

**CHALLENGES FACED IN FINANCIAL REPORTING IN SMALL AND MEDIUM
ENTERPRISES (SMES) IN BUWATE, WAKISO DISTRICT**

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**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF A BACHELOR OF
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**UGANDA CHRISTIAN
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DECLARATION

I declare that this research report is my original work and has not been submitted to any institution of learning.

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APPROVAL

This research report has been submitted with the approval of the supervisor.

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DEDICATION

I dedicate this research to my family who advised, supported and mentored me throughout my education up to university level. Above all, I thank God for guidance and provision towards completion of this dissertation.

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LIST OF ACRONYMS

CMA: - Capital Markets Authority

FSME: - Federation of Small and Medium Enterprises in Uganda

GAAP: - Generally Accepted Accounting Principles

GDP: - Gross Domestic Product

ICPAU: - Certified Public Accountants of Uganda

IFRS: - International Financial Reporting Standards

OECD: - The Organization for Economic Cooperation and Development

SMEs: - Small and Medium Enterprises

SPSS: - Statistical Package for Social Sciences

UBOS: - Uganda Bureau of Statistics

ABSTRACT

The study sought to examine the challenges faced in financial reporting in Small and Medium Enterprises (SMEs) in Buwate, Wakiso district. The study was guided by three objectives: establishing the level of financial reporting in SMEs, finding out the benefits of financial reporting in SMEs and establishing the challenges faced in the process of financial reporting in SMEs in Buwate and the possible measures undertaken.

The study was carried out using explanatory research design where quantitative research approach was utilized. Stratified sampling method was used to get a sample of 80 respondents who were SME owners and managers of the selected businesses dealing in segmented businesses and assorted merchandize and these responded to the questionnaires that were used to collect data.

From the study findings, it was revealed that there is a generally positive level of financial reporting, with respondents acknowledging the accuracy, reliability, and compliance of their financial reports. The benefits of financial reporting were evident in informed decision-making, enhanced credibility, and improved access to funding. However, challenges in data gathering, limited financial resources for robust reporting systems, and understanding accounting standards need attention. Moreover, time constraints and limited access to qualified professionals pose additional obstacles. In conclusion, addressing these challenges is vital to further strengthen financial reporting practices in SMEs and contribute to their sustainable growth and success in Buwate.

Finally, the study recommends promoting independent auditing and review in SMEs to enhance credibility and reliability of financial reporting, alongside providing capacity building and training on accounting standards. Improving financial data management, ensuring access to financial resources, and supporting qualified professionals are crucial. Timely reporting and fostering collaboration among SMEs will strengthen financial reporting practices. Regular monitoring and evaluation are essential for continual improvement in financial reporting for small and medium businesses in Buwate.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This study was about examining the challenges faced in financial reporting in Small and Medium Enterprises (SMEs) in Buwate, Wakiso district. This chapter presents background of the study, problem statement, purpose of the study, objectives, research questions, justification, significance of the study and theoretical framework.

1.1 Background of the Study

Financial reporting is one of the main processes in an organization that provides valuable information about the company's strategies, past events, and current status to the users of financial statements (Yasas & Perera, 2019). According to Lari et al. (2018), financial reporting is a process that depends on the quality of each part, such as information and disclosures related to the company's transactions, judgments made by management and also the information about selection and application of accounting policies. By using such information, decision-makers decide whether to invest or not in a particular firm. Further, they decide whether to lend or not to the firm. Most importantly, currently, there is a high demand for quality information by investors, stakeholders and society due to business globalization, geographical expansion and technological advances (Rathnayake et al., 2021).

Financial reports form the backbone for financial planning, analysis, benchmarking, and decision making. These are used for the above purposes by various stakeholders. A financial report contains reliable and relevant information that is used by multiple stakeholders for various purposes (Sooriyakumaran et al., 2020). Financial reporting practices are important for organizations, but they are also a difficult task for organizations, particularly SMEs (Etim et al. 2020). Financial reporting is essential to ensure that the economic resources of the businesses are used in efficiently and effectively in pursuit its goals. And also it follows that there are specific needs in growing businesses for skills in the financial analysis which allow financial statements for reading and understanding, whether they are contained historical information or forecast information (Sooriyakumaran & Vannarajah, 2023).

Globally, organizations have realized the effectiveness of adopting financial reporting systems in the organization's performance. In the USA, Europe, Asia and some developed Africa countries, use of financial reporting systems has increased the rate integrity and confidence in organizations that deal with customers and suppliers (Sunail, 2019). Use of financial reporting systems has aided organizations to save quality time and money in preparation of their financial reports (Alnajjar, 2017). However, in developing countries like Uganda, the issue sound financial reporting has remained a bottleneck to the realization of their growth agenda and many of them have closed down. A good financial reporting system is a critical variable that influence a business's success and profitability (Mbroh, 2013).

Small and Medium Enterprises represent a major part of business entities in developing countries like Uganda and the sector generates significant economic and social contributions to these countries' economies. According to the statistical data of the Federation of Small and Medium Enterprises in Uganda (FSME, 2020), there is an estimated 70% sole proprietor enterprises in the private sector. These sole proprietor entities share about 76 percent of the total employment in private sector and generate 80 percent of GDP. Given the important role of sole proprietor enterprises in economic development, the survival and growth of SMEs is vital to the overall health of the economy (Rathnayake et al., 2021).

Small and Medium Enterprises play a huge role in the modern economy and have contributed to the development of the most appealing and creative economic system. Economists all across the world recognise the significance of SMEs in economic development. Manzoor et al. (2019) stated that SMEs play an important role in both developed and developing countries. They contribute to the growth of the economy in many ways, such as employment generation, new venture development, and opening up new avenues for growth in the economy. However, evidence has been found that many SMEs fail in developing countries like Uganda. The main problems faced by these SMEs are inadequate capital, inadequate institutional credit facilities, the use of outdated technology, a lack of accounting practices, inadequate sales, promotion competencies, and the inattentiveness of small businesses (Kirigha, 2022). Meanwhile, most SMEs are hesitant to conduct financial reporting and prepare financial reports due to a lack of facilities and knowledge which could be the primary reason for their business failure.

1.2 Problem Statement

Small and Medium Enterprises significantly contribute the largest proportion of economics pillar in a country and play a vital role in creating employment and supporting economic growth (OECD, 2017). In Uganda, the SMEs created more than 50% of employment opportunities established in 2018 (UBOS, 2019). In 2019 SMEs contributed 80% to the GDP; despite this contribution, the SME sector still face challenges that impede their growth. In 2020 a survey carried out on 200 SMEs in Kampala by Capital Markets Authority (CMA) pointed out that there was a decline in profits; in 2018, the proportion of SMEs that reported profits was 69%, while in 2019, it was 63% which showed a 6% decline. This raises concerns about the challenges faced in financial reporting in SMEs in Buwate (Sooriyakumaran & Vannarajah, 2023).

