

**RECORD KEEPING PRACTICES AND FINANCIAL PERFORMANCE OF SMALL
AND MEDIUM ENTERPRISES IN MUKONO MUNICIPALITY, CENTRAL DIVISION**

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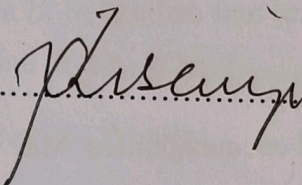


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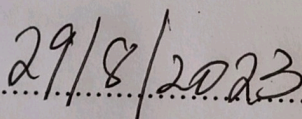
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APPROVAL

I, Mr. Kisenyi Vincent, the academic supervisor certify that this report has been prepared under my supervision and is ready for submission.

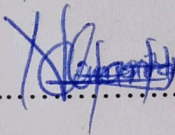
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DECLARATION.

I NAMARA CHARITY GLORIA endorse to the best of my knowledge and experience that the information contained in this report is solely my effort and has never been submitted anywhere for academic professional use in any institution of higher learning.

Signature.....

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With heartfelt gratitude, I take this opportunity to thank God for having kept me alive throughout my research period.

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ABSTRACT

The study sought to examine the effect that Recordkeeping could have on financial performance of SMEs in Mukono municipality, central division. The researcher used both descriptive and correlational design. The study adopted a quantitative approach. The researcher used simple random sampling in selecting 80 SMEs operators in the service sector that formed the sample size (50) of the study. A structured questionnaire was used as the main instrument of quantitative data collection from the selected SMEs Operators. Completed questionnaires were edited, coded, and entered into and categorized into themes and analyzed using SPSS IBM for Windows. Bivariate analysis in form of Pearson's product moment correlation was used to show the direction and strength of the relationship between each dimension of Recordkeeping and financial performance. Regression analysis was also used to test the effect of Record-keeping practices on financial performance. The study therefore concludes that Record-keeping has an effect on financial performance of SMEs and recommends proper record filing, retention and retrieval in order to improve financial performance of SMEs.

Key Words: Record-keeping, Financial Performance, small and medium enterprises.

CHAPTER ONE

INTRODUCTION

This Chapter discloses the background to the study, problem statement, objectives of the study, scope of the study, significance of the study, research questions, limitations of the study and operational definition of terms.

1.1 Background of the Study.

Organizations function more effectively when everyone from owners and decision makers to staff across the offices understand and respect the value of efficient and accountable records management. It is easier to support improvements in record making and record keeping processes when the purpose and benefits of best practice records management processes are recognized.

Why do records matter, anyway? Records are evidence of actions, transactions, and decisions. Without records, governments, organizations, businesses etc. are not able to find and use authentic sources of proof. Without proof, how can one verify agreements, uphold responsibilities or prove financial statements? Businesses, members of the public all need access to authentic, reliable, accessible sources of proof, whether written records or electronic data with evidential value.

The current growth of most economies globally is premised on small and medium enterprises (SMEs) financial performance (Fanen & Avanenge, 2020). Small and medium enterprises play significant roles of creating employment, driving innovation and entrepreneurship, reducing poverty and other social challenges in both developed and developing countries (Wenzhen & Nik-Intan, 2021). In the developed economies such as the European Union, almost 85% of jobs are created by SMEs (Pandy, 2019). In India SMEs constitute over 90% of total enterprise of the economy (Pandy, 2019). While in Nigeria, they employ over 84.02% of the labor force both in the formal and informal sectors (Mutesigensi, Eton, Ebong, & Mwosi, 2017; Niwemutoni, Mulyungi, & Jaya, 2018). With such enormous contribution to economies, it is no long a debatable fact that SMEs are significantly contributing to economic growth of many developing

economies. In Uganda, SMEs account for more than 90% of the private sector businesses, and they are regarded as the engine for income generation, wealth creation, poverty reduction through job creation, and innovation (Ssempala, 2019; UBoS, 2020; UIA, 2020; Uwonda & Okello, 2015). However, extant studies indicate that over 90% of small and micro enterprises in Uganda fail before their first birthday (Mukhaye, 2020). The collapse of SMEs is due to poor financial performance (Kizito, 2017; Mukhaye, 2020).

Financial performance is the measurement of how a business entity has utilized its resources to generate revenues (Eton, Uwonda, Mwosi, Ogwal, & Obote, 2019; Nangih, Ofor, & Onuorah, 2020). Profit and sales growth are used to quantify financial performance (Niwemutoni, Mulyungi, & Jaya, 2018). According to Nuwatuhaire and Ainomugisha (2019) the success of any economy is determined by the profitability and sales growth of its SMEs, the financial performance of SMEs in Uganda is poor. The persistent low performance of SMEs is attributed to poor Record-keeping (Kihamaiso, Kansiime, Asiimwe, & Paddy, 2018)

Financial record keeping has become the foundation on which modern businesses thrive for growth and sustainability (Ademola, James, & Olore, 2012). Businesses are highly dependent on financial records kept in the books of accounts for instance, record-keeping gives substantial information about the financial strength and performance of an enterprise and therefore managers find those records useful in making decisions for the growth and development of the business (Salamatu & Muhammad, 2021). Despite the significance of Record-keeping, it remains a mystery as to how SMEs in Uganda are practicing Record-keeping. Some of the critical components of Record-keeping espoused in organizations include filing, retention and retrieval (Salamatu & Muhammad, 2021). In Uganda, the extant literature does not show how SMEs in Uganda practice Record-keeping and how such practices impact on their financial performance. Moreover, evidence elsewhere shows that Record-keeping has been positively related to performance of SMEs. For example, available literature suggests that the major problem facing SMEs is lack of or inadequate record-keeping which results into continuous low performance levels (Kihamaiso, Kansiime, Asiimwe, & Paddy, 2018). Evidence also shows that there is a high failure rate of SMEs which is unexplained which indeed merits investigation. This study therefore seeks to examine the effect that Record-keeping could have on financial performance

of SMEs in Mukono municipality. Specifically, the study was to assess the effect of record filling, retention and retrieval on financial performance of SMEs in Mukono municipality.

1.2 Statement of the Problem.

According to Eric and Gabriel (2012), the goal of record keeping is to help evaluate the past and present information so as to project for the future. This may help to know the growth of the business, the affairs of the business and the owner's affairs. However, despite the role of record keeping to business success, small and medium scale enterprises in Mukono municipality seem not to be growing as evidenced by lack of expansion of the scale of operations, low increase of the work force. It is also believed that the service sector, which is dominated by small and medium enterprises still contributes 2.8% to the GDP(Budget,2023) and has not been performing impressively to the extent that the rate of small and medium scale failure within the first five years after commencement of the business is very high. It was against this backdrop that the researcher wished to examine the kind of record keeping practices used by SMEs so as to determine how they are affecting their financial performance. This was done in reference to SMEs of Mukono municipality.

