

**DIGITAL TRANSFORMATION AND FINANCIAL RECORD-KEEPING AMONG
SMALL AND MEDIUM ENTERPRISES IN BUGUJJU, MUKONO DISTRICT**

DAISY HILDA IKIROR

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**UGANDA CHRISTIAN
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DECLARATION

I Ikiror Daisy Hilda hereby declare that this dissertation has been produced out of my own effort with the guidance of my supervisor and has never been submitted to any other institution for any awarding.

Signature 

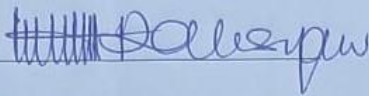
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IKIROR DAISY HILDA

S23B33/074

APPROVAL

This research report was done under my supervision and is now ready for submission with my approval.

Sign: 

Date: 04/05/26

Mr. AGUME ANTHONY

Research Supervisor.

DEDICATION

This research is sincerely dedicated to God Almighty for His grace, strength, and guidance throughout my academic journey. I also dedicate it to my family who have been my source of motivation. I dedicate this research work to future scholars and researchers, with the aim to contribute and encourage further investigation into digital transformation and financial record keeping and I lastly dedicate this work to myself for the determination, resilience, and effort invested in making this research a reality.

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ABSTRACT

This study examined the relationship between digital transformation and financial record-keeping among Small and Medium Enterprises (SMEs) in Bugujju, Mukono. The study was inspired by the growing demand for adopting digital technologies by the SMEs for improving their financial management systems' efficiency, accuracy and reliability. Even though digital transformation is becoming increasingly significant, many SMEs still struggle with the proper financial record keeping that can impact the performance and sustainability of their business. The specific goals of the study were; to explore the level of adoption of digital payment systems (Mobile money, Online Banking) among the SMEs in Bugujju, to explore how digital tools are being adopted and used in financial records keeping among SMEs, and to examine the relationship between digital transformation and financial records keeping among SMEs, which allowed detailed information to be obtained from the respondents to inform their experiences and practices. The data were gathered through structured questionnaire filled by the owner, manager and accounting personnel of SMEs. The respondents' number 44 were used in the study to give primary data for analysis. Descriptive statistical skills were used to analyze the data obtained, which were presented in tabular form for clarity and ease of interpretation. The results of the study showed that many SMEs in Bugujju have started using digital tools like accounting software, mobile apps, and electronic databases for financial transactions. These digital tools have been helping to streamline financial documentation, minimize manual mistakes, ensure accuracy, and allow for timely documentation of transactions. Moreover, the study found that there has been a marked improvement in the ability of SMEs to keep their financial records with digital transformation. The majority of respondents reported that their financial records are accurate, up-to-date and readily available. Digital systems were also identified as having a positive impact on the organization, storage and accessibility of financial information, which in turn has a positive effect on decision making and financial control. But the research also found that there are still some SMEs facing difficulties in financial records management, especially in terms of updating digital systems on time. The study also revealed some of the issues that hinder digital financial record-keeping systems and their effective use. These include the high cost of acquiring and keeping digital technologies, inadequate digital skills among SME operators and infrastructure problems like unreliable internet connection and electricity. Furthermore, there were also concerns regarding data security and the fear of data loss that was identified as one of the challenges that prevented some SMEs from fully adopting digital systems. The study concludes that the digital transformation positively and significantly affects financial records keeping practices of SMEs in Bugujju based on the findings. Its effectiveness, however, depends on the financial, technical and infrastructural capacity of SMEs to address the challenges they face. The study suggests that government and relevant stakeholders should encourage SME owners to embrace the use of digital financial systems, and support them through training, affordable digital solutions and improved infrastructure to boost the digital adoption.

The study also calls for further research in other geographical regions for comparative analysis and expansion of the knowledge of the impact of digital transformation and financial record-keeping among SMEs in other geographical areas.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This study investigated the relationship between digital transformation and the financial record-keeping of SME's in Bugujju, Mukono. The background study, objectives of the study, statement of the problem, purpose of the study, objectives of the study, research questions, scope of the study and significance of the study and conceptual framework were presented in this chapter.

1.1 Background of the study.

The digital transformation journey has been a gradual shift for businesses to become a way of life. The world's businesses were increasingly integrating digital technologies into their business activities in order to improve their efficiency, transparency and competitiveness (Bharadwaj et al., 2013; OECD, 2021). In financial management, digital transformation was frequently seen in the use of digital financial instruments like electronic payment systems, online banking service platforms, and mobile money services (World Bank, 2022; UNCTAD, 2021). These tools have revolutionized the way businesses transact, record transactions and access financial information. International development institutions highlight that digital financial services are transforming enterprises, especially by enhancing transaction visibility and boosting financial access for enterprises (World Bank, 2023; IFC, 2020).

Digital payment systems and online banking are now an integral part of business operations in developed and emerging economies (Klapper & Singer, 2017; OECD, 2021). The systems produce electronic transaction history which can be used to help improve financial record keeping, minimizing manual errors, better and timely recording and better access to financial information (Jack & Suri, 2014; Aker & Mbiti, 2010). In this context, the use of digital technology is not just a matter of technology, but also a change in data production, storage and use for decision-making. But the benefits of digital transformation in terms of better financial management practices vary by business size and by region. In the last decade, the region of sub-Saharan Africa has seen remarkable progress in digital financial services, especially mobile money. The region is known to be one of the mobile money leaders in the world with millions of active mobile money accounts

and many mobile money transactions are taking place for financial inclusion and business transactions. With mobile money services, small businesses can now receive funds, pay their suppliers and manage funds electronically, independent of the traditional banking system. The fast growth indicates that there is a great promise for digital transformation to improve enterprise financial practices. However, although the number of transactions conducted digitally has grown significantly, there is uncertainty about the impact of the tools on structured financial record keeping within small businesses.

Digital financial services had grown fast in Uganda, driven by high mobile phone penetration and internet access, with mobile money platforms increasingly being utilized for commercial transactions, and banks enhancing online banking platforms that enable enterprises to make electronic payments and keep track of their accounts remotely. SMEs make up a large proportion of the private sector and are important source of jobs and economic activity in Uganda. SMEs are often facing problems due to poor financial management, especially with respect to keeping financial records, which are not accurate and complete. Substandard record-keeping has been cited as a problem for accessing credit, complying with taxes and overall sustainable growth of business. Digital financial tools yield a record of transactions that may be useful for financial bookkeeping, but the use of digital financial tools does not ensure good financial bookkeeping. Others, especially SMEs, might rely on mobile money or online banking for their convenience in transactions, but may not have systems in place to set up digital records in regular accounting. While existing research in Uganda has primarily examined the impact of digital financial inclusion and SME performance outcomes less work has been done to investigate the linkage between digital financial inclusion, specifically digital tool adoption and financial record-keeping practices at a localized level.

Bugujju is a new and burgeoning commercial space in which SMEs are set against a backdrop of a more digital financial world. The presence of mobile money services, digital payment platforms, and online banking facilities indicates that aspects of digital transformation are already in place within the area. In the context of Bugujju, there is however limited empirical evidence of the use of these digital tools by SMEs in order to improve their financial records management practices. The relationship between digital transformation (as evidenced by digital payment systems, online

banking and use of mobile money), and the accuracy, timeliness, completeness and accessibility of financial records of SMEs in the area is not clearly established.

The lack of empirical evidence at the local level makes decisions difficult for the policy makers, financial institutions and business development agencies who want to encourage successful digitisation of SMEs. A lack of understanding of the link between digital transformation and enterprise financial record keeping can result in efforts to encourage digitisation leading to low impact on the financial management practices that continue to have poor results.

Thus, this study aims to analyse the concept of digital transformation and financial record keeping practices in SMEs in Bugujju. Digital transformation in this study is defined as the use of digital payment, online banking, and using mobile money. The study seeks to provide context-specific evidence that can be used and shared with the academic world on these digital tools' relationship to financial record-keeping practices and the criteria used to measure them in terms of accuracy, timeliness, completeness and accessibility in order to inform strategies for improving SME financial management.

1.2 Statement of the Problem

Financial record keeping is an essential element for the sustainability and development of small and medium businesses. It is ideal that every SME has their finances kept in a situation of accuracy, timeliness, completeness and accessibility in order to support SMEs making informed decisions, tracking their performance, filling tax returns and accessing credit. Digital transformation specifically related to the use of digital payment systems, online banking and mobile money is likely to strengthen financial record-keeping by providing automatic transactions histories and better tracking of financial activities. The digital financial service (DFS) sector has grown substantially, both globally and in Sub-Saharan Africa (SSA), and offers opportunities for enterprises to enhance their financial management systems. Although all these developments have been made, SMEs in Uganda still experience difficulties in keeping financial records reliable. It has been noted in the past that weak bookkeeping practices continue to be one of the primary constraints that hinder SME growth, financial transparency and access to external funding. While digital payments and mobile money platforms are prevalent in the business environment, the availability of digital tools does not automatically mean well organized and systematic financial

records are kept. Many SMEs might be using digital platforms for convenience in making transactions but not properly incorporating digital transaction data into the financial systems of the SMEs.

In the local commercial context (Bugujju), SMEs are increasingly functioning in a digital financial context with mobile money services and online banking facilities. However, there is limited empirical evidence that explores the relationship between digital transformation, through the use of digital payment systems, online banking, and the use of mobile money, and better financial record keeping practices of SMEs in the area. There is limited documentation of the relationship between the adoption of digital tools and the accuracy, timeliness, completeness and accessibility of records at the local level.

