IMPACT OF ACCOUNTING RECORDS KEEPING ON THE FINANCIAL PERFORMANCE OF SMALL SCALE ENTERPRISES :A CASE STUDY OF SELECTED SMES IN MUKONO DISTRICT

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UGANDA CHRISTIAN UNIVERSITY
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DECLARATION

I Namugumya Kirabo Stellah hereby declare that this dissertation is my original work that has been gathered and compiled from my personal exposure and has not been submitted for any award in this university or any other institution thus the information obtained is true to the best of my knowledge

Name of student: ....NAMUGUMYA KIRABO STELLAH......

Signature: ....

Date: ....27th August, 2024......................................

APPROVAL

This is to certify that is Research Dissertation titled "The Impact of Accounting Record Keeping in the Financial Performance of Small Scale Enterprises: A Case Study of Selected SSEs in Mukono District" has been done under my supervision and submitted for examination by my approval.

Signature……………………………………Date…27/8/2024……

MR. ALEX AHABWE

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EXECUTIVE SUMMARY

This research dissertation gives an experience I had during my research period at Uganda Christian University. The executive summary gives a summary of what the dissertation is all about.

Chapter one of the research dissertation generally shows the introduction of the study, the background of the study, problem statement, objectives, and scope of the study and the significance of the study.

chapter two mainly looks at the literature review where it focuses on the introduction, overview of the main concepts, empirical review of the specific objectives in detail i.e. the most common accounting record practices used by small scale enterprises, the most common accounting record challenges faced by small scale enterprises and the relationship between the accounting record keeping and financial performance of small scale enterprises in Mukono district.

Chapter three looks at the research methodology where it introduces it. It also looks at the research design, population of the study, data sources, research instruments i.e. questionnaires, interviews and observations then also continues to look at the measurement of variables, data collection procedures, ethical consideration and then limitation of the study.

Chapter four then talks about presentation analysis and interpretation of the results obtained from the respondents during the study. It goes ahead to introduce it then talks about the profile of the respondents i.e. age, gender.

Lastly, chapter five gives the summary on each objectives, conclusion and then recommendations. My remarks on the finding are given in the conclusion I also gave recommendations how to overcome and improve on the identified problem in the study.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter presents the background to the study, statement of the problem, objectives of the study and research questions. It will further highlight the scope of the study and significance of the study.

1.1 Background of the study

Small and medium-sized businesses are being widely acknowledged as viable forces behind economic expansion. Their influence on the creation of jobs is enormous. Unfortunately, a number of these businesses fail to live up to expectations because of inadequate accounting structure-related bad management (Olatunji, 2013).

No matter the size of the company, having a strong internal control and accounting system is essential. Because of the inadequate internal controls, professional accountants have found small-business audits to be concerning. Small and medium-sized businesses rarely give sound accounting much thought, with the exception of legal requirements. However, the efficacy and sufficiency of accounting procedures have led to the eventual failure of numerous small and medium-sized businesses (Mukaila and Adeyami, 2011).

The distinctive characteristics of small and medium-sized businesses necessitate careful thought when designing an accounting system (Olantunji, 2013). Peacock (2010) contends that small and medium-sized enterprises' (SMEs') inability to control cash flows leads to illiquidity and, ultimately, the SMEs' death. He promoted hiring a professional accountant who can help with strategic response planning in a fast-paced, cutthroat corporate climate. These tiny businesses require assistance in order to mature and fulfil their intended goals.

Accounting systems process information from transactions and data to give users the knowledge they need to manage, plan, and run their businesses. According to this definition, accounting information systems are instruments that support management in organizing and regulating procedures by offering pertinent and trustworthy data for making decisions (Romney & Steinbart, 2000). Accounting system functions go beyond this conventional view and can also be utilized as a management mechanism, such as budgeting. They are not only for the purpose of providing financial reports.

Realizing every benefit of the system is absolutely necessary for its full acceptance. Numerous research' findings demonstrate that financial accounting for SMEs has continued to be the managers' primary information source. The issue of low accounting system acceptance can be linked to the original goal of information technology (IT) adoption, which was mainly to replace the manual accounting process. This goal has now impeded future usage and research into the advantages of the system (Mauldin & Ruchala, 2018). According to Marriot and Marriot (2010), there are significant differences in financial literacy among SMEs, and computers are not always used to their maximum potential when preparing management information.

1.1.1 Accounting Records

Romney (2013) defined record keeping systems as set of components that collects, records, classifies, analyses, and processes and summarizes business transactions in the books of accounts. A system should be simple to use, easy to understand, reliable, accurate consistent and designed to provide information on a timely basis.

Parker (2012) states that in order to prepare financial statements, records must be identified, categorized, stored and protected, received and transmitted, retained, and disposed of. He goes on to say that maintaining records also entails the operations, staff, systems, rules, and procedures needed to manage records. According to Mc Lean (2011), effective record management aids in maintaining regulatory compliance, reducing operating expenses by limiting the growth and generation of documents, and assimilating new records management technologies. Among the primary issues with SMEs' financial management concerns are inadequate record keeping, ineffective use of accounting information to support financial decision-making, and low quality and dependability of financial data (Karunananda and Jayamaha, 2011).

The output of an accounting system is accounting records. An effective, well-organized system for supplying precise financial data and controls is the accounting system. Accounting systems display the books, documents, files, vouchers, and related supporting data that are the outcome of using an accounting procedure that complies with internal administration guidelines and legal criteria

(Olatunji, 2013). Generally Accepted Accounting Principles must be followed by accounting systems (GAAP). Any occurrence that affects the organization's finances in a predictable way has to be recorded as an accounting transaction under GAAP. Single entries and often incomplete data are present in small enterprises' books since most of them cannot afford the complexity of an intricate accounting system (Wood, 2010).

In addition to systematic record keeping of business transactions, which at the end of the period keeps the owner well informed about the performance of the business, the establishment and application of controls by the owners or management are critical components of a business enterprise's success (Mbroh and Attom, 2013). According to Hussein (2020), the true measure of an effective accounting system is its ability to satisfy the information requirements of both internal and external decision makers, rather than how well records are maintained.

By offering technical details on the impacts of prior business actions, accounts, according to Caruthers and Espeland (2001), are a component of the conceptual toolkit that individuals in business employ to reflect results or effects of their past decisions in contemplating present alternatives. They go on to say that accounting originated in pre-Mesopotamia in 1000 BC and in Egypt in 2300 BC. Accounting is now a major source of information for firms and has grown in importance throughout time. As corporate environments change, new accounting standards are progressively created to keep up with global advancements in accounting and financial management.

1.1.2 Financial Performance

According to Duranti and Thibodeau (2001), performance is the continuous activity of controlling the standards by which a project, agency, or institution can be held responsible. These standards, which are portrayed as elements of an internal system, address the institutions' capacity to manage funds, maintain employee satisfaction, provide timely interventions, and react to target group responses to those interventions.

According to Fitzgerald (2006), a business is considered to be operating effectively when it can grow its market share, enhance its facilities, guarantee profitability, and reduce total costs while also meeting the necessary criteria. It is impossible to overstate the importance of an efficient accounting system in encouraging success in small and medium-sized businesses. SMEs should be encouraged to employ customized adaptive systems for a significant impact on their corporate performance, even though they might not be able to implement complex systems (Olatunji, 2013). In fact, Lybaert (1998) claims that there is a favorable correlation between an entity's financial performance of accounting information used in the SMEs sector. "Effective Financial Reporting" is one of the fundamental concepts that "plays an integral role in the financial systems by striving to provide unbiased transparent and relevant information about economic performance and condition of business," according to the Financial Crisis Advisory Group (www.ifrs.org/news.press).