1.3 Purpose of the Study.

The aim of the study was to establish the effects of Record keeping on the financial performance of SMEs based in Mukono municipality.

1.4 Objectives of the Study.

The objectives of the study were as follows;

1. To establish the record keeping practices/components used by Small and Medium Enterprises in Mukono municipality.
2. To document the relationship between record keeping and financial performance of Small and Medium Enterprises.
3. To assess the effect of record keeping practices on the financial performance of SMEs in Mukono municipality.

1.5 Research Questions.

1. What are the record keeping practices used by Small and Medium Enterprises in Mukono Municipality?
2. What is the effect of record keeping on the financial performance of SMEs in Mukono municipality?
3. What is the relationship between record keeping and financial performance of Small and Medium Enterprises?

1.6 Scope of the Study.

1.6.1 Area Scope.

The study was conducted across most of the Small and Medium Enterprises in Mukono Municipality, central division.

1.6.2 Time Scope.

The study mainly focused on a period of five years from (2018-2023). This range of years was chosen because it was long enough to enable the researcher deliver a lot of information in relation to record keeping and financial performance of SMEs.

1.7 Significance of the Study.

The results of the study would be useful to government officials, policy makers and other small business policy makers in understanding the effect of record keeping to SMEs in Uganda.

The study findings would add on the existing literature on record keeping and financial performance of businesses which would help future researchers interested in researching on the same study variables.

The study findings would provide information in relation to the records management practices used by Small and Medium Enterprises in Mukono municipality. By doing this, SMEs in Uganda and Mukono municipality in particular would be able to understand the best practices of keeping and managing records for better financial performance.

According to the researcher, the findings of the study can be used by future researchers and some academicians on the same topic. In addition, the study will help the researcher to partially fulfill his or her requirements for the award of a Bachelor's degree.

1.8 Definition of Terms.

Financial Performance: Is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period.

Record Keeping: Is a systematic procedure, by which the records of an organization are created, captured, maintained, and disposed of. This system also ensures their preservation for evidential purposes, accurate and efficient updating, timely availability, and control of access to them only by authorized personnel.

Small and Medium Enterprises: SMEs are non-subsidiary independent firms which employ less than a given number of employees. This number varies across countries. The most frequent upper limit designating an SME is 250 employees, as in the European Union. However, some countries set the limit at 200 employees, while the United States consider SMEs to include firms with fewer than 500 employees.

Records Management: According to Millar, Roper, Stewart (2012), records management is the area of general administrative management concerned with achieving economy and efficiency in the creation, maintenance, use and disposal of the records of an organization throughout their entire life cycle and in making the information they contain available in support of the business of that organization.

CHAPTER TWO

LITERATURE REVIEW.

2.0 Introduction.

This chapter presented the nature of record keeping, the concept of Financial performance as well as the relationship between record keeping and financial performance of SMEs alongside record keeping practices/components and their effect on financial performance of SMEs.

2.1 Nature of Record Keeping.

Record keeping is essential to business management (Ademola, James, & Olore, 2012). Record keeping involves identification, classification, storage and protection, receipt and transmission, retention and disposal of records for preparation of financial statements. He also included that in record keeping, policies, systems, procedures, operations and personnel are required to administer the records. Record keeping plays a key role in management of knowledge necessary for good business performance. Modern organizations are concerned with the capture, use and storage of knowledge.

Accounting records include entries from day to day transactions of business for instance transactions in respect to receipts and expenditure. Records may include a list of organizational assets and liabilities. These help the enterprise to evaluate their performance in a particular period of time usually at the end of a financial period (Onaolapo & Adegbite, 2014). Proper record keeping provides evidence of how the transaction was handled and substantiates the steps that were taken in order to comply with business standards. Record keeping is the foundation on which a compliance program should be built upon measures should be put in place to capture the documentation and events that take place throughout a transaction commencing from delivery and payment (Ademola, James, & Olore, 2012)

Accounting records are important as they are sources of information and thus they must be numbered and stored properly for the purpose of record retrieval (Onaolapo & Adegbite, 2014). Crane (1997) defined record storage as the housing of records when whether semi-active or

inactive, must still be retained. He also pointed out that records should be stored in a well-built records center, the archives, commercial storage and the basement (Crane, 1997).

Record retrieval is defined as a system of removing records from their storage places (Reed, 2010). He stated that file arrangement should support the retrieval of records by either arranging them numerically or alphabetically so as to ease retrieval. Crane (1997) further explained that retrieval should be done by authorized personnel in a record center. He explained that accounting record documents should be arranged to ensure that files containing restricted information are accessible only to authorized personnel and officials. Best practices for successful record retention program should include; training and education, check lists to ensure inclusions of all required documentation prior to closing a file, paying attention to detail, documenting pertinent information relative to the transaction providing and obtaining instructions in writing, records maintained in an organized manner and stored in a designed area and written standard operating procedures addressing record retention (Reed 2010).

2.2 Financial Performance.

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues (Nangih, Ofor, & Onuorah, 2020). The term is also used as a general measure of a firm's overall financial health over a given period.

Financial performance is the measurement of how a business entity has utilized its resources to generate revenues (Nangih, Ofor, & Onuorah, 2020). The financial performance of business entities is determined by the financial statements of the business entities which are a collection of reports on the business financial results for a given period of time (Niwemutoni, Mulyungi, & Jaya, 2018). It refers to the ability to operate efficiently, make profit, survive and grow. According to Nuwatuhaire and Ainomugisha (2019), considered profitability also and return on assets as the key performance indicators which play a big part in explaining any business financial status. The financial performance has become an issue of common concern as it reflects its development condition (Eton, Uwonda, Mwosi, Ogwal, & Obote, 2019) reported that good financial performance is the precondition for the firms to achieve sustainability.

Financial performance analysis is the process of determining the operating and financial characteristics of a firm from accounting and financial statements (Mulajje, 2019). The goal of

such analysis is to determine the efficiency and performance of firm's management, as reflected in the financial records and reports. The analyst attempts to measure the firm's liquidity, profitability and other (Kizito, 2017) indicators that the business is conducted in a rational and normal way; ensuring enough returns to the shareholders to maintain at least its market value (Kihamaiso, Kansiime, Asiimwe, & Paddy, 2018). The ability of an organization to analyze its financial position is essential for improving its competitive position in the marketplace. Through a careful analysis of its financial performance, the organization can identify opportunities to improve performance of the department, unit or organizational level (Niwemutoni, Mulyungi, & Jaya, 2018).