This gap was sold as being practical and with policy threats. The potential of digital financial services to tackle the entrenched financial management gaps of SMEs could not be realized if the understanding of how digital transformation affects financial record-keeping is lacking. Lack of financial records could stifle business expansion, affect creditability, and make it difficult to meet regulatory regulations. Thus, it is important to carry out research that is specific to the context to understand the relationship between digital transformation and financial documentation among SMEs.

Hence, the study aimed to analyze the perception and implementation of the digital transformation and financial record keeping in small and medium scale businesses in Bugujju. In particular, it examined the connections between digital payment systems and online and mobile money use with the quality of financial record keeping in terms of its accuracy, timeliness, completeness, and accessibility, and provided empirical evidence to support academic research and practical action.

1.3 Purpose of the study

The aim of this study was to investigate the link between digital transformation and financial record keeping in small and medium Enterprises with a specific focus on Bugujju, Mukono, Uganda.

1.4 Objectives of the Study

The purpose of this study was to determine the relationship between digital transformation and financial record keeping by SMEs in Bugujju. The learning outcomes are:

- I. To explore the level of SMEs in Bugujju embracing the use of digital payment systems (Mobile money, Online Banking.
- II. To evaluate the accuracy and safety of the financial records of SMEs after adopting the digital tools.
- III. To evaluate the correlation between the digital transformation and financial records among SMEs.

1.5 Research Questions

- I. How much have SME owners in Bugujju embraced digital payment options like mobile money and internet banking in their business activities?
- II. What effect has digitalization had on the financial record keeping of SMEs in Bugujju with regard to accuracy and safety?
- III. How is the quality of financial record-keeping related to digital transformation of SMEs in Bugujju?

1.6 Scope of the Study

1.6.1 Content Scope

The study centered on digital transformation, which served as the independent variable, and financial record-keeping, which served as the dependent variable.

In this study, digital transformation was confined to digital financial tools which includes Mobile money (MTN and Airtel) and online banking platforms.

Financial record-keeping was evaluated in terms of accuracy of financial records, timeliness of the financial record updates, completeness of financial information and the subsequent impact on growth and sustainability of the SMEs.

1.6.2 Geographical Scope

The research was carried out in Bugujju of Mukono district in Mukono Municipality. It was geared towards small and medium business within this zone. Bugujju was chosen because of the cluster of various types of SMEs (retail shops to service providers) that gave a representative picture of digital transition taking place in peri-urban regions of Uganda.

1.6.3 Time Scope

The five-year review of reports and documents was to be from 2021 to 2025. This period allowed a detailed overview of the current trends and patterns of digitalisation and its impact on financial record keeping within small businesses in Bugujju, Mukono.

1.7 Justification of the Study

While there had been considerable growth in the use of digital financial services in Uganda, little localized research had focused on the effect of digital transformation on financial record keeping practices of SMEs, especially in semi-urban and rural areas like Bugujju. Existing research is predominantly financial inclusion, business performance or access to credit, without separating out the impact of digital tool use and the quality of financial records.

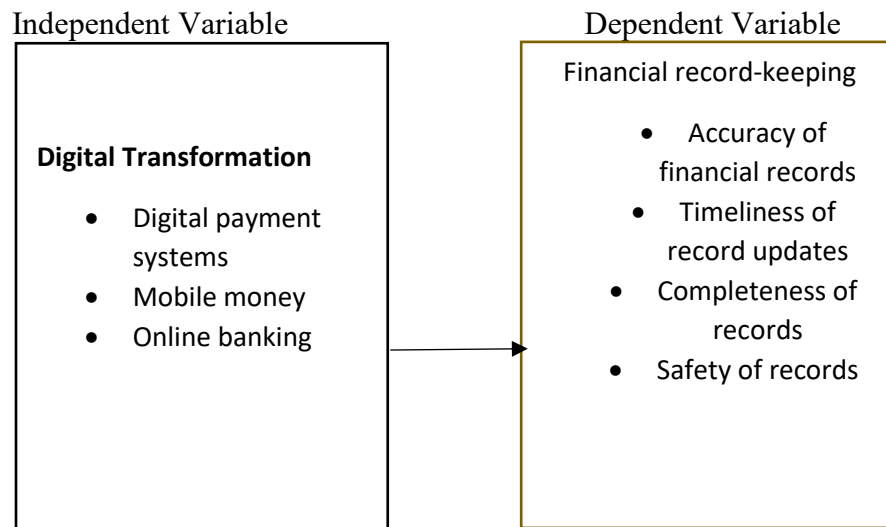
The study was argued because even though Uganda has a high level of Mobile Money adoption in the country, there was low adoption in formal business accounting. Nanziri (2020) noted that digital finance had made financial transactions more accessible, but some small business owners were still having a hard time converting digital transactions into proper bookkeeping, thus reducing its financial discipline benefits. In addition, Mwesigwa et al. (2021) noted that the main challenge facing Ugandan SMEs seeking to transition from informal trading to formal banking is non-existent or disorganized records, which are not backed by a digital platform.

This research took the next step to solve a practical problem that was “Why do businesses are using digital payments but still using manual, error prone book keeping?”

With the prominent role of SMEs in economic development, it is important to understand whether digital transformation reinforces financial record keeping, both in academic studies and practice, for policy development. This study also offered a glimpse into the gap between the rising adoption of digital financial tools and the still existing poor bookkeeping skills among SMEs, by providing

empirical evidence from Bugujju. This provided the basis for strategies to improve the financial management of SMEs, using appropriate digital integration.

1.8 Conceptual Framework



The conceptual framework showed the link between the digital transformation and financial record keeping of the SMEs in Bugujju.

Digital transformation in the context of this study, meant the acceptance and incorporation of digital financial technologies like digital payment systems, online banking platforms, mobile money services, and basic accounting software into business processes. These technologies enabled electronic transactions and automated collection of data, creating digital trails of transactions. The Technology Acceptance Model (TAM) suggested that perceived usefulness and perceived ease of use were the factors that affected the adoption of digital technologies. If SME owners see potential benefits from digital tools, and believe that they are manageable, they are more likely to use them in their daily financial activity. The Unified Theory of Acceptance and Use of Technology (UTAUT) expanded upon the conditions promoting technology adoption in organizations by adding performance expectancy and facilitating conditions. For SMEs, access to infrastructure, digital skills and reliability of the system can be key factors in digital transformation. Bharadwaj believe that digital transformation increases the efficiency of organisational processes, facilitates the flow of information, and optimises the management of data

and transparency of its use. To concrete examples in financial management, digital systems minimize human errors, increase real-time reporting and boost documentation.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviewed theoretical and empirical literature related to digital transformation and financial record-keeping among small and medium enterprises (SMEs). The review focused specifically on digital payment systems, online banking, and mobile money usage as dimensions of digital transformation, and examined how these influenced financial record-keeping practices measured in terms of accuracy, timeliness, completeness, and accessibility of financial records. The review synthesizes both global evidence and Ugandan empirical studies and was organized around the specific research objectives

The chapter was organized into definitions of key concepts, theoretical review, empirical literature structured according to the study objectives, and finally the literature gap that justified the present study.

2.1 Conceptual review

2.1.1 Digital Transformation

The term Digital transformation was used to describe the integration and use of digital technologies to significantly enhance business processes, operations and results. For small and medium enterprises (SMEs), digital transformation is not just about the acquisition of digital tools, it is about using digital systems to optimize the core business processes, improve efficiency, visibility

and effectiveness. This involves the use of technologies like digital payment systems, online banking platforms, mobile money services, computerised accounting systems and cloud-based data storage. Digital transformation is viewed as a multifaceted process which impacts on organizational procedures, information dissemination, decision making and recording of transactions.

Researchers have observed that digital transformation can be considered a strategy designed to address both internal business requirements and external market and regulatory pressures, such as competition, customer expectations, and regulatory requirements. Within the SME sector, digital transformation can help to enhance agility, cut costs, and enable access to wider markets. Importantly, digital transformation can lead to digital financial transactions and take organizations from manual, paper-based record-keeping to real-time financial data systems, which are easier to store, analyse and share, to improve organisation performance.

Mobile money and online banking are seen as important aspects of digital transformation in developing economies. Popular mobile money services across Sub-Saharan Africa enable SMEs to receive and send electronic payments and to generate an electronic transaction log which can be utilized for accounting and auditing. Online banking systems enable SMEs to access their bank accounts remotely, to receive up-to-the-minute statements and to transfer funds electronically, thus enhancing the timeliness and accuracy of access to financial information (OECD). Consequently, digital payment adoption is a key milestone in which SMEs take their first steps towards digital financial integration.

Digital transformation can transform financial governance in SMEs as well. The lack of structured controls and audit trails increases the risk of errors, loss, and fraud in traditional manual systems. Digital systems, on the other hand, may include data integrity systems, automated data calculations, and back-up data redundancy systems to decrease human error and enhance data integrity (Matarazzo). Furthermore, cloud accounting software and digital dashboards allow business owners to keep track of their cash flow, create financial reports and access records effortlessly, making bookkeeping not just a periodic, retrospective process but a real-time management tool.

But the idea of digital transformation as a technology change is an oversimplified one. The technology acceptance model (TAM) posits that the perceptions of usefulness and ease of use have an impact upon the adoption and, consequently, the impact on the organisational processes. The outcomes of digital transformation in the SME environment therefore depend on other factors such as digital literacy, perceived benefit of the change, availability of infrastructure, cost considerations and organisational readiness. For example, a SME might implement mobile money but still not see the benefits of increased accuracy of financial records or a fuller picture in financial reporting due to an inability to integrate transaction logs into the accounting system. Likewise, if digital tools are not set up properly, or if there are no proper in-house policies, the advantages of the tools like error reduction, data security, etc. may be compromised.

