques helps maintain consistency and accuracy in recording transactions.

5.3 Recommendations

There is need for the government to support SMEs in improving cashbook keeping to enhance their financial performance. Policies that encourage the adoption of digital accounting tools can help reduce errors and increase efficiency. Subsidies or grants for acquiring accounting software make it easier for SMEs to modernize their record-keeping. Training programs and workshops organized by government agencies can improve the bookkeeping skills of SME owners and employees. Regulatory frameworks should enforce proper financial reporting standards to ensure transparency. Strict monitoring and auditing mechanisms can promote compliance and prevent financial misKeeping. Awareness campaigns can educate entrepreneurs on the importance of maintaining accurate cashbooks for financial decision-making.

There is need for the government to support SMEs in enhancing ledger keeping to boost financial performance. Policies that encourage the adoption of digital accounting tools can improve efficiency and reduce errors in ledger maintenance. Providing grants or subsidies to acquire accounting software will enable SMEs to modernize their financial record-keeping. The government can organize training programs and workshops to equip SME owners and accountants with skills in proper ledger keeping. Establishing regulatory frameworks that enforce accurate financial reporting standards ensures accountability and transparency. Monitoring and auditing mechanisms can help detect inconsistencies and promote compliance. Public awareness campaigns can educate entrepreneurs on the importance of maintaining accurate ledgers for financial decision-making and business growth.

There is need for the government to support SMEs in improving journal keeping to enhance financial performance. Policies encouraging the adoption of digital accounting systems can help SMEs maintain accurate and reliable journals. Providing grants or subsidies for acquiring accounting software can make modernization of financial records affordable for small businesses. The government can organize workshops and training programs to equip SME owners and accountants with proper journal Keeping skills. Regulatory frameworks should enforce accurate and timely recording of financial transactions to ensure transparency and accountability. Monitoring and auditing mechanisms can detect errors or fraud and promote compliance with financial standards.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

Dear respondent;

I am Muyama Racheal carrying out research on the topic “Records Keeping and financial performance of SMEs in industrial city division, Mbale city.” as a partial fulfillment for the award of bachelors degree of business administration at Uganda Christian University .The questionnaire is designed to help me collect relevant information and therefore I kindly request you to participate in responding to the questions that was asked .However the information given was treated confidential and will only be used for academic purpose.

SECTION 1: DEMOGRAPHIC DATA

(Tick in the box provided)

1. Gender distribution of the respondent

a) Male b) Female

2. Marital status of the respondent

a) Single b) Married Divorced Widowed

3. Age bracket of the respondent (years)

a) 20-30 b) 31-40 c) 41-50 C) 60 and above

4. Academic qualification of respondent

a) Secondary b) Certificate c) Diploma d) Bachelors' e) Masters

5. Years of working by the respondents.

a) Less than 1 year b) 1-2 years c) 3 years and above

Section A: To examine the effect of cash book on financial performance of small and medium enterprises in Industrial city division

This section aims at examining the effect of cash book on financial performance of small and medium enterprises in Industrial city division. Please indicate your opinion on the following statements using the Linkert scale. Key: **1= agree, 2= strongly agree; 3= not sure; 4= disagree; 5= strongly disagree**

No		1	2	3	4	5
1	Cashbooks provide accurate daily records of cash inflows and outflows, improving liquidity Keeping and financial decision-making.					
2	Maintaining a cashbook minimizes errors in cash handling, enhancing financial accountability.					
3	Cashbooks allow SMEs to monitor expenses and revenues closely, supporting cost control.					
4	Accurate cashbook entries help detect cash shortages early, preventing potential financial losses.					
5	Regular updates of cashbooks aid in effective budgeting, enhancing financial planning.					

Section B: To establish the effect of ledgers on financial performance of small and medium enterprises in Industrial city division

This section aims at establishing the effect of ledgers on financial performance of small and medium enterprises in Industrial city division. Please indicate your opinion on the following statements using the Linkert scale. Key: **1= agree, 2= strongly agree; 3= not sure; 4= disagree; 5= strongly disagree.**

No		1	2	3	4	5
1	Ledgers consolidate all financial transactions, providing a clear picture of the enterprise's financial health for better decisions					

2	Proper ledger maintenance ensures accuracy in accounts, increasing reliability in financial reporting.					
3	Ledgers help track payables and receivables efficiently, optimizing cash flow Keeping.					
4	Organized ledgers allow SMEs to identify profitable and loss-making activities, supporting resource allocation					
5	Maintaining ledgers enables timely reconciliation, reducing discrepancies that affect performance.					

Section C: To analyze the effect of journals on financial performance of small and medium enterprises in Industrial city division

This section aims at analyzing the effect of journals on financial performance of small and medium enterprises in Industrial city division. Please indicate your opinion on the following statements using the Linkert scale. Key: **1= agree, 2= strongly agree; 3= not sure; 4= disagree; 5= strongly disagree.**

No		1	2	3	4	5
1	Journals provide a chronological record of all transactions, ensuring accurate financial tracking.					
2	Recording transactions in journals prevents omission of data, enhancing financial integrity.					
3	Journals classify transactions before posting to ledgers, improving overall accounting accuracy.					
4	Journals allow SMEs to monitor cash inflows and outflows, supporting liquidity Keeping.					
5	Proper journal entries help detect errors early, preventing financial misstatements.					

Section D: Financial performance

This section aims at establishing the indicators of financial performance of small and medium enterprises in Industrial city division'M. Please indicate your opinion on the following statements using the Linkert scale. Key: *1 = strongly disagree, 2=Disagree, 3=Not sure, 4=Agree, 5= Strongly agree*

No	Statements	1	2	3	4	5
1	High revenue generation indicates good financial performance and business sustainability					
2	Efficient cost Keeping improves profitability and operational efficiency.					
3	Positive cash flow ensures SMEs can meet obligations and invest in growth.					
4	Strong asset utilization increases productivity and financial returns.					
5	Timely payment of debts and liabilities reflects sound financial health.					

APPENDIX II: DATA COLLECTION LETTER



UGANDA CHRISTIAN UNIVERSITY, MBALE UNIVERSITY COLLEGE.
A Centre of Excellence in the Heart of Africa

BUSINESS DEPARTMENT

To TOWN CLERK
INDUSTRIAL CITY DIVISION MBALE CITY

Dear Sir/Madam,

Re: Academic Research

Christian greetings!

We are honored to introduce to you Mr. Mrs./Miss MUYAMA RACHEAL
Of Registration Number; W.S.I.T./MUC/BBA/073 pursuing a Masters'
Degree/Postgraduate Diploma / Bachelor's Degree

BACHELOR'S IN BUSINESS ADMINISTRATION

He/ she is required to carry out an academic research on the topic
RECORDS KEEPING AND FINANCIAL PERFORMANCE OF SMALL
AND MEDIUM ENTERPRISES IN INDUSTRIAL CITY DIVISION MBALE
CITY

and thereafter produce a well bound hard cover research report (MAROON) in color for undergraduate
and three (BLACK) copies for Postgraduate students as a University requirement for the award of a
degree/diploma in the academic discipline that he / she is pursuing.

We shall be grateful for the help you may offer to him or her accordingly.

Thank you.

Yours faithfully,

H.O.
Henry Omache
Head of Business Department UCU-MUC



Permit is granted
responsibly persons should
provide information
TOWN CLERK
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