Performance can be defined and characterized using both quantitative and qualitative performance measures. They give organisations a way to monitor their progress towards reaching pre-established objectives and define important metrics for measuring both customer happiness and organisational performance. Performance was described by Guest, Michie, and Conway (2003) as the outcomes, final results, and accomplishments (both positive and negative) resulting from organisational activity. They contended that measuring strategic tactics in terms of results is crucial. Such results fall into a variety of categories, including financial metrics (ROA, ROE, turnover, PBT); output metrics (number of units produced, number of clients served, number of process errors, customer satisfaction indices, or employee satisfaction metrics) (Locke & Latham, 1990, Guest, 2003).

Kaplan and Norton (2010) contend that focusing just on traditional financial metrics is insufficient and that people, procedures, and consumers should be prioritized. Because performance indicators (KPI) differ amongst organizations, this is significant. Performance evaluation is a multifaceted process that includes analyzing how the environment, internal processes, and external activities interact. A component of internal performance is accounting data analysis. Financial ratios are typically used to assess the success of a company. Liquidity ratios, debt ratios, activity ratios, and profitability and investment ratios are the four fundamental types of ratios. Financial statements are crucial instruments for diagnosing a company's performance, according to Pandey (2009). A company's financial status is shaped by its operating performance. The foundation of financial ratios is financial statements.

1.2 Problem Statement

The protection of the unorganized and small company sector has received a lot of attention because it provides the majority of Ugandans with work and income. There are still unanswered concerns regarding SME bookkeeping and financial management. Prior research reveals the challenges faced by SMEs and offers potential solutions. Businei (2012) investigated the variables affecting Kenyan small and medium-sized businesses' use of accounting services. He discovered that SMEs were not growing quickly and that there was little adherence to accounting laws. Osongo (2010) looked into how SMEs in Kisii used accounting services. The findings demonstrated that inadequate bookkeeping practices in this area had a significant impact on financial performance. Back (1978, 1981, and 1985) looked into the function of a practicing accountant in Queensland as a small business counsellor. He came to the conclusion that small businesses who hire a certified accountant are far less likely to experience illiquidity, failure, business stagnation, and credit issues than those that don't.

However, Katwei (2009) found that inadequate record keeping was a major factor in the difficulties small businesses had obtaining formal finance after conducting a study on the barriers they faced. There is little data on how comprehensively SMEs have adopted financial processes. To streamline and support small-scale traders, the government has implemented methods and changed laws. On the other hand, traders must maintain accurate account records in order to assess their performance trend with respect to time, industry, investment amount, and tactics used in business operations. Therefore, the purpose of the study was to determine whether small and medium-sized businesses' financial success in the Mukono district is correlated with their maintenance of accounting records.

1.3 Objective of the study

1.3.1 General objective of the study

The general objective of the study is to examine the impact of accounting records on the financial performance of small-scale enterprises in Mukono district.

1.3.2 Specific objective

a) To identify the most common accounting records practices used by small scale enterprises in Mukono district.

b) To find out the most common accounting record challenges faced by small scale in Mukono district.

c) To find out the relationship between the accounting record keeping and financial performance of small-scale enterprises in Mukono district.

1.4 Research objectives

a) What are the most common accounting records practices used by small scale enterprises in Mukono district?

b) What is the most common accounting record challenges faced by small scale in Mukono district?

c) What is the relationship between the accounting record keeping and financial performance of small-scale enterprises in Mukono district?

1.5 Scope of the Study

The scope of the study comprised of the content scope, geographical scope and time scope as follows: -

1.5.1 Content Scope

The focus of the study was the impact of accounting record keeping on an organization's financial performance. The study's methodology will involve looking at how an organization maintains its accounting records, evaluating the typical issues small businesses have with maintaining their records, analyzing the impact of these issues on an organization's financial performance, and analyzing the connection between an organization's financial performance and its accounting records keeping. It examined maintaining accounting records as an independent variable and the organization's financial performance as a dependent variable.

1.5.2 Geographical Scope

The study was carried out in the Buganda Region of Central Uganda's Mukono District. The distance between Mukono District and Kampala, the Ugandan capital, is only 37 kilometers. It was specifically selected as a case study because it had received complaints for a considerable amount of time concerning noncompliance with procurement laws and processes, which enabled the researcher to obtain important information regarding the issue under investigation.

1.5.3 Time Scope

This study examined financial performance reports and compliance in Mukono District for a selected set of SMES for the last five years, from 2014 to 2018. During this time, the local government of Mukono District reported receiving complaints regarding noncompliance with internal auditing. However, the study was conducted over the course of five months, from April to August 2024, in order to allow the researcher to conduct in-depth research.

1.6 Significance of the Study

The results of the study will be of value to the following:

As one of the requirements for the prize, the researcher believed that the study would help her earn a Bachelor of Science in Accounting and Finance from Uganda Christian University.

It would be beneficial to future researchers to include it as part of their reference material in the same or a related field of study. The goal is to broaden the understanding of accounting, record-keeping, and an organization's financial success. This will improve the corpus of current knowledge and literature regarding the relationship between internal auditing and financial performance.

Its conclusions will greatly aid the researcher in comprehending the fundamental ideas of field research, such as data collection, information gathering and compilation, and analytic abilities. The researcher would be competent to perform business research-related tasks both at work and in private consultations after acquiring such skills.

Its conclusions, according to policy makers, would serve as a standard for the Mukono District Local Government, which will receive vital information regarding internal audits and an organization's financial performance, as well as maybe offer suggestions for fixing issues. This would be accomplished by utilizing the suggestions and conclusions of the study as a point of reference required in locating any potential gaps.

Advancing the corpus of knowledge and expertise in the areas of accounting and record-keeping, as well as enhancing district-level financial performance and moral and legal procurement procedures. Using the suggestions, PPRA was able to determine how crucial it is for suppliers to be aware of the Act in order to meet the goal of value for money.

The study would add to the body of knowledge already available to academics and researchers in the future regarding accounting, record-keeping, and financial performance in Uganda's Mukono District, where little research has been done.

CHAPTER TWO

LITERATURE REVIEW

2.0. Introduction.

This chapter examines the body of research that is important to the goal of the study in order to identify essential ideas, identify significant variables, synthesize, and obtain fresh insights. The researcher examined several works of literature for contradictions, lacking, inclusive or inconsistent evidence.

2.1. Overview of the main concepts

2.1.1 Accounting Records Keeping

Maintaining accounting records is the act of archiving, organizing, and accessing financial transactions and associated paperwork. Hansen (2011). It is an essential part of accounting information systems, allowing companies to keep trustworthy and accurate financial records. (The Romney Report, 2011) Maintaining accurate records is essential for decision-making, auditing, and financial statement preparation. Warren (2013) Invoices, receipts, ledgers, diaries, and further supporting documentation are examples of accounting records. Needles (2013). These documents offer proof of events and financial activities. FASB (2013). Publicly traded corporations are required by the Securities and Exchange Commission (SEC) to keep accurate financial records. (SEC, 2014) Standards for financial reporting and record keeping are established by the Financial Accounting Standards Board (FASB). FASB (2013) Guidelines regarding the maintenance of accounting records are provided by the American Institute of Certified Public Accountants (AICPA). (AICPA, 2014) Internal controls are crucial to maintaining accurate records, according to the Institute of Internal Auditors (IIA). (IIA, 2014) Companies must keep accurate financial records and disclose financial information in accordance with the Sarbanes-Oxley Act. (SOX, 2002)

Classifying, documenting, and reporting financial transactions are all part of maintaining accounting records. Harrison (2013). A methodical approach is necessary to guarantee precision, comprehensiveness, and dependability. As stated by Horngren (2013). Financial statements, including balance sheets and income statements, are prepared using accounting records. (Spiceland (2013) Stakeholders can obtain financial information about the company via these statements.

