

**THE EFFECT OF RECORD KEEPING AND THE PERFORMANCE OF SMALL AND  
MEDIUM ENTREPRISES IN WAKISO DISTRICT: A CASE STUDY OF  
STAR LINK INTERNATIONAL LTD IN BULENGA  
TOWN COUNCIL**

**BY**

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**A RESEARCH DISSERTATION SUBMITTED TO THE COLLEGE OF ECONOMICS AND  
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UNIVERSITY**

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## DECLARATION

I Tavuga Simon, do hereby declare that this is my original work and has never been submitted for award of any degree in any other institution.

Signed: .....

TAVUGA SIMON

Date: .....

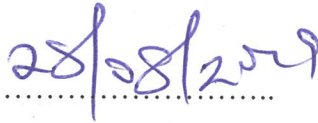
### APPROVAL

This is to certify that this research report by Tavuga Simon was carried out under my supervision and the report has been written under my supervision and guidance and I hereby approve the report for submission to the department for examination.

Signature: 

MR. MASEMBE MUZAMIL

(Supervisor's Name)

Date: 

## **DEDICATION**

I dedicate this report to my Dear Parents, my Brothers, Sisters, Best Friend, University Supervisor, Beloved Lecturers and Management of Star Link International Ltd in Bulenga Town Council for their support towards the success of this report.

## **ACKNOWLEDGEMENT**

With much pleasure I wish to recognize the effort of the following people without whose assistance this work could not have been finished.

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May the Almighty Lord reward you.

## TABLE OF CONTENTS

DECLARATION .....	i
APPROVAL .....	ii
DEDICATION .....	iii
ACKNOWLEDGEMENT .....	iv
LIST OF TABLES .....	ix
LIST OF FIGURES .....	x
LIST OF ACRONYMS AND ABBREVIATIONS .....	xi
DEFINITION OF TERMS .....	xii
ABSTRACT.....	xiii
<b>CHAPTER ONE .....</b>	<b>1</b>
<b>INTRODUCTION.....</b>	<b>1</b>
1.0 Introduction .....	1
1.1 Background of the study .....	1
1.2 Statement of the Problem .....	3
1.3 Purpose of the Study .....	4
1.4 Specific Objectives of the Study .....	4
1.5 Research Questions .....	4
1.6 Significance of the study .....	4
1.7 Scope of the Study.....	5
1.7.1 Subject scope .....	5
1.7.2 Geographical scope .....	5
1.8 Conceptual Framework .....	5
<b>CHAPTER TWO .....</b>	<b>7</b>
<b>LITERATURE REVIEW .....</b>	<b>7</b>
2.0 Introduction .....	7
2.1 Small and Medium Enterprises (SMEs).....	7
2.2 Record Keeping Concept .....	8
2.3 Types of Business Records Kept by the SMES .....	9
2.3.1 Accounting Records .....	9
2.3.2 Bank Statements .....	10

2.3.3 Legal Documents.....	10
2.3.4 Permits and Licenses.....	11
2.3.5 Audit Report.....	11
2.4 The level of performance of keeping Accurate, organized and Sufficient Records .....	12
2.5 The Relationship between Records Keeping and SME Performance .....	13
2.6 Other factors that affect the performance of SMEs in Wakiso District .....	14
<b>CHAPTER THREE.....</b>	<b>17</b>
<b>RESEARCH METHODOLOGY .....</b>	<b>17</b>
3.1 Introduction .....	17
3.2 Research Design.....	17
3.2 Study population .....	17
3.3 Sample size and sampling design.....	18
3.3.1 Sample Size.....	18
3.3.2 Sampling Design .....	19
3.4 Data sources .....	19
3.4.1 Primary data .....	19
3.4.2 Secondary Data .....	19
3.5 Data collection instruments.....	19
3.5.1 Questionnaire .....	19
3.5.2 Interview Guide.....	19
3.6 Validity and Reliability of research instruments.....	20
3.6.1 Validity.....	20
3.6.2 Reliability .....	20
3.7 Data process and analysis.....	20
3.8 Limitations and problems encountered .....	20
<b>CHAPTER FOUR.....</b>	<b>22</b>
<b>DATA ANALYSIS AND PRESENTATION.....</b>	<b>22</b>
4.0 Introduction .....	22
4.1 Response Rate .....	22
4.2 Demographic information .....	22
4.2.1 Gender .....	22