2.3 Relationship between Record keeping and Financial Performance.

Several groups keep records if they are to perform coherently, efficiently, effectively and ensure profitability (Ozatambgo, 2015). Good financial records, can greatly improve many of the management decisions a business owner and or manager takes, including decisions about marketing, personnel, borrowing, pricing, inventory, and product development (Muchira, 2012). Such financial records include; income statement, statement of financial position (balance sheet), the statement of Cash flows, and the financial internal control system records that check the accuracy of company transactions (Ssekajugo, Tuyishime, & Kasenene, 2013) It is widely believed that record keeping has a significant impact on financial performance of a given business (Kihamaiso, Kansiime, Asiimwe, & Paddy, 2018). For instance, Onaolapo & Adegbite (2014) asserts that record keeping gives substantial information about the financial strength and current performance of an enterprise and therefore managers find those records useful in making decisions. Complementarily, Muchira (2013) emphasizes that good record keeping will make any business partner or investor more aware of what is going on in their businesses and it will save them money.

A study by Salamatu & Muhammad, (2021) indicated a positive relationship between record keeping and financial performance of Savings and Credit Cooperatives (SACCOs) in Nairobi County. Research by Onaolapo & Adegbite, (2014) revealed that about 60% of small businesses fail within the first three years due to management inefficiencies brought about by poor record keeping. This is in line with Ademola et al. (2012) whose study agrees that poor records can lead

to financial inefficiency of small and medium enterprises hence leading to poor organizational performance.

2.4 Record Keeping practices and their effect on financial performance.

As much as people try to deny it, office organization has a distinct link with productivity. The quicker an organization can locate a file or important legal document, the more productive it is (Peters, 2011). That does not, however, mean that employees have to be neat freaks in order to be productive. It simply means that an organization needs to learn more effective ways to handle its daily paper flow.

2.4.1 Record Retention.

Record retention refers to the duration for which records should be retained based on legal, regulatory, and business requirements. Every record will have its own lifespan. It's necessary to ensure that all retention and disposal schedules are correctly applied to each type of record generated. To make this as simple as possible, draw up a list of all the various records your business works with and set a clear process for each type. This should include which records need to be retained; the minimum period of retention as defined by UK law; the medium in which they are retained; the review process and frequency of review; how they should be destroyed; and who is responsible for a particular set of records. (Margaret Rouse 2014) argues Disposal of records does not always mean destruction. It can also include transfer to a historical archive, museum, or private individual. Destruction of records ought to be authorized by law, statute, regulation, or operating procedure, and the records should be disposed of with care to avoid inadvertent disclosure of information. The process needs to be well-documented, starting with a records retention schedule and policies and procedures that have been approved at the highest level. Proper record retention enables efficient and streamlined operations. Having organized and accessible records facilitates decision making, financial analysis and reporting leading to more accurate and timely financial information. This, in turn, can enhance financial performance by enabling better financial planning and budgeting.

2.4.2 Record Retrieval.

Records retrieval is a process of locating and removing a record or a file from the stored record and thus there are three retrieval systems that are being used. (Read and Ginn, 2015) further

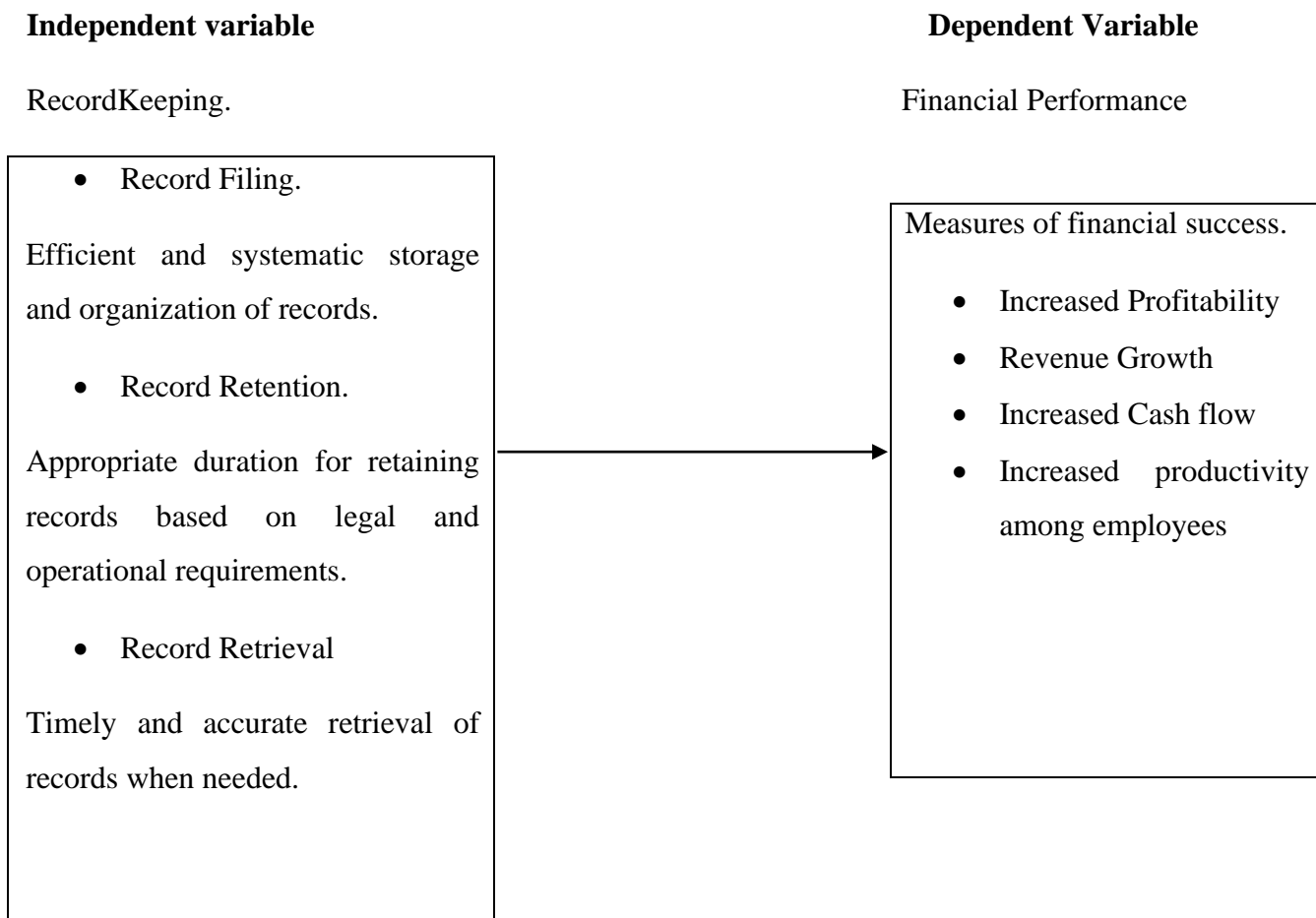
argue that the retrieval process is aimed at searching and finding records, it can be manually, electronically or electronically done. However good and effective retrieval depends on a number of factors some of which include records inspection, records coding, bar coding, underlining or circular subject headings, records cross referencing and records sorting therefore the organization should specify the retrieval roles of the data stored for example the accessibility that is the authorization and the confidential records should be identified clearly so that they are secured from unauthorized access (cox, 2014). Record retrieval improves operational efficiency and productivity. When records are properly organized and easily accessible, employees can quickly locate and retrieve the information they need, reducing the time spent searching for documents. This improves overall workflow efficiency, allowing employees to focus on more value added tasks. Increased efficiency translates into cost savings and improved financial performance.