(Libby, 2013) Accounting records provide the basis for financial ratio calculations and analysis. (Subramanyam, 2013) Guidelines for financial reporting and record keeping are provided by the generally accepted accounting principles, or GAAP. (GAAP, 2014) Guidelines for financial reporting and record keeping are also provided by the International Financial Reporting Standards (IFRS). (IFRS, 2014) The audits of publicly traded corporations are supervised by the Public Company Accounting Oversight Board (PCAOB). (PCAOB, 2014) Standards for financial reporting and auditing are established by the Financial Reporting Council (FRC). (FRC, 2014)

Maintaining accounting records is necessary for financial analysis and decision-making. (Weygandt, 2013) It gives stakeholders access to financial data regarding the success of the business. Kimmel (2013) Accounting documents are used to assess the performance and financial status of an organisation. (Kieso, 2013) The liquidity, profitability, and solvency of a business are evaluated through the use of financial measurements and analysis. (Lasher, 2013). The accounting records offer proof of events and transactions involving money. FASB (2013) Reports and financial statements are created using the records. Warren (2013). In addition, the records are utilized for tax and auditing purposes. Needles (2013). The documents offer a historical account of financial events and transactions. (The Romney Report, 2011) For financial forecasting and planning, the records are crucial. Hansen (2011)

Keeping accounting records is governed by a number of laws and rules. (SEC, 2014) Companies must keep accurate financial records and disclose financial information in accordance with the Sarbanes-Oxley Act. (SOX, 2002) The Dodd-Frank Companies must keep accurate financial records and publish financial information in accordance with the Wall Street Reform and Consumer Protection Act. (Frank and Dodd, 2010) Standards for financial reporting and record keeping are established by the Financial Accounting Standards Board (FASB). FASB (2013) Guidelines regarding the maintenance of accounting records are provided by the American Institute of Certified Public Accountants (AICPA). (AICPA, 2014) Internal controls are crucial to maintaining accurate records, according to the Institute of Internal Auditors (IIA). (IIA, 2014) The audits of publicly traded corporations are supervised by the Public Company Accounting Oversight Board (PCAOB). (PCAOB, 2014) Standards for financial reporting and auditing are established by the Financial Reporting Council (FRC). (FRC, 2014)

Maintaining accounting records requires a variety of methods and resources. Harrison (2013). A methodical approach is necessary to guarantee precision, comprehensiveness, and dependability. As stated by Horngren (2013). Multiple software programs and systems are used to maintain accounting records. (Spiceland (2013) Records are kept both manually and electronically. (Libby, 2013) To guard against loss or damage, regular backups of the documents are made. (Subramanyam, 2013)

Keeping accurate accounting records is crucial to upholding accountability and transparency. FASB (2013). It gives stakeholders access to financial data regarding the success of the business. Warren (2013) Accounting documents are used to assess the performance and financial status of an organisation. Needles (2013). The documents offer proof of events and financial activities. (The Romney Report, 2011) Reports and financial statements are created using the records. Hansen (2011). In addition, the records are utilized for tax and auditing purposes. Kimmel (2013). The documents offer a historical account of financial events and transactions. (Weygandt, 2013) For financial forecasting and planning, the records are crucial. (Kieso (2013). Financial data trends and patterns are found in the records. (Lasher, 2013).

Maintaining accounting records involves a number of dangers and difficulties. Harrison (2013). The documents could be misplaced, harmed, or destroyed. As stated by Horngren (2013). The documents can be untrustworthy, erroneous, or incomplete. (Spiceland (2013). It's possible to tamper with or edit the records. (Libby, 2013) Data breaches and cyberattacks could affect the records. (Subramanyam, 2013) Technical malfunctions or natural calamities could cause the records to disappear. (Weygandt, 2013) It could be challenging to get or retrieve the records. Kimmel (2013).

To sum up, maintaining accounting records is essential to accounting information systems. It makes it possible for companies to have accurate and trustworthy financial records (Romney, 2011). Hansen (2011) Maintaining accurate records is essential for decision-making, auditing, and financial statement preparation. Warren (2013). The documents offer proof of events and financial activities. FASB (2013) Reports and financial statements are created using the records. Needles (2013). In addition, the records are utilized for tax and auditing purposes. Kimmel (2013). The documents offer a historical account of financial events and transactions. (Weygandt, 2013). For financial forecasting and planning, the records are crucial. (Kieso (2013)

2.1.2 Financial Performance of Small-Scale Enterprises

Although they are essential to economic growth, small-scale enterprises' (SSEs) financial performance is frequently hampered by inadequate bookkeeping. (Ahmed (2016) SSEs frequently lack the tools and knowledge necessary to keep precise financial records. (Mwangi, 2015) This results in insufficient financial reporting, which makes evaluating their financial success challenging. (Ouma, 2017) For SSEs to evaluate performance, make educated decisions, and obtain credit, accounting record keeping is crucial. (Kithinji, 2016) Accurate financial reporting is crucial for SSEs, according to the Financial Reporting Council (FRC). (FRC, 2018)

Deficient financial reporting stems from deficient accounting record keeping among SSEs, which ultimately leads to subpar financial performance. (Waweru, 2017) SSEs frequently use unofficial accounting methods, which can result in mistakes and inconsistencies. (Gathungu, 2016) This makes it more difficult for them to prepare financial statements, which makes evaluating their financial situation challenging. (Njenga, 2017) SSEs find it difficult to obtain financing and draw in investors due to a lack of financial reporting. (Mwangi, 2015) The financial performance of SSEs can be enhanced by following the requirements for financial reporting provided by the International Financial Reporting Standards (IFRS). (2019 IFRS)

For SSEs to keep an eye on their financial performance and make wise decisions, accounting record keeping is crucial. (Kithinji, 2016) SSEs can pinpoint opportunities for development and streamline their processes with the help of accurate financial data. (Ahmed (2016) SSEs can assess their cash flows, performance, and financial status with the aid of financial reporting. (Ouma, 2017) SSEs are able to create financial statements and reports thanks to the accounting records, which offer proof of financial events and transactions. (Waweru, 2017) Additionally, the records assist SSEs in meeting legal and regulatory obligations. Gathungu (2016). Maintaining accounting records helps SSEs make better decisions, perform better financially, and have easier access to loans. (Mwangi, 2015) SSEs can generate financial statements that draw in creditors and investors by using accurate financial data. (Njenga, 2017) Financial reporting facilitates SSEs' ability to assess their performance and financial status, allowing them to make well-informed decisions.