Digital transformation of SMEs has come a long way in the Ugandan context in the past 10 years. According to the Bank of Uganda (2023), mobile money services are now ubiquitous with volumes of transactions on mobile money surpassing those of traditional banking transactions. A number of studies have shed light on the positive relationship between the adoption of digital payment and the boost in financial visibility and transactional traceability for SMEs, however, the potential of digital transformation to improve financial management practices depends on integration, competency, and infrastructure support. This highlights that digital transformation isn't just a technological input, but a socio-technical process which transforms the way SMEs handle financial data and engage with formal financial systems.

To conclude, digital transformation can be considered a complex concept that includes various aspects, such as the use of digital tools and their integration into business processes to enhance efficiency, accuracy, and data governance. Digital transformation starts with digital payment systems and is followed by other digital financial management practices for SMEs, especially in semi-urban areas such as Bugujju. Technology access and organizational maturity—such as digital literacy, infrastructure, governance, and strategic intent—must all be in place for transformation to be successful. In this sense, digital transformation is a conceptual framework for comprehending the differences in financial record-keeping processes of SMEs, and how the implementation of technology can be correlated with measurable gains in financial data quality and accountability.

2.1.2 Financial Record-Keeping

Financial record-keeping were described as the systematic process that organizations use to record, store, update, retrieve and report financial transactions and events. Financial record keeping is an important aspect in maintaining finance that enable the organisation to monitor the financial performance, accountability, statutory requirements and strategic decision making (Atrill & McLaney). Good record keeping is important for SMEs for evidence of good internal control, the ability to access finance and provides credibility when dealing with customers, suppliers and regulators.

In many developing economies, traditional SME bookkeeping practices have been handwritten systems like bookkeeping ledgers, notebooks and cash based journals. These techniques are sufficient on the most fundamental level, but they are subject to error, omissions and inconsistencies as a result of human factors, lack of standardization and problems with reconciling transactions (Owolabi & Makinde). Manual systems are prone to hazard risks like water damage, fire, loss of records etc. and usually don't have systematic audit trails which simplify the verification and accountability procedures.

The use of digital tools has created alternatives that have the potential to enhance the quality and resilience of financial record-keeping. Digital systems that include computerised accounting software (QuickBooks, Sage, Tally), computer-based financial platforms, mobile money mobile applications or online banking interfaces automate the capture of transactions, minimize arithmetics and transcription mistakes and include features like automated reconciling, real-time reporting and safe storage (Boquist Mohammad). Digital records also provide audit trails, which provide a record of all changes made, thereby strengthening internal controls and aiding in auditing or regulatory review.

Precise financial record is a fundamental requirement of modern timekeeping or bookkeeping, wherein the recorded information in the books of accounts is true and accurate with no error or distortion in the same. Financial records are important to financial analysis, performance measurement and reporting requirements (Alade). Digital tools help ensure accuracy by enforcing consistent data formats, automated calculations and real-time data validations that catch errors.

Timeliness is another fundamental quality, referring to the timely recording and availability of financial information. Manual processes tend to leave financial statements out of date, or even inaccurate at the time of use (Terblanche). In contrast, digital systems capture transactions instantly at the point of occurrence, enabling up-to-date financial statements and faster decision-making cycles.

Finally, completeness is crucial as financial documents should reflect all transactions that are relevant, and nothing should be left out. When the financial health is not complete, it can lead to incorrect conclusions and decision making. Digital tools also have the benefit of being able to integrate with payment platforms and banking feeds so that almost all transactions are captured systematically, minimizing the chances of missing out on transactions (Mansor & Jusoff).

Lastly, accessibility and security are vital characteristics. Records should be accessible in an emergency, but not open to anyone else or loss. Unlike their paper counterparts, digital platforms provide secure storage methods such as password protection, encryption, and cloud backups, enhancing both accessibility and security. But digital systems also pose cyber-security challenges, and require attention to secure practices and user training.

Empirical evidence shows that digital record-keeping methods can be more accurate, safe, and reliable than manual methods. Among other things, (Musana and Atuhairu) discovered that all the Ugandan medium-sized businesses (SMEs) that used mobile money and computerised accounting systems had less financial statement inconsistencies than those that only used manual systems. Likewise, (Twinamasiko) noted that SMEs using cloud-based accounting software had enhanced data reconciliation and loss of data.

However, the shift to digital systems is not uniformed, especially in the semi-urban and rural areas where there are still infrastructure constraints and lack of skills (Nuwagaba & Nzewi). Consequently many small and medium enterprises (SMEs) still have a hybrid system with digital transaction logs alongside manual ledgers, and often with ledger reconciliation challenges and poor record quality.

To summarize, financial record-keeping is a multi-dimensional phenomenon that involves accuracy, timeliness, completeness, accessibility, and safety. Converting from manual to digital

processes is a fundamental component of financial system modernisation and plays a vital role in grasping the impact that digitalisation has on the effectiveness of financial management for SMEs.

2.1.3 Small and Medium Enterprises (SMEs)

SMEs are the enterprises with fewer resources than the large enterprises, fewer employees and fewer annual sales (Ayyagari, Beck, & Demirgüç-Kunt). However, in Uganda, SMEs are the backbone of the private sector, and a major contributor to employment and GDP (UBOS). Many of the SMEs, however, face the challenge of poor financial management systems, especially the inadequate record keeping systems.

The chapter critically examines the literature on the topic of digital transformation and financial record-keeping, specifically in small and medium enterprises (SMEs). The review is based on the specific objectives of the study. It is both global and Ugandan in its scope and content, and based on research, industry reports and experience. It sets the stage for the comprehension of the impact of digital financial instruments on bookkeeping and identifies gaps to be filled by the current study.

2.2 Empirical review of the study objectives

2.2.1 Relationship between Digital Transformation and Financial Record-Keeping among SMEs

With the passage of time, digital transformation has emerged as an increasingly important structural enabler of better financial management practices for SMEs. Digital technology, including mobile money systems, online banking platforms, accounting software, cloud storage, and electronic point-of-sale (POS) systems, have transformed the way financial transactions are now recorded, stored, reconciled and reported (World Bank, 2022). Financial record keeping, however, involves the systematic process of documenting business transactions to ensure accountability, to track performance, for tax reporting and decision making. Thus, the connection between digital transformation and financial record-keeping would be linked to how well digital technologies facilitate the quality of the financial information in SMEs (accuracy, timeliness, transparency, accessibility, and security). Worldwide, empirical evidence has been consistently associated with better financial management results and adoption of digital.

The OECD reports that SMEs using digital financial tools are 50% more likely to have current financial records than those that use manual methods. The findings of the study also indicate that Digitally enabled SMEs exhibit better financial transparency as well as increased access to external funding. The World Bank Digital Economy Report shows that SMEs with computerised accounting systems commit 30-40% fewer bookkeeping errors, and that financial reporting is completed 30-40% faster, while audits are prepared 25-50% quicker and the company's financial processes gain 25-50% more lender confidence. Similarly, UNCTAD found that digital integration increases financial traceability, which in turn improves internal controls and weakens fraud exposure. An audit trail is created by automated systems to keep track of transactions history, so it will be more difficult to manipulate financial information.

There are a number of ways in which the relationship works, such as the automatic recording of Transactions; Digital systems record Transactions automatically once payment is processed. In fact, with the use of a POS system and integrated mobile money platforms, manual double entry is minimized. This reduces the chances of arithmetic errors or omissions. Cloud accounting systems and real-time financial reporting offer up-to-the-minute financial statements, thus

enhancing the timeliness of accounting records. In addition, digital systems offer improved data storage and backup; physical damage, theft, or loss of paper records can be reduced due to cloud storage. Better Compliance; digital transformation isn't just about different payment options, it's about streamlining financial documentation, making tax filing easy and compliant with regulations, too.

The study has shown that Sub-Saharan Africa (SSA) has seen a significant surge in digital financial services, especially mobile money, over the past few years. GSMA estimates the region contributes more than 70% of the world's mobile money transactions, which play a key role in the documentation of SME transactions. But a study shows that using mobile money does not necessarily lead to better record keeping without having been coupled with accounting systems. Evans' study revealed that although African SMEs often use mobile money to make transactions, many continue to keep books on handwritten ledgers, which leaves a gap for reconciliation. This indicates that the strength of the relationship is not only a result of digital adoption, but also the extent of digital integration.

The Bank of Uganda reports that the number of mobile money transactions has hit UGX 191 trillion, reflecting the high penetration of mobile money and thus a compelling reason to explore this relationship as mobile money transactions are increasing. While these exchanges may be recorded as cash transactions, the method of recording them as such does not match across all cases. FSD Uganda (2022) concluded that SMEs with an integrated digital accounting system were 35% more likely to have up-to-date income statements, 28% more likely to keep business and personal finances separate, and more compliant with URA tax reporting. The similarly, Bbaale and Mpuga (2021) found a statistically significant positive relationship between digital financial tool usage and financial transparency among SMEs in Kampala. SMEs who adopted accounting software found that their records were more accurate and they were better able to access credit facilities. Twinamasiko noted that SMEs that introduced computerized accounting had better reconciliation processes and fewer discrepancies for transactions. But Nuwagaba and Nzewi noted that digital transformation in semi-urban areas is a partial affair. Mobile money is used by many SMEs but information from the transactions is not properly captured within formal accounting systems. Consequently, changes in financial records are relatively minimal but not radical. This

means that it can be positive, but it is dependent on the level of digital literacy, system integration, frequency of use and business size.

Papers have found that there are moderate to strong relationships between digital adoption and financial record quality report, as evidenced by statistics. Medium to high relationships between digital adoption and financial record quality report have been statistically proven. Bbaale and Mpuga (2021) reported that there was a positive correlation ($r = 0.62$) between digital tool use and quality of financial reporting for urban Small and Medium Enterprises. FSD Uganda (2022) states that businesses that are digitally integrated also have better internal control scores than manually-run businesses. According to (OECD), the impact of digital transformation on financial efficiency indicators for SMEs is up to 20% across the globe. All of these data points reinforce the idea that the digital transformation has a positive impact on financial record keeping.

Davis, 1989 developed The Technology Acceptance Model (TAM) that states that user acceptance of digital systems is primarily related to perceived usefulness and perceived ease of use. SMEs have a higher likelihood of using digital financial tools if they think that digital tools improve their financial management processes and increase their efficiency. The theory helps to explain how the financial record keeping behavior can be affected by digital payment systems, online banking and mobile money adoption for the study. Diffusion of Innovation (DI), theory by Rogers, suggests a sequential spread of innovation in social systems based on their awareness, perceived benefit and compatibility. Adoption of digital financial tools like SMEs in rural and semi-urban areas like Bugujju may be different, depending on exposure, infrastructure and perceived relevance. This theory provides a basis to understand the variations in the level of digital transformation of SMEs and its consequences for the accounting process. This theory helps in explaining variations in digital transformation levels and the consequences of this transformation on financial accounting of SMEs. While national and urban-based studies showed the positive link between digital transformation and financial record keeping, there is a lack of empirical literature that has concentrated on semi-urban trading centres like Bugujju. This study aims to, therefore, examine the direction and magnitude of this relationship in Bugujju SMEs.

2.3 Extent of Adoption of Digital Payment Systems among SMEs in Bugujju

Digital payment systems are technologies that allow for the transfer of money electronically, such as mobile money and online banking. In the past decade, digital payments have revolutionized the way businesses do business, especially in developing economies where conventional banking networks are not well developed. The world has witnessed a rapid pace of adoption of digital payment in recent years. The World Bank says that in many places digital payments are now far outnumbering cash payments – and that they are efficient, transparent and cost-effective. Likewise, mobile money services have helped to achieve greater financial inclusion in low income nations by offering an alternative to traditional banking channels, the GSMA says. The developments are important for SMEs as digital payments provide automatic records of transactions, and manual entries are eliminated. Digital payment systems are one of the most visible digital transformation methods for small and medium businesses (SMEs). These include mobile money services like MTN Mobile Money and Airtel Money and online banking platforms which enable businesses to receive electronic funds and customers to make payments online. The benefits of digital payments are that they are quicker than cash, trackable, convenient and less susceptible to theft or human error. For SMEs, especially in semi-urban areas like Bugujju, it is important to gauge the level of integration of digital practices in the daily operations of the SMEs.

Global studies have demonstrated that the uptake of digital payment for businesses particularly SMEs has been very fast. It is estimated that over 60% of SMEs in emerging economies today are employing some electronic payment, with mobile money and online banking having a strong presence in low-income countries. This trend was further strengthened by COVID-19, which pushed for contactless payments and financial services via digital means UNCTAD. Digital wallets and mobile payments are now a major share of transactions in many Asian and African nations, and in some cases, they actually outnumber conventional banking options. In Sub-Saharan Africa, mobile money has become a leader in the world. According to the GSMA, the region held more than 70% of mobile money accounts in the world as of 2023 and Uganda, Kenya and Tanzania have the highest number of mobile money accounts per capita. The high mobile phone penetration, the affordability of mobile money services and low accessibility of traditional bank branches in rural and semi-urban areas are cited as reasons for this wide usage. Mobile money services allow

businesses to make and receive payments, pay suppliers and manage cash flows electronically, even if they don't have a bank account.

The digital finance system in Uganda is marked by fast growth of mobile money services. According to Bank of Uganda statistics as at 2023, the value of transactions on mobile money (UGX 191 trillion) has outstripped the volume of transactions in traditional banks. The number of registered mobile money accounts is higher than the adult population, suggesting that digital payments are often used in personal and business transactions. Research also indicates that urban and peri-urban small and medium enterprises are also increasingly using digital payments. Zikusooka, and Musiimenta, 2014, for instance, found that mobile money was used by around 70-75% of SMEs, particularly formal and informal business, in Kampala, indicating the use of mobile money in both sectors. It is an observation made across the nation and this trend can be useful in the analysis of adoption in semi-urban environments like Bugujju.

In a study on mobile money usage among the SMEs in peri-urban towns in Uganda, Musana & Atuhaire, have discovered more than 68% of SMEs used mobile money as their main payment method. These businesses reported a quicker settlement of transactions and lower risk of cash handling. According to Nuwagaba & Nzewi scholars, mobile money services have allowed SMEs in the districts of Uganda to make electronic sales and payments to suppliers thereby drastically cutting the cash dependency of SMEs.

About 30% of the SMEs with formal bank accounts use online banking for reconciling sales, paying suppliers and to access electronic statements, found Nematovu & Bwanika as an author. Despite this, adoption of the service is less than mobile money because of digital literacy and infrastructure issues. Online banking adoption is gaining traction among urban SMEs, whereas semi-urban and rural businesses are still struggling with issues like poor internet connectivity, navigation and gaming. Online banking adoption is on the rise in the urban SMEs but in the semi-urban and rural businesses, unreliable internet connectivity, navigation and gaming are the hurdles. These empirical results indicate that although mobile money is widely adopted, online banking is more moderate and tends to be connected to bigger and more structured SMEs. To assess the extent of digital payment adoption, researchers have utilised various indicators such as integration of digital records into bookkeeping systems. A quantitative study conducted by Kabanda in Kampala found that 72% of SMEs used mobile money every day while 35% used online banking every

week, and 40% of them integrated mobile money data into their accounting systems. Although these figures are from an urban context, they provide a comparative benchmark for Bugujju which is a semi-urban trading centre where similar trends may be emerging.

Research also showed that better mobile network coverage and mobile money availability are key factors that affect the ease of adoption; and areas where mobile money agents are plentiful have high usage rates. The intensity of adoption is affected by the transaction charges. Renting a mobile money account that charges reasonable fees can make it easier to use, whereas online banking fees can be a deterrent for small businesses. Moreover, the frequency of the adoption and use of digital systems by SMEs with owners who are digitally literate is greater. In contrast, low digital skills do not extend the use of digital technology beyond transactions.

Finally, overall, the rate of adoption of digital payments by SMEs in Uganda is generally high, especially the mobile money services. Online banking is increasing in its use but is not as popular. According to empirical evidence, SMEs see the potential for digital payments and their convenience, but their adoption depends on the infrastructure, digital literacy, costs, and trust in digital platforms.

2.4 Impact of Digital Tool Adoption on Accuracy and Safety of Financial Records

For small and medium enterprises (SMEs) it is critical to have accurate and safe financial record-keeping to support effective management, strategic decision making, regulatory requirements and access to external finance. Many SMEs in developing economies traditionally used manual bookkeeping systems, which frequently involved paper journals and ledgers, and were prone to human error, data loss and lack of consistency. Digital tools like mobile money platforms, online banking, digital payment systems, and computerized accounting software are predicted to significantly enhance financial record-keeping, including its precision and security. Accuracy is how well recorded financial information accurately reflects actual transactions without errors or omissions. Safety means that financial information is kept away from unauthorized access, physical damage or loss and that data integrity is maintained (through digital safeguards).

Human errors are eliminated due to Digital Tools and Financial Record accuracy and automation. Automation is one of the primary ways in which digital tools can enhance accuracy. Manual recording is not labour intensive, but can also lead to duplication, omission and arithmetic errors. Small and medium enterprises (SMEs) using computerized accounting systems had smaller error margins than SMEs with manual accounting systems, as totals, reconciling transactions and recording entries were automatically done by the computer system. According to Mansor and Jusoff, the use of automation in financial systems would ensure the reliability of financial data by removing repetitive tasks and errors, and the results suggest that digital tools' use would improve the overall accuracy of financial reporting, which is crucial for financial analysis and forecasting.

A studies reveals that Digital financial tools mandate standardized formats in which to record transactions, which enhances the comparability of transactions across periods and enhances the coherence of the financial statements, and consequently reduces discrepancies in the course of audits and tax inspections. Business owners and stakeholders are also better informed when using standardization. Digital tools provide additional security measures like data encryption, secure storage, and automatic backup, further ensuring safety. The researchers found that digital storage provides greater resilience to document loss, allowing continuity of records over time, and

minimises risks associated with document loss, for example due to physical damage such as fire, theft and water damage, in contrast to paper records which face these risks. Such capabilities enhance the security and accessibility of financial data, aspects crucial for good financial management. Modern digital tools have built-in security features like password protection, role-based access control, two factor authentication, and data in transit and at rest encryption. These capabilities significantly mitigate the risk of unauthorized access or tampering – a significant weakness in manual or under-protected systems. Using these tools is beneficial for SMEs because it improves the security of the data and provides better assurance of its financial information.

Effective and secure financial reporting is a critical element of regulatory adherence, including tax filing and statutory reporting. Research indicates that SMEs with digital tools are more likely to have auditable records that comply with regulatory requirements. In Uganda, mobile money is being widely adopted for business transactions while its adoption into formal bookkeeping is varied. A study carried out by Musana & Atuhairwe showed that SMEs using mobile money platforms tended to have more detailed digital transaction logs than SMEs that were only using cash. Mobile money transaction history exports to accounting ledgers by SMEs were found to enhance sales accuracy in daily records. A twinamasiko scholar conducted a research, which revealed that firms using these tools in the townships in Uganda had improved reconciliation processes, fewer errors in reconciliation and fewer times of missing entries.

Digital adoption indeed has a direct negative impact on accuracy and safety, and several contextual factors have been shown to moderate the effects of digital adoption with the ability to use digital tools effectively being a significant one. More digital literate SMEs show better usage of system features, resulting in more accurate and safe records. In semi-urban and rural areas such as Bugujju, power outages and irregular connection with the internet can pose challenges for digital functioning, impacting the continuity of records. The study revealed that the use of digital transactions requires a systematic incorporation into accounting models to ensure the overall benefits. Research indicates that the adoption of mobile money, by itself, may not lead to better accuracy, unless coupled with good bookkeeping systems.

The summary and research gap are the first steps in the Research Process. Existing literature suggests a positive impact of digital tools in the accuracy and security of financial records for SMEs in general and in the region. Yet, there is scarce localised evidence on the impact of digital

tools on these outcomes in a semi-urban context, such as Bugujju in Uganda. Studies are largely conducted on city samples or on a national level. When measuring the effect of mobile money, online banking and computerised accounting software, few studies separate them out to evaluate record accuracy and safety. This suggests the rationale for the present study to be on the impact of the use of digital tools on financial record quality in SMEs of Bugujju.

Summary and Research Gap. Literature reviewed suggests that digital technologies have a significant positive effect on improving the accuracy and safety of financial records for SMEs globally and locally. But there is little localized evidence of how these outcomes are impacted by digital technologies in a context such as Bugujju, a semi-urban area in Uganda. The majority of research is conducted on samples of towns or national samples. There are relatively few studies that break out mobile money, online banking and computerised accounting software into separate groups when measuring their effect on record accuracy and security. Thus, the present study focused on examining the impact of the use of digital tools on the quality of financial records in Bugujju's population of SMEs.

CHAPTER THREE: METHODOLOGY

3.0 Introduction

The chapter depicted the research approach adopted in the research investigation of the impact of Digital transformation on financial record keeping in Small and Medium Enterprises in Bugujju. It provided the research design, study area, target study population, sample size and sampling techniques, data collection method and ethical considerations.

3.1 Research Design

Descriptive cross sectional research design was used which involved the examination of the relationship between digital transformation and financial record keeping among SMEs in Bugujju, Mukono - Uganda without changing any of the variables. The study used statistical techniques like correlation and regression analysis to determine the strength and direction of the relationship between the use of digital tools (including Mobile Money and online banking) and the quality of financial records. This study used a cross-sectional design due to the ability to collect data on existing digital practices in their natural environment and to provide real-life evidence of small business's digital technology usage to manage financial data. Moreover, the design is cost-effective and time efficient, allowing the capture of empirical data to guide financial management policies and digital interventions for small enterprises in Bugujju. Moreover, a quantitative research method was also adopted. This approach centered on data gathering and analysis, aiming to deliver an objective view of the link between digital transformation and accuracy in keeping records. Structured questionnaires were used to systematically gather data from owners/managers of the selected SMEs. The quantitative approach was suitable because it allowed a precise measurement of the variables, and the testing of the hypotheses of the research, which allowed an objective evaluation of the association between the variables under study.

3.2 Study Area

The study took place in Bugujju, a semi-urban area that supports both local residents and students at Uganda Christian University (UCU), and where commercial activities are increasingly taking place, as well as the use of mobile money and digital banking services. The area was deemed suitable because it provided a meaningful context to discuss the issues surrounding adoption of digital payments in SMEs and its implications on financial recording.

3.3 Study Population

Based on latest data from Mukono Municipal Council, there were about 60 registered small business (SMEs) of retail, hardware and services that were operating in Bugujju, Mukono Municipality. The respondents were chosen because they had first-hand experience in financial decision making and record keeping in their enterprises. The target population would comprise those who had the necessary information for the study purpose, as per scholars.

3.4 Sampling procedure and sample size

According to Creswell (2012), a sample is a group representative of the target population. The sample size was determined by Slovene's (1960) formula.

Where;

n= sample size

N= population

e= margin of error (0.05)

Calculation

n= 52 selected small businesses operating in Bugujju.

3.5 Sampling method

The researcher employed simple random sampling technique in selection of the participants for the study. This method was adopted by obtaining a list of all the registered small businesses in Bugujju, Mukono Municipality from Mukono Municipal Council records. A random selection was then used to choose a representative sample of these small businesses, represented by the owners

or managers that would have an equal chance of being selected. This was also more convenient in this situation as it helped to ensure an unbiased selection giving equal chance to all registered small businesses in Bugujju Municipality in Mukono to participate in the study which enhanced the representativeness of the findings.

3.6 Sources of data

Primary source: Primary data was found to be necessary for all the fields of study as it provides the exact information about the result of an experiment or observation. The researcher was able to gather information for their study's unique goals with the use of primary data. The researcher used questionnaires to gather the data on his own.

Secondary source: Information that the researcher does not handle personally, but is handled, collected, and possibly analysed by other people is called "secondary data". Historical research projects are usually done using scholarly publications and articles as secondary sources. The information was gathered from previously published sources such as published papers, e-books, publications and journals. Documentary resources are classified to help collect information and understanding of text.

3.7 Data collection method

A survey was used to gather data for the study. Data collection methods used in the study will provide information on digital transformation and financial record keeping of small medium enterprises.

3.7.1 Survey

A survey, according to Amin (2005), is a self-report study that is used to collect data regarding variables of interest. The study was conducted by a questionnaire survey to obtain quantitative data regarding the relationship between digital transformation and financial record keeping among the SMEs in Bugujju, Mukono Municipality with the selected business owners or managers. The questionnaire was structured with questions to elicit answers about the research questions. The survey method was chosen because it allowed for large-scale data collection, facilitating the researchers to identify trends, correlations and patterns among the budgetary controls and financial performance of small businesses.

3.8 Data collection instrument

Structured questionnaire was used to gather information for the study.

3.8.1 Questionnaires

Closed-ended questions and a list of possible answers were included in the questionnaires. The respondents were asked to check off the answers that captured their understanding about the situation and the topic being investigated. The questions given were yes-or-no type and only a single question was given. This helped to ensure validity and control of the extraneous factors. A structured questionnaire, which included sections dealing with the study factors, was prepared to collect data about the topic. It used a five point Likert scale was presented to the respondents with the options (5) strongly agree, (4) agree, (3) not sure, (2) disagree, and (1) strongly disagree. Since it lived responders with a number of options and facilitates tabulation of the collected data for comparison, the Likert format was chosen. The questionnaire was used with their consent to collect data from the 52 small business owners/managers in Bugujju, in Mukono Municipality.

3.9 Data collection procedure

The researcher secured an introductory letter from the School of Business at Uganda Christian University which enabled the researcher to access the SMEs in Bugujju. This letter was given to the owners of the medium enterprises in Bugujju, Mukono Municipality, to request formal permission to carry out the study. Once approved, the researcher provided structured questionnaires to the owner/manager of the selected small businesses. All participants gave informed consent, and the data was gathered with confidentiality, ethics, and informed consent throughout the process.

3.10 Validity and reliability of the research instruments

3.10.1 Validity

Validity is the extent of accuracy that a research instrument attains in measuring the variables which it is designed to measure. In this case, validity was ensured through content validity where the questionnaire and the interview guide was submitted to the research supervisor and other

academic experts for critical review. The instruments were refined based on their comments and suggestions to ensure consistency with the study objectives, research questions, conceptual framework and literature studied.

Furthermore, the quality of language, logical questions progression and measurement scales appropriateness were studied.

3.10.2 Reliability

Reliability is the consistency, strength of the test results and a reliable instrument is one that enables a group of respondents to respond to a comparable survey typically in a comparable manner when conditions are still comparable.

3.11 Data Analysis

3.11.1 Analysis of quantitative data

This was done by assigning a code to each of the respondents. The data processing process consisted of questionnaire organization and refinement, coding the responses, tabulation, and analysis of the results, all done with the Statistical Package for Social Sciences (SPSS) version 20. The wide range of tools in SPSS, from tabulation to multivariate analysis, means it's a popular tool for quantitative data analysis in academic and commercial contexts. Efficiency in interpreting complex data and saving time in analyzing it was another factor that led the researcher to choose the software.

Data editing was an important step in the process as it helped identify and rectify errors and omissions in the raw data gathered. This examination of the filled-in questionnaires guaranteed accuracy, consistency with other information collected, uniform input of data and proper organisation for coding and tabulation.

Coding required the assigning of a number, symbol or other numerical representation to responses and the classification of those responses into separate classes or categories. The researcher made sure that the responses were exhaustive and exclusive in a given set of responses and that each one could belong to only one category in that set. Coding is necessary to analyse efficiently, because

it can reduce many responses into a few classes in which are packed the important information for analysis.

3.12 Ethical Considerations

Ethics is the set of principles that help to distinguish between right and wrong behavior. They are very important to set boundaries between acceptable and unacceptable behaviour. Adherence to ethical standards safeguards against data fabrication or falsification, thus promoting the pursuit of knowledge and truth, which is essential in research. The following moral considerations will be accepted;

The researcher ensured that all the personal information collected from participants is kept confidentially and only used for the purpose of the research to maintain privacy. The information was not accessible to any unauthorized persons and all data was accessed and used in compliance of privacy related laws and regulations to ensure that it is not misused.

Concerning consent, the researcher gave all participants clear and detailed information regarding the purpose of the study, what participation involves, any potential risks, etc. All participants signed a consent form stating they fully understood the study and were consenting to participate on a voluntary basis.

The researcher ensured that the participants' identity is not revealed anywhere in the research report for anonymity. Any details that could identify individual participants have been deleted or anonymised so that no one reading the final report can identify them.

Confidentiality was ensured by the researcher; any personal information collected was readily accessible to the research team, but was kept confidential. No information was shared with third parties with participants and data were only used for research purposes in aggregated or anonymous form.

The researcher made sure to avoid plagiarism by giving credit to the information, ideas, or data from other researchers or publications by citing and referencing that source. Direct quotations have been identified and cited to the appropriate source in order to uphold academic honesty.

Lastly, in conducting the research, the researcher remained ethical by adhering to institutional guidelines, principles of respect and fairness, and ensured that the rights of the participants were protected, and that the integrity of the research outcomes was maintained.

The study has some limitations. The study is limited in the following ways:

Respondents were unsure of where the information would be used, some respondents were reluctant to engage and provide information. These were overcome by having an introductory letter from the university and through its excellent reputation as a place of learning in the study area.

Lack of finances to support the research such as printing, convincing respondents, transportation of the respondents to the institution to collect data was also likely to be a constraint on the researcher. The researcher, however, was able to obtain some financial assistance from those who gave gifts, such as family, by persuading them.

Lastly, due to the conditions of the responders (travelling, illness, hospitalization, refusal/wd) not every question could be answered or every interview realized.

CHAPTER FOUR

DATA PRESENTATION AND INTERPRETATION OF RESULTS

4.0 Introduction

This chapter presented and discussed the findings of the study in relation to the research objectives and reviewed literature. The study was carried out using questionnaires administered to Small and Medium Enterprise (SME) owners, managers, and accounting personnel in Bugujju, Mukono. A total of 44 respondents participated in the study. The findings were presented using tables for

clarity and are interpreted to provide meaningful insights into digital transformation and financial record-keeping practices among SMEs.

4.1 Findings on Demographic Characteristics of Respondents

This section presented background information about the respondents with regards to their gender, age, education level, category of business, and period of operation.

4.1.1 Gender of Respondents

The table below summarizes the gender of the respondents that are SME owners in Bugujju and the data in the table was interpreted below

Table 1: Gender of Respondents

Gender	Frequency	Percent	Cumulative Percent
Male	25	56.8	56.8
Female	19	43.2	100.0
Total	44	100.0	

Source: Primary Data

The findings in Table 1 indicate that the majority of respondents, represented by 56.8%, were male, while 43.2% were female. This shows that both men and women are actively involved in SME operations in Bugujju. The inclusion of both genders ensured balanced responses, allowing for diverse perspectives on digital transformation and financial record-keeping practices.

4.1.2 Age of Respondents

The table below summarized the age of the respondents that are SME owners in Bugujju and the data in the table is interpreted below.

Table 2: Age

	Frequency	Percent	Cumulative Percent
21-30 years	13	29.5	29.5
31-40 years	18	40.9	70.4
41-50 years	9	20.5	90.9
Above 50 years	4	9.1	100.0
Total	44	100.0	

Source: Primary Data

The findings show that the majority of respondents (40.9%) were aged between 31–40 years, followed by 29.5% aged between 21–30 years. This implies that most SMEs are managed by individuals in their active working age, which increases the likelihood of adopting digital technologies.

Table 3: Level of education

	Frequency	Percent	Cumulative Percent
Primary	8	18.2	18.2
Secondary	14	31.8	50.0
Tertiary	16	36.4	86.4

Others	6	13.6	100.0
Total	44	100.0	

Source: Primary Data

The findings revealed that most respondents (36.4%) had attained tertiary education. This suggests that respondents had the ability to understand digital tools and financial systems, making their responses reliable.

4.1.4 Category of Business

Table 4: Category of Business

Table 4: Category of business

	Frequency	Percent	Cumulative Percent
Service-based	24	54.5	54.5
Trade-based	20	45.5	100.0
Total	44	100.0	

Source: Primary Data

The findings indicated that 54.5% of respondents operated service-based businesses, while 45.5% were involved in trading activities such as retail and wholesale. This distribution indicated that SMEs in Bugujju are engaged in diverse economic activities. The implication is that the adoption of digital financial record-keeping practices may vary depending on the nature of the business. Service-based businesses, for instance, may adopt digital tools differently compared to trading businesses due to differences in transaction volume and operational complexity.

4.1.5 Period of Business Operation

Table 5: Period spent operating the business

	Frequency	Percent	Cumulative Percent
1-5 years	14	31.8	31.8
6-10 years	21	47.7	79.5
Above 10 years	9	20.5	100.0
Total	44	100.0	

Source: Primary Data

The findings indicated that the majority of respondents (47.7%) had been operating their businesses for 6-10 years, followed by 31.8% who had operated for 1-5 years, while 20.5% had operated for more than 10 years. This suggested that most respondents have sufficient experience in business operations and therefore knowledgeable about financial record-keeping practices. The implication is that the responses provided were likely to be reliable and based on practical experience.

4.2 Digital Transformation Practices among SMEs in Bugujju

Table 6 presents the descriptive statistics on the extent to which digital transformation influences financial record-keeping practices among SMEs in Bugujju. Table 6 summarized respondents' responses on the relationship between budget planning and financial performance of small businesses in Bugujju by using a Likert scale where SA (Strongly Agree), A (Agree), NS (Not Sure), D (Disagree) and SD (Strongly Disagree).

Table 6: Digital Transformation among SMEs in Bugujju

Statements	Extent of agreement and disagreement				
	SA	A	NS	D	SDA
	F	F	F	F	F

	(%)	(%)	(%)	(%)	(%)
Our business uses digital tools e.g mobile apps for financial transactions	18 40.6%	14 31.8%	8 18.2%	2 4.5%	2 4.5%
Financial records are stored electronically in this business	15 34.1%	15 34.1%	7 15.9%	4 9.1%	3 6.8%
Computers and mobile devices are used to prepare financial reports	17 38.6%	17 38.6%	8 18.2%	1 2.3%	1 2.3%
Digital systems have replaced most of the manual bookkeeping activities	19 43.2%	17 38.6%	3 6.8%	3 6.8%	2 4.5%
Financial records are frequently updated using digital systems	13 29.5%	14 31.8%	13 29.5%	2 4.5%	2 4.5%
Digital systems make it easy to retrieve financial information	22 50.0%	19 43.2%	3 6.8%	0 0.0%	0 0.0%

The results showed that 72.7% of respondents said that their businesses are using digital tools like accounting software and mobile applications for keeping financial transactions, whereas 9.0% were against it and 18.2% were unsure. This suggested that a large percentage of the SMEs in Bugujju have adopted digital technologies for financial transactions. The idea is that the adoption of digital tools facilitated more efficient management of transactions, thereby minimizing the time spent on manual record-keeping, arithmetic mistakes, and the chances of financial data errors. Furthermore, digital tools facilitated the ability of real-time transaction recording, enhancing financial monitoring and control in SMEs. The result also revealed that 68.2% of the respondents responded positively on the storage of financial records in their business electronically while 15.9% of them disagreed and the remaining 15.9% were not sure. This indicates that a significant proportion of the SMEs are no longer using a paper-based system for keeping records, but a digital system. It is assumed that electronic storage provided greater security of data, less chance of physical damage or loss of records and greater ease of access to

financial information. In addition, digital storage can help keep records organized and easy to access, ensuring efficient auditing and reporting.

Further, the study results showed that 77.2% of the respondents answered that financial reports are prepared using computers and mobile devices, 18.2% were unsure and 4.5% disagreed. This shows that digital devices are important in the financial reporting of SMEs in Bugujju. The suggestion is that digital devices enhance the accuracy, speed and formatting of financial records, which in turn allows business owners to make timely and informed choices. It also minimizes reporting delays, while making financial documentation more professional.

The results, further, showed that 81.8% of the respondents were in agreement that most of their business manual bookkeeping activities have been replaced by digital systems, with 11.4% disagreeing and 6.8% being uncertain. This means a high rate of shift from manual to electronic financial information-management. Automated bookkeeping means that tasks that are normally performed manually can be done much faster and with less risk of human error and errors in financial records will be more consistent. This ultimately helps in improved financial management and in improving the efficiency of operations in SMEs.

In addition, the results showed that 61.4% of the respondents stated that they regularly update financial records in their business with a digital system, 9.1% said that they were not, and 29.5% said that they were not sure. This indicates that although a majority of SMEs are operating digital systems, there is not uniformity of the frequency of using digital systems. The suggestion of this is that the financial systems may not be effective in giving the real-time financial information if the financial records are not updated regularly. This may impact decision making because of the fact that the records are perhaps not accurate, and at the time they need to be made use of, they could be outdated.

Lastly, 93.2% of respondents found digital financial systems helpful to access financial information when required, 6.8% were not certain and 0% disagreed. This is one of the greatest advantages of financial recordkeeping transformation in the digital era. It is assumed that access to financial information is easier, which translates to greater transparency, hastier decision making, and accountability in SMEs. It also makes it easier to meet regulatory regulations and also aids financial audits.

The results suggest that the digital transformation is generally a successful approach among SMEs in Bugujju and has made a notable contribution in enhancing financial record keeping practices. The overall high level of consensus on most indicators indicates that digital tools improve the efficiency, accuracy, accessibility and reliability of financial information. Some SMEs have not yet had a chance to consider the value of digital, though, as revealed by the number of respondents who are unsure, there is still room for more training and assistance within the sector.

Table 7: Pearson's correlation on digital transformation and financial record-keeping

Correlations

		Digital transformation	Financial record-keeping
Digital transformation	Pearson Correlation	1	.642**
	Sig. (2-tailed)		.000
	N	44	44
Financial Record-Keeping	Pearson Correlation	.642**	1
	Sig. (2-tailed)	.000	
	N	44	44
**. Correlation is significant at the 0.05 level (2-tailed).			

Source: Primary Data

Based on the results shown in the above table (Table 9), it is inferred that there is a positive relationship between digital transformation and financial records keeping among SMEs in Bugujju and the relationship is statistically significant. The Pearson correlation coefficient (r) is 0.642, and the p -value is 0.000 which is less than the significance level ($p < 0.05$). This indicates that there is a positive correlation that is statistically significant between the two variables. The positive correlation coefficient indicates that there is a positive association between the financial record keeping practices of SMEs and its level of digital transformation. What that means is that SMEs that are embracing digital tools like accounting software, mobile financial applications, electronic record systems tend to be more precise, up-to-date, and organized with their financial records, and thus more likely to maintain these records. The correlation value (0.642) shows a moderate to strong relationship, which means that digital transformation can have a great influence on the way financial records are handled in SMEs. This further suggests that digital tools help to improve the quality of financial information in terms of minimising errors, storing and easily accessing records. Furthermore, the significance level ($p = 0.000$) indicates that the relationship between digital transformation and financial record-keeping practices among SMEs in Bugujju is not random, but rather, it is a true relationship between them. These results suggest that digital transformation is one of the factors that help in enhancing financial management among SMEs. Companies that embrace digital technologies have a better chance of promoting financial discipline, boosting decision-making efficiency, and boosting business performance overall. The results overall show strong empirical evidence that digital transformation of SMEs can have a substantial positive impact on financial records. The results overall demonstrate that promoting digital transformation among SMEs can have a significant positive impact on financial records, contributing to business sustainability and growth.

4.3 Financial Record-Keeping Practices among SMEs in Bugujju

Table 8: Financial Record-Keeping Practices in Bugujju

Statements	Extent of agreement and disagreement				
	SA	A	NS	D	SDA
	F (%)	F (%)	F (%)	F (%)	F (%)
Financial transactions in this business are recorded accurately	16 36.4%	11 25.0%	9 20%	5 11.4%	3 6.8%
Financial transactions are recorded on time	14 31.8%	15 34.1%	7 15.9%	5 11.4%	3 6.8%
Financial records are easy to retrieve when needed	18 40.9%	13 29.5%	6 13.6%	4 9.1%	3 6.8%
The business maintains complete financial records for all transactions	12 27.3%	14 31.8%	8 18.2%	6 13.6%	4 9.1%
Financial records are well organized and properly stored	17 38.6%	12 27.3%	7 15.9%	5 11.4%	3 6.8%

Financial records support decision-making in this business	19 43.2%	13 29.5%	5 11.4%	4 9.1%	3 6.8%
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The results showed that 62% of the respondents indicated that financial records in their businesses are correct and 38% indicated that financial records in their businesses are not correct or not sure. This indicates that most SMEs have fairly good book-keeping practices. The idea that using digital tools helps to minimise the risk of errors in financial documentation, leading to more reliable financial information. Good record keeping is vital for sound financial planning, compliance with tax and business regulations. The results further showed that 67% of the respondents indicated that financial transactions are recorded on time and uncertain/disagreed 33%. This demonstrates that the vast majority of SMEs can effectively keep track of the financial transactions and make them on time. The idea here is that when businesses maintain their records timely, they can monitor their financial activities and act promptly when there is a change in their finances. It also helps to prevent the loss of transactions, potentially causing a lack of or inaccurate records.

Moreover, the results indicated that majority (70%) of the respondents were in agreement that financial documentations are easily available when required. This means that SMEs are becoming more likely to structure their accounting information in a way that facilitates accessibility. It means that a company's financial records are accessible, making decision-making easier since the documents are readily available to the business owners. It also enhances the efficiency of financial reporting and auditing procedures.

On top of that, the results showed that 59% of those that responded said their business keeps full financial records for all transactions, and a significant number were unsure. This indicates that while many SMEs are trying to keep full records there is a lack of full record keeping. The assumption is that financial records may be incomplete, which could affect the ability of financial management to be effective and aid in the proper assessment of business performance. This emphasises the importance of the need for better record keeping among SMEs.

Furthermore, the results of the study showed that most of the respondents were in agreement that financial records contribute to decision making in their businesses. This shows how critical it is to have proper record keeping that can effectively guide the running of a business. It is implied that good accounting records help the business owner to make sound investment decisions, budgeting, cost control, and enhance business performance.

Overall, the results reveal that financial record keeping in SMEs in Bugujju have improved but especially with the usage of digital means. But, there are still some issues on completeness and consistency of records which indicate that there is scope for further improvement in financial management practices.

Table 9: Adoption of Digital Payment Systems (Mobile Money, Online Banking)

Statements	Extent of agreement and disagreement				
	SA	A	NS	D	SDA
	F (%)	F (%)	F (%)	F (%)	F (%)
Our business uses mobile money to receive and make payments	21 47.7%	16 36.4%	4 9.1%	2 4.5%	1 2.3%
We use online banking systems for transactions	15 34.1%	14 31.8%	8 18.2%	5 11.4%	2 4.5%
Customers prefer using digital payment methods over cash	18 40.9%	13 29.5%	6 15.9%	4 9.1%	2 4.5%
Digital payment systems have improved transaction efficiency	20 45.5%	17 38.6%	4 9.1%	2 4.5%	1 2.3%
Digital payments reduce the risks associated with handling cash	19 43.2%	16 36.4%	5 11.4%	3 6.8%	1 2.3%

Source: Primary Data

The findings indicated that 84.1% of respondents agreed that their businesses use mobile money systems, showing high adoption of digital payments. This suggested that mobile money is the most widely used digital payment method among SMEs in Bugujju due to its accessibility and convenience. Similarly, 65.9% of respondents agreed that they use online banking systems, although a notable proportion expressed uncertainty or disagreement. This implies that while online banking is adopted, it is less widespread compared to mobile money, possibly due to technical or accessibility limitations. The findings further showed that 70.4% of respondents agreed that customers prefer digital payments over cash. This indicated a shift in consumer behavior towards cashless transactions, encouraging SMEs to adopt digital systems. Additionally, 84.1% of respondents agreed that digital payments improve transaction efficiency. This implied that digital systems reduce delays, enhance speed, and improve overall business operations. Finally, 79.6% of respondents agreed that digital payments reduce risks associated with handling cash, such as theft and loss. This highlighted the role of digital systems in enhancing financial security.

Table 10: Impact of Digital Tools on Financial Record-Keeping

Statements	Extent of agreement and disagreement				
	SA	A	NS	D	SDA
	F (%)	F (%)	F (%)	F (%)	F (%)
Digital tools improve the accuracy of financial records	18 40.9%	15 34.1%	6 13.6%	3 6.8%	2 4.5%
Digital systems reduce errors in financial recording	17 38.6%	16 36.6%	5 11.4%	4 9.1%	2 4.5%
Financial data stored digitally is more secure than manual records	16 36.4%	17 38.6%	6 13.6%	3 6.8%	2 4.5%
Digital systems make it easier to retrieve financial information	22 50%	19 43.2%	3 6.8%	0 0.0%	0 0.0%
Digital tools support better financial decision-making	20 45.5%	16 36.4%	4 9.1%	3 6.8%	1 2.3%

Source: Primary Data

The findings revealed that 75.0% of respondents agreed that digital tools improved accuracy, indicating that technology reduces human errors in financial recording. Additionally, 75.0% agreed that digital systems reduce errors, reinforcing the importance of automation in financial processes. The results also showed that 75.0% of respondents agreed that digital storage enhances security of financial data, suggesting improved protection against loss and damage. A very strong 93.2% agreed that digital systems made retrieval of financial records easier, highlighting efficiency and accessibility benefits. Furthermore, 81.9% agreed that digital tools support decision-making, showing that accurate and accessible financial data improves business decisions.

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The findings from the study, existing empirical and theoretical literature, analysis of findings and recommendations to enhance the digital transformation and financial record-keeping within Small and Medium Enterprises (SMEs) in Bugujju, Mukono were presented thoroughly in this chapter. The chapter was organized according to the objectives of the study which include digital payment systems adoption, financial records accuracy and security through digital tools and financial record-keeping practices and digital transformation. The discussion was based on the study results and on the existing literature, offering a more in-depth understanding of the implications of a digital transformation in the SME sector.

5.2 Summary of Findings

This study explored the concept of digital transformation and financial record-keeping among SMEs in Bugujju. The results were presented in a general manner based on the three specific objectives of the study.

5.3 Information Literacy: Skills for Information and Communication Technologies

The study results showed that the use of digital payment systems by SMEs was very high, especially for mobile money. This aligns with Donovan (2012) who noted that mobile money services are fast gaining popularity in developing economies as a way of increasing financial inclusion and access to financial services.

The findings from this study suggest that mobile money is dominant in the study area due to its convenience, affordability and accessibility, particularly in regions with limited access to traditional banking systems. This confirms Jack and Suri's (2014) observation that mobile money is changing financial transactions as a tool that allows businesses to carry out transactions in a timely and efficient way without using formal banking channels.

The study also revealed that customers are becoming more inclined towards digital payments, consistent with the findings of GSMA (2020) that mobile financial services usage has grown globally. This is significant for SMEs, as businesses need to evolve to keep up with consumer trends if they are to compete.

In addition, the efficiency of transactions and the alleviation of financial risks due to cash handling as seen in this study is confirmed by studies done by Ozili (2018), which noted that using digital financial services improves operational efficiency and reduces financial risks in business operations.

5.2.2 The effect of digital tools on financial record keeping

The study's results showed that digital tools have a positive impact on financial records' reliability and accuracy. This aligns with Romney and Steinbart (2018), who noted that computerised systems of accounting minimise errors and improve the quality of the financial information. Bhimani et al (2019) also confirmed the advanced mechanisms available in a digital system to safeguard financial information from unauthorized access and losses observed in the study. The results also showed that digital systems make financial information more accessible and easier to retrieve, consistent with the results obtained by Grande et al. (2011) where it was found that accounting information systems contribute to increased availability of information and better decision making processes in SMEs. The study also confirmed that digital tools are useful in effective decision making, similar to Turner et al (2017) who emphasised the need for accurate and timely financial information in business planning and control process.

The relationship between Digital Transformation and Financial Record-Keeping is the 5.2.3 point. The 5.2.3 point is the relationship between Digital Transformation and Financial Record-Keeping.

The study revealed that there was a strong positive correlation between digital transformation and financial record keeping practices, which aligns with Vial (2019) who defined digital transformation as a process which enhances the performance of an organization by using digital technologies for record keeping. The results also corroborate Bharadwaj et al. (2013) that digital technologies is beneficial for improving the business processes and information management system. In addition, findings are consistent with those of Hunton et al. (2003) who established that the use of digital accounting systems enhances the quality of financial reports and the efficiency of the organization. The results show that digital transformation is not just a technological shift but also a strategic solution to enhance financial management practices for SMEs.

5.3 Conclusions

After analysing the findings and discussion, the study came up with the following conclusion, Digital transformation has a positive and significant influence on financial record-keeping practices of SMEs in Bugujju village. The researchers found that the transition to digital payment systems, especially mobile money, has increased efficiency in transactions and minimized financial risks.

It was also found that the use of digital tools helps to improve the quality of financial information by increasing the accuracy, security and ease of access to financial records.

In addition, the study found a high correlation between digital transformation and financial record-keeping, highlighting the significance of digital technologies in enhancing financial management practices.

5.4 Recommendations

Based on the findings and conclusions of the study, the following detailed recommendations were proposed to enhance digital transformation and improve financial record-keeping practices among Small and Medium Enterprises (SMEs) in Bugujju.

5.4.1 Adoption of Appropriate Digital Financial Systems

The study recommends that SME owners and managers should increase the adoption of appropriate digital financial systems, particularly user-friendly accounting software and digital payment platforms such as mobile money and online banking systems. This recommendation arises from the finding that digital tools significantly improve the accuracy, accessibility, and organization of financial records. SMEs should therefore invest in digital solutions that are compatible with the size and complexity of their operations. Simple and affordable systems should be prioritized to ensure ease of use and sustainability. The adoption of such systems will enable SMEs to automate financial processes, reduce manual errors, and maintain up-to-date financial records. This aligns with the argument by Romney and Steinbart (2018) that computerized accounting systems enhance the reliability and efficiency of financial information. In the long run, this will improve financial control and support better business decision-making.

5.4.2 Capacity Building and Digital Skills Training

The study recommends the implementation of continuous training and capacity-building programs to enhance digital literacy among SME owners and employees.

The findings revealed that lack of digital skills is one of the major barriers to effective use of digital financial systems. Therefore, training programs should be organized by government agencies, educational institutions, and private sector stakeholders to equip SMEs with practical skills in using accounting software, managing digital records, and ensuring data security. Such training will not only improve the ability of SMEs to utilize digital tools effectively but will also increase their confidence in adopting new technologies. According to Grande et al. (2011), the effectiveness of digital systems largely depends on the users' level of competence and understanding.

Improved digital skills will lead to better utilization of digital systems, enhanced financial record accuracy, and improved decision-making capabilities.

5.4.3 Government Support and Policy Intervention

The study recommends that the government and relevant regulatory bodies should provide targeted support to SMEs to promote digital transformation. This support may include subsidies for acquiring digital tools, tax incentives for businesses that adopt digital systems, and the development of policies that encourage digital financial inclusion. Given that high costs were identified as a major challenge, financial assistance programs can significantly reduce the burden on SMEs and encourage wider adoption of digital technologies. In addition, government agencies should collaborate with financial institutions and technology providers to develop affordable and tailored digital solutions for SMEs. This is supported by Ozili (2018), who emphasized the role of policy frameworks in promoting digital financial services. Such interventions will create an enabling environment for SMEs to transition from manual to digital systems, thereby improving financial record-keeping practices.

5.4.4 Improvement of Digital Infrastructure

The study recommends that efforts should be made to improve digital infrastructure, particularly internet connectivity and electricity supply, in order to support the effective use of digital financial systems.

The findings revealed that unreliable internet and power supply limit the consistent use of digital tools among SMEs. Therefore, investment in infrastructure is critical to ensure that SMEs can access and utilize digital technologies without interruption. Improved infrastructure will enhance the reliability of digital systems, facilitate real-time financial transactions, and support continuous updating of financial records. This will ultimately improve the efficiency and effectiveness of financial management practices among SMEs.

5.4.5 Strengthening Data Security and Risk Management Practices

The study recommends that SMEs should adopt strong data security measures to protect financial information and build confidence in digital systems. Given the concerns about data security and fear of data loss identified in the study, SMEs should implement basic cyber security practices such as password protection, data backups, use of secure software, and access control mechanisms.

In addition, awareness programs should be conducted to educate SME operators on the importance of data protection and safe digital practices. According to Bhimani et al. (2019), effective data security measures are essential for maintaining the integrity and confidentiality of financial information. Strengthening data security will not only protect financial records but also encourage more SMEs to adopt digital systems without fear of risks.

5.4.6 Promotion of Digital Payment Adoption

The study recommends that SMEs should further promote the use of digital payment systems among their customers and suppliers. Since the findings indicated that customer preference for digital payments is increasing, SMEs should leverage this trend by encouraging cashless transactions. This can be achieved by integrating multiple digital payment options, offering incentives for digital payments, and educating customers on the benefits of using such systems. Promoting digital payments will improve transaction efficiency, reduce cash handling risks, and enhance financial tracking. This aligns with Jack and Suri (2014), who highlighted the role of digital payments in improving financial efficiency.

5.4.7 Continuous Monitoring and Evaluation of Digital Systems

The study recommends that SMEs should regularly monitor and evaluate the effectiveness of their digital financial systems. This involves assessing whether the systems are meeting the needs of the business, identifying challenges, and making necessary improvements. Continuous evaluation ensures that digital systems remain relevant, efficient, and aligned with business objectives. Regular monitoring will also help SMEs identify gaps in financial record-keeping practices and take corrective action in a timely manner, thereby improving overall financial performance.

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Questionnaire

For Selected Small Business in Bugujju, Mukono Municipality

Dear respondent,

My name is Ikiror Daisy Hilda; I am a student of Accounting and Finance at Uganda Christian University. I am conducting a study on **“digital transformation and financial record-keeping among SMEs in Bugujju.”** You have been specifically selected to participate in this study and the information collected shall be purely for academic purpose and treated with the highest level of confidentiality. The success of this study shall greatly dependent on your response. Your cooperation shall highly be valued.

Section A: Personal Background Information

Tick where applicable

1. What is your gender?

a) Male ☐

b) Female ☐

2. What is your age group?

a) 21-30 years ☐ b) 31-40 years ☐

c) 41-50 years ☐ d) Above 50 years ☐

3. What is your highest level of education?

a) Primary ☐ b) Secondary ☐

c) Tertiary ☐ e) Others specify:.....

4. Which kind of business do you operate in Bugujju?

a) Assorted Merchandize ☐

b) Segmented Business ☐

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 ☐

Guide for Completing the Questionnaire:

Note: In the following sections, rate your degree of agreement on each statement under each objective using a scale of 5(Strongly Agree), 4(Agree), 3(Not sure), 2(Disagree) and 1(Strongly Disagree). Please answer questions by making a tick (✓) on your preferred answer of choice.

Section B: Extent of adoption of Digital Payment Systems.

	Statements	Responses				
s. no	Statement	5	4	3	2	1
1	My business uses mobile money for daily transactions					
2	My business uses online banking services					

3	Customers frequently pay using digital payment methods					
4	I prefer digital payments over cash transactions					
5	Digital payment systems are easy to use in my business					
6	I regularly track transactions using mobile money statements					
s. no	Impact of Digital tools on accuracy and safety of financial records	5	4	3	2	1
1	Digital tools have improved accuracy of financial records					
2	Errors in recording have reduced					
3	Financial data is easier to verify using digital systems					
4	I can easily retrieve financial records when needed					
5	Digital systems reduce loss of financial information					
6	My business maintains back up of financial data					
s. no	Relationship between digital transformation and financial record-keeping	5	4	3	2	1
1	Digital payment systems improve financial record-keeping					
2	Mobile money usage enhances record accuracy					
3	Online banking improves accessibility of financial records					
4	Digital tools improve timeliness of financial reporting					
5	Digital transformation improves overall financial management					
6	Businesses using digital tools keep better records than manual ones					

Section C: Financial Record-keeping among SMEs in Bugujju, Mukono

	Statements	Responses				
s. no	Financial Record-keeping	5	4	3	2	1
1	Financial records are easy to access when needed					
2	Digital tools e.g mobile money, online banking help improve our record-keeping practices					
3	The use of digital payment systems has improved the reliability of our financial records					
4	Financial transactions are recorded promptly in our businesses					
5	Our business maintains accurate records of all transactions					
6	All business transactions are captured without omission					

Thank you very much for your cooperation