2.4.3 Record Filing.

Record filing involves the systematic arrangement and organization of records to facilitate easy retrieval and maintenance. Different filing systems can be used such as alphabetical, numerical, chronological or subject based, depending on the enterprises needs and nature of records. Proper indexing and labeling of files are crucial for efficient record filing. By implementing this practice, SMEs can maintain an organized and efficient recording system, enabling them to locate and access records when necessary and support decision making there by improving financial performance.

Conceptual Framework.

Figure 1: showing conceptual framework



As illustrated in the figure above, record keeping was an independent variable that involved various record keeping practices used by Small and Medium Enterprises. On the other hand, the dependent variable was the financial performance of SMEs. In the conceptual framework, it shows that if the record keeping practices are managed and utilized properly, it should support reasonable financial performance among SMEs. In the framework, it is argued that effective record keeping would deliver higher level of firm growth among SMEs.

CHAPTER THREE

METHODOLOGY

3.0 Introduction.

This chapter focuses on the description of the methods used in the study, upon which findings and interpretation and conclusions in the subsequent chapter will be based. It specifies the research design, study population, sample size, sampling methods, data collection methods and instruments, procedure for data collection, validity and reliability, data management and analysis, measurement of variables, ethical considerations and limitations of the study.

3.1 Research Design.

A cross sectional research design was used to get both qualitative and quantitative data from SMEs. The researcher also used descriptive and correlation design. Descriptive design was used because it enables the researcher to obtain information that can describe the nature of Record keeping and financial performance of SMEs while correlation research design was used to examine the association between Record-keeping and financial performance of SMEs. The study adopted a quantitative approach because it enables the researcher to measure responses and describe the phenomenon in numerical terms.

3.2 Area of Study.

The study was carried out in Uganda in Mukono municipality, central division located in Mukono district.

3.3 Study Population.

The study population was 102 respondents. This comprised of professional services, catering services, Boutiques, motor garages, saloons, retail shops among others in Mukono municipality. These are selected for the study because they have experience, knowledge of the business and access to the relevant data required for the study. Given the nature of the respondents (SMEs), only respondents in the service sector SMEs within Mukono municipality were considered.

3.4 Sample Size.

The study used a sample size of 80 SMEs in the service sector determined using Krejcie and Morgan (1970) table for determining samples from a given population. The respondents were only 50

3.5 Sampling Method.

For the purposes of this study, probability sampling techniques was used. In particular, the researcher used simple random sampling to select SMEs operators in the service sector within Mukono municipality by dividing the service business (population) into non-overlapping groups called strata which shall include retail shops, catering services, professional services, saloons, pharmacies among others. This improves generalizability since each group was represented in the sample. Thereafter, simple random sampling procedure was used in the selection of pharmacies, motor spares and garages, Catering and hotel services. This gave all members of this service businesses an equal chance of being selected.

3.6 Data Collection Instruments.

A questionnaire was used to collect primary quantitative data. It contains questions about the research problem under investigation based on objectives of the study. The aim of the questionnaire is to gather information from respondents (McLeod, 2018; Amin, Social Research Conception "Methodology and Analysis, 2005). In this study a structured questionnaire was used as the main instrument of quantitative data collection from the selected SMEs Operators in Mukono municipality, central division. The questionnaire was structured in such a way that respondents were able to complete it with little supervision hence self-administered. To measure variables, these questions were constructed using a five-point Likert-type scale of 5 "Strongly Disagree", 4 "Disagree", 3 "Not Sure", 2 "Agree" and 1 "Strongly Agree" (Cooper and Schindler,

2008). The scale was used because it offers multiple choices so the respondents simply had to select answers from the already predetermined feedback. The researcher personally distributed the questionnaire to improve on data accuracy and to minimize suspicion among respondents.

3.7 Data Analysis.

Completed questionnaires were edited, coded, and entered into and categorized into themes and analyzed using SPSS for Windows with the aim of generating descriptive statistics on each of the three and one construct under independent and dependent variable respectively. Bivariate analysis in form of Pearson's product moment correlation was used to show the direction and strength of the relationship between each dimension of Record-keeping and financial performance. Regression analysis was also used to test the effect each construct of Record-keeping on financial performance. In testing the significance of the model, adjusted R² was used to measure the extent to which the variation in financial performance explained each construct of Record-keeping. F-statistics was computed at 95% confidence level to test whether there was significant relationship between Record keeping and financial performance.

3.8 Limitations of the Study.

Financial constraints. Financing the research study was too costly in terms of transportation costs since I needed to reach the different respondents at their various stations and premises as well as return to the university for classes and other duties.

Limited time. Inadequate time frame required for a detailed research study and yet comprehensive research study requires a great time to collect, analyze and process information into data needed for the study.

CHAPTER FOUR

ANALYSIS, PRESENTATION AND DISCUSSION OF FINDINGS

4.0 Introduction.

This chapter presents findings from the study conducted in Mukono municipality, central division on record keeping practices and financial performance of Small and Medium Enterprises, the analysis is presented in a chronological order of the research questions which were the guiding fabric of the entire research process.

4.1 Response rate.

The sample of the study consisted of 80 respondents obtained from a total population (N) of 102 respondents. The study targeted 80 respondents among whom self-administered questionnaires were distributed, out of 80 respondents, 50 were filled and returned yielding a response rate of 62.5%. The response rate was considered sufficient because according to Mugenda and Mugenda (2009), any response rate above 50% is considered adequate for analysis and reporting, while 60% is rated good and any response rate over 70% is considered to be an excellent response thus the response here is good enough. The good response is attributed to the researcher's patience while dealing with respondents. The response is shown in the table below.