Furthermore, most studies that have been done globally and locally like Muhindo et al. (2014) examined the impact of accounting information system on small-scale enterprises' performance, discovered that businesses that did not use financial reporting systems performed poorly. Nzomo (2013) study aimed to establish the link between financial reporting system and performance in the automotive industry, it was revealed that most organizations use financial reporting systems to assist management in making informed decisions and improve communication. However, there are no studies both globally and locally that have been conducted focusing on the challenges faced in financial reporting in SMEs which creates a gap that necessitates the need to conduct this study. It is therefore against this background that the researcher sought to examine the challenges faced in financial reporting in SMEs in Buwate, Wakiso district.

1.3 Purpose of the Study

The purpose of the study was to examine the challenges faced in financial reporting in Small and Medium Enterprises (SMEs) in Buwate, Wakiso district.

1.4 Objectives of the Study

- i. To establish the level of financial reporting in SMEs in Buwate.
- ii. To find out the benefits of financial reporting in SMEs in Buwate.
- iii. To establish the challenges faced in the process of financial reporting in SMEs in Buwate and the possible measures undertaken.

1.5 Research Questions

- i. What is the level of financial reporting in SMEs in Buwate?
- ii. What are the benefits of financial reporting in SMEs in Buwate?
- iii. What are the challenges faced in the process of financial reporting in SMEs in Buwate and the possible measures undertaken?

1.6 Scope of the Study

The scope of the study covered three dimensions that is; content, geographical and time and these were discussed in detail below.

1.6.1 Content Scope

This study specifically focused on; establishing the level of financial reporting in SMEs, finding out the benefits of financial reporting in SMEs and establishing the challenges faced in the process of financial reporting in SMEs in Buwate and the possible measures undertaken.

1.6.2 Geographical Scope

Geographically, the study was conducted in Buwate which is located in Wakiso district, a little north-east of Kampala, Uganda's capital town. Buwate was chosen because of the high number of SMEs operating there and also because of the proximity of the research to the area which was critical when collecting data easily and faster.

1.6.3 Time Scope

The study focused on scholarly material from the period 2018 to 2023. It was also carried out for a period of three month from May to July, 2023.

1.7 Significance of the Study

The findings of this study will directly benefit SMEs in Buwate, Kampala, by enhancing their understanding of the challenges faced in financial reporting. The study will provide insights and recommendations to improve their financial reporting practices, promoting transparency, accuracy, and accountability. By addressing these challenges, sole proprietors can make

informed decisions, improve access to finance, and build stronger relationships with stakeholders, ultimately contributing to the sustainability and growth of their businesses.

The research will provide valuable information to the regulatory bodies, such as the Institute of Certified Public Accountants of Uganda (ICPAU) and government agencies responsible for overseeing financial reporting standards on the specific challenges faced by SMEs in Buwate, highlighting the need for targeted policy interventions and capacity-building initiatives.

Financial institutions, including banks and lending institutions, rely on accurate financial information to assess the creditworthiness and viability of businesses. Investors also rely on reliable financial reports to make informed investment decisions. This study will contribute to improving the quality of financial reporting in Small and Medium Enterprises (SMEs), thereby enhancing the credibility and reliability of financial information available to financial institutions and investors. This can lead to increased access to finance, better investment opportunities, and reduced risks for all parties involved.

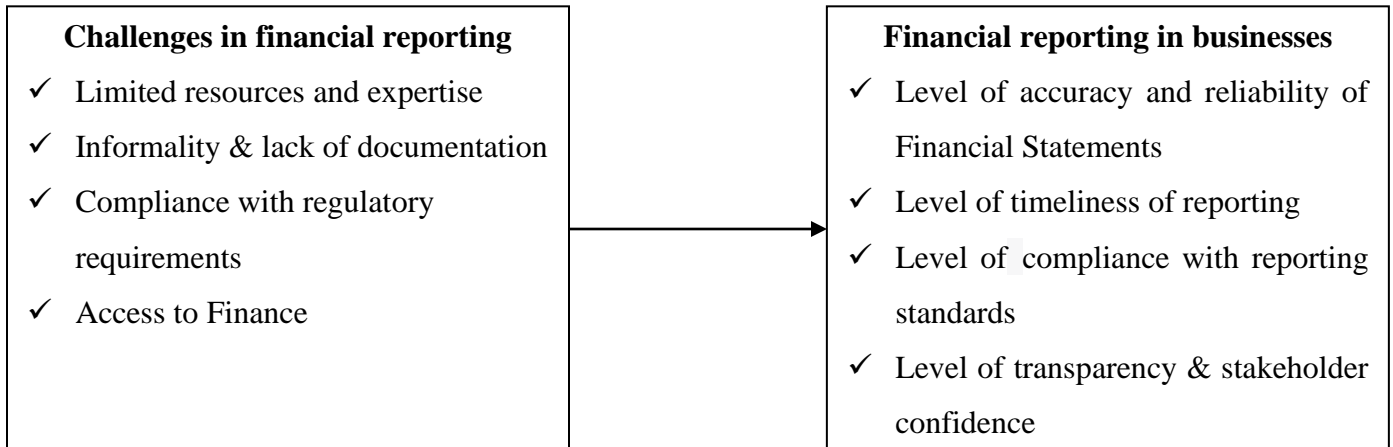
This study will also contribute to the existing body of knowledge on financial reporting challenges in Small and Medium Enterprises (SMEs), particularly in the context of Buwate. Future researchers can build upon this study's findings to explore related areas, conduct comparative studies, and delve deeper into specific challenges and their solutions. The study will serve as a valuable reference and foundation for future research on financial reporting practices in small businesses, offering insights into the implications of different contexts and identifying new avenues for exploration.

1.8 Conceptual Framework

Figure 1: Conceptual Framework

Independent variable

Dependent variable



Source: *Adapted from Wanjala & Ng'ang'a (2022) and modified by the researcher, 2023*

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents the literature that was reviewed on the basis of the study objectives. The literature was selected, studied and arranged according to the themes relating to the challenges faced in financial reporting in SMEs. The chapter presentation is under three sections; review of various theories and concepts, highlighting the objectives of the study and synthesis of literature and research gap analysis. Literature sources include books and journals aim at providing insight in what has already been done within this area of study.

2.1 Concept of Financial Reporting

The Financial Accounting Standards Board (FASB) defines financial reporting as “the process of communicating information about an entity's financial performance and position to external parties such as investors, creditors, and regulators.” It encompasses the preparation and presentation of financial statements, including the balance sheet, income statement, statement of cash flows, and statement of changes in equity. On the other hand, Pandey defines financial reporting as “the process of identifying, measuring, recording, and communicating economic information about an organization's activities, events, and transactions to various stakeholders.”

Financial reporting involves communicating financial information to the management and other stakeholders that regarding to the performance of the business throughout the specific time period. It helps to the management, investors and other stakeholders to take sound economic decisions. IASB requires SMEs to prepare financial statements such as Statement of Financial Position, Statement of Comprehensive Income, and Statement of Changes in equity, Statements of Cash flows and notes to the Financial Statements (Dawuda & Azek, 2015).

Abusomwan & Oghogho (2016) examined the importance of financial reporting; unfortunately found that financial reporting is lacking and inadequate among SMEs. There is limited usage of financial reports that attributed to the inability to employ professional managers of SMEs with functional specialization in the financial area due to limited financial resources of them. SMEs are losing out without effective and adequate financial reporting and analysis practices such as

improved ability to anticipate fortunes or failures, improved monitoring of financial health and progress, greater ease in financial planning and control and better assessments of financial risks. The primary concern in SME's financial reporting practices is the preparation and use of financial reports such as the statement of financial position, the income statement, and the cash-flow statement. Both historical and future-oriented financial reporting might also be expected. And also financial reporting practices are extending to the analysis and interpretation of the historical financial statements.

2.2 Level of Financial Reporting in Small and Medium Enterprises

Globally, studies have explored the level of financial reporting in Small and Medium Enterprises (SMEs). Ghosh (2014) examines the financial reporting practices of small and medium-sized enterprises (SMEs) worldwide and finds that Small and Medium Enterprises (SMEs) tend to have lower levels of financial reporting compared to larger entities. This is attributed to factors such as limited resources, lack of awareness of reporting requirements, and informal business operations. Furthermore, Lang and Jaggi (2007) argue that the absence of external monitoring mechanisms in Small and Medium Enterprises (SMEs) leads to reduced incentives for financial reporting, resulting in lower levels of disclosure.

According to Bushman et al. (2004), the level of financial reporting in Small and Medium Enterprises (SMEs) can be influenced by factors such as ownership concentration, access to external financing, and legal and regulatory environments. They argue that in countries with weaker legal and regulatory frameworks, sole proprietors may have less incentive to provide detailed financial information, leading to lower levels of financial reporting. Moreover, Ball & Shivakumar (2005) emphasize the role of cultural factors in financial reporting practices. They suggest that in societies with higher uncertainty avoidance or power distance, sole proprietors may be more inclined to provide less transparent financial information, impacting the overall level of reporting.

Within Africa, research on financial reporting practices in Small and Medium Enterprises (SMEs) is limited. However, Adeyemi (2016) conducted a study in Nigeria, examining the factors influencing the financial reporting practices of micro and small businesses, including sole proprietorships. The study reveals that limited resources, lack of accounting knowledge, and

perceived complexity of reporting requirements hinder the level of financial reporting in these businesses. The findings are consistent with the challenges identified globally, highlighting the need for tailored interventions to improve financial reporting practices in Small and Medium Enterprises (SMEs) across the African continent.

Agyei-Mensah and Ariffin (2016) conducted a study in Ghana to explore the factors affecting financial reporting practices in small and medium-sized enterprises (SMEs), including sole proprietorships. Their findings indicate that limited financial resources, lack of accounting expertise, and the perception that financial reporting is not essential for business survival contribute to the low level of financial reporting in SMEs. Similarly, in a study on Ethiopian SMEs, Temtime et al. (2011) highlight the challenges faced by sole proprietorships in complying with financial reporting requirements, including lack of accounting knowledge, limited access to finance, and low awareness of reporting standards.

In Uganda, the level of financial reporting in Small and Medium Enterprises (SMEs) has also been investigated. Barungi (2019) conducted a study on financial reporting practices in micro and small enterprises in Uganda, including sole proprietorships. The research reveals that the level of financial reporting is generally low, with most businesses focusing on meeting tax obligations rather than providing comprehensive financial information. Limited resources, lack of awareness of reporting standards, and inadequate accounting skills are identified as significant barriers to effective financial reporting.

2.3 Benefits of Financial Reporting in Small and Medium Enterprises

Access to financing: Financial reporting in Small and Medium Enterprises (SMEs) plays a crucial role in facilitating access to financing. Studies by Harrison and Chong (2009) and Vintilă, Gherghina, and Gherghina (2018) highlight that transparent and reliable financial statements enable sole proprietors to demonstrate their creditworthiness to lenders and attract potential investors. By providing comprehensive financial information, including income statements, balance sheets, and cash flow statements, sole proprietors can enhance their credibility, mitigate information asymmetry, and increase their chances of obtaining loans or securing investment.

Decision making and business performance: Financial reporting in Small and Medium Enterprises (SMEs) aids in informed decision-making and improves overall business

performance. Rajgopal and Venkatachalam (2011) emphasize that financial statements provide valuable insights into the financial health, profitability, and liquidity of a sole proprietorship. This information helps business owners evaluate the success of their strategies, identify areas for improvement, and make informed decisions regarding pricing, cost management, and resource allocation. Additionally, Saidi and Nyamwange (2014) argue that financial reporting enhances accountability and promotes effective resource utilization, ultimately contributing to improved business performance.

Stakeholder trust and relationships: Financial reporting in Small and Medium Enterprises (SMEs) fosters trust and credibility among stakeholders, including customers, suppliers, and business partners. According to Mulili, Juma, and Ochoti (2014), financial statements serve as a reliable source of information for stakeholders to assess the financial stability and long-term viability of a sole proprietorship. This transparency builds trust, strengthens relationships, and enhances the reputation of the business. Additionally, Wang, Huang, and Niu (2021) highlight that financial reporting promotes accountability, reduces information asymmetry, and creates a favorable environment for business collaborations and partnerships.

Legal and regulatory compliance: Financial reporting in Small and Medium Enterprises (SMEs) ensures compliance with legal and regulatory requirements. Scholars such as De George et al. (2016) and Thalassinos & Liapis (2017) stress that accurate and timely financial reporting helps sole proprietors fulfill their obligations related to taxation, licensing, and other regulatory frameworks. Failure to comply with these requirements can lead to legal penalties and reputational damage. Therefore, financial reporting serves as a mechanism for sole proprietors to meet their legal responsibilities and maintain good standing with regulatory authorities.

Access to market opportunities: Financial reporting in Small and Medium Enterprises (SMEs) can provide access to market opportunities and attract potential customers. Studies by Ahmad et al. (2012) and Bică et al. (2019) indicate that transparent financial statements build confidence among customers, leading to increased trust and willingness to engage in business transactions. By demonstrating financial stability, growth potential, and accountability through financial reporting, sole proprietors can attract new customers, secure contracts, and explore market expansion opportunities.

2.4 Challenges Faced in the Process of Financial Reporting in SMEs

Limited resources and expertise: One of the significant challenges faced in financial reporting by Small and Medium Enterprises (SMEs) is limited resources and expertise. Studies by (Agyei-Mensah & Ariffin, 2016; Okello et al., 2017) highlight that many sole proprietors lack the financial resources to invest in sophisticated accounting systems and hire professional accountants. As a result, they may struggle with preparing accurate financial statements and complying with reporting standards. Additionally, Temtime et al. (2011) emphasize the limited accounting knowledge and skills of sole proprietors, which further hinder the financial reporting process.

Time constraints and workload: Sole proprietors often face time constraints and a heavy workload, posing challenges to the financial reporting process. Mulili et al. (2014) argue that sole proprietors are typically responsible for managing multiple aspects of their businesses, leaving them with limited time to devote to financial reporting activities. This can lead to delays in preparing financial statements and hinder the timely reporting of financial information. Similarly, Agyei-Mensah and Ariffin (2016) noted that the daily operational demands on sole proprietors may divert their attention from financial reporting tasks, impacting the quality and accuracy of the reported information.

Complex regulatory environment: The complex regulatory environment poses challenges to financial reporting in Small and Medium Enterprises (SMEs). Scholars such as Ngoma (2019) and Odhiambo (2020) emphasize the complex and evolving nature of reporting standards and regulations, which may be difficult for sole proprietors to navigate. Compliance with accounting standards such as International Financial Reporting Standards (IFRS) or Generally Accepted Accounting Principles (GAAP) requires a thorough understanding of the rules and can be burdensome for sole proprietors who lack accounting expertise. Furthermore, the absence of clear reporting guidelines specific to sole proprietors adds to the challenges of financial reporting (Kajubi et al., 2019).

Lack of access to financial information systems: The absence of access to appropriate financial information systems is another challenge in financial reporting for Small and Medium Enterprises (SMEs). Haji, Njihia, and Ochoki (2019) note that sole proprietors often rely on

manual bookkeeping methods or outdated software, which may lead to errors and inaccuracies in financial reporting. The lack of integrated financial information systems makes it challenging to generate reliable and up-to-date financial statements. This challenge is particularly prominent in resource-constrained environments where sole proprietors may not have the financial means to invest in advanced accounting software or systems (Okello et al., 2017).

Regulatory compliance costs: Financial reporting in Small and Medium Enterprises (SMEs) can also be hindered by the costs associated with regulatory compliance. Ngoma (2019) argues that sole proprietors may find it financially burdensome to hire external professionals or consultants to assist with financial reporting tasks, leading to potential errors or omissions. Additionally, the cost of acquiring and implementing accounting software or upgrading existing systems can be prohibitive for small sole proprietorships. These compliance costs may pose significant challenges, especially for businesses operating on limited budgets.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents the methodology that was used in conducting the research. It described how this study was conducted. It includes the study design, the study setting, study population and the sample size. It also describes the sampling procedure definition of variables, research instruments, data analysis and management, ethical considerations, and the limitations of the study.

3.1 Research Design

This study used an explanatory research design which is developed to explore a phenomenon that had not been studied before or had not been well explained previously in a proper manner. Its main intention is to provide details about where to find a small amount of information (Patrik & Ugo, 2019). It also helped in ascertain how and why a particular phenomenon is occurring and further predict future occurrences. Lastly, it helped in investigating patterns and trends in existing data that haven't been previously investigated.

The researcher also employed the use of quantitative research method. Quantitative research method was used because it is more reliable and objective, it helped the researcher in use of statistics to generalize the findings and also help in testing theories/ hypotheses and lastly, it helped in determining the relationship between the two variables (Bhawna & Gobind, 2015). Therefore quantitative research approach was used to gather statistical data from the selected sole proprietor businesses in Buwate with the help of researcher-administered questionnaires (Haradhan, 2021).

3.2 Study Area

This study was conducted in Buwate which is located in Wakiso district, a little north-east of Kampala, Uganda's capital town. Buwate was chosen because of the high number of Small and Medium Enterprises (SMEs) operating there and also because of the proximity of the research to the area which was critical when collecting data easily and faster.

3.3 Study Population

According to statistics from Wakiso District Local Government (2023), there are 100 registered SMEs operating in Buwate which are categorized according to segmented businesses and those that deal in assorted merchandize and these were included in the study as the population. Furthermore, in this study, the unit of analysis was the major entity that is being analysed in the study. Therefore the unit of analysis in this study was the selected SMEs operating in Buwate.

3.4 Sampling Method and Sample Size

The sampling methods provide information required about the selection of the samples. It also provides a detailed foundation where the research sample can be drawn, and for a population that is enough for a high quality selection of the participants (Lewis and Ritchie, 2003). The researcher therefore used stratified sampling which is a method under probability sampling technique. The study was carried out using the stratified sampling method whereby samples were selected from the SMEs in Buwate grouped under segmented businesses and those that deal in assorted merchandize. This was due to their convenience about the topic and area under study hence they are expected to represent each element in the population. This technique helped in reducing on the costs of collecting and analyzing data. The table below shows how stratified sampling was used by the researcher;

Table 1: Showing How Stratified Sampling Was Used

Category of SMEs	Population	Sample Size
Assorted merchandize	60	48
Segmented businesses	40	32
Total	100	80

Source: *Wakiso District Local Government (2023)*

3.5 Sample Size

The researcher used Krejcie and Morgan's (1970) table to determine the sample size since the population study was known and calculated by the scholar as follows:

Table 2: For determining sample size of a known population

Table 3.1									
<i>Table for Determining Sample Size of a Known Population</i>									
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	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	1000000	384

Note: N is Population Size; S is Sample Size *Source: Krejcie & Morgan, 1970*

Source: *Krejcie and Morgan's (1970)*

Therefore from the table above, the sample size was 80 respondents got from a total population of 100 registered SMEs operating in Buwate, Wakiso district.

3.6 Sources of Data

While carrying out the research study, both primary and secondary data were used by the researcher.

3.6.1 Primary Source

Primary data are important for all areas of research because they are accurate information about the results of an experiment or observation. Primary data from the field was obtained through personal interviews and self-administered questionnaires to selected respondents in order to get their opinions. Primary data helped the researcher in collecting information for the specific purposes of their study. The researcher collected the data herself, using questionnaires.

3.6.2 Secondary Source

Secondary data refers to handling, collecting and possibly processing data by people other than the researcher in question. For the purposes of a historical research project, secondary sources are generally scholarly books and articles. This source was used to collect data from already written literature for example e-books, journals, published articles and periodicals. Documentary resources are classified in order to facilitate the data collection and textual analysis (Mubazi 2008).

3.7 Data Collection Method

The researcher of this study used one type of data collection instruments. This includes questionnaire survey which is briefly explained in the following subsection.

3.7.1 Questionnaire Survey

A questionnaire survey is a research method for collecting information from respondents using standardized questionnaires (Mugenda & Mugenda, 2003). This method involved collecting information from a sample of respondents who are the owners or managers of the selected SME owners operating in Buwate in a systematic way. A questionnaire survey was used because it provides a high level of general capability in representing a large population. Due to the usual huge number of people who answers survey, the data being gathered possess a better understanding of what is being studied. Because of the high representativeness brought about by the questionnaire survey method, it is often easier to find statistically significant results than other data gathering methods. Questionnaire survey was also used for these categories of respondents to save on time because their number is big to interview (Amin, 2005).

3.8 Validity and Reliability of the Data Collection Instruments

In order for the data collection instruments to be sound, they must be free of bias and distortion. Reliability and validity are two concepts that are important for defining and measuring bias and distortion. The following subsections explain how validity and reliability were determined in this study.

3.8.1 Validity

According to Cohen, Manion and Keith (2007), Validity is ensured by; choosing an appropriate scale, ensuring that there are adequate resources for the required research to be undertaken, selecting an appropriate methodology for ensuring the research questions, avoiding having too long or too short an interval between pre-test and post-test, ensuring standardized procedures for gathering data or for information administering tests, and tailoring the instruments to the concentration span of the respondents.

Validity was done in order to find out whether the questions are capable of capturing the intended data. Experts in research reviewed the questions to see whether they were capable of capturing the intended response. A Content Validity Index (CVI) was calculated in order to establish the validity of the research instrument. The researcher used the following formula to establish validity of the research instruments as seen below.

Content validity Index (CVI) = Relevant items by all judges as suitable

Total number of items judged.

The CVI was 0.81 which was greater than the recommended 0.70 (Kent, 2001), implying that the questionnaire was valid for data collection.

3.8.2 Reliability

Mugenda and Mugenda (2003) defined reliability as a measure of the degree to which a research instrument yields consistent results or data after repeated trials. Reliability of the questionnaire instrument was assessed using Cronbach's coefficient alpha. A pilot study was carried out on 10 respondents and the reliability results were computed using the Statistical Package for the Social Sciences (SPSS). The following formula was used to calculate the Cronbach's coefficient alpha

$$\alpha = \frac{k}{K-1} \left(\frac{1 - \sum SDi^2}{\sum SDt^2} \right)$$

Where α = coefficient alpha

$\sum SDi^2$ = sum variance of items

$$\sum SDt^2 = \text{sum variance of scale}$$

The coefficient was 0.83 which was above the recommended .70 (Amin, 2005), implying that the questionnaire was suitable for data collection.

3.9 Procedure of Data Collection

After approval of the proposal from Uganda Christian University, the researcher was given a letter of introduction to the selected SME owners/ managers operating in Buwate. This served to secure permission in order to carry out the study in this organization. The researcher presented a letter of consent to the respondents, after which, questionnaires were distributed. The respondents were given time within which they should have returned the fully filled questionnaires. After the questionnaires had been filled, the researcher collected them, sorted them and coded them.

3.10 Data Analysis

3.10.1 Quantitative Data Analysis

Data analysis was done with the aid of the package (SPSS) which besides being user friendly, is appropriate for handling the correlations between the variables plus regressions in the study. All variables were assigned with names and coded for computer entry. Secondly all the responses were coded to facilitate computer data in-put. Thirdly, after data entry was completed, negatively worded scales were recorded and assigned with new values. Fourthly, in order to get composite scores for items on a scale, target variables were computed. Fifthly, data was screened in order to minimize data entry errors. Quantitative data was analyzed using descriptive statistics and Pearson Correlation to examine the relationship between the independent and the dependent variable in the study.

3.11 Ethical Considerations

The researcher took into consideration a number of ethical issues including:

Confidentiality of respondents was kept: Respondents were not required to reveal their names nor their contacts on the questionnaires. Identification numbers were used instead of names to avoid information given being traced to a respondent.

All data gathered was used only for the purpose of this study and nothing else.

The research procedures were explained to all the respondents before they took part in the research and their informed consent obtained.

All the sources of literature were acknowledged throughout the whole study through proper citations and referencing.

Personal bias was avoided during the entire study that is to say during interviews, data analysis and reporting.

3.12 Limitations and Delimitations of the Study

First and foremost, the research instruments was not standardized. Therefore a validity and reliability test was done to produce a credible measurement of the research variables.

Secondly, the researcher was limited by funds that were needed to facilitate the research such as motivating the respondents, printing fees and even daily transport to the organization to collect data. However the researcher used self-initiatives and strategies to mobilize financial assistance from family.

CHAPTER FOUR

PRESENTATION, INTERPRETATION AND DISCUSSION OF RESULTS

4.0 Introduction

This chapter presents and discusses the results of analysis that has been done to look at the specific objectives of the study and in relation to the reviewed literature. The study was carried out using questionnaires with SME owners or managers located in Buwate, Wakiso district totaling to 80 respondents. The findings are presented with the help of tables for purposes of clarity and interpretation.

4.1 Findings on Demographic Characteristics of Respondents

This section presents the general background information about the respondents in relation to their gender, age, education level, category of business and period spent operating the business as shown in the table below;

4.1.1 Gender of the respondents

The table below summarizes the gender of the respondents that are SME owners or managers in Buwate and the data in the table was interpreted below.

Table 3: Gender

	Frequency	Percent	Cumulative Percent
Male	45	56.3	56.3
Female	35	43.7	100.0
Total	80	100.0	

Source: *Primary data*

Findings in the table 3 above show that the majority of respondents, represented by 56.2% are male while female constituted the minority, 43.8% of the total respondents. Therefore there were more males involved in the study compared to their female counterparts. However, the inclusion of both male and female in the survey was to get a different view from the respondents about the topic under study.

4.1.2 Age of the respondents

The table below summarizes the gender of the responds that are SME owners or managers in Buwate and the data in the table is interpreted below.

Table 4: Age

	Frequency	Percent	Cumulative Percent
21-30 years	24	30.0	30.0
31-40 years	33	41.3	71.3
41-50 years	15	18.7	90.0
Above 50 years	8	10.0	100.0
Total	80	100.0	

Source: *Primary data*

Findings in the table 4 above show that the vast majority of the respondents fell between the age group of 31-40 years represented by 41.3%, followed by the respondents who fell between the age group of 21-30 years represented by 30%, followed by those between 41-50 years represented by 18.7% and lastly, 10% of the respondents were above 50 years. This therefore implies that there was no age discrimination since information was gotten from people with different age groups.

4.1.3 Education level of the respondents

The table below summarizes the education level of the respondents that are SME owners or managers in Buwate and the data in the table was interpreted below.

Table 5: Level of education

	Frequency	Percent	Cumulative Percent
Primary	15	18.7	18.7
Secondary	25	31.3	50.0
Tertiary	30	37.5	87.5
Others	10	12.5	100.0
Total	80	100.0	

Source: *Primary data*

Findings in the table 5 above revealed that majority of respondents represented by 37.5% have at least attained tertiary level of education, followed by 31.3% who have at least attained secondary level of education, followed by 18.7% who have at least attained primary level of education, whereas 12.5% have no education background. It can therefore be noted that most of the respondents were able to read and understand the questionnaire with ease although questionnaire interpretation was done for those with no education background.

4.1.4 Category of business respondents operate in

The table below summarizes the category of business the respondents that are SME owners or managers in Buwate operate in and the data in the table was interpreted below.

Table 6: Category of business

	Frequency	Percent	Cumulative Percent
Segmented business	34	42.5	42.5
Assorted merchandise	46	57.5	100.0
Total	80	100.0	

Source: *Primary data*

Findings in the table 6 above revealed that majority of respondents represented by 57.5% operate segmented businesses like saloons, printing bureaus, boutiques and repair maintenance businesses among others, whereas 42.5% operate businesses that fall under assorted merchandise like retail and wholesale shops.

4.1.5 Period spent operating the business

The table below summarizes the period respondents that are SME owners or managers in Buwate have spent operating their businesses and the data in the table was interpreted below.

Table 7: Period spent operating the business

	Frequency	Percent	Cumulative Percent
1-5 years	26	32.5	32.5
6-10 years	39	48.7	81.2
Above 10 years	15	18.8	100.0
Total	80	100.0	

Source: *Primary data*

Findings from the table 7 above show that majority of respondents, 48.7% have spent 6-10 years operating their respective businesses, followed 32.5% who have been operating their respective businesses for a period of 1-5 years, where those who have spent more than 10 years operating their respective businesses constituted the minority represented by 18.8%. The findings imply that the respondents have the necessary information about the topic under study since majority of them have spent reasonable time operating different businesses in Buwate, Wakiso district.

4.2 The Level of Financial Reporting in SMEs in Buwate

Table 8 summarizes respondents' responses the level of financial reporting in SMEs in Buwate by using a Likert scale where SA (Strongly Agree), A (Agree), NS (Not Sure), D (Disagree) and SD (Strongly Disagree).

Table 8: The level of financial reporting in SMEs in Buwate

Statements	Extent of agreement and disagreement				
	SA	A	NS	D	SD
	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)
The financial reports I prepare in my business are accurate and reliable	42 52.5%	24 30.0%	00	10 12.5%	4 5.0%
The financial reports of my business comply with relevant accounting standards	23 28.8%	35 43.7%	6 7.5%	11 13.7%	5 6.3%
I always disclose all relevant financial information in the financial reports of my business	19 23.7%	38 47.5%	7 8.8%	15 18.7%	1 1.3%
The financial reports of my business are comprehensive and provide a clear picture of the financial position of my business	21 26.3%	34 42.5%	5 6.3%	20 25.0%	00
I always provide timely financial reports in my business	23 28.8%	35 43.7%	10 12.5%	12 15.0%	00
The financial reports of my business are consistent and comparable over time	24 30.0%	40 50.0%	00	16 20.0%	00
My business complies with legal and regulatory requirements in financial reporting	14 17.5%	37 46.3%	11 13.7%	18 22.5%	00
The financial reports of my business are audited or reviewed by independent professionals	4 5.0%	22 27.5%	20 25.0%	34 42.5%	00

Source: *Primary data*

Table 8 represents the descriptive statistics on the level of financial reporting in SMEs in Buwate. According to the study in table 8 above, 82.5% of the respondents agreed that the

financial reports they prepare in their businesses are accurate and reliable, whereas 17.5% of the respondents disagreed with the statement put across. The study illustrated that 72.5% of the respondents agreed that the financial reports of their businesses comply with relevant accounting standards, 7.5% were not sure, whereas 20% of the respondents disagreed and strongly disagree respectively with the statement put across.

The study established that 71.2% of the respondents agreed that they always disclose all relevant financial information in the financial reports of their businesses, 8.8% were not sure whereas 20% of the respondents disagreed with the statement put across. The study further noted that 68.8% of the respondents agreed that the financial reports of their businesses are comprehensive and provide a clear picture of the financial position of their businesses, 6.2% were not sure whereas 25% of the respondents disagreed and strongly disagreed with the statement put across.

Furthermore, the study found out that 72.5% agreed that they always provide timely financial reports in their businesses, 12.5% were not sure whereas 15% disagreed with the statement. More so, the findings established that 80% of the respondents agreed that the financial reports of their businesses are consistent and comparable over time, whereas 20% of the respondents were not sure of the statement put forward.

In addition, the study illustrated that 63.8% of the respondents agreed that their businesses complies with legal and regulatory requirements in financial reporting, 13.7% were not sure, whereas 22.5% of the respondents disagreed with the statement put across. However, the study established that 42.5% of the respondents disagreed that the financial reports of their businesses are audited or reviewed by independent professionals, 25% were not sure, whereas 32.5% of the respondents agreed with the statements put across.

Therefore the findings of the study illustrated that there is a relatively high level of financial reporting among SMEs in Buwate since most of the respondents noted that the financial reports they prepare in their businesses are accurate and reliable and given that the financial reports of their businesses are consistent and comparable over time which were represented by 82.5% and 80% of the respondents who agreed respectively, although there is still need for improvement since a relatively big number of the respondents noted that the financial reports of their business are not audited or reviewed by independent professionals.

The findings relate with the literature by Ghosh (2014) who examined the financial reporting practices of small and medium-sized enterprises (SMEs) worldwide and found out that Small and Medium Enterprises (SMEs) tend to have lower levels of financial reporting compared to larger entities. This is attributed to factors such as limited resources, lack of awareness of reporting requirements, and informal business operations. Furthermore, Lang and Jaggi (2007) argue that the absence of external monitoring mechanisms in Small and Medium Enterprises (SMEs) leads to reduced incentives for financial reporting, resulting in lower levels of disclosure.

4.3 The Benefits of Financial Reporting in SMEs in Buwate

Table 9 summarizes respondents' responses on the benefits of financial reporting in SMEs in Buwate by using a Likert scale where SA (Strongly Agree), A (Agree), NS (Not Sure), D (Disagree) and SD (Strongly Disagree).

Table 9: The benefits of financial reporting in SMEs in Buwate

Statements	Extent of agreement and disagreement				
	SA	A	NS	D	SD
	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)
Financial reporting has helped me in making informed business decisions in my business	20 25.0%	58 72.5%	2 2.5%	00	00
Financial reporting has enhanced the credibility and reputation of my business	14 17.5%	63 78.8%	3 3.8%	00	00
Financial reporting has improved transparency and accountability in my business	22 27.5%	54 67.5%	2 2.5%	2 2.5%	00
Financial reporting has facilitated access to funding and capital for my business	19 23.8%	57 71.3%	4 5.0%	00	00
Financial reporting has enabled me to monitor and control the financial performance of my business	00	49 61.3%	00	31 38.7%	00
Financial reporting has facilitated the identification of potential risks and opportunities for my business	19 23.8%	57 71.3%	4 5.0%	00	00

Source: Primary data

Table 9 represents the descriptive statistics on the benefits of financial reporting in SMEs in Buwate. According to the study in table 9 above, 97.5% of the respondents agreed that financial reporting has helped them in making informed business decisions in their businesses, whereas 2.5% of the respondents disagreed with the statement put forward. The study illustrated that 96.3% of the respondents agreed that financial reporting has enhanced the credibility and reputation of their businesses, whereas 3.8% were not sure of the statement put across.

The study established that 95.0% of the respondents agreed that financial reporting has improved transparency and accountability in their businesses, 2.5% were not sure whereas 2.5% of the respondents disagreed with the statements put across. The study also noted that 95.0% of the respondents agreed that financial reporting has facilitated access to funding and capital for their businesses, whereas 5% of the respondents were not sure of the statement put across.

The study further noted that 61.3% of the respondents agreed that financial reporting has enabled them to monitor and control the financial performance of their businesses, whereas 38.7% disagreed with the statement put forward. Finally, the study findings revealed that 95.1% of the respondents agreed that financial reporting has facilitated the identification of potential risks and opportunities for their businesses, whereas 5% of the respondents were not sure of the statement put across.

Therefore the major findings of the study illustrated that the major benefits of financial reporting in SMEs in Buwate are that financial reporting helps SME owners in making informed business decisions in their businesses and that financial reporting enables SME owners to monitor and control the financial performance of their businesses which were represented by 97.5% and 95% of the respondents who agreed respectively.

The findings relate with the literature by De George et al. (2016) and Thalassinos & Liapis (2017) who stressed that accurate and timely financial reporting helps sole proprietors fulfill their obligations related to taxation, licensing, and other regulatory frameworks. Failure to comply with these requirements can lead to legal penalties and reputational damage. Therefore, financial reporting serves as a mechanism for sole proprietors to meet their legal responsibilities and maintain good standing with regulatory authorities.

4.4 The Challenges Faced in the Process of Financial Reporting in SMEs in Buwate

Table 10 summarizes respondents' responses on the challenges faced in the process of financial reporting in SMEs in Buwate by using a Likert scale where SA (Strongly Agree), A (Agree), NS (Not Sure), D (Disagree) and SD (Strongly Disagree).

Table 10: The challenges faced in the process of financial reporting in SMEs in Buwate

Statements	Extent of agreement and disagreement				
	SA	A	NS	D	SD
	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)
I face difficulties in gathering and organizing financial data for reporting purposes in my business	23 28.8%	51 63.8%	4 5.0%	1 1.3%	1 1.3%
Limited financial resources make it challenging for me to invest in robust financial reporting systems in my business	19 23.8%	53 66.3%	7 8.8%	00	1 1.3%
I encounter challenges in understanding and implementing accounting standards and regulations in my business	21 26.3%	54 67.5%	4 5.0%	1 1.3%	00
Time constraints pose challenges to me in preparing financial reports within designated deadlines for my business	23 28.8%	51 63.8%	4 5.0%	2 2.6%	00
Limited access to qualified professionals with financial reporting knowledge poses challenges for my business	20 25.0%	58 72.5%	2 2.5%	00	00
I face challenges in reconciling and consolidating financial data from multiple sources or business units in my business	19 23.8%	57 71.3%	4 5.0%	00	00

Source: *Primary data*

Table 10 represents the descriptive statistics on the challenges faced in the process of financial reporting in SMEs in Buwate. According to the study in table 10 above, 92.6% of the respondents agreed that they face difficulties in gathering and organizing financial data for reporting purposes in their businesses, 5% were not sure, whereas 2.6% of the respondents disagreed and strongly disagree respectively with the statement put across. The study established that 90.1% of the respondents agreed that limited financial resources make it challenging for

them to invest in robust financial reporting systems in their businesses, 8.8% were not sure, whereas 1.3% of the respondents disagreed with the statement put across.

The study further noted that 93.8% of the respondents agreed that they encounter challenges in understanding and implementing accounting standards and regulations in their businesses, 5% were not sure, whereas 1.3% of the respondents disagreed and strongly disagreed with the statement put across. The study found out that 92.6% agreed that time constraints pose challenges to them in preparing financial reports within designated deadlines for their businesses, 5% were not sure, whereas 2.6% disagreed with the statement.

Furthermore, the findings established that 95% of the respondents agreed that limited access to qualified professionals with financial reporting knowledge poses challenges for their businesses, whereas 5% of the respondents were not sure of the statement put forward. Finally, the study findings revealed that 95.1% of the respondents agreed that they face challenges in reconciling and consolidating financial data from multiple sources or business units in their businesses, whereas 5% of the respondents were not sure of the statement put across.

Therefore the major findings of the study illustrated that the major challenges faced in the process of financial reporting in SMEs in Buwate are limited financial resources for investing in robust financial reporting systems and difficulties in understanding and implementing accounting standards and regulations for the businesses which were represented by 97.5% and 95% of the respondents who agreed respectively.

The findings relate with the literature by (Agyei-Mensah & Ariffin, 2016; Okello et al., 2017) who highlighted that many sole proprietors lack the financial resources to invest in sophisticated accounting systems and hire professional accountants. As a result, they may struggle with preparing accurate financial statements and complying with reporting standards. Additionally, Temtime et al. (2011) also emphasized the limited accounting knowledge and skills of sole proprietors, which further hinder the financial reporting process.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the summary and description of findings derived from the study. The chapter also provides findings, conclusions and recommendations for policy as well as recommendations for further research.

5.1 Summary of Findings

The study on the level of financial reporting in SMEs in Buwate revealed that there is a relatively high level of financial reporting in the area. The majority of respondents agreed that the financial reports they prepare in their businesses are accurate, reliable, and comply with relevant accounting standards. They also indicated that they disclose all relevant financial information, and their reports provide a clear picture of the financial position of their businesses. Additionally, a significant number of respondents stated that they consistently provide timely financial reports, and the reports are consistent and comparable over time. However, there are areas for improvement, as a considerable proportion of respondents noted that their financial reports are not audited or reviewed by independent professionals. Overall, the findings suggest that while the level of financial reporting in SMEs in Buwate is generally positive, efforts should be made to enhance the practice of independent audits or reviews to further bolster the credibility and reliability of financial information in these businesses.

Furthermore, the study on the benefits of financial reporting in SMEs in Buwate revealed that financial reporting plays a crucial role in supporting SME owners in their business operations. A significant majority of respondents agreed that financial reporting has helped them in making informed business decisions, enhancing the credibility and reputation of their businesses, and improving transparency and accountability. Moreover, financial reporting was found to facilitate access to funding and capital for their businesses, as well as aid in identifying potential risks and opportunities. However, it was noted that a considerable proportion of respondents felt that financial reporting did not fully enable them to monitor and control the financial performance of their businesses. Overall, the findings highlight the importance of financial reporting in SMEs,

particularly its positive impact on informed decision-making and the financial health of these businesses in Buwate.

Finally, the study on the challenges faced in the process of financial reporting in SMEs in Buwate highlighted significant obstacles that businesses encounter. The findings indicate that a majority of respondents face difficulties in gathering and organizing financial data for reporting purposes, largely due to limited financial resources, which also hinder their ability to invest in robust financial reporting systems. Additionally, many respondents expressed challenges in understanding and implementing accounting standards and regulations, further complicating the financial reporting process. Time constraints were identified as another significant issue, affecting the timely preparation of financial reports. Furthermore, limited access to qualified professionals with financial reporting knowledge poses additional challenges for SMEs in Buwate. The study underscores the importance of addressing these challenges to improve the quality and effectiveness of financial reporting in SMEs and promote their overall financial health and success.

5.2 Conclusions

In conclusion, the study on the challenges faced in financial reporting in Small and Medium Enterprises (SMEs) in Buwate, Wakiso district revealed a generally positive level of financial reporting, with respondents acknowledging the accuracy, reliability, and compliance of their financial reports. The benefits of financial reporting were evident in informed decision-making, enhanced credibility, and improved access to funding. However, challenges in data gathering, limited financial resources for robust reporting systems, and understanding accounting standards need attention. Moreover, time constraints and limited access to qualified professionals pose additional obstacles. Addressing these challenges is vital to further strengthen financial reporting practices in SMEs and contribute to their sustainable growth and success in Buwate.

5.3 Recommendations

From the above discussions of findings and conclusion, the following measures are recommended in response to the challenges faced in financial reporting in Small and Medium Enterprises (SMEs) in Buwate, Wakiso district.

The study recommends the need to promote independent auditing and review in SMEs. To enhance the credibility and reliability of financial reporting in SMEs, it is essential to encourage and incentivize businesses to undergo independent audits or reviews. This will provide external validation of their financial reports and instill confidence among stakeholders.

The study also recommends the need for capacity building and training for the SME owners and their managers and employees. SME owners and financial personnel should receive training and capacity-building programs on understanding and implementing accounting standards and regulations. This will improve their ability to produce financial reports that comply with the relevant guidelines, enhancing the overall quality of financial reporting.

Furthermore, the study recommends the need for SME owners to improve financial data management. Address the challenges faced in gathering and organizing financial data by investing in better financial data management systems and tools. This will streamline the reporting process and enable SMEs to produce accurate and timely financial reports.

The study also recommends the need for SME owners to access to financial resources. Government and financial institutions should collaborate to provide SMEs in Buwate with better access to financial resources. This will enable businesses to invest in robust financial reporting systems and facilitate their growth and development.

More so, the study recommends the need to support for qualified professionals. Encourage the development of a pool of qualified professionals with financial reporting knowledge by providing incentives for training and certification. This will address the challenge of limited access to experts and facilitate better financial reporting practices.

In addition, the study recommends the need for SMEs to conduct timely reporting. SMEs should prioritize preparing financial reports within designated deadlines to ensure that stakeholders receive timely and relevant information for decision-making.

Last but not least, the study recommends the need for collaboration and knowledge sharing among SMEs. There is need to promote collaboration and knowledge-sharing among SMEs in Buwate to learn from best practices in financial reporting. This can be facilitated through industry associations, workshops, and networking events.

Finally, the study recommends the need for regular monitoring and evaluation among SMEs. Implementation of a system of regular monitoring and evaluation of financial reporting practices in SMEs to identify areas for improvement and measure progress over time is essential for small and medium businesses.

5.4 Areas for Further Research

Since this study examined the challenges faced in financial reporting in Small and Medium Enterprises (SMEs) in Buwate, Wakiso district, the study recommends the following areas for further research

First of all, the study recommends the need to conduct a more comprehensive investigation into the specific difficulties SMEs in Buwate and the whole of Uganda face in gathering and organizing financial data for reporting purposes. Identify the root causes of these challenges and explore potential solutions to improve data management practices.

Second, the study recommends the need to investigate the impact of independent auditing and review on the credibility and reliability of financial reports in SMEs. There is also need to compare the financial reporting practices and perceptions of stakeholders in SMEs that undergo regular audits with those that do not, to understand the benefits and drawbacks of such practices.

Third and final, the study recommends the need to conduct a qualitative study to delve deeper into the challenges SMEs face in understanding and implementing accounting standards and regulations. Identify specific areas of confusion or complexity and explore strategies to enhance SMEs' knowledge and compliance.

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5. How long have you been operating this business?

a) Less than 1 year b) 1-5 years

c) 6-10 years d) Above 10 years

Section B: The level of financial reporting in SMEs in Buwate

Rate your degree of agreement on the level of financial reporting in SMEs in Buwate using a scale of 5(Strongly Agree), 4(Agree), 3(Not sure), 2(Disagree) and 1(Strongly Disagree).

s. no	Level of financial reporting	5	4	3	2	1
L1	The financial reports I prepare in my business are accurate and reliable					
L2	The financial reports of my business comply with relevant accounting standards					
L3	I always disclose all relevant financial information in the financial reports of my business					
L4	The financial reports of my business are comprehensive and provide a clear picture of the financial position of my business					
L5	I always provide timely financial reports in my business					
L6	The financial reports of my business are consistent and comparable over time					
L7	My business complies with legal and regulatory requirements in their financial reporting					
L8	The financial reports of my business are audited or reviewed by independent professionals					

Section C: The benefits of financial reporting in SMEs in Buwate

Rate your degree of agreement on the benefits of financial reporting in SMEs in Buwate using a scale of 5(Strongly Agree), 4(Agree), 3(Not sure), 2(Disagree) and 1(Strongly Disagree).

s. no	Benefits	5	4	3	2	1
B1	Financial reporting has helped me in making informed business decisions in my business					
B2	Financial reporting has enhanced the credibility and reputation of my business					
B3	Financial reporting has improved transparency and accountability in my business					
B4	Financial reporting has facilitated access to funding and capital for my business					
B5	Financial reporting has enabled me to monitor and control the financial performance of my business					
B6	Financial reporting has facilitated the identification of potential risks and opportunities for my business					

Suggest any other the benefits of financial reporting in SMEs in Buwate other than the ones mentioned above?

.....

Section D: The challenges faced in the process of financial reporting in SMEs in Buwate

Rate your degree of agreement on the challenges faced in the process of financial reporting in SMEs in Buwate using a scale of 5(Strongly Agree), 4(Agree), 3(Not sure), 2(Disagree) and 1(Strongly Disagree).

s. no	Challenges	5	4	3	2	1
C1	I face difficulties in gathering and organizing financial data for reporting purposes in my business					
C2	Limited financial resources make it challenging for me to invest in robust financial reporting systems in my business					
C3	I encounter challenges in understanding and implementing accounting standards and regulations in my business					
C4	Time constraints pose challenges to me in preparing financial reports within designated deadlines for my business					
C5	Limited access to qualified professionals with financial reporting knowledge poses challenges for my business					
C6	I face challenges in reconciling and consolidating financial data from multiple sources or business units in my business					

Suggest any other challenges faced in the process of financial reporting in SMEs in Buwate other than the ones mentioned above?

.....

What measures have you put in place to overcome the above challenges faced in the process of financial reporting in your business?

.....

Thank you for your cooperation



UGANDA CHRISTIAN
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SCHOOL OF BUSINESS

1st Aug 2023

TO WHOM IT MAY CONCERN

Name: AMUKUN FAITH KHITNEY Reg. No. J22B051184

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

"CHALLENGES FACED IN FINANCIAL REPORTING IN SMES IN BUWATE..."

WAKISO DISTRICT

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

The Uganda Christian University School of Business thanks you in advance

A handwritten signature in blue ink, appearing to read 'Mukisa Simon Peter'.

Mukisa Simon Peter
Research coordinator