4.2.2 Age Group .....	23
4.2.3 Department .....	23
4.2.4 Tenure.....	24
4.3 Types of Business Records Kept by the SMES .....	25
4.3.1 Emphasis on documentation and record keeping.....	25
4.3.2 Source Documents.....	26
4.3.3 Statement of Comprehensive income.....	26
4.3.4 Statement of Financial Position.....	27
4.3.5 Contracts.....	28
4.3.6 Permits and Licenses.....	28
4.3.7 Protection of and compliance to legal documents.....	29
4.4 The level of performance of keeping Accurate, organized and Sufficient Records .....	29
4.4.1 Financial comparison .....	30
4.4.3 Tax deduction.....	31
4.4.4 Helpful in raising loans .....	32
4.4.5 Payroll .....	32
4.4.6 Legal obligation.....	33
4.5 The Relationship between Records Keeping and SME Performance .....	34
4.5.1 Accountability .....	34
4.5.2 Prevention of errors and fraud.....	34
4.5.3 Practice of record keeping.....	35
4.5.4 Information of the impact of record keeping .....	35
4.5.5 Business planning.....	36
4.6 Other factors that affect the performance of SMEs in Wakiso District .....	37
4.6.1 Competition among SMEs .....	37
4.6.2 Effects of stiff competition.....	38
4.6.3 Impact of Marketing.....	38
4.6.4 Approaches to Marketing.....	39
4.6.5 Quality and Price of the Product Type.....	39
4.6.6 Improving the quality and price of the product.....	40
4.6.7 Motivated employees .....	40



4.6.8 Approaches to employee motivation.....	41
<b>CHAPTER FIVE .....</b>	<b>42</b>
<b>DISCUSSION OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS. ....</b>	<b>42</b>
5.1 Introduction .....	42
5.2 Discussion of Findings .....	42
5.2.1 Types of Business Records Kept by the SMES .....	42
5.2.2 The level of performance of keeping Accurate, organized and Sufficient Records .....	43
5.2.3 The Relationship between Records Keeping and SME Performance .....	44
5.3 Conclusions .....	45
5.3.1 Records Keeping at Star Link International.....	45
5.3.2 The level of performance of accurate record keeping within Star Link International .....	45
5.3.3 The relationship between records keeping and performance of Star Link International Ltd .....	45
5.4 Recommendations .....	46
5.5 Suggestions for further studies .....	46
<b>REFERENCES.....</b>	<b>47</b>
<b>APPENDICES .....</b>	<b>51</b>
Appendix I: Questionnaire .....	51

## LIST OF TABLES

Table 1 Population Distribution.....	18
Table 2: Sample Size .....	18
Table 3: Age Group of the Respondents.....	23
Table 4: Emphasis on Documentation .....	25
Table 5: Source Documents .....	26
Table 6: Statement of Comprehensive Income.....	27
Table 7: Statement of Financial Position .....	27
Table 8: Contracts .....	28
Table 9: Permits and Licenses .....	29
Table 10: Protection of, and Compliance to Legal Documents .....	29
Table 11: Financial Comparison.....	30
Table 12: Legal Obligation .....	33
Table 13: Accountability.....	34
Table 14: Prevention of errors and risks .....	35
Table 15: Competition among SMEs.....	37
Table 16: Effects of stiff Competition .....	38
Table 17: Impact of marketing.....	38
Table 18: Quality and price of the product type .....	40
Table 19: Improving the quality and price of the products .....	40
Table 20: Motivated Employees .....	41
Table 21: Approaches to employee motivation .....	41

## LIST OF FIGURES

Figure 1: Gender of the Respondents.....	22
Figure 2: Department of the Respondents .....	24
Figure 3: Tenure of the Respondents .....	24
Figure 4: Budget Monitoring .....	31
Figure 5: Tax Deductions.....	31
Figure 6: Helpful in Raising Loans.....	32
Figure 7: Payroll .....	33
Figure 10: Practice of Record Keeping.....	35
Figure 11: Information of the impact of record keeping .....	36
Figure 12: Business Planning.....	37
Figure 13: Approaches to marketing.....	39

## **LIST OF ACRONYMS AND ABBREVIATIONS**

SMEs.....	Small and Medium Enterprises
Mgt.....	Management
URA.....	Uganda Revenue Authority
IAS.....	International Accounting Standard
CFS.....	Cash Flow Statement
POA.....	Power of Attorney

## DEFINITION OF TERMