

**ACCOUNTING INFORMATION SYSTEM AND FINANCIAL PERFORMANCE OF
SMEs THE CASE OF NORTHERN DIVISION, KOBOKO MUNICIPALITY**

ROSE AATE

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**UGANDA CHRISTIAN
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DECLARATION


I, AateRose, declare that this report is my original compilation and that none of its section(s) is/are plagiarized. I further declare that this proposal has never been submitted to any university for the award of any degree.

Signed AA Date 12/5/2025

APPROVAL

This research report titled "accounting information system and financial performance of SMEs, the case of northern division, Koboko municipality" was created by Aate Rose under my supervision and is ready for submission to Uganda Christian University's School of Business.

Signed by:


..... date 17/05/2025

Dr. Musisha Henry
Supervisor

DEDICATION

I dedicate this work to fin church aid and windle international Uganda for providing financial assistance for my academic journey, and to my beloved parents especially my mother Aliya j Joyce for her maternal love, support and wisdom. I also want to thank everyone else who has helped and I supported me both directly and indirectly

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ABSTRACT

The study examined the influence of Accounting information system on the financial performance of SMEs in Northern division, Koboko municipality. The study was guided by the following objectives; to analyze the effect of system effectiveness of AIS on financial performance of SMEs, to establish the effect of system control on financial performance of SMEs and to ascertain effect of system flexibility on financial performance of SMEs in Northern division, Koboko, municipality.

The study adopted descriptive research design to comprehensively examine how SMEs utilize AIS in their financial process the study population was 50 employees from SMEs located in Koboko municipality and the sample size was 44.

The study established that there was a positive relationship between accounting information systems and financial performance at SMEs of Koboko north this was justified by $r = 0.362$ for systems effectiveness, $.285$ system control and 0.193 for System flexibility and financial performance of SMEs in northern division, Koboko, municipality. Finally the regression analysis revealed that the contribution of AIS financial performance of SMEs at Koboko was 24%. It was concluded that approximately 24% of the variance in the financial performance of SMEs at Koboko north was attributed to the aspects of AIS which included system flexibility, systems control and systems effectiveness.

CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction

SMEs are the drivers of the Ugandan economy for they make up close to 90% of the businesses in Uganda. Uganda's 1.1 million MSMEs account for 80% of the country's GDP and 90% of its private sector. In Uganda, micro, small, and medium enterprises (MSMEs) are vital, contributing significantly to the economy, accounting for 90% of the private sector and 75% of the GDP. The government supports MSMEs through initiatives like the National SME Portal and the MSME Policy. AIS can improve financial performance by providing accurate and timely financial information. This chapter comprises of the background of the study, statement of the problem, objectives of the study, research questions, scope of the study, significance of the study, justification of the study and conceptual framework.

1.1 Background to the study

Globally, accounting information systems (AIS) have become essential tools for small and medium-sized enterprises (SMEs) in the decision-making process. With increasing globalization, digital transformation, and a surge in cloud-based accounting solutions, the adoption of AIS has grown significantly among SMEs. According to the International Data Corporation (IDC), worldwide spending on digital transformation technologies, including AIS, is expected to reach \$2.3 trillion by 2023 (Rouse, 2020). This growth highlights the increasing recognition by businesses of the importance of AIS in improving operational efficiency and making informed decisions. Small businesses, in particular, have benefited from these technologies, which provide real-time financial data, supporting better financial control and strategic planning. As a result, businesses that implement AIS are not only more competitive but also more likely to succeed in a rapidly evolving global economy (Hall, 2021).

Over the last couple of decades, the globe has observed extensive technological advancements, including the field of Accounting. As a result, many business organizations tend to use Information Technologies (IT) (Alrabei, 2014). The competition among the companies has increased, and most of those companies adopt Computerized Information Systems (CIS) to remain competitive advantages (Rajeshwaran&Gunawardana, 2009).

Imeokparia (2013) pointed out that a company's financial outcome always depends on how much they invest and how they can improve the AIS. The most influential and the oldest in the present business system is the Management Information System (MIS). Whereas, AIS is one of the subsystems of MIS and the eldest one (Salehi, Rostami, & Mogadam, 2010). AIS can be used to record and process transactions and to communicate the financial and accounting information that can be necessary for decision making. Furthermore, AIS depends on data and information to enhance international accounting information systems or make such a firm a more successful business.

However, despite this global trend, many SMEs, particularly in developing economies, still struggle with fully adopting AIS due to limited financial resources, inadequate IT infrastructure, and a lack of skilled personnel. A report by the World Bank (2020) notes that while 80% of SMEs in developed countries have implemented some form of AIS, the adoption rate in developing countries remains much lower, at around 35%. This discrepancy highlights the need for more robust policies and educational initiatives to support SMEs in integrating AIS into their business processes for enhanced decision-making.

In most of the African continent, the adoption of AIS by SMEs has been slower compared to other regions, due to a variety of challenges, including limited access to technology, high costs, and a lack of skilled professionals. According to the African Development Bank (AFDB) (2019), SMEs contribute more than 60% of employment and 40% of GDP in Africa, yet many are still reliant on manual accounting practices, which hinder their ability to make timely and accurate decisions. This is particularly concerning given that SMEs are considered the backbone of many African economies, and efficient decision-making is critical to their sustainability and growth (Mwangi, 2020).

In recent years, there has been a push towards improving the adoption of digital accounting systems across the continent. Countries like South Africa, Kenya, and Nigeria have made significant progress in implementing AIS solutions among SMEs, driven by government initiatives and increased access to cloud-based systems (Nganga, 2021). For example, Kenya's National Treasury reported in 2022 that about 55% of registered SMEs had adopted some form of AIS, up from 30% in 2018 (Karanja & Muturi, 2022). This demonstrates a growing awareness of the benefits of AIS, such as improved financial transparency, streamlined processes, and data-

driven decision-making. Nonetheless, challenges such as financial constraints and inadequate ICT infrastructure remain prevalent across many African countries, limiting the broader uptake of AIS in SMEs.

In Uganda, SMEs play a crucial role in the economy, accounting for approximately 90% of the private sector, 80% of total employment, and 70% of GDP (Ministry of Finance, Planning and Economic Development [MoFPED], 2021). However, despite their significant contribution, many Ugandan SMEs face challenges related to limited access to financial information, which affects their decision-making processes. A report by Uganda Investment Authority (2022) found that only 25% of SMEs in Uganda have implemented formal AIS, with the majority still relying on basic manual systems or outdated software that lacks advanced functionalities (Kasule&Kyobe, 2022). This limits the ability of SME owners and managers to make informed decisions regarding financial management, investment, and resource allocation.

Ugandan SMEs play a vital role in the economy, contributing significantly to GDP and employment, but face challenges like access to finance and market competition. SMEs contribute above 20% of gross domestic product (GDP) and 80% of the manufactured output in Uganda (Al Mamun et al., 2016). These firms are regarded as key contributors to economic growth and transformation and create employment for Ugandans (Orobia et al., 2020)

The Ugandan government, in partnership with development agencies, has made efforts to promote digital transformation and the adoption of technology in the SME sector. Initiatives such as the Digital Uganda Vision, launched in 2020, aim to enhance access to digital infrastructure and services, including AIS, across the country. However, the success of these initiatives has been hampered by factors such as inadequate financial literacy, poor internet connectivity in rural areas, and high costs associated with implementing sophisticated AIS solutions (Mulungi&Nuwagaba, 2021). Despite these challenges, there is growing recognition among SMEs of the importance of AIS in improving business decision-making, and more businesses are gradually adopting these systems to enhance their operational efficiency.

Koboko, a district in the West Nile region of Uganda, has a vibrant SME sector that plays a significant role in the local economy. Like other regions in Uganda, SMEs in Koboko face numerous challenges, including limited access to financial services, inadequate record-keeping practices, and insufficient technology adoption. According to the Koboko District Local

Government Report (2022), approximately 70% of businesses in the district are small enterprises, with a majority engaged in trade, agriculture, and small-scale manufacturing. Despite their importance to the local economy, only a small fraction of these businesses, around 15%, have implemented formal AIS to support their decision-making processes (Aiyeku&Nkwanzu, 2023).

The low adoption rate of AIS in Koboko is attributed to several factors, including limited access to affordable AIS solutions, a lack of technical expertise, and poor digital infrastructure in the district. Many SMEs continue to rely on manual accounting methods, which can be time-consuming and prone to errors. As a result, business owners often struggle to make timely and informed decisions regarding financial management and business expansion. However, there is potential for growth in AIS adoption, as more SMEs in Koboko are beginning to recognize the value of digital tools in improving their operational efficiency and competitiveness (Wekesa, 2021). With targeted interventions from both government and private sector stakeholders, there is an opportunity to significantly enhance the adoption of AIS in the region, which could ultimately improve business decision-making and foster economic growth.

1.2 Statement of the problem

Although the implementation of AIS has been widely adopted to enhance the speed, accuracy, and reliability of the financial reporting process, delays in reporting, inaccuracies, misposting, and incorrect balances are issues that may still befall small and medium enterprises in Uganda. This occurs through financial inefficiencies, reduced profitability, and impaired decision-making capabilities (Kasule et al., 2021). Persistence of these issues suggests a gap between the potential gains from AIS and the actual realization toward performance improvement in finances (Tumwine et al., 2023).

Small and medium-sized enterprises (SMEs) in Uganda, particularly in districts like Koboko, face significant challenges in utilizing accurate and efficient accounting systems to guide their decision-making processes. Many of these businesses rely on manual or outdated accounting practices that are prone to errors, time-consuming, and often lack real-time data capabilities, which hinders effective financial management (Mulungi&Nuwagaba, 2021). Without the proper use of accounting information systems (AIS), SMEs struggle with financial forecasting, budgeting, and resource allocation, which negatively impacts their growth and competitiveness (Kasule&Kyobe, 2022). In Koboko, only 15% of SMEs have adopted formal AIS, leaving the

majority of businesses without the necessary tools to make informed decisions that could improve their financial health and long-term sustainability (Aiyeku&Nkwazi, 2023), This study seeks to examine the impact of AIS on decision-making among SMEs in Koboko, identifying the factors that hinder its adoption and proposing solutions tailored to improving the adoption of AIS in the district.

1.3 purpose of the study

The purpose of this study was to assess the impact of accounting information systems (AIS) on financial performance of small and medium-sized enterprises (SMEs) in northern division, Koboko, municipality.

1.3.1 Objectives

The study was guided by the following objectives

- i) To analyze the effect of system effectiveness of AIS on financial performance of SMEs in Northern division, Koboko, municipality.
- ii) To establish the effect of system control on financial performance of SMEs in Northern division, Koboko, municipality.
- iii) To ascertain effect of system flexibility on financial performance of SMEs in Northern division, Koboko, municipality.

1.3.2 Research questions

- i) What is the effect of system effectiveness of AIS on financial performance of SMEs in Northern division, Koboko, municipality
- ii) What is the effect of system control on financial performance of SMEs in Northern division, Koboko, municipality.
- iii) How does of system flexibility affect financial performance of SMEs in Northern division, Koboko, municipality

1.3.3 hypothesis

- i) There is a significant relationship between system effectiveness and financial performance of SMEs

- ii) There is a significant relationship between system control and financial performance of SMEs
- iii) There is a significant relationship system flexibility and financial performance of SMEs in Northern division

1.4 Scope of the study

1.4.1 Content scope

This study examined the impacts of Accounting Information Systems (AIS) on small business decision-making, within northern division Koboko. The content of the study shall be limited to flexibility, effectiveness and control of the system and how they affect financial performance of SMEs.

1.4.2 Geographical scope

The study was conducted in Koboko District, located in the Northern Region of Uganda especially West Nile sub- region in Uganda.

Koboko Northern division consists primarily of the Aringa-speaking community, closely related to the Lugbara language, the district's geographic coordinates are 03°25'N 30°58'E. This district was selected for the study due to its strategic business location at the meeting point of three countries, namely South Sudan, and DCR, making it an ideal area for exploring the impacts of accounting information systems (AIS) on small business decision-making.

1.4.3 Time cope

This study was conducted in a period of three months, from October to December 2024. This period was allocated to allow the researcher collect data and draw meaningful conclusion on the study.

1.5 Significance of the study

This study holds significance for several key groups, including academicians, the business community, policymakers, and the private sector.

To the academicians, this study contributes to the growing body of knowledge on the role of Accounting Information Systems (AIS) in enhancing financial management processes within SMEs, particularly in developing regions like Koboko,

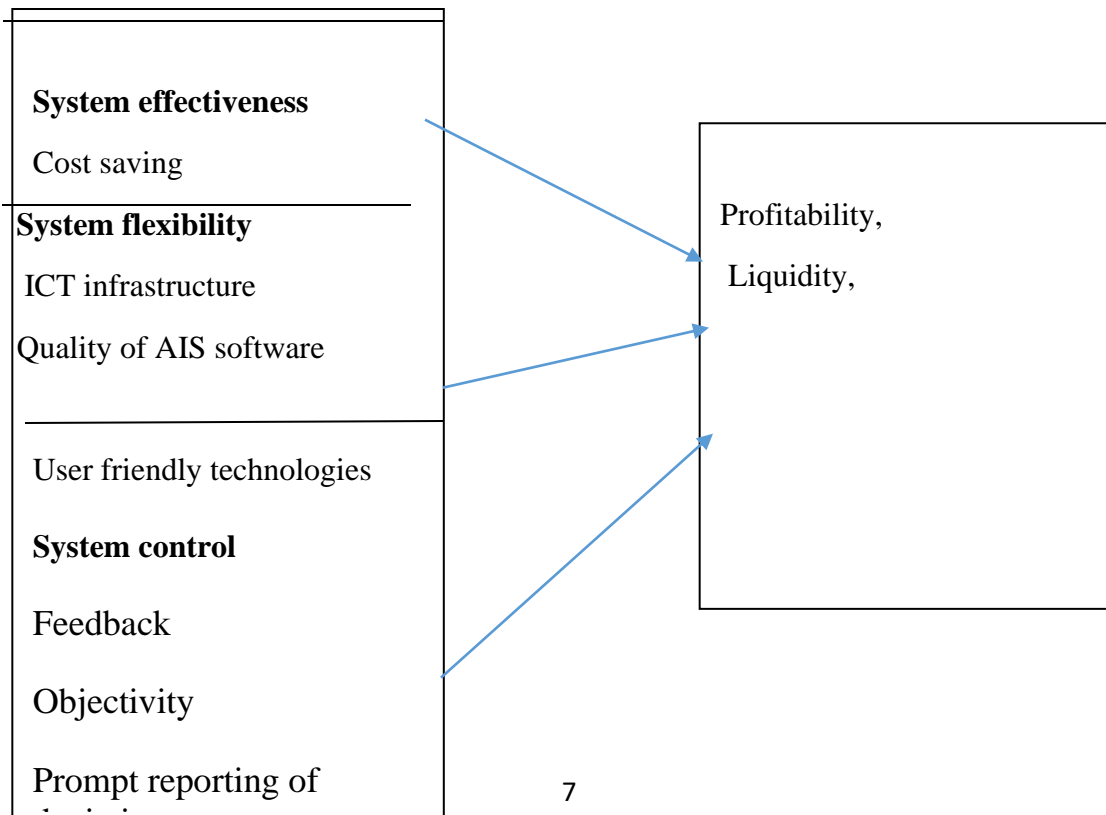
The study will offer practical insights into the benefits of adopting AIS for better decision-making and financial control. Business owners and managers will gain an understanding of how AIS can improve operational efficiency, resource allocation, and profitability.

Policymakers will benefit from the study as it will provide data-driven evidence on the current state of AIS adoption among SMEs in Koboko, highlighting the gaps that need to be addressed. The study's findings can inform policy decisions and lead to the formulation of more effective policies and programs aimed at supporting SMEs in adopting and utilizing modern accounting technologies.

1.6 Conceptual framework

Accounting information systems

SMEs financial performance



Source: *Self-conceptualize (2025)*

Independent variable is the accounting information systems measured in terms of system flexibility, system effectiveness, and system control while the dependent variable is financial performance of SMEs measured in terms of profitability, liquidity, and return on investment.

It's perceived that AIS flexibility, effectiveness and control can individually or collectively affect financial performance of SMEs in Koboko Northern division.

Definitions of key concepts

Accounting Information Systems (AIS): AIS refers to a system that collects, processes, and reports financial data to support decision-making within an organization. It integrates both manual and computerized accounting processes to track business transactions and produce financial reports (Hall, 2021).

Small and Medium-Sized Enterprises (SMEs): SMEs are businesses that maintain revenues, assets, or a number of employees below a certain threshold, which varies by country. In Uganda, SMEs typically employ less than 100 people and have an annual turnover of less than 360 million Ugandan shillings (MoFPED, 2021).

Financial Performance: Financial performance is a measure of a business's financial health over a given period. It includes metrics such as profitability, liquidity, and return on investment. AIS can improve financial performance by providing accurate and timely financial information (Nganga, 2021).

Operational Efficiency: Operational efficiency refers to the ability of a business to deliver products or services in the most cost-effective manner without compromising quality. AIS helps improve operational efficiency by automating accounting processes, reducing errors, and streamlining workflows (Mwangi, 2020).

Technology Infrastructure: This term encompasses the physical and digital structures required for businesses to adopt and effectively use technology, such as internet connectivity, hardware, and software systems. In the context of AIS, robust technology infrastructure is critical for its implementation and functionality (Rouse, 2020).

CHAPTER TWO

LITERATURE REVIEW

2.0. Introduction

This chapter provides a comprehensive literature review concerning the Impacts of accounting information system on financial performance of small and medium enterprises in Koboko north division. It summarizes the perspectives and findings of various scholars and researchers related to this topic, organized in alignment with the study's objectives.

2.1 Theoretical review

The study was guided by the Theory of Financial Intermediation. The Theory of Financial Intermediation was developed by Franklin A. and Anthony M. in 1997. Financial intermediation theory, explains why intermediaries like banks exist and serve a valuable purpose in the economy. It posits that these intermediaries reduce transaction costs and informational asymmetries between savers and borrowers, facilitating the efficient flow of funds.

The theory assumes that financial frictions including transaction costs and asymmetric information are important in understanding intermediation.

According to the theory of intermediation, current theories of the economic role of financial intermediaries build on the economics of imperfect information that began to emerge during the 1970s with the seminal contributions of Akerlof (1970), Spence (1973) and Bernanke and Blinder (1992). Financial intermediaries exist because they can reduce information and transaction costs that arise from an information asymmetry between borrowers and lenders. Financial intermediaries thus assist the efficient functioning of markets, and any factors that affect the amount of credit channeled through financial intermediaries can have significant macroeconomic effects (Hasnah et al., 2015). There are two strands in the literature that formally explain the existence of financial intermediaries. The first strand emphasizes financial intermediaries' provision of liquidity. The second strand focuses on financial intermediaries' ability to transform the risk characteristics of assets. In both cases, financial intermediation can reduce the cost of channeling funds between borrowers and lenders, leading to a more efficient allocation of resources. Paal and Wisemann (2016) analyzed the provision of liquidity and the transformation of illiquid assets into liquid liabilities by banks. Banks can improve on a competitive market by providing better risk sharing among agents who need to

consume at different times (Muktar, 2017). An intermediary promising investors a higher payoff for early consumption and a lower payoff for late consumption relative to the non-intermediated case enhances risk sharing and welfare (Ojo, 2012). The proponents of this theory explain that in the modern theory of financial intermediation, financial intermediaries are active because market imperfections prevent savers and investors from trading directly with each other in an optimal way.

2.2 Empirical studies

2.2.1 The system effectiveness and financial performance of SMEs

Additionally, SMEs in Zimbabwe using AIS reported higher productivity levels, as automation reduced manual errors and administrative workload (Chikomba&Dube, 2020). These findings emphasize that AIS plays a crucial role in enhancing efficiency, financial integrity, and overall business growth.

The cost of purchasing software licenses, training staff, and maintaining IT infrastructure creates a financial burden that small businesses struggle to manage (Ismail & King, 2018). Due to financial constraints, SMEs often opt for cheaper, less efficient manual accounting systems, which may lead to errors and inefficiencies in financial reporting. The lack of access to affordable financing options exacerbates the problem, as many SMEs struggle to secure loans or grants to support their digital transformation.

As claimed by Hall (2011), an AIS can be categorized into four main subsystems such as general ledger/financial reporting system, Transaction Processing System (TPS), fixed asset system and management reporting system. The TPS facilitates regular business activities with multiple records and messages for clients all through the organizational stage of the entity, which is a computer based system that carries out and tracks the ordinary.

Infrastructure limitations also play a crucial role in hindering AIS adoption in SMEs in Koboko. Poor internet connectivity, unreliable electricity supply, and inadequate IT infrastructure make it challenging for businesses to implement and operate AIS efficiently (Okello et al., 2022). Many rural SMEs lack access to stable internet connections, which are essential for cloud-based AIS solutions. Additionally, frequent power outages disrupt business operations and reduce the efficiency of accounting software. The absence of a strong technological infrastructure forces

many SMEs to continue using traditional accounting methods, despite the availability of digital alternatives.

Richo (2023) recommended that SMEs in Kenya adopt effective cash management practices to enhance their financial performance. Obed (2023) found that the capital structure of SMEs significantly impacted their financial performance, underscoring the importance of proper financial management (Obed, 2023).

Furthermore, McMahon (2001) suggested that improved financial reporting practices were part of broader financial management competence that could lead to more effective management and improved prospects for SMEs.

. Studies showed that SMEs that adopted International Financial Reporting Standards (IFRS) and maintained quality financial information experienced improved performance (Amarteifio, 2020). Additionally, the use of financial reports based on specific standards like SAK ETAP provided SMEs with essential information for decision-making, leading to increased profits and overall business management efficiency (Maelani, 2024). Furthermore, the inclusion of Other Comprehensive Income (OCI) in financial reporting was found to positively impact

A study by Okello et al. (2021) found that SMEs using AIS in Kampala City experienced improved financial decision-making due to better financial reporting and real-time data access. Similarly, Kakumba and Mutyaba (2020) discovered that SMEs with well-implemented AIS had enhanced forecasting capabilities, enabling better financial planning.

In Nigeria, Adegbite et al. (2022) found that SMEs using AIS had a competitive advantage, as the systems provided crucial insights into financial health and risk assessment. This suggests that AIS adoption enhances SMEs' ability to make strategic financial decisions that drive long-term sustainability.

A study conducted in Lugazi Municipality, Uganda, found that SMEs were more likely to adopt AIS if they perceived it as useful and easy to use (Mugerwa&Ssekamanya, 2021). The study suggested that SMEs that recognized AIS's role in improving financial reporting and decision-making were more inclined to integrate such systems into their operations.

Centralized databases and cloud solutions allow authorized personnel to access the data with better speed and efficiency for timely decisions that enhance operational agility. In this regard, Johnson & Smith (2016) note that all these benefits are becoming increasingly important in modern business operations. This is particularly relevant at SMEs in Koboko municipality since real-time access to accurate financial information is essential in performance appraisal and strategic decision-making.

2.2.2 System control and financial performance of SMEs

Research by Tumusiime et al. (2020) in Uganda highlighted that SMEs with AIS reported higher profitability due to improved financial control and reduced fraud. Furthermore, a study in Ghana by Asare et al. (2021) found that AIS adoption led to better financial transparency and compliance with tax regulations, which in turn enhanced business reputation and access to credit. The information system is characterized as a collection of relevant parts collecting, preparing, storing and sharing information to ensure decision making, coordination and control within the organizations (Laudon & Laudon, 2016). The use of information system technology in the AIS improves the recording functions, data analysis, reporting and other aspects of AIS and data of AIS (Ramli, 2015). Gelinas (2014) describes the AIS as a system of recording, sorting, summarizing and reporting of economic events affecting businesses. One of the purposes of the AIS is to generate commercial statements functioning as the detailed statement of earnings, the statement of financial status and further records utilized by management, borrowers, existing and prospective stakeholders and other parties (Sharkasi& Wynn, 2011).

According to Kramer (2014), control of financial records for financial performance was one of the first steps to ensure safe and effective records. Kramer (2014) stated that the safety of financial records could be evidenced by having control over location, clearly labeling everything, filing everything immediately, keeping active files accessible, creating backup copies, using passwords, and managing the level of access. Hall (2009) noted that safe financial records provided information in standardized manners that supported the process of financially based decision-making. This was because it provided information used to appraise business performance, financial health, stability, and growth potentials needed by decision-makers (Hall, 2009).

According to Kramer (2014), control over location involved managing financial statements, tax forms, receipts, and other documents, and required keeping records together, ideally in a fireproof safe or in a filing cabinet. Millichamp and Taylor (2012) indicated that having control over location enhanced the effectiveness of operations, reliability of financial reporting, and compliance with laws and regulations. This lowered the risk base for financial performance on borrowings and financing costs by ensuring more accurate preparation and compliance with debt agreements (Kabali, 2010). Costello (2011) noted that this information should be filed immediately in a place controlled by the SMEs to avoid unauthorized access.

Brent (2013) recommended that passwords be used to authenticate access to data. However, Hall (2009) added that there should be a level of access to financial records for all users to restrict access to confidential information. Kaplan (2012) advised that segregation of duty allowed SMEs to control authority levels by granting individual access to data within their level of powers.

2.2.3 System flexibility and financial performance of SMEs

Software developers should design AIS solutions tailored to the needs and budgets of SMEs. Cloud-based AIS with flexible payment plans can make adoption more feasible for small businesses (Adegbite et al., 2022).

Despite the potential benefits of AIS, the cost and complexity of these systems present significant barriers to adoption. A study in Zimbabwe by Chikomba and Dube (2020) revealed that many SMEs struggle to afford AIS due to high initial setup costs, software licensing fees, and maintenance expenses. Furthermore, the complexity of some AIS solutions discourages SMEs with limited technical expertise from adopting them. This is particularly relevant in Koboko, where many SMEs operate informally and lack the resources to invest in sophisticated accounting systems (Mukiibi&Nsubuga, 2022).

General Accepted Accounting Principles (GAAP) allow for certain choices of different accounting methods for depreciation and inventory management. If a financial statement from one company that was prepared differently from other companies in the industry, or even prepared differently from previous statements, it is likely that the users will not be able to compare the statements among companies and over time. Comparability adds a degree of transparency to financial statements by allowing comparisons over time and among entities.

Comparability is affected by consistency of presentation and disclosure of accounting policies- particularly when comparing items among entities that might use different (but equally valid) methods like straight-line/ reducing balance depreciation or FIFO/ average cost method. This indicates that comparable financial statements are not necessarily uniform, but merely allow suitable comparisons (Derrell, 2010).

It is through computerized data retrieval systems that public companies can enable timely decision-making and effective financial analysis. Thompson and Davis (2019) reinforce that these systems imply that they enable the organization to access financial data in real or near real-time for updates in the information required for analyses by managers for strategic decisions. The real-time availability is particularly useful for Uganda Clays Limited in the way that speed allows the company to be aggressive in the current market changes, financial trends, and emerging opportunities that will, at all times, keep the company competitive and ahead of the competition provided with a dynamic business environment (Chen & Liu, 2017).

Also, financial analysis is done more precisely and reliably when computerized data retrieval systems are used since many data accumulated in one unified database from various sources eliminate any human-generated

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter outlines the research methodology employed in the study, including the research design, study area, target population, sample size, and sampling procedures. It also details the data collection methods, research instruments, data collection procedures, data analysis techniques, and ethical considerations

3.1 Research Design

This study employed descriptive research design to comprehensively examine how SMEs utilize AIS in their financial process. The descriptive design provided an in-depth understanding of AIS implementation and the financial performance of SMEs. The study as well adopted a quantitative approach.

3.3 Area of study

The area of study was Koboko District in Uganda, located in the Northern Uganda, West Nile Sub-region. This study focused on the impact of Accounting Information Systems (AIS) on financial performance among SMEs in Koboko Northern division SMEs. .

3.4 Study Population

According to Kothari (2004), a population is defined as the total set of items about which information is required. In this study, the population consisted of approximately 50 employees from SMEs located in Koboko municipality. These employees included business owners, managers, and accounting personnel who utilize Accounting Information Systems (AIS) in their operations. The selection of this population aimed to provide insights into the influence of AIS in small business financial performance.

Table 1: showing the categories and population distribution

Category	Frequency	Percentage
Employees	25	50
Leaders/expatriates	5	10
Managers/ stakeholders	20	40
Total	50	100

3.5 Sample Size

According to Mathias and Jackson (2001), a sample is a subset of the population that is deliberately selected to investigate the characteristics of the larger population. In this study, the

sample size will be drawn from the target population of SMEs in Koboko District, Uganda, which has been selected as a case study. The study will employ a 10% margin of error and a 90% confidence level to ensure the reliability of the findings.

To determine the appropriate sample size, Taro Yamane's (1982) formula will be applied, which is expressed as:

Where:

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

n: Sample size

N: Total population=50

e: margin error =0.05

$$n = \frac{50}{1 + (50 * (0.05)^2)} = 44$$

Employees: $25/50 * 44 = 22$

Managers : $5/50 * 44 = 4$

Stakeholders : $20/50 * 44 = 17.6 = 18$

Table2: showing the sample size and the sample techniques

Category	Population distribution	Sample size	Sampling technique
Employees	25	22	Simple random
Business owners	5	4	Purposive sampling
Managers	20	18	Purposive
Total	50	44	

3.6 Sampling techniques

The researcher employed a combination of simple random sampling and purposive sampling to select 44 respondents from the total population. Simple random sampling was used to ensure that every SME employee in Koboko District has an equal chance of being selected, thereby minimizing selection bias and enhancing the representativeness of the sample.

Purposive sampling was applied to specifically target key respondents such as business owners, managers, and accounting personnel who have direct experience with Accounting Information Systems (AIS) and their role in financial management. This approach ensured that the study captures both general and expert perspectives on the impact of AIS on financial performance of SMEs.

3.7. Data Sources;

The study used both primary and secondary sources to assess the relationship between financial management and the expansion and development of small and medium-sized businesses.

3.7.1. Primary Sources of Data. The study's primary data came primarily from business owners, suppliers, employees, and customers.

3.7.2 Secondary sources of Data

The main sources of data are journals and articles, statistical reports, text books

3.8 Research Instruments

The study used questionnaires as the primary tool for data collection. According to Bowling (1997), questionnaires are an effective instrument for survey research, particularly when conducting studies in natural settings, as they enhance the external validity of the findings. The questions were developed based on insights and experiences derived from a comprehensive review of literature on the impact of Accounting Information Systems (AIS) on financial performance within SMEs in Koboko District. The selection of the questionnaire as the data collection tool is informed by the nature of the data required, the accessibility of the target population, and the specific objectives of the study. The questionnaire was designed to capture both qualitative and quantitative data, offering a comprehensive understanding of how AIS influences financial performance in SMEs.

3.9 Measurement of Variables

The respondents were presented with different statements related to the accounting information systems and financial performance of the SME and then the respondents ranked their agreement/disagreement with them on a five-point Likert type scale (1- strongly disagree, 2- Disagree, 3-Not sure, 4- Agree, and 5-Strongly agree). The choice of this measurement is based on the fact that each point on the scale carries a numerical score which was used to measure the respondents' attitude and it is the most frequently used summated scale in the study of social

attitude. According to Kothari (2004), the Likert scale can measure the perception, attitudes, values, and behaviors of individuals towards a given phenomenon.

3.10 Quality Control of Data

Data quality control techniques ensures that the data collected was valid and reliable; the instruments wasfirst tested to ensure validity and reliability.

Validity refers to the truthfulness of findings or the extent to which the instrument is relevant in measuring what it is supposed to measure (Ragin, 2007). The validity of the instrument quantitatively was established using the Content Validity Index (CVI). This shall involve the expert scoring of the relevance of the questions in the instrument concerning the study variables. A CVI value of 0.7 and above was considered good enough for the questionnaire to be used in data collection.

3.11 Data Collection Procedures

According to McMillan and Schumacher (1993), it is essential to obtain consent from relevant authorities before beginning a data collection exercise. In this study, the researcher first seeked permission from the town clerk Koboko municipality of Koboko District, Uganda, and obtain a letter of transmittal from the University. Upon visiting each SME, the researcher introduced the purpose of the study to the respondents and seek their informed consent to participate. Clear instructions on how to complete the questionnaire was provided to ensure that respondents understand the process.

The researcher distributed the questionnaires and schedule a follow-up visit after two days to collect them. On the third day, the researcher returned to collect the completed questionnaires. During this visit, on-the-spot checks was conducted to ensure that the questionnaires have been properly completed. Any unclear or incomplete responses was addressed through follow-up questions or clarifications. Once all questionnaires are verified, the researcher formally thank the respondents for their participation and ensure that all aspects of the data collection process are complete and accurate.

3.12 Data Analysis

Once data was collected, it was thoroughly checked for completeness, edited, and cleaned. This process included making callbacks for any questionnaires that are incomplete or improperly filled out. The data was then be organized and coded to ensure accuracy. Quantitative data was analyzed using statistical tools such as SPSS (Statistical Package for the Social Sciences) which

allowed for descriptive and inferential statistical analysis. The findings were presented in tables, charts, and graphs to illustrate key trends and patterns.

Qualitative data from open-ended responses will be analyzed through content analysis, where the responses were categorized and organized based on emerging themes and patterns. This method helped in identifying key insights related to the impact of Accounting Information Systems (AIS) on financial performance within SMEs. Both quantitative and qualitative findings will be integrated to provide a comprehensive understanding of the research topic.

3.13 Ethical Considerations

Permission to conduct the study was obtained from the University and relevant local authorities. Respondents' informed consent was sought verbally, with explanations provided in both English and the local language to ensure understanding.

To maintain confidentiality, interviews were conducted in private settings, and strict control will be enforced over the data collected. No personal identifiers were recorded to protect the anonymity of participants.

The study is designed to pose no significant risk to participants, as the questions will primarily focus on the use of Accounting Information Systems (AIS) in decision-making within SMEs. The questions were non-sensitive and focused on business practices. While there were no direct benefits to the respondents, the findings were providing valuable insights into how AIS impacts decision-making within SMEs in Koboko District, Uganda. These findings contributed to a better understanding of AIS adoption and its influence on business operations, which may guide improvements in the effectiveness and efficiency of small businesses in the region.

CHAPTER FOUR

DATA ANALYSIS PRESENTATION AND INTERPRETATION OF RESULTS

4.0 Introduction

This chapter presents data collected using the questionnaire and interviews. The study's results were presented according to the study objectives and research questions. The findings in this chapter were also arrived at by analyzing and interpreting the available data using SPSS and Microsoft Excel software. All the responses were presented in terms of frequencies, percentages, and mean, which are displayed in the tables below.

4.1 Response Rate

The total number of respondents who constitute the sample used in this dissertation is summarized in Table 1 below. Out of the 44 respondents, 34 respondents answered and returned the questionnaires.

Table 2: Response rate

Instrument	Planned	Actual	Percentage (%)
Questionnaires	44	37	84

Source: primary data, 2024

Table 2 shows the response rate and the results of the study. It is noted that it was 84 % which implies that, a majority of the targeted respondents were accessed, and the result suggests a good representation of a survey population as supported by Amin (2005) who asserts that a response rate of 50% and above ($\geq 50\%$) represents a survey population.

4.2 Demographic characteristics of the respondents

The background information of the respondents was considered necessary because the ability of the respondents to give satisfactory information on the study variables may be affected by their background. This information was about the respondent's gender, age, education level and years

of experience. The purpose of collecting background information about the respondents was to help in establishing the sample characteristics and to be able to form appropriate opinions about the research findings.

4.2.1 Respondent's age category

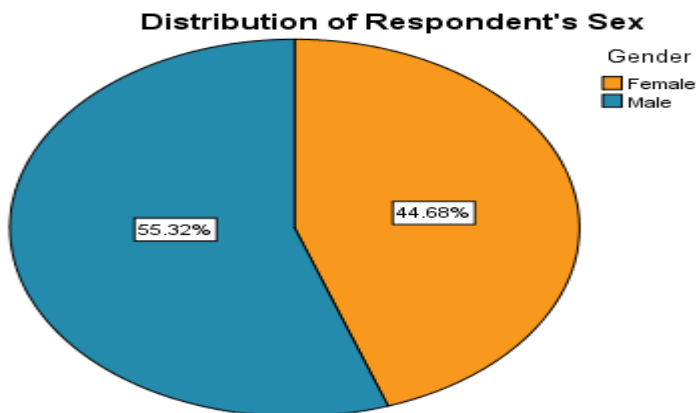
Table 3: Age distribution of respondents

Age Category	Frequency	Percentage (%)
15-25 years	4	10.8
26 – 35 years	11	29.7
36- 45 years	13	35.1
46-55 years	5	13.5
Above 55 years	4	10.8
Total	37	100.0

Source: primary data, 2025

Results in Table 3 reveal a notable concentration of age in the range of 36- 45 years' age group, 29.7% of the respondents were aged between 26 – 35 years and 13.5% were between 46- 55 years. However, 10.8% were above 55 years. This revealed that all the age categories in the study sample were considered in the study.

4.2.2 Respondent's gender



Source: primary data, 2024

The findings in Figure 2, above show that a majority of the respondents 55.32% were male while 44.68% were female. It was concluded that the sample was fairly selected since all the sex categories of the study population were captured in the sample size.

4.2.3 Respondent's Education Level

Table 4: Respondent's education level

Education Level	Frequency	Percentage (%)
Master's Degree	2	5.4
Bachelor's degree	5	13.5
Diploma	11	29.7
Certificate	5	13.5
Secondary	8	21.6
Primary	6	16.2
Total	37	100.0

Source: primary data, 2024

Table 4 shows the educational levels of respondents. With majority diplomas, constituting 39.4% of the respondents, secondary school leavers 21.6%, degree holders 13.5%, certificate holders 13.5%, master's degree holders 5.4% and 16.2% were primary school leavers

4.2.4 Nature of SME

Table 5; nature of SME

Nature of SME	Frequency	Percentage (%)
Super market	8	21.6
Furniture workshop	8	21.6
Welding and metal fabrication	6	16.2
Hair dressing	11	29.7
Poultry	4	10.8
Total	37	100.0

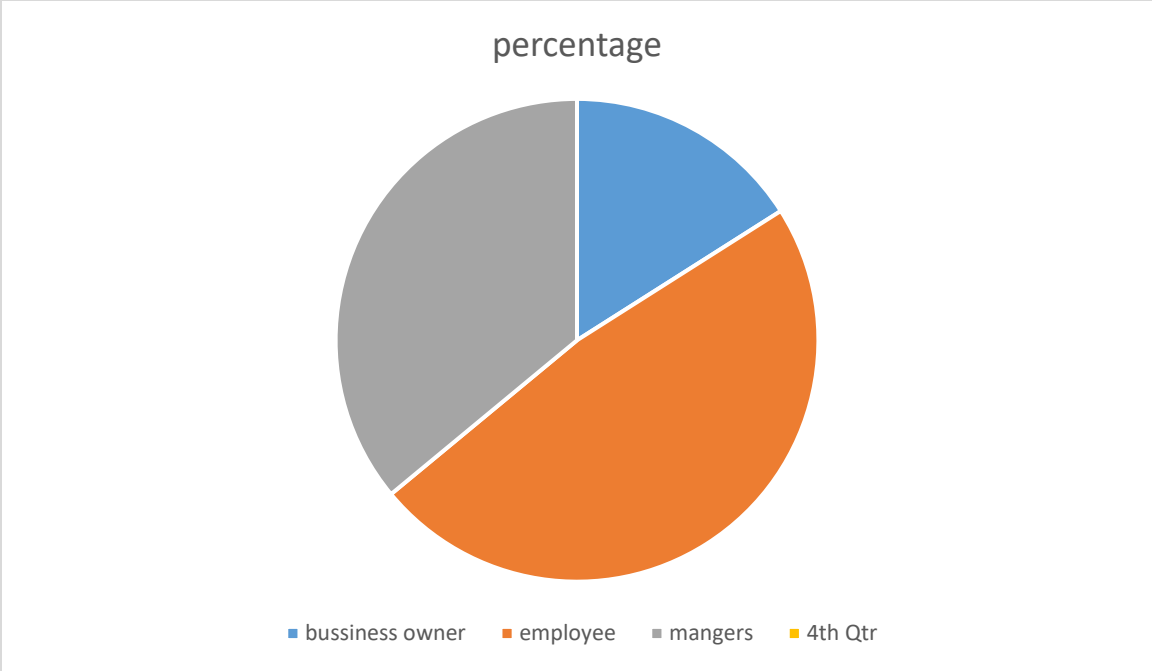
Source: primary data, 2025

Table 5 shows that most respondents 29.7% were engaged in hair dressing, 21.6% were engaged in furniture workshops, another 21.6% were operating super markets, 16.2% were in welding and metal fabrication while 10.8% were engaged in poultry enterprises. This indicates that the respondents were operating different kinds of SME.

4.2.5 Respondents occupation

The respondents were asked to provide information about their occupations and the findings were presented in figure 1 below.

Figure1; Respondents designation



According to the findings presented in fig. 1 above 48% of the respondents were employees of the SME, 36% were managers while 16% were business owners.

4.3 Empirical findings

The section presents analyses and interprets the views and opinions of respondents from questionnaires administered and interviews conducted according to the objectives of the study.

4.3.1 The effect of system effectiveness of AIS on financial performance of SMEs in Northern division, Koboko, municipality.

The first objective of the study was to examine the effect of system effectiveness of AIS on financial performance of SMEs in Northern division, Koboko, municipality. The variable was measured using 4 items scored on five five-point Likert scale of 5=strongly Agree, 4= Agree, 3=Not Sure, 2=Disagree, 1= strongly disagree. The results from the analysis are displayed in Table 6 below.

Key: Strongly agree (5);agree (4), not sure (3),disagree (2) or strongly disagree (1)

Table 6: descriptive statistics on AIS effectiveness and financial performance of SMEs in Northern division, Koboko, municipality (n=37)

Items on AIS system effectiveness and financial performance of SMEs	5	4	3	2	1	Mean	STD
Many SMEs have struggled to secure loans to support their digital transformation	16(43.2 %)	5 (13.5 %)	1(2.7 %)	8 (21.6 %)	7 (18.9 %)	3.4	1.27
Less efficient accounting systems have led to inefficiencies in financial reporting.	4(10.8 %)	12(32.4 %)	3 (8.1 %)	15(40.5 %)	3(8.1 %)	2.97	1.43
Transaction Processing System has facilitated regular contact with potential clients	1(2.7 %)	16(43.2 %)	3(8.1%)	13(35.1 %)	5(13.5 %)	2.83	1.36
Poor internet connectivity, unreliable electricity supply, and inadequate IT have made it difficult for SMEs to implement and operate AIS efficiently	11(29.7 %)	13(35.1 %)	0(0%)	13(35.1 %)	0(0%)	3.59	0.99

source: primary data 2025

Table 6 above presents the study findings on objective one;

In regard to Many SMEs in Koboko have struggled to secure loans to support their digital transformation most of the respondents 56.7% agreed as opposed to 40.5% who disagreed. the mean was 3.4 indicating a high level of agreement. This suggests that SMEs at Koboko were struggling to secure loans to support their digital transformation.

The respondents were asked whether Less efficient accounting systems had led to inefficiencies in financial reporting 42.3% of the respondents agreed while 48.6% disagreed and 8.1% were not decided. the mean for this statement was 2.79 indicating a moderate level of agreement. therefore to some extent Less efficient accounting systems had led to inefficiencies in financial reporting in SMEs of Koboko .

In regard to Transaction Processing System has facilitated regular contact with potential clients, there were mixed reactions 48.6% disagreed while 45.9 % agreed. The mean for this statement was 2.83 which was a moderate response.

In regard to Poor internet connectivity, unreliable electricity supply, and inadequate IT making it difficult for SMEs to implement and operate AIS efficiently most of the respondents 64.8% agreed while only 35.1% disagreed. The mean for this was 3.59 reflecting a high level of agreement. Therefore, the SMEs at koboko were faced with Poor internet connectivity, unreliable electricity supply, and inadequate IT making it difficult for SMEs to implement and operate AIS efficiently.

4.3.1.1 Correlation results for systems effectiveness and financial performance inSMEs of Koboko North

The study adopted a correlation technique to establish whether aspects of budget approval were significantly related to financial performance. The results that were obtained are presented in the Table 10 below.

Table 10: Correlation results for aspects of budget approvals

	Aspects of systems effectiveness	Financial performance
Aspects of system effectiveness spearman Correlation	1	.362
		.172
		37
	Sig. (2-tailed)	
	N	37
Financial performance spearman Correlation	.362	1
		.172
		37
	Sig. (2-tailed)	
	N	37

** Correlation is significant at the 0.05 or 5% level (2-tailed).

The variables in Table 10 above are SMEs financial performance and system effectiveness, with a 99% confidence level and a sig (2-tailed) of .000 ($p < 0.01$). A weak positive relationship between system effectiveness and SMEs financial performance was indicated by the coefficient score of .362 **. The first hypothesis, which system effectiveness significantly improves financial performance, was accepted.

4.3.2 The effect of system control on financial performance of SMEs in northern division, Koboko, municipality

The second objective of the study was to determine the effect of system control on financial performance of SMEs in northern division, Koboko, municipality. The variable was measured using seven items scored on a five-point Likert scale of 5 = strongly agree, 4 = agree, 3 = not sure, 2 = disagree, and 1 = strongly disagree. The results from the analysis are displayed in Table 7 below.

Table 7: descriptive statistics on AIS System control and financial performance of SMEs(n=37).

Key: Strongly agree (5); agree (4), not sure (3), disagree (2) or strongly disagree (1)

Item on AIS System control and financial performance of SMEs	5	4	3	2	1	Mean	Std
SMEs with AIS have higher profitability due to improved financial control	14(37.8 %)	8(21.6 %)	0(0.0%)	6 (16.2 %)	9 (24.3 %)	3.32	1.02
AIS have reduced fraud in SMEs	3(8.1 %)	20(50.4 %)	2(5.4%)	9(24.3 %)	3(8.1 %)	3.29	1.07
AIS control measures have improved compliance with tax regulations	1(2.7 %)	21(56.7 %)	0(0%)	9 (24.3 %)	6 (16.2 %)	2.89	1.4
The use of information system technology in the AIS has improved the recording functions	5(13.5 %)	14(37.8 %)	4 (10.8 %)	10(27%)	4 (10.8 %)	3.16	1.06
Control of financial records has ensured safe and effective financial records.	16(43.2 %)	11(29.7 %)	0(0.0%)	7(18.9 %)	3(8.1%)	3.8	0.99
The safety of financial records in SMEs is evidenced by having control over location,	13(35.1%)	21(56.7 %)	0(0%)	3(8.1 %)	0(0.0%)	4.2	0.98
SMEs use passwords to authenticate access to data.	3(8.1 %)	11(29.7%)	2(5.4 %)	8(21.6 %)	13 (35.1 %)	2 .54	1.33

source: primary data 2025

According to the findings in tale 7 above most of the respondents 59.4% agreed that SMEs with AIS had higher profitability due to improved financial control while 40.5% disagreed. The mean for the statement was 3.32 indicating a high level of agreement. Hence the SMEs in Koboko with AIS had higher profitability due to improved financial control.

In regard to AIS reducing fraud in SMEs at Koboko , most of the respondents 58.5 % agreed while 32.4% disagreed and 5.4% were not sure . The mean for the statement was 3.29 which was high. This suggests that AIS had reduced fraud in SMEs at Koboko hence better performance .

The respondents were asked if AIS control measures had improved compliance with tax regulations most of the respondents 59.4% agreed as opposed to 40.5% who disagreed and the mean was 2.89 which was a moderate response . This implies that AIS control measures had improved compliance with tax regulations in SMEs of Koboko to some extent.

In regard to The use of information system technology in the AIS improving the recording functions at SMEs in Koboko there were mixed reactions with 51.3% agreeing while 37.8% disagreed and 10.8% were not sure. The mean for this was 3.16 indicating a moderate level of agreement.

On whether Control of financial records had ensured safe and effective financial records at SME in Koboko 72.9% of the respondents agreed as opposed to 27% who disagreed. the mean was 3.8 which reflected a high level of agreement. Hence Control of financial records had ensured safe and effective financial records SMEs at Koboko the outcome of which was good performance.

Finally, the respondents were asked if the safety of financial records in SMEs was evidenced by having control over location, 91.8% agreed as opposed to only 8.1% who disagreed. The mean for the statement was 4.2 indicating a very high level of agreement. Therefore, safety of financial records in SMEs of Koboko was evidenced by having control over location of records.

4.3.2.1 Correlation results for systems control and financial performance in SMEs of Koboko North

The study adopted a correlation technique to establish whether aspects of budget approval were significantly related to financial performance. The results that were obtained are presented in the Table 10 below.

Table 10: Correlation results for aspects of budget approvals

	Aspects of systems control	Financial performance
Aspects of systems control	1	.285
spearman Correlation		
Sig. (2-tailed)		.172
N	37	37
Financial performance	.285	1
spearman Correlation		
Sig. (2-tailed)	.172	
N	37	37

** Correlation is significant at the 0.05 or 5% level (2-tailed).

The variables in Table 10 above are SMEs financial performance and system controls, with a 99% confidence level and a sig (2-tailed) of.000 ($p < 0.01$). A weak positive relationship between system control and SMEs financial performance was indicated by the co-efficient score of.285 **. The second hypothesis, was which system control significantly improves financial performance, was accepted.

4.3.3 System flexibility and financial performance of SMEs in northern division, Koboko, municipality.

The third objective of the study was to determine the effect of financial reports on revenue performance in Juba, South Sudan. The findings of this objective were gathered from

questionnaires and respondents' views on financial report practices. The variable was measured using six items scored on a five-point Likert scale of 5 = strongly agree, 4 = agree, 3 = not sure, 2 = disagree, and 1 = strongly disagree. The results from the analysis are displayed in Table 8 below.

Table 8: Descriptive statistics on System flexibility and financial performance of SMEs in northern division, Koboko, municipality (n=37) .

Indicators of AIS System flexibility and financial performance of SMEs	5=strongly agree,	4 = agree	3 = not sure	2 disagree	1 strongly disagree	Mean	Mean
AIS used in the SMEs are feasible for small business	4 (10.8%)	24(64.8 %)	0(0%)	2(5.4 %)	7 (18.9 %)	3.4	0.96
Employees find difficulties in using AIS	5 (13.5 %)	17(45.9 %)	5(13.5 %)	8 (21.6 %)	2 (5.4 %)	3.4	0.95
The complex nature of the AIS has discouraged many SMEs from adopting them	6(16.2 %)	8(21.6 %)	0(0%)	13 (35.1%)	10 (27.0%)	2.64	1.9
AIS have allowed SMEs to adopt different methods for depreciation and inventory management	11(29.7%)	9 (24.3 %)	2(5.4 %)	8(21.6 %)	7 (18.9%)	3.24	1.5
computerized data retrieval systems in SMEs have made timely financial analysis	11(29.7 %)	15 (40.5 %)	0(0.0%)	5 (13.5 %)	6(16.2 %)	3.5	1.1
Financial analysis is done more precisely and reliably when computerized data retrieval systems are used in SMEs	7(18.9 %)	18(48.6 %)	0(0%)	6 (16.2 %)	6(16.2 %)	3.37	1.3

Source: primary data 2025

In regard to AIS used in the SMEs being feasible for small business 75.6% of the respondents agreed with the statement as opposed to 24.3% who disagreed. The mean for this was 3.4 indicating a high level of agreement. Therefore, the SMEs at Koboko were using AIS that were feasible for small business.

The respondents were asked whether Employees found difficulties in using AIS at SMEs in Koboko 59.4% of the respondents agreed while 37% disagreed and 13.5% were undecided. the mean for this statement was 3.4 indicating a high level of agreement. This implies that Employees found difficulties in using AIS at SMEs in Koboko. This implies that the difficulties in using AIS could contribute to low performance of the SMEs at Koboko .

The respondents were asked whether the complex nature of the AIS had discouraged many SMEs from adopting them most of the respondents 62.1% disagreed while only 38.8% agreed. the mean for this was 2.64 implying a low level of agreement. This suggests that the complex nature AIS had not discouraged SMEs in Koboko from adopting AIS.

In regard to AIS allowing SMEs to adopt different methods for depreciation and inventory management 54% of the respondents agreed while 40.6 disagreed and 5.4% were undecided. the mean for this was 3.24 which reflected a high response rate. Therefore, AIS had enabled SMEs at Koboko to adopt different methods for depreciation and inventory management which improved their performance .

The respondents were asked if computerized data retrieval systems in SMEs made timely financial analysis in SMEs in Koboko 70.2% of the responders agreed as opposed to 29.3% who disagreed. the mean for this was 3.5% indicating a high level of agreement with the statement. Therefore, it means that computerized data retrieval systems in SMEs of Koboko made timely financial analysis which enhanced their performance.

Finally in regard to Financial analysis being done more precisely and reliably when computerized data retrieval systems are used in SMEs of Koboko, most of the respondents 66.5% agreed with the statement as opposed to 32.4 % who disagreed with the statement . the mean for this statement was 3.37 which was high. this suggests that the Financial analysis was

done more precisely and reliably using computerized data retrieval systems in SMEs of Koboko

4.3.3.1 Correlation results for System flexibility and financial performance of SMEs in northern division

The study adopted a correlation technique to establish whether aspects of systems flexibility were significantly related to financial performance. The results that were obtained are presented in the Table 9 below.

Table 9 : Correlation results for aspects of budget planning

	Aspects of systems flexibility	Financial performance
Aspects of systems flexibility Spearman	1	.193
Sig. (2-tailed)		.154
N	37	37
Financial performancespearman	.193	1
Sig. (2-tailed)	.154	
N	37	37

Source: Field Data (2025)

** Correlation is significant at the 0.005 or 5% level (2-tailed).

Aspects of SMEs financial performance and systems flexibility are the variables in Table 8 above, with a 99% confidence level and a sig (2-tailed) of.000 (p<0.01). The co-efficient score of 0.193 ** indicated that certain components of system flexibility had a weak positive impact on SMEs financial performance, indicating that system flexibility can, to a limited extent improve

the SME's financial performance in kobobko north. As a result, the Hypothesis that systems flexibility significantly and favorably affects financial performance is accepted.

4.3.4 Assessment of financial Performance

The study's dependent variable is financial performance, and the results were obtained from surveys and respondents' opinions about revenue success. five items using a five-point Likert scale—five for strongly agreeing, four for agreeing, three for not sure, two for disagreeing, and one for strongly disagreeing—were used to test the variable. The analysis's findings are shown in Table 13 below.

Table 13 : Findings on financial Performance of SMEs(n= 37)

Financial performance indicators	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	Std	Mean
financial actions used SMEs have made it generate revenue	12(33.9%)	11(32.1%)	6(16.1%)	6(16.1%)	1(2.7%)	1.135	3.80
Financial information has enabled shareholders and stakeholders to make sound decisions.	12(33.9%)	14(37.5%)	5(14.3%)	3(8.9%)	2(5.4%)	1.151	3.86
Financial information at the SMEs is accurate and current	16(42.9%)	15(41.1%)	3(8.9%)	2 (5.4%)	1(2.7%)	0.936	4.18
The SMEs Return on Equity (ROE) are positive	17(46.4%)	15(41.1%)	3(7.1%)	1(2.7%)	0(0%)	0.771	4.33

Debt recovery at the SMEs is very effective	19(33.9%)	25(44.6%)	9(16.1%)	2(3.6%)	1(1.8%)	0.903	4.05
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Source: primary data, 2025

According to Table 13's findings, the study participants felt that SMEs performed well in the following areas: financial information helped stakeholders and shareholders make wise decisions regarding the bank's operations (mean=3.8); SMEs financial actions generated revenue (mean=3.86); and SMEs financial information was up-to-date and accurate (mean=4.33).

4.5 Regression analysis

Table 13 : Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.489 ^a	.240	.24	13.1078324
a. Predictors: (Constant), systems flexibility , systems control , systems effectiveness				

The R² value of 0.24 indicates that approximately 24 % of the variance in the financial performance (dependent variable) can be explained by the predictors included in the model, which consist of system flexibility, systems control and systems effectiveness. This suggests that these predictors collectively contribute to explaining a significant portion of the variability (24%) observed in financial performance of SMEs.

CHAPTER FIVE

SUMMARY AND DISCUSSION

5.0 Introduction

This chapter provides summaries of the findings, inferences drawn from them, and suggestions for how to move forward with

5.2 Summary of Findings.

The study disclosed several findings, which are summarized below.

5.2.1 The effect of system effectiveness of AIS on financial performance of SMEs in Northern division, Koboko, municipality

The study established a positive relationship between system effectiveness and SMEs financial performance was indicated by the co-efficient score of .362 **. The first hypothesis, which stated that system effectiveness significantly improves financial performance, was accepted.

5.2.2 The effect of system control on financial performance of SMEs in northern division, Koboko, municipality

The study established A weak positive relationship between system control and SMEs financial performance was indicated by the co-efficient score of .285 **. The second hypothesis, which stated that system control significantly improves financial performance, was accepted.

5.2.3 System flexibility and financial performance of SMEs in northern division, Koboko, municipality.

The co-efficient score of 0.193 ** indicated that system flexibility had a weak positive impact on SMEs financial performance, indicating that system flexibility can, to a limited extent improve the SME's financial performance in kobobko north. As a result, the Hypothesis that systems flexibility significantly and favorably affects financial performance is accepted.

5.3 Discussion of Findings

5.3.1 The effect of system effectiveness of AIS on financial performance of SMEs in Northern division, Koboko, municipality

The study revealed that SMEs at Koboko were struggling to secure loans to support their digital transformation, to some extent Less efficient accounting systems had led to inefficiencies in financial reporting in SMEs of Koboko and that the SMEs at koboko were faced with Poor internet connectivity, unreliable electricity supply, and inadequate IT making it difficult for SMEs to implement and operate AIS efficiently. These findings are in line with Chikomba & Dube, (2020) who reported higher productivity levels, as automation reduced manual errors and administrative workload. These findings are in agreement with Okello et al (2022) who revealed that Infrastructure limitations also play a crucial role in hindering AIS adoption in SMEs in Koboko. Poor internet connectivity, unreliable electricity supply, and inadequate IT infrastructure make it challenging for businesses to implement and operate AIS efficiently.

A study findings are also in line with Mugerwa & Ssekamanya, (2021) who suggested that SMEs that recognized AIS's role in improving financial reporting and decision-making were more inclined to integrate such systems into their operations. Furthermore, McMahon (2001) suggested that improved financial reporting practices were part of broader financial management competence that could lead to more effective management and improved prospects for SMEs.

5.3.2 The effect of system control on financial performance of SMEs in northern division, Koboko, municipality

The study established that the SMEs in Koboko with AIS had higher profitability due to improved financial control, AIS had reduced fraud in SMEs at Koboko hence better performance, that AIS control measures had improved compliance with tax regulations in SMEs of Koboko to some extent. Control of financial records had ensured safe and effective financial records SMEs at Koboko the outcome of which was good performance and the safety of financial records in SMEs of Koboko was evidenced by having control over location of records. These findings are in line with Tumusiime et al. (2020) who highlighted that SMEs with AIS reported higher profitability due to improved financial control and reduced fraud. Furthermore, a study in Ghana by Asare et al. (2021) found that AIS adoption led to better

financial transparency and compliance with tax regulations, which in turn enhanced business reputation and access to credit.

Furthermore, the study findings are congruent with Kramer (2014) who revealed that the safety of financial records could be evidenced by having control over location, clearly labeling everything, filing everything immediately, keeping active files accessible, creating backup copies, using passwords, and managing the level of access.

5.3.3 System flexibility and financial performance of SMEs in northern division, Koboko, municipality.

This study revealed that, the SMEs at Koboko were using AIS that were feasible for small business, the difficulties in using AIS could contribute to low performance of the SMEs at Koboko , the complex nature AIS had not discouraged SMEs in Koboko from adopting AIS, computerized data retrieval systems in SMEs of Koboko made timely financial analysis which enhanced their performance and the Financial analysis was done more precisely and reliably using computerized data retrieval systems in SMEs of Koboko .

These findings were in disagreement with Chikomba and Dube (2020) who established that many SMEs struggle to afford AIS due to high initial setup costs, software licensing fees, and maintenance expenses. The findings also disagree with Mukiibi & Nsubuga, (2022) who revealed that the complexity of some AIS solutions discourages SMEs with limited technical expertise from adopting them.

However, the findings are congruent with Thompson and Davis (2019) who revealed that reinforcing systems enabled the organization to access financial data in real or near real-time for updates in the information required for analyses by managers for strategic decisions.

CHAPTER SIX

CONCLUSIONS AND RECOMMENDATIONS

6.0 This chapter presents the conclusions and recommendations of the study.

6.1 Conclusions

This study concluded that accounting information system had to some extent influenced the financial performance of SMEs in the Northern division, Koboko municipality. The R² value of 0.24 indicated that approximately 24 % of the variance in the financial performance of SMEs at Koboko north was attributed to the aspects of AIS which included system flexibility, systems control and systems effectiveness.

6.2 Recommendations

Below are recommendations based on the study findings and conclusions above.

The proprietors of SME at Koboko north should improve on the flexibility of AIS they use so as to improve on their financial performance.

The commercial officers in Koboko municipality should carry massive sensitization of operators of SMEs on the importance proper financial management.

The directors of SME should be encouraged to adopt AIS in their business so as to reduce fraud and enhance transparency which are indicators of better financial performance.

The policymakers at the Ministry of Trade and industry should come up with modalities such as providing loans with low interest rates to the proprietors of SMEs.

The proprietors of SMEs should form a forum for training their employees in the finance department on modern accounting packages so as to enhance the financial performance of their enterprises.

6.3 Areas of Future Research

Areas of further research include:

- i) Determinates of choice of the type of SME in Koboko Northern division
- ii) SMEs director's awareness and understanding of Accounting Information Systems
- iii) Factors contributing to the failure of SME to comply with bank of Uganda regulations

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APPENDICES

APPENDIX 1 QUESTIONNAIRE TO ASSESS THE INFLUENCE OF ACCOUNTING INFORMATION SYSTEMS OF FINANCIAL PERFORMANCE OF SMEs IN NOTHER DIVISION, KOBOKO MUNICIPALITY.

Dear respondent,

The purpose of this questionnaire is to collect information on the influence of accounting information systems of financial performance of SMEs in northern division, Koboko municipality.

Therefore, you are kindly requested to answer the questions to the best of your knowledge. Your answers will be treated with confidentiality and used only for the purpose of this study. You are requested to fill in the space or tick in the boxes provided against each item.

AATE ROSE (Researcher)

SECTION A: DEMOGRAPHICS CHARACTERISTICS

1. Age category of respondents

- a) 15 – 25 years
- 26 – 35 years
- 36 – 45 years
- 46 -55 years
- e) Above 55 years

2. Gender

- a) Male
- b) Female

3. Nature of SME

- a) Supermarket
- b) Furniture workshop
- c) Welding and metal fabrication
- d) Poultry
- e) Bar and restaurant

4. Highest academic qualification

- a). Masters
- b). Bachelor's degree
- c). Diploma
- d). Certificate
- e) Secondary education
- f) Primary education

5. Occupation

- a). employee
- b). Business owner
- d) Manager

SECTION B:

AIS system effectiveness and financial performance of SMEs

For the statements provided below, kindly indicate whether you strongly agree; agree, not sure, disagree or strongly disagree by ticking in the boxes corresponding to the number that most accurately expresses your opinion.

Key: Strongly agree (5); agree (4), not sure (3), disagree (2) or strongly disagree (1)

IV ONE

Items on AIS system effectiveness and financial performance of SMEs	Response					Mean
	5	4	3	2	1	
AIS have played a crucial role in enhancing financial efficiency,						
AIS have improved overall business growth						
Many SMEs have struggled to secure loans to support their digital transformation.						
Less efficient accounting systems have led to inefficiencies in financial reporting.						
Transaction Processing System has facilitated regular contact with potential clients						
. Poor internet connectivity, unreliable electricity supply, and inadequate IT have made it difficult for SMEs to implement and operate AIS efficiently						

SECTION C:

AIS System control and financial performance of SMEs

Key: Strongly agree (5);agree (4), not sure (3),disagree (2) or strongly disagree (1)

IV TWO

Item on AIS System control and financial performance of SMEs	5	4	3	2	1
SMEs with AIS have higher profitability due to improved financial control					
AIS have reduced fraud in SMEs					
AIS control measures have improved compliance with tax regulations					
The use of information system technology in the AIS has improved the recording functions					
Control of financial records is the first steps to ensuring safe and effective financial records.					
The safety of financial records in SMEs is evidenced by having control over location,					
SMEs use passwords to authenticate access to data.					

SECTION D:

AIS System flexibility and financial performance of SMEs

Key: Strongly agree (5);agree (4), not sure (3),disagree (2) or strongly disagree (1)

IV THREE

Indicators of AIS System flexibility and financial performance of SMEs	5	4	3	2	1
AIS used in the SMEs are feasible for small business					

Employees find difficulties in using AIS					
The complex nature of the AIS has discouraged many SMEs from adopting them					
AIS allow SMEs to adopt different methods for depreciation and inventory management					
Through computerized data retrieval systems SMEs can make timely financial analysis					
financial analysis is done more precisely and reliably when computerized data retrieval systems are used in SMEs					

SECTION E:

Assessment of financial performance in SMEs (Dependent variable) .

DV

	5	4	3	2	1
Assessment of financial performance in SMEs					
All SMEs in Koboko Northern division have grown					
Most of the SMEs profitable					
The return on investment for most SMEs is high					
The value of assets in most SMEs is above the liabilities value					
All SMEs owners service their loans on time					

THANK YOU FOR YOUR PARTICIPATION