Table 1: Response Rate

| S/n | Response | Frequency | Percentage |
|------------|----------------------|------------------|-------------------|
| 1 | Responded | 50 | 62.5 |
| 2 | Not Responded | 30 | 37.5 |
| | Total | 80 | 100 |

Source: primary data (2023)

4.2 Characteristics of the respondents

This section presents the findings on the various characteristics of the respondents. These characteristics of respondents include gender, age of respondent, marital status, qualifications, type of business, period spent in business. with regards to the respondent gender, the male respondents dominated the study at 30(60%) while female were at 20(40%) implying that there are more male employed in the SMEs service sector than the female.

Table 2: Demographic characteristics of the respondents.

| Items | Response | Frequency | Percentage% |
|-----------------------|---------------------|------------------|--------------------|
| Gender | Male | 30 | 60 |
| | Female | 20 | 40 |
| Age Bracket | 18 – 35 | 25 | 50 |
| | 36 – 48 | 18 | 36 |
| | 49 + | 7 | 14 |
| Marital status | Single | 35 | 70 |
| | Married | 12 | 24 |
| | Widowed | 2 | 4 |
| | Divorced | 1 | 2 |
| Education | No Education | 0 | 0 |
| | Primary | 5 | 10 |
| | Secondary | 10 | 20 |

| | | | |
|---------------------------------|------------------------------|-----------|-----------|
| | Tertiary/University | 35 | 70 |
| Service sector category | Retail shop | 12 | 24 |
| | Professional services | 3 | 6 |
| | Secretarial services | 2 | 4 |
| | Motor Garage | 3 | 6 |
| | Gym | 1 | 2 |
| | Hotel/Restaurant/bar | 14 | 28 |
| | Saloon | 2 | 4 |
| | Boutique | 3 | 6 |
| | Pharmacy/clinic | 5 | 10 |
| | Mobile Money agencies | 2 | 4 |
| | Whole sale shop | 1 | 2 |
| | Butchery | 2 | 4 |
| Period spent in business | Less than 1 year | 0 | 0 |
| | 1 – 4 years | 21 | 42 |
| | 5 – 9 years | 28 | 56 |
| | 10 years and above | 1 | 2 |

| | | | |
|---------------------|-----------------------------|-----------|------------|
| Record Types | Accounting Records | 31 | 62 |
| | Bank statements | 10 | 20 |
| | Legal documents | 5 | 10 |
| | Permits and Licenses | 3 | 6 |
| | Insurance documents | 1 | 2 |
| TOTAL | | 50 | 100 |

Sources: Primary data

The findings in the table above revealed the age range of the respondents, it was noted that 50% of the respondents were between 18 – 35 years, this was then followed by 36% who were between the age of 36-48 years, while only 14% of the respondents were 49 years and above, this implies that all age groups took part in the study but the majority were less than 35 years, hence providing relevant Information on the topic of study.

The findings in the table above showed that 70% of the respondents were single followed by 24% who were married while 4% of the respondents were widowed and only 2% were divorced or separated, this indicates that the biggest percentage of business owners are single hence being able to provide relevant information on the topic of study.

With regard to the level of education of the respondents, it was noted that 70% had completed university, then this was followed by 20% who had completed secondary, 10% were primary level, this implies that the respondents were of good academic qualification with the ability to understand and respond to the survey questionnaire. The responses given can be relied upon since they came from respondents with good qualifications.

Respondents were selected from different businesses for example majority of the respondents were from restaurants/ hotels services (28%), 24% of respondents from retail shops and the least in terms of respondents came from Gym and Wholesale shop at 2% respectively. The majority of the SMEs are managed by individuals, easing decision making.

The results in the table above revealed that 56% of the businesses surveyed have been in establishment for less than 9 years, 21 (42%) of the businesses have been in existence between 1 to 4 years within the study area, none of the businesses have been there for less than 1 year and only 1 (2%) of the businesses has been in existence for more than 10 years. This indicates that respondents have experience in proper record keeping practices.

The findings above revealed that 31(62%) respondents kept accounting records/statements, 10(20%) bank statements, followed by 5(10%) who kept legal records and the least respondents kept permits and licenses at 6% and lastly 2% kept insurance documents, this implied that accounting records were most important for majority of the businesses and they were the most required instruments concerning this topic of the study because they tell the financial performance of the business. Without accounting records, many businesses cannot operate.

4.3 Descriptive statistics.

Record Keeping Practices

4.3.1 Record Filing.

Descriptive statistics encompasses the use of mean and standard deviation. The respondents were asked various questions on issues surrounding record filing in SMEs businesses as to whether the record filing process is clear and easy to understand, SMEs encounter difficulties or obstacles when filing out records, whether SMEs often access or retrieve records from the filing system, SMEs uses a certain criterion to determine how records should be filed or categorized, whether there are specific rules or regulations the SME must follow when filing records and lastly whether SMEs would like to see improvements in the current record filing process. The responses on each of these items are presented in table 3.

Table 3: Descriptive statistics for Record Filing

| | Strongly Agree | | Agree | | Neutral | | Strongly Disagree | | Disagree | |
|---|----------------|-------|-------|-------|---------|-------|-------------------|-------|----------|-------|
| | Freq | % age | Freq | % age | Freq | % age | Freq | % age | Freq | % age |
| The record filing process is clear and easy to understand | 25 | 50% | 10 | 20% | 5 | 10% | 5 | 10% | 5 | 10% |
| SME encounters difficulties or obstacles when filing out records | 2 | 4% | 10 | 20% | 35 | 70% | 1 | 2% | 2 | 4% |
| SME often accesses or retrieves records from the filing system | 10 | 20% | 10 | 20% | 15 | 30% | 5 | 10% | 3 | 6% |
| SME uses a certain criteria to determine how records should be filed or categorized | 10 | 20% | 5 | 10% | 25 | 50% | 4 | 8% | 6 | 12% |
| There are specific rules or regulations SME must follow when filing records | 10 | 20% | 16 | 32% | 12 | 24% | 5 | 10% | 7 | 14% |
| SME would like to see improvements in the current filing process | 34 | 68% | 11 | 22% | 5 | 10% | 0 | 0 | 0 | 0 |

Scale: 1 strongly disagree, 2 Disagree, 3 Neutral, 4 Agree, 5 Strongly Agree.