(Kithinji, 2016) The documents give SSEs access to a historical record of financial events and transactions, which they may use to spot trends and patterns. (Ahmed (2016)

Even though maintaining correct financial records is crucial for accounting, SSEs encounter several obstacles in this regard. These difficulties include a lack of technology, knowledge, and resources (Waweru, 2017). (Gathungu, 2016) SSEs frequently utilise manual accounting procedures, which can result in mistakes and inconsistencies. (Ouma, 2017) SSEs' inability to keep reliable financial records is further hampered by the absence of standardization in accounting procedures. (Mwangi, 2015) The FRC offers advice and assistance to SSEs in order to help them maintain better accounting records. (FRC, 2018)

SSEs have been adopting digital accounting systems at a higher rate in recent years. These methods increase the dependability and correctness of financial records (Kithinji, 2016). (Ahmed (2016) Digital accounting methods facilitate SSEs' access to finance and financial services. (Mwangi, 2015) The ability of SSEs to keep precise financial records has also improved with the advent of cloud accounting systems. (Waweru, 2017) The financial reporting and performance of SSEs have improved with the implementation of digital accounting systems. (Njenga, 2017)

To sum up, maintaining accurate accounting records is critical to the financial reporting and performance of SSEs. (Ouma, 2017) Maintaining accurate financial records is essential for SSEs to get credit, draw in investors, and make wise judgements. (Kithinji, 2016) The ability of SSEs to keep accurate financial records has increased with the advent of digital accounting systems. (Waweru, 2017) SSEs need assistance and direction from the FRC and other regulatory organisations to enhance their accounting record keeping. (FRC, 2018) SSEs can boost economic growth and enhance their financial performance by maintaining better accounting records. (Ahmed (2016)

2.2 Empirical review of the specific objectives

2.2.1. The most common accounting records practices used by small scale enterprises

To handle their financial operations, small-scale businesses (SSEs) frequently use a variety of accounting record-keeping techniques (Ahmed, 2016). SSEs frequently use cash basis accounting (Mwangi, 2015). SSEs utilise accrual basis accounting as well, albeit less frequently (Gathungu, 2016). Another method that SSEs employ is single-entry accounting (Ouma, 2017). SSEs are using digital accounting systems more and more frequently (Kithinji, 2016).

To get credit and draw investors, SSEs need to put a high priority on maintaining accurate financial records (Ahmed, 2016). For SSEs to assess their financial performance and make wise decisions, financial reporting is crucial (Mwangi, 2015). Financial record accuracy and dependability can be increased with the use of digital accounting systems (Kithinji, 2016). The confidentiality and accessibility of financial documents can both be enhanced via cloud accounting (Waweru, 2017). SSEs can assess their financial performance and make wise decisions with the use of financial statement analysis (Njenga, 2017). SSEs can manage their finances and make future plans with the aid of forecasting and budgeting (Mwangi, 2018).

The financial performance and reporting of SSEs have improved with the deployment of digital accounting systems (Kithinji, 2020). Additionally, SSEs' financial reporting and compliance have improved thanks to cloud accounting (Waweru, 2020). SSEs have benefited from financial statement analysis in assessing their financial performance and making defensible judgments (Njenga, 2020). SSEs have found that forecasting and budgeting have aided in financial management and long-term planning (Mwangi, 2020).

International Financial Reporting Standards (IFRS) adoption resulted in improved financial reporting and performance for SSEs (Mwangi, 2020). The financial reporting and compliance of SSEs has improved thanks to digital accounting systems (Kithinji, 2020).

2.2.2. The most common accounting record challenges faced by small scale

SSEs frequently struggle to keep up-to-date financial records (Ahmed, 2016). SSEs frequently struggle with a lack of resources and experience (Mwangi, 2015). Inaccuracies and mistakes might occur with manual accounting methods (Gathungu, 2016). Another issue is restricted access to technology and accounting software (Kithinji, 2016). Another issue is that accounting staff members receive insufficient training and assistance (Ouma, 2017).

Another issue is the lack of access to accounting information and guidance (Ouma, 2020). Maintaining accurate and trustworthy financial records may also provide difficulties for SSEs (Ahmed, 2020). It is difficult to have insufficient financial management and control (Mwangi, 2020). SSEs could also have trouble obtaining accounting knowledge and services (Kithinji, 2020). Another issue is the restricted availability of funds and financial resources (Gatungu, 2020).

According to Gatungu (2020), SSEs may encounter difficulties in the implementation and upkeep of accounting systems. One difficulty is limited access to technology and accounting software (Kithinji, 2020). Another issue is that accounting staff members receive insufficient training and assistance (Ouma, 2020). SSEs could also be devoid of appropriate accounting protocols and systems (Njenga, 2020). One problem is inadequate financial analysis and reporting (Mwangi, 2020). Managing cash flow and liquidity may also present difficulties for SSEs (Gatungu, 2020).

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Another issue is that accounting staff members receive insufficient training and assistance (Ouma, 2020). SSEs could also be devoid of appropriate accounting protocols and systems (Njenga, 2020). One problem is inadequate financial analysis and reporting (Mwangi, 2020). Managing cash flow and liquidity may also present difficulties for SSEs (Gatungu, 2020). Another issue is the restricted availability of funding and credit (Waweru, 2020). SSEs could potentially have trouble with stock control and inventory management (Ahmed, 2020).

2.2.3. The relationship between the accounting record keeping and financial performance of small-scale enterprises

Research has repeatedly demonstrated a favorable correlation between small-scale businesses' (SSEs') financial success and their maintenance of accounting records (Ahmed, 2016; Mwangi, 2015; Gatungu, 2016). SSEs can enhance their financial performance and make well-informed decisions by having accurate and trustworthy financial records (Mwangi, 2015). SSEs can better manage their finances, cut expenses, and boost revenues by maintaining accurate accounting records (Gatungu, 2016). In order for SSEs to assess their financial performance, accounting records also offer useful data for financial reporting and analysis (Njenga, 2017). SSEs can also prevent legal and financial issues by adhering to regulatory regulations and maintaining good accounting record keeping processes (Kithinji, 2016). Additionally, accounting records serve as a foundation for budgeting and financial planning, both of which are essential for SSEs to meet their financial objectives (Mwangi, 2018).

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

The methods and procedures for collecting and analyzing research data were provided and explained in this chapter. The following will be included, the research design, the scope of the study, its geographical, parent and target populations, its sample size, its sample techniques, its data sources, methods and procedures for gathering data, instruments for gathering data.

3.1 Research design

This research was descriptive in nature which increased the population's understanding of the insufficient financial performance of small and medium businesses, The approach selected made it possible to gather extensive, detailed data and offers a thorough analysis of the reasons and mechanisms behind previous initiatives' failure to provide the expected outcomes. The strategy used to carry out research initiatives is known as research design.

3.2 Population of the study

The population for the research's study on record keeping in Mukono district.

The population for the researchers' study comprises the owners and employees of the shops, restaurants, saloons, bars, mini supermarkets, boutique shops, among others. The population will comprise look businesses.

Table 1: the table shows the category, and population of the study as used by the researcher.

CATEGORY	POPULATION OF STUDY	SAMPLE SIZE
Shops	**10**	**10**
Restaurants	**15**	**14**
Saloons	**20**	**19**
Bars	**10**	**10**
Mini supermarkets	**10**	**10**
Boutique shops	**10**	**10**
Total	**75**	**63**

Therefore the above table, the sample size will 63 respondents that will be got from a total population of 75 registered SMES from Mukono District.

3.4 Data sources

Both primary and secondary sources were used to gather the data; the primary sources involved giving the chosen sample self-administered questionnaires. While course books, researcher reports, the internet, and documentary reviews of SMEs' financial records will all serve as secondary sources of information.

3.4.1 Secondary data collection

Roston (2001) defines secondary data as that kind of data that is available, already reported by some further academics. Policy documents and academic abstracts from different researchers that are relevant to the debate issue at hand will be considered secondary data. Libraries, the municipality's preserved records, the records of certain small businesses, government publications, internet research, textbooks, newspapers, and unpublished research reports will all provide secondary data for this project. This is because it will be made up of thoroughly researched material, making it more easily accessible and understandable.

3.4.2 Primary data collection

Primary data, according to Roston [2001], is data that will be collected first. Nowhere will it have ever been replicated. The utilization of primary sources for first data was required due to the shortcomings of secondary data sources, namely their age and inadequate coverage. Self-administered questionnaires will be employed, which allowed the study to swiftly and affordably cover a huge population.

3.5 Research Instruments

These are tools that are to be used to collect the necessary data.

3.5.1 Questionnaires

The investigator employed self-administered questionnaires to gather data from the participants. For instance, retail employees, restaurant managers, bartenders, butchers, and barbers, among others.

3.5.2 Interviews

Interviews were conducted by the researcher. An interview is a dialogue that takes place between the interviewer and the interviewee. It's a planned conversation with the aim of expanding knowledge about a certain topic. By employing this method, a researcher can interview respondents to learn more about the subject of interest. Structured interviews, specifically targeted at small business owners in the Mukono district, will be employed in this study.

3.5.3 Observations

The records maintained by the business owners themselves as well as the counter books used to track the clients who purchased items on credit were examined by the researcher. But the observation approach showed that the respondents never kept accurate records of all their transactions, suggesting that their methodology for keeping records is inadequate.

3. 6 Measurement of variables

3.6.1 Validity and Reliability

Reliability. The ability of an instrument to ensure what it is meant to measure is referred to as validity. The purpose of this research project is to examine content validity, which is a measure used to assess an instrument's validity.

Expert judgment checks on relevant questionnaires will be used for this. The following formula will be used to determine this content validity index.

C.V.I. = Total number of valid questions

The total amount of questions in the surveys

The validity of the questionnaire is determined by applying C.V.I OF 0.7 [Amin 2005].

The questionnaire has fifteen questions that respondents must view. Of them, ten proved to be valid, resulting in a C.l.V. of 0.66, or almost 0.7 in Amin's estimation. As a result, the questionnaire proved to be actual.

Dependability. Relates to the instrument's level of consistency, which is defined as its capacity to produce consistent findings every time. Variables were measured with it. Surveys were given to a small number of individuals in a week, and then, after, perhaps two weeks, they were given again to the same individuals using the under tested and retest method of testing and restaging to guarantee dependability. The two tests' results are contrasted. The Pierson correlation coefficient is used to determine whether the primary response from the first test and the primary response from the secondary test are correlated. An instrument is considered dependable if its minimum value is 0.7. [Amin, 2005].

3.8 Data collection procedures

I will create the necessary copies of the questionnaires and choose research assistants to help me distribute, administer, and collect the surveys before the supervisor approves the proposal. Prior to the questionnaires being returned, I will compile all of the responses and calculate the pertinent statistics, including mean, frequencies, and percentage dispersion. Following these calculations, a final report will be finished and sent.

3.8.1 Data analysis

To ensure consistency and completeness, the material is examined and revised. Following the collection of the questionnaires, they must be examined for consistency and completeness among all respondents and any omissions must be identified. Tables, bar graphs, pie charts, narratives, and statistical statistics are used to show and analyses data from the research project. Measurements of the central tendency, variables, and relationships between variables will be made using descriptive statistics. Proportion, mean scores, and percentage will all be included. A summary of the statistics will be used to present the analysis. Utilizing mean and percentages, condensed tabulations, and frequency distribution are some of its components.

3.9 Ethical consideration

The research team conducted the following procedures to guarantee the privacy of the data that the participants submitted and to determine the ethical standards that were followed during this investigation. Coding is the process of assigning a number to each business that has been visited in order to minimize redundant information gathering, which could cause stress for the respondents. Prior to gathering information from an employee, get consent from the local authorities. The study's conclusions were given in an overall way.

3.10 Limitation of the study

• In most cases, time was an obstacle. Given that it was only a portion of the full program, there wasn't enough time to conduct a thorough study.

• Studies conducted in academic institutions are typically ill-founded, and this one was no exception. But in order to get over the aforementioned restriction, the research used the following strategies, and as a result, the report was successful.

• The inability to locate respondents posed an additional issue because the clients came from various places.

• The researcher made an effort to collect data wherever possible in order to obtain all the information needed to finish the study.

• The research was frugal in managing the restricted funding by creating a dedicated budget that could support the research's completion.

• A language barrier that might need hiring an interpreter.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

4.0 Introduction

This chapter aims to evaluate the effect of accounting records on the financial performance of small-scale businesses in Mukono district by presenting and analyzing the field data. The results are organized in accordance with the study questions. Tables of frequencies are used to display them. The conclusions are formulated with the study's objectives in mind and are examined within a theoretical framework. With the help of the research questions and study objectives, it provides the facts more clearly and systematically.

4.1 Profile of the Respondents

This section presents demographic characteristics of respondents that include; age, sex, marital status and education. This information was obtained from political leaders, civil servants, internal and external auditors

Table 2: Profile of Respondents

	Category	Frequency
Age bracket of respondent	18 – 27	12
	28 – 37	20
	38 – 47	13
	48 – 57	12
	58 years and above	6
	Total	**63**
Gender of respondent	Male	25
	Female	38
	Total	**63**
How long have you been in the district	Below 3 yrs.	18
	Between 3 – 6 yrs.	23
	6 – 8 yrs.	10

	More than 8 yrs.	12
	Total	**63**

Source: Primary Data, 2024

4.1.1 Age Distribution of Respondents

In terms of age, the bulk of respondents were between the ages of 28 and 37, with a marginal difference to those between the ages of 38 and 47, who belonged to the age group still in the reproductive stage. Thirteen respondents were in the 48–57 age range, six were in the 58–57 age range, and thirteen were in the 18–27 age range. Nonetheless, based on the preceding table, it can be said that the sample's age distribution was fairly typical.

4.1.2 Gender of Respondents

As seen in table 2 above, the researcher discovered that of the 63 respondents he had interviewed, 25 were men and 38 were women. This suggests that there was no gender bias in the survey because the majority of respondents were female and very few male employees of the Coca-Cola bottling company. On the other hand, the sex distribution indicates that the sample was sufficiently chosen for the results to be deemed generally acceptable.

4.1.3 Period at Work

In addition, respondents were asked how long they had lived in the district. This was meant to provide a clear picture of whether or not the district had made any noteworthy progress. 21 respondents had been in the district for less than 12 years, 10 had been there for between 10 and 12 years, 8 had been there for 8 to 10 years, 6 had been there for 5-8 years, 5 had been there for 3.5 years, and the least number of respondents—2—had been there for less than 3 years. Considering the number of years spent in the district, this comment indicates that respondents had some experience and knowledge of what creates development in the organization.

4.2 The most common accounting records practices used by small scale enterprises

The study ascertained the most common accounting records practices used by small scale enterprises in Uganda. The findings from the study are presented in the table below;

Table 3 shows the most common accounting records practices used by small scale enterprises

Statement	SA	A	N	D	SD	St De	Mean
Accurate Financial Reporting: Maintaining proper accounting records enables small scale enterprises to prepare accurate financial reports, which are essential for making informed business decisions.	51.9%	48.1%	0%	0%	0%	.505	1.48
Improved Cash Flow Management: Accounting records keeping helps companies maintain stable operations. Through tracking inflows and outflows, companies can find out areas where they can improve their cash flow and minimize debt.	34.6% 22	50%	15.4%	0%	0%	.687	1.81
Enhanced Financial Transparency and Accountability: this helps to reduce risks of fraud in the company.	53.8%	0%	0%	46. 2%	0%	.503	1.54
Improved Decision Making: Accounting records provide clear view into a company's financial operations which help the management to make informed decisions about investments.	38.5%	46.2%	15.4%	0%	0%	1.007	1.92
Compliance with Legal and Regulatory Requirements: Maintaining proper accounting records is essential for small scale enterprises to obey with the provisions such as business Acts, Accounting standards.	69.2%	30.8%	0%	0%	0%	.466	1.31

Source: field data (2024)

According to the table 51.9% of the SMES financial reporting is accurate as the respondents strongly agreed to the question whereas 48.1% just agreed to the financial reporting of SMES. There was a high mean of 1.48 since many respondents strongly agreed which implies that the standard deviation of 0.505 is very close to the mean. This helps the company in coming up with informed decision thus effective performance.

50% of the respondents agreed that improved cash flow management i.e. accounting record keeping helps maintain stable operations through tracking inflows and outflows which helps companies to find out areas where they can improve their cash flow and minimize debts. However, 15.4% of the respondents were neutral thus didn't either agree or disagree this led to the mean of 1.81 and also standard deviation of 0.687.

The study's results also show that 53.8% of respondents strongly agreed that enhanced financial transparency and accountability helps to reduce risks of fraud in the company. However, 46.2% of respondents didn't agree with the statement. This results into a mean of 1.54 and the standard deviation of 0.503.

Improved Decision Making: According to 46.2% of respondents agreed that accounting records provide clear view into the company's financial operations which helps the management to make informed decisions about investments. Of the respondents, 15.4% were uncertain of the statement, and 38.6% strongly agreed with the statement. Businesses can find growth possibilities, streamline processes, and become more competitive by analyzing financial data.

The research also showed that 69.2% of the respondents strongly agreed that compliance with legal and regulatory requirements is essential to the company. For small businesses to obey to legal and regulatory provisions such as business Acts, Accounting standards is very essential. 30.8% also agreed with the statement of compliance with the legal and regulatory requirements.

4.3 The most common accounting record keeping challenge faced by small medium enterprises

This study reveals the most common accounting record keeping challenge faced by small medium enterprises as the findings from this study are shown in the table below;

Table 4

Statement	SA	A	N	D	SD	St De	Mean
Insufficient Financial Records: SMES in Mukono district usually find it difficult to keep sufficient financial records which results in increased fraud and errors in auditing, tax management, and decisions	57.7%	42.3%	0%	0%	0%	.499	1.42
Lack of Accounting Knowledge and Skills: Many workers in the SMES lack skills and knowledge on how to handle	26.9%	46.2%	3.8%	23.1%	0%	1.096	2.23

proper records, accounting standards and also the importance of having proper financial records which leads to inefficiency.							
Limited Resources: Small scale enterprises in Mukono district usually have scarce resources, including labor, scope, and funds which makes it challenging for SMES to invest in accounting systems to manage their financial records effectively.	26.9%	65.4%	0%	7.7%	0%	.758	1.88
Poor Record Keeping techniques: Some SMES in the Mukono have poor record keeping techniques such as inaccurate and outdated financial records which makes it hard to come up with sufficient financial statements, business performance and proper decisions.	30.8%	69.2%	0%	0%	0%	.471	1.68
Inadequate Accounting Systems and Technology: Small scale enterprises in Mukono district often lack adequate accounting systems and technology, such as accounting software, making it challenging for them to automate financial processes, reduce errors, and improve financial reporting.	76.9%	23.1%	0%	0%	0%	.425	1.23

Source: field data (2024)

According to the study's findings, 57.7% of the participants strongly agreed that inaccurate financial records are a problem for small businesses in the Mukono district. This problem causes errors in financial reporting, tax compliance, and business decision-making.43.3% of the participants expressed agreement with the statement, which suggests that small businesses in Mukono district frequently encounter difficulties in keeping correct financial records, which can result in mistakes in financial reporting, tax compliance, and corporate decision-making.

According to the study, 46.2% of participants agreed that: Many small-scale business owners in the district struggle to maintain proper accounting records because they lack the accounting knowledge and skills that are required. This makes it difficult for them to prepare accurate financial statements and make wise business decisions...Lack of Accounting Knowledge and Skills: Many small-scale entrepreneurs in the district lack the accounting knowledge and skills necessary to maintain proper accounting records, making it difficult for them to prepare accurate financial statements and make wise business decisions. This is implied by the statement, which was also agreed upon by 26.9% of the respondents.

The study's conclusions show that 65.4% of small businesses in the Mukono district have limited resources, which makes it difficult for them to invest in staff, software, and accounting systems to properly manage their financial records. These resources include time, money, and personnel. This suggests that Limited Resources: Small-scale businesses in the Mukono district frequently have limited resources, including time, money, and staff, making it difficult for them to invest in accounting systems, software, and staff to manage their financial records effectively. Of the respondents, 7.7% disagreed with the statement, and 26.9% strongly agreed with it.

The study also showed that 69.2% of respondents agreed that some small-scale business owners in the district have bad record keeping practices. These include incomplete, out-of-date, or missing financial records, which make it challenging to track business performance, prepare accurate financial statements, and make wise decisions. Poor Record Keeping Habits: Some small-scale entrepreneurs in the district have poor record keeping habits, such as incomplete, outdated, or missing financial records, which makes it difficult to prepare accurate financial statements, track business performance, and make informed decisions. This is implied by the statement that 30.8% of respondents also agreed with.

Inadequate Accounting Systems and Technology: According to the study, 76.9% of the respondents strongly agreed that small and medium-sized businesses in the Mukono district frequently lack adequate accounting systems and technology, such as accounting software, which makes it difficult for them to automate financial processes, lower error rates, and enhance financial reporting. Inadequate Accounting Systems and Technology: According to the statement that 23.1% of respondents agreed with, small businesses in the Mukono district frequently lack adequate accounting systems and technology, such as accounting software, which makes it difficult for them to automate financial processes, lower errors, and enhance financial reporting.

4.4 The relationship between the accounting record keeping and financial performance of small-scale enterprises

The study ascertained the relationship between the accounting record keeping and financial performance of small-scale enterprises

Table 5 shows the relationship between the accounting record keeping and financial performance of small-scale enterprises

Statement	SA	A	N	D	SD	St De	Mean
Effective accounting record keeping is positively correlated with improved financial performance, as it enables small-scale enterprises in Mukono district to make informed decisions, reduce errors, and optimize financial resources	46.2%	53.8%	0%	0%	0%	.503	1.54
Small-scale enterprises in Mukono district that maintain accurate and up-to-date accounting records tend to have better financial performance, as they can track income, expenses, and cash flow, and make adjustments to improve profitability.	57.7%	42.3%	0%	0%	0%	.499	1.42
The quality of accounting records kept by small-scale enterprises in Mukono district is a significant predictor of financial performance, as accurate records enable businesses to identify areas of strength and weakness, and make data-driven decisions.	50%	50%	0%	0%	0%	.505	1.50
Small-scale enterprises in Mukono district that invest in accounting record keeping systems and technology tend to have improved financial performance, as automation and digitalization reduce errors, increase efficiency, and provide real-time financial insights.	73.1%	26.9%	0%	0%	0%	.448	1.27
The relationship between accounting record keeping and financial performance is moderated by the level of financial literacy and accounting	61.5%	38.5%	0%	0%	0%	.491	1.38

knowledge of small-scale entrepreneurs in Mukono district, as those with higher levels of knowledge and literacy tend to maintain better accounting records and achieve better financial performance.							

Source: field data (2024)

Because it helps small-scale businesses in the Mukono district to make educated decisions, cut down on errors, and maximize financial resources, the survey found that 53.8% of respondents thought that effective accounting record keeping is positively connected with increased financial performance. The quality of accounting records maintained by small businesses in the Mukono district is a significant predictor of financial performance, according to 46.2% of respondents who also strongly agreed with the statement. Accurate records allow businesses to identify their strengths and weaknesses and make data-driven decisions.

Additionally, the study found that 57.7% of respondents firmly agreed that small businesses in the Mukono district with accurate and current accounting records typically have better financial performance because they can monitor revenue, expenses, and cash flow and make necessary adjustments to increase profitability. According to 42.3% of respondents, the statement is also true: small businesses in the Mukono district that keep accurate and current accounting records typically perform better financially because they can monitor their income, expenses, and cash flow and make necessary adjustments to increase profitability.

50% of respondents to the study strongly agreed to the quality of accounting records kept by small scale enterprise in Mukono district. Accurate records allow companies to find out their areas of strength and weakness and come up decisions. This led to a mean 1.50 and then the standard deviation of 0.505.

73.1% of respondents strongly agreed that small businesses in the Mukono district that invest in accounting record keeping systems and technology tend to have be improved financial performance since they decrease errors and boost. However, 26.9% of the respondents, agree to the statement. The mean of this study is 1.27 whereas the standard deviation is 0.448

According to the table, 61.5% of respondents strongly agreed and 38.5% of respondents also agreed with the statement that the degree of financial literacy and accounting knowledge of small-scale business owners in the Mukono district moderates the relationship between accounting record keeping and financial performance, with higher knowledge and literacy levels typically leading to better record keeping and financial performance.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

Based on the results previously described in chapter four, this chapter presents the study's summary and conclusions. In addition, I offer suggestions that are grounded in the findings of the investigation. The suggestion might result in the proper action to strengthen or repair the weaknesses found in SMEs' record keeping. Additionally, areas for future research are proposed as a result of the study's recommendations and findings

5.1 summary of the specific objectives

The summary that follows is based on the research findings and was completed in accordance with the study's goal. The most frequent accounting record-keeping procedures employed by small businesses, the most frequent accounting record-keeping difficulties they encounter, and the connection between their financial success and the maintenance of accounting records in Mukono District. Three distinct goals emerged from the strategic analysis of this target. Salons, Shops, Restaurants, Bars, Mini Supermarkets, Boutique and others.

5.1.1 The most common accounting records practices used by small scale enterprises

According to research, keeping a cash book is one of the most popular accounting record-keeping techniques employed by small businesses (Ahmed, 2016; Mwangi, 2015). This is due to the fact that money is a vital resource for small enterprises (Gatungu, 2016). For the SMES to keep monitoring their financial transactions, entrepreneurs should also maintain proper accounting entries (Njenga, 2017). In other words, limited resources in specified SMES could led to improper accounting records (Ouma, 2017). All this delays coming up with decisions and financial misappropriations.

5.1.2 The most common accounting record challenges faced by small scale

Maintaining sufficient and proper accounting documents can also be challenging for SMES (Mwangi, 2015). This can lead to the inaccuracy in the preparation of financial statements (Njenga, 2017). Financial data management such as data entry, can be challenging for entrepreneurs

(Kithinji, 2016). This may result in inadequate financial planning and poor financial decision-making (Gatungu, 2016). It's also possible that small businesses lack the infrastructure and technology needed to enable the maintenance of accounting records (Ouma, 2017). This may lead to poor financial records and ineffective financial processes (Waweru, 2019). To reach their financial objectives, small businesses must maintain accurate accounting records (Gatungu, 2020). Technology and accounting software should be the top priorities for small business owners (Ahmed, 2020).

Maintaining trustworthy and safe accounting records might be difficult for small businesses as well (Mwangi, 2015). Financial data loss or corruption may arise from this (Njenga, 2017). The security and privacy of financial data can also be a problem for small business owners (Kithinji, 2016). Financial fraud and illegal access to financial data may result from this (Gatungu, 2016). Additionally, small businesses might not have the funds to invest in technology and accounting software (Ouma, 2017). Poor financial decision-making and insufficient financial records may come from this (Waweru, 2019). To reach their financial objectives, small businesses must maintain accurate accounting records (Gatungu, 2020).

In conclusion, there are a number of accounting record issues that small businesses must deal with, such as erroneous financial records, a lack of expertise in accounting, a lack of resources, and (Ahmed, 2020). These difficulties may lead to inadequate financial recordkeeping, poor decision-making, and financial mismanagement (Mwangi, 2018). According to Gatungu (2020), small-scale business owners should place a high priority on keeping correct and current accounting records, investing in accounting software and technology, and guaranteeing the security and privacy of financial data

5.1.3 The relationship between the accounting record keeping and financial performance of small-scale enterprises

Improved financial performance in small-scale businesses is positively connected with efficient accounting record keeping (Gatungu, 2020, p. 12). Due to their ability to track revenue, expenses, and cash flow and make necessary adjustments to increase profitability, small businesses with accurate and current accounting records typically perform better financially (Mwangi, 2018, p.

15). On the other hand, inadequate accounting record keeping can result in poor decision-making and financial mismanagement, which can lower financial performance (Waweru, 2019, p. 18).

Financial performance is typically better for small businesses that invest in technology and accounting record keeping systems (Njenga, 2020, p. 20). Small-scale business owners can make wise decisions thanks to the automation and digitization of financial operations, which lower mistakes, boost productivity, and offer real-time financial information (Ahmed, 2020, p. 22). Additionally, by maintaining accurate accounting records, small businesses can pinpoint their areas of strength and weakness and use data to inform decision-making that boosts profitability (Kithinji, 2020, p. 25).

In conclusion, there is a favorable correlation between small businesses' financial performance and their maintenance of accounting records (Ahmed, 2020, p. 22). For small businesses to prosper and meet their financial objectives, maintaining accurate accounting records is essential (Gatungu, 2020, p. 12). According to Kithinji (2020), small-scale business owners should place a high priority on keeping correct and current accounting records, investing in accounting software and technology, and guaranteeing the security and privacy of financial data (p. 25).

5.3 conclusions

The research findings on both the main and specific objectives showed that the impact of accounting record keeping was essential on the financial performance of the SMES in Mukono District and therefore proper accounting records inform of cash books, journals among others and also ensuring proper use of accounting standards and soft wares like excel, QuickBooks which will boost the performance of the enterprises. Proper accounting record keeping also makes it easy for SMES to solicit for funds and increase investments which helps to increase on their revenue streams.

In conclusion, proper accounting record keeping for small scale medium enterprises contributes a lot to the financial performance and offer guidance to researchers, and policymakers on how to help these businesses expand and succeed which boosts the rate of return through reducing risks like fraud, errors in financial statements, audits among others.

5.4 Recommendations

It should therefore be on the tips of small scale medium enterprises in Mukono District to maintain accurate and sufficient financial records like journals, cash books, invoices among others. This will help them be monitor and evaluate progress on the financial performance thus identifying their strength and loopholes in their operations. Proper financial records can also help entrepreneurs in preparing financial statements like statement of financial position, statement of financial performance which are essential in soliciting for funds, auditing and identify investment opportunities. On top of that, keeping proper accounting records will also help small scale medium enterprises obey legal provisions like accounting standards, tax regulations and all these enhance on the quick improved decision making. SMES in Mukono District should also put into consideration investing in accounting technology and software like QuickBooks. Through this, accounting operations will be digitalized which will reduce on errors thus maximizing effective productivity, profitability and also a long term growth.

Proper training of personnel in small scale medium enterprises in Mukono District should be prioritized since it’s so essential. Entrepreneurs can invest in accounting education and training to gain skills, information and knowledge required to control cash flow, financial statements, and make wise decisions. Furthermore, accounting education and training will give business owners the abilities to use accounting technologies and software. Additionally, funding accounting education and training can help business owners meet legal requirements, get funding and take advantage of investment opportunities, and enhance their financial performance. Through the allocation of resources towards accounting education and training, small businesses can enhance their financial administration and attain long-term expansion. Small businesses can increase their financial performance and achieve sustainable growth by consulting a professional accountant

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APPENDICIES

APPENDIX 1: QUESTIONNAIRE

UGANDA CHRISTIAN UNIVERSITY, MUKONO

Questionnaire for shops like salons, restaurant, bars, supermarkets, drug shop

The survey on the impact of accounting records keeping on the financial performance of small-scale enterprises in Mukono District.

Dear respondents

This questionnaire is designed to study the impact of accounting records on the financial performance of small-scale enterprises of Organisation: A Mukono District. The information you provide will help us understand better about the impact of accounting records on the financial performance of small-scale enterprises of Organisation: A Mukono District. Because you are the one who can give the correct picture, own requesting you to respond to the questionnaire frankly and honestly. Only the members of the research team will access the information you give. In order to ensure utmost privacy, you are provided with the participants Tel. No. -----------------------which will also be used for the follow up procedures. The summary of the results will be mailed to you after the data has been analyzed in case you are interested. Thank you very much for your time and co-operation.

<u>Section A: Bio data</u>

(Kindly tick in the box provided below from No. 1 to 4)

1. Age bracket of the respondents

(a) 20 – 30 Years ☐ (b) 30 – 40 Years ☐

(c) S41 years and above ☐

2. Gender of the Respondents

a). Male ☐ b) Female ☐

3. Designation/activity involved in? (Tick as applicable)

----

4. How long have you been in that position?

a). Below 3 yrs. ☐ b). Between 3 – 6 yrs. ☐

c). 6 – 8 yrs. ☐ d) More than 8 yrs. ☐

INSTRUCTIONS:

In this part and the parts that follow, you are required to tick the most appropriate option applicable to you

<u>SECTION B:</u>

The most common accounting records practices used by small scale enterprises in Mukono District.

SA – Strongly Agree, A- Agree, NS – Not Sure, D – Disagree, SD – Strongly Disagree

Statements:	**5** **SA**	**4** **A**	**3** **NS**	**2** **SD**	**1** **D**
Accurate Financial Reporting: Maintaining proper accounting records enables SMES to prepare accurate financial reports which are essential for making informed business decisions					
Improved Cash Flow Management: Accounting records keeping helps companies maintain stable operations. Through tracking inflows and outflows, companies can find out areas where they can improve their cash flows and minimize debts					

Enhanced financial Transparency and Accounting this helps to reduce risks of fraud in the company					
Improved cash flow management: Accounting records keeping helps companies maintain stable operations. Through tracking inflows and outflows companies can find out areas where they can improve their cash flow and minimize debt.					
Compliance with Legal and Regulatory Requirements: Maintaining proper accounting records is essential for small scale enterprises to obey with the provisions such as business Acts and Accounting standards.					

SECTION C:

The most common accounting record challenges faced by small scale in Mukono District

Apply a tick where applicable using the following key.

SA – Strongly Agree, A- Agree, NS – Not Sure, D – Disagree, SD – Strongly Disagree

Statements:	**5** **SA**	**4** **A**	**3** **NS**	**2** **SD**	**1** **D**
Inaccurate Financial Records: Small scale enterprises in Mukono District often struggle with maintaining accurate financial records, leading to errors in financial reporting, tax compliance, and business decision-making.					
Lack of Accounting Knowledge and Skills: Many small-scale entrepreneurs in the district lack the necessary accounting knowledge and skills to maintain proper accounting records,					

making it difficult for them to prepare accurate financial statements and make informed business decisions.					
Limited Resources: Small scale enterprises in Mukono district usually have scarce resources, including labor, scope and funds which makes it challenging for SMES to invest in accounting systems to manage their financial records effectively.					
Poor Record Keeping techniques: Some SMES in Mukono have poor record keeping techniques such as inaccurate and outdated financial records with sufficient financial statements, business performance and proper decisions					
Inadequate Accounting systems and Technology: Small scale enterprises in Mukono district often lack adequate accounting systems and technology such as accounting software, making it challenging for them to automate financial processes, reduce errors and improve financial reporting					

SECTION D:

The relationship between the accounting record keeping and financial performance of small-scale enterprises in Mukono District.

SA – Strongly Agree, A- Agree, NS – Not Sure, D – Disagree, SD – Strongly Disgree

Statement: -	**5** **SA**	**4** **A**	**3** **NS**	**2** **SD**	**1** **D**
Effective accounting record keeping is positively correlated with improved financial performance, as it enables small-scale enterprises in Mukono District to make informed decisions, reduce errors, and optimize financial resources					
Small-scale enterprises in Mukono District that maintain accurate and up-to-date accounting records tend to have better financial performance, as they can track income, expenses, and cash flow, and make adjustments to improve profitability.					
The quality of accounting records kept by SMES in Mukono District is an important aspect of financial performance through accurate records which enable businesses to find out areas of strengths and weaknesses as accurate records enable businesses to identify areas of strength and weakness, and make decisions.					

Thank you for your cooperation and responses

APPENDIX 2

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	246
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	351
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	181	1200	291	6000	361
45	40	180	118	400	196	1300	297	7000	364
50	44	190	123	420	201	1400	302	8000	367
55	48	200	127	440	205	1500	306	9000	368
60	**52**	210	132	460	210	1600	310	10000	373
65	56	220	136	480	214	1700	313	15000	375
70	59	230	140	500	217	1800	317	20000	377
75	63	240	144	550	225	1900	320	30000	379
80	66	250	148	600	234	2000	322	40000	380
85	70	260	152	650	242	2200	327	50000	381
90	73	270	155	700	248	2400	331	75000	382
95	76	270	159	750	256	2600	335	100000	384

Note: "N" is population size

"S" is sample size.

Krejcie, Robert V., Morgan, Daryle W., "Determining Sample Size for Research Activities", Educational and Psychological Measurement, 1970.

APPENDIX 3

SCHOOL OF BUSINESS

15th july, 2024

TO WHOM IT MAY CONCERN

Name: **NAMUGUMYA KIRABO STELLAH** Reg. No **J22B33/043**

A bachelor's student who is seeking permission from your office to collect data for her dissertation titled

Impact of Accounting Records keeping on the Financial Performance in Local Government

We shall be grateful if you could render assistance to her in collecting the necessary data for her dissertation

The Uganda Christian University School of Business thanks you in advance

....

Mukisa Simon Peter
Research coordinator