| Table 3: Descriptive statistics for Record Filing | | |
|---|-------------|---------------------------|
| | Mean | Standard deviation |
| The record filing process is clear and easy to understand | 3.90 | 3.63 |
| SME encounters difficulties or obstacles when filing out records | 3.20 | 2.73 |
| SME often accesses or retrieves records from the filing system | 2.92 | 2.88 |
| SME uses a certain criteria to determine how records should be filed or categorized | 3.22 | 2.91 |
| There are specific rules or regulations SME must follow when filing records | 3.38 | 3.09 |
| SME would like to see improvements in the current filing process | 4.58 | 4.10 |

Source: Primary data

As illustrated in the table 3 above, the respondents were asked to rank their level of agreement to statements concerning record keeping practices used by SMEs. Results from analysis of their responses showed positive means ranging from 2.92 to 4.58 with standard deviation between 2.73 to 4.10. The statement “SME would like to see improvements in the current filing process” had the highest mean (4.58) followed by “the record filing process is clear and easy to

understand” (3.90); while the statement “SME often accesses or retrieves records from the filing system” had the least mean (2.92), this can be advocated to the fact that very few respondents answered that particular objective; out of 50 respondents, only 43 respondents provided data concerning this statement.

4.3.2 Record Retention

The respondents were asked various questions on issues surrounding record retention in SMEs businesses, as to whether Record retention policies in the SME are clearly communicated and understood, whether record retention policies align with industry best practices and legal regulations, SME provides training and resources to employees regarding record retention policies, whether there is a documented process for disposing of records once their retention period has expired, if there is a designated team or individual responsible for overseeing record retention activities and lastly whether stored records are always well preserved for future use. The responses on each of these items are presented in table 4.

| Table 4: Descriptive statistics for record retention | | | | | | | |
|---|---------------|-------------|-------------|-------------|--------------|-------------|---------------------------|
| | SA (5) | A(4) | N(3) | D(2) | SD(1) | Mean | Standard deviation |
| Record retention policies in the SME are clearly communicated and understood | 25 50% | 10 20% | 12 24% | 2 4% | 1 2% | 4.12 | 3.73 |
| The record retention policies in SMEs align with industry best practices and legal regulations. | 8 16% | 5 10% | 27 54% | 4 8% | 6 12% | 3.70 | 2.68 |
| SMEs provide training and resources to employees regarding record retention practices | 30 60% | 11 22% | 5 10% | 2 4% | 2 4% | 4.30 | 3.91 |
| There is a documented process for disposing of records once their retention period has expired | 15 30% | 19 38% | 10 20% | 4 8% | 2 4% | 3.82 | 3.45 |
| There is a designated team or individual responsible for overseeing record retention activities | 17 34% | 5 10% | 23 46% | 5 10% | 0 0 | 3.68 | 3.31 |
| The stored records are always well preserved for future use | 37 74% | 11 22% | 2 4% | 0 0 | 0 0 | 4.70 | 4.20 |

Source: primary data

As illustrated in table 4 above, the respondents were asked to rank their level of agreement to statements concerning the record keeping practice, record retention. Results from analysis of

their responses showed positive means ranging from 3.68 to 4.70 with standard deviation between 2.68 to 4.20. The statement “The stored records are always well preserved for future use” had the highest mean of 4.70 followed by “SMEs provide training and resources to employees regarding record retention practices” which had a mean of 4.30 and “Record retention policies in the SME are clearly communicated and understood at 4.12. “There is a designated team or individual responsible for overseeing record retention activities” had the least mean of 3.68

4.3.3 Record Retrieval.

Descriptive statistics encompasses the use of mean and standard deviation. The respondents were asked various questions on issues surrounding record retrieval in SMEs businesses, as to whether proper records control has allowed consistent retrieval of the requested records, whether there is improved speed of records retrieval at SMEs, Enhanced records retrieval allows time to staff to concentrate on other activities, whether proper records retrieval has improved financial performance of SMEs, if records retrieval has been following set standard procedures in the SMEs, proper records retrieval has enhanced locating and removing of records from storage and lastly does the record retrieval process minimize errors and duplicates in the retrieved records. The responses on each of these items are presented in table 5.

Table 5: Descriptive statistics for record retrieval

| | SA (5) | A(4) | N(3) | D(2) | SD(1) | Mean | Stand ard devia tion |
|---|-----------|-----------|-----------|----------|---------|------|-------------------------------|
| Proper records control has allowed consistent retrieval of the requested records | 34 68% | 10 20% | 4 8% | 2 4% | 0 0 | 4.52 | 4.07 |
| There is improved speed of records retrieval at SMEs | 11 22% | 8 16% | 24 48% | 6 12% | 1 2% | 3.44 | 3.07 |
| Enhanced records retrieval allows time to staff to concentrate on other activities | 30 60% | 12 24% | 7 14% | 1 2% | 0 0 | 4.42 | 3.97 |
| Proper records retrieval has improved financial performance of SME | 13 26% | 8 16% | 26 52% | 3 6% | 0 0 | 3.62 | 3.22 |
| Records retrieval has been following set standard procedures in the SME | 5 10% | 14 28% | 26 52% | 5 10% | 0 0 | 3.38 | 2.95 |
| Proper records retrieval has enhanced locating and removing of records from storage | 32 64% | 16 32% | 2 4% | 0 0 | 0 0 | 4.60 | 4.11 |
| The record retrieval process minimizes errors and duplicates in the retrieved records | 5 10% | 12 24% | 22 44% | 9 18% | 2 4% | 3.18 | 2.81 |

Source: primary data

As illustrated in table 5 above, the respondents were asked to rank their level of agreement to statements concerning the record keeping practice, record retrieval. Results from analysis of their responses showed positive means ranging from 3.18 to 4.60 with standard deviation between 2.81 to 4.11. The statement “Proper records retrieval has enhanced locating and removing of records from storage” had the highest mean of 4.60 followed by “Proper records control has allowed consistent retrieval of the requested records” which had a mean of 4.52 and “Enhanced records retrieval allows time to staff to concentrate on other activities at 4.42. “The record retrieval process minimizes errors and duplicates in the retrieved records” had the least mean of 3.18

4.3.4 Financial Performance

Descriptive statistics encompasses the use of mean and standard deviation. The respondents were asked various questions on issues surrounding record retrieval in SMEs businesses, as to whether SME has been able to make considerable profits in the last three years/has a healthy profit margin, whether SMEs revenue growth has been satisfactory, SME has received large profits due to proper management skills, whether SME has maintained a positive cash flow, if record keeping practices have helped SMEs get capital for their businesses, whether SME has been able to meet its financial obligations on time, SME effectively manages its operating expenses to optimize profitability and lastly increased total sales have led to increased revenue hence financial performance of SME. The responses on each of these items are presented in table 6.

| Table 6: Descriptive statistics for Financial Performance | | | | | | | |
|---|---------------|-------------|-------------|-------------|--------------|-------------|---------------------------|
| | SA (5) | A(4) | N(3) | D(2) | SD(1) | Mean | Standard deviation |
| SME has been able to make considerable profits in the last three years/ has a healthy profit margin | 40 80% | 4 8% | 4 8% | 2 4% | 0 0 | 4.64 | 4.19 |

| | | | | | | | |
|--|-----------|-----------|-----------|----------|---------|------|------|
| SME's revenue growth has been satisfactory | 10 20% | 23 46% | 14 28% | 3 6% | 0 0 | 3.80 | 3.36 |
| SME has received large profits due to proper management skills | 13 26% | 12 24% | 19 38% | 3 6% | 3 6% | 3.58 | 3.24 |
| SME has maintained a positive cash flow | 13 26% | 27 54% | 9 18% | 1 2% | 0 0 | 4.04 | 3.58 |
| Record keeping has helped SME to get capital for its business | 5 10% | 10 20% | 30 60% | 5 10% | 0 0 | 3.30 | 2.86 |
| SME has been able to meet its financial obligations on time | 7 14% | 27 54% | 16 32% | 0 0 | 0 0 | 3.82 | 3.35 |
| SME effectively manages its operating expenses to optimize profitability | 36 72% | 4 8% | 7 14% | 3 6% | 0 0 | 4.46 | 4.04 |
| Increased total sales have led to increased revenue hence financial performance of SME | 38 76% | 12 24% | 0 0 | 0 0 | 0 0 | 4.76 | 4.25 |

Source: primary data

As illustrated in table 6 above, the respondents agreed that SMEs have been able to make considerable profits in the last three years (mean = 4.64, std. dev. 4.19), SMEs revenue growth has been satisfactory and respondents are neutral (mean = 3.80, std. dev. 3.36), SMEs have received large profits due to proper management skills (mean = 3.58, std. dev. 3.24), SMEs have maintained a positive cash flow (mean = 4.04 , std. dev. 3.58), Record keeping has helped SMEs get capital for business (mean = 3.30, std. dev. 2.86), SMEs have been able to meet their

financial obligations on time (mean= 3.82, std. dev. 3.35), SME effectively manages its operating expenses to optimize profitability (mean= 4.46, std. dev. 4.04)and Increased total sales have led to increased revenue hence financial performance of SMEs (mean = 4.76, std. dev. 4.25). Based on the scale 1 to 5, most of the responses were neutral with the statements on Financial Performance

4.4 Relationship between variables

In order to ascertain the effect of Record keeping (record filing, record retention, record retrieval) on financial performance, a correlation was first performed to assess whether there exists a relationship between these record keeping practices on financial performance in SMEs and how significant this relationship was. Correlation provides a simple tool for examination of the relationship between two variables. The results of bivariate correlation are summarized in the table below.

Table 7: Bivariate correlation between record filing, record retention, record retrieval and Financial performance in SMEs.

| Correlations | | | | | |
|-----------------------|---------------------|---------------|------------------|------------------|-----------------------|
| | | Record Filing | Record Retention | Record Retrieval | Financial Performance |
| Record Filing | Pearson Correlation | 1 | | | |
| | Sig. (2-tailed) | | | | |
| Record Retention | Pearson Correlation | .233 | | | |
| | Sig. (2-tailed) | .982 | | | |
| Record Retrieval | Pearson Correlation | .362 | .452 | | |
| | Sig. (2-tailed) | .756 | .567 | | |
| Financial Performance | Pearson Correlation | .578 | .768** | .725** | |
| | Sig. (2-tailed) | .042 | .038 | .048 | |

** . Correlation is significant at the 0.01 level (2-tailed).

In accordance with the correlation matrix represented in table 7, record filing, record retention, record retrieval have a significant relationship with financial performance at 5% levels ($r = .578^*$, $P < 0.05$; $r = .768^*$, $P < 0.05$ and $r = .725^*$, $P < 0.05$) respectively. Therefore, there is a

significant positive relationship between record keeping practices and financial performance of Small and Medium enterprises in Mukono Municipality, Central division.

4.5 Effect of Record keeping practices on Financial performance of SMEs.

The regression Analysis was also carried out to test the effect of record keeping practices on financial performance of SMEs. The results of the regression are shown in table 8.

Table 8: Regression coefficients for Record keeping practices and financial performance.

| Model | B | Std. Error | t | t Sig |
|---|-------|------------|-------|-------|
| (Constant) | 5.447 | .632 | 6.433 | .000 |
| Record Filing | .334 | .243 | 1.432 | .034 |
| 1 Record Retention | .589 | .154 | 1.043 | .046 |
| Record Retrieval | .526 | .164 | 1.234 | .048 |
| Adjusted R ² – 0.648 F value - 3.543 (P= 0.05) | | | | |

As shown in Table 8, Record Filing, Record retention and record retrieval have a significant influence on financial performance at 0.05 levels ($\beta=.334$, $P<0.05$; $\beta=.589$, $P<0.05$ and $\beta=.526$, $P<0.05$) respectively. Therefore, it can be concluded that record keeping practices have a significant positive influence on financial performance. This finding is collaborated with previous study of Onaolapo and Adegbite (2014).

Since the adjusted R² Value for record keeping practices and financial performance is 0.648. This represents that 64.8 % percent of the variance in financial performance is explained by record keeping practices such as record filing, record retention and record retrieval and the remaining 35.2% of the variance is not depicted in this model. As F value is 3.543 ($P=0.05$) in this analysis the regression model is more applicable for this study.

CHAPTER FIVE

DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.0 DISCUSSION OF FINDINGS.

Findings revealed that there is a significant correlation between record filing and financial performance of SMEs in Mukono municipality ($r = .578$, $p < 0.05$), there is a strong significant correlation between record retention and financial performance SMEs ($r = .768$, $p < 0.05$) and that there is a strong significant correlation between record retrieval and financial performance SMEs ($r = .725$, $p < 0.05$). The implication is that since all the construct of Record-keeping (record filing, record retention and record retrieval) have relationship with financial performance, therefore, it can be argued that there a relationship between Record-keeping and financial performance of SMEs. This finding is in agreement with a study by Salamatu & Muhammad, (2021) indicated a positive relationship between record keeping and financial performance of Savings and Credit Cooperatives (SACCOs) in Nairobi County.

On the effect of Record keeping on financial performance, the study revealed that 64.8% of the variation in financial performance can be explained by record keeping practices of record filing, record retention and record retrieval. It can therefore be argued that good record keeping has positive effect on financial performance of SMEs. Several groups keep records if they are to perform coherently, efficiently, effectively and ensure profitability (Ozatambgo, 2015). It is widely believed that record keeping has a significant impact on financial performance of a given business (Kihamaiso, Kansiime, Asiiimwe, & Paddy, 2018). For instance, Onaolapo & Adegbite (2014) asserts that good Record-keeping gives substantial information about the financial strength and current performance of an enterprise and therefore managers find those records useful in making decisions and this is in line with Ademola et al. (2012) whose study agrees that poor records can lead to financial inefficiency of small and medium enterprises hence leading to poor organizational performance.

5.1 CONCLUSIONS.

The study was meant to examine the effect that Recordkeeping could have on financial performance of SMEs. Specifically, the study was to assess the effect of record filling, retention

and retrieval on financial performance of SMEs in Mukono municipality. The findings revealed that 64.8% of the variation in financial performance can be explained by effectiveness in record keeping practices. The study therefore concludes that Record-keeping has an effect on financial performance of SMEs.

5.2 RECOMMENDATION

The study recommends proper record filing, retention and retrieval in order to improve financial performance of SMEs. For proper Record-keeping to be achieved in SMEs, there should be training of staff on record filing, record retention and record retrieval in order to ensure complete and accurate records are filed, retained and retrieved for decision making purposes. Alternatively, SMEs can ensure proper records filed, retained and retrieved by hiring skilled and knowledgeable record keepers.

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APPENDIX: QUESTIONNAIRE

Dear Respondent,

I am Namara charity Gloria, a student of Uganda Christian University offering a Bachelor in Business Administration. I am carrying out my research on “record keeping practices and financial performance of Small and Medium Enterprises in Mukono municipality”. This is part of the requirement for the award of Bachelor in Business administration for the above university. I kindly request you to provide me with the necessary information since you have been identified as one of the resourceful persons for this study and whatever information given will only be used for academic purposes and will be treated with a lot of confidentiality.

Thankyou in advance.

Section A: Bio- Data (this section is to be answered by ticking in the appropriate box)

1. Gender of the respondent

i. Male

ii. Female

2. Age of the respondent

i. Below 18 years

ii. 18- 35 years

iii. 36- 48 years

iv. 49 years and above

3. Marital Status

i. Single

ii. Married

iii. Widowed

iv. Divorced/ separated

4. Highest level of Education attained

- i. No education
- ii. Primary
- iii. Secondary
- iv. Tertiary/ university

5. Type of Business

- i. Retail shop
- ii. Wholesale shop
- iii. Boutique/clothes and shoes
- iv. Saloon
- v. Mobile money agency
- vi. Professional services
- vii. Pharmacy/ clinic
- viii. Secretarial services
- ix. Motor garage
- x. Hotel/restaurant/bar/lodge
- xi. Butchery
- xii. Gym
- xiii. Any other

6. Period spent in business.

- i. Less than 1 year
- ii. 1- 4 years

iii. 5- 9 years

iv. 10 years and above

Section B: Record Keeping Practices used by Small and Medium Scale Enterprises in Mukono municipality.

7. Do you keep records in your business?

i. Yes

ii. No

8. If yes, which of the following types of records do you keep in your business?

| Record type | Yes | No |
|----------------------|------------|-----------|
| Accounting Records | | |
| Bank statements | | |
| Legal documents | | |
| Permits and Licenses | | |
| Insurance documents | | |
| Any other (specify) | | |

9. Which of the following record keeping practices do you use in your business?

Questionnaire guide: Strongly Disagree (SD), Disagree (D), Neutral (N), Agree (A), Strongly Agree (SA).

| S/No | STATEMENTS | SD | D | N | A | SA |
|-------------|--|-----------|----------|----------|----------|-----------|
| | Record filling | | | | | |
| 1 | The record filling process is clear and easy to understand | | | | | |
| 2 | SME encounters difficulties or obstacles when filing out records | | | | | |
| 3 | SME often accesses or retrieve records from the filing system | | | | | |

| | | | | | | |
|----|---|--|--|--|--|--|
| 4 | SME uses a certain criteria to determine how records should be filed or categorized | | | | | |
| 5 | There are specific regulations or regulations you SME must follow when filing records | | | | | |
| 6 | SME would like to see improvements in the current record filing process | | | | | |
| | Record Retention | | | | | |
| 7 | Record retention policies in the SME are clearly communicated and understood | | | | | |
| 8 | The record retention policies in SME align with industry best practices and legal regulations. | | | | | |
| 9 | SME provides training and resources to employees regarding record retention practices | | | | | |
| 10 | There is a documented process for disposing of records once their retention period has expired | | | | | |
| 11 | There is a designated team or individual responsible for overseeing record retention activities | | | | | |
| 12 | The stored records are always well preserved for future use | | | | | |
| | Record Retrieval | | | | | |
| 14 | Proper records control has allowed consistent retrieval of the requested records | | | | | |
| 15 | There is improved speed of records retrieval at SMEs | | | | | |
| 16 | Enhanced records retrieval allows time to staff to concentrate on other activities | | | | | |
| 17 | Proper records retrieval has improved financial performance of SME | | | | | |
| 18 | Records retrieval has been following set standard procedures in the SME | | | | | |
| 19 | Proper records retrieval has enhanced locating and removing of records from storage | | | | | |

| | | | | | | |
|-----------|---|--|--|--|--|--|
| 20 | The record retrieval process minimizes errors and duplicates in the retrieved records | | | | | |
|-----------|---|--|--|--|--|--|

SECTION C: The financial performance of business Enterprises in Mukono Municipality.

10. What has been the trend in financial performance of your business for the last five years?

| S/No | Financial Performance | SD | D | N | A | SA |
|-------------|---|-----------|----------|----------|----------|-----------|
| 21 | SME has been able to make considerable profits in the last three years/ has a healthy profit margin | | | | | |
| 22 | SME's revenue growth has been satisfactory | | | | | |
| 23 | SME has received large profits due to proper management skills | | | | | |
| 24 | SME has maintained a positive cash flow | | | | | |
| 25 | Record keeping has helped SME to get capital for its business | | | | | |
| 26 | SME has been able to meet its financial obligations on time | | | | | |
| 27 | SME effectively manages its operating expenses to optimize profitability | | | | | |
| 30 | Increased total sales have led to increased revenue hence financial performance of SME | | | | | |

Thank you for participating in this questionnaire! Your responses will help in understanding record-keeping practices and the financial performance of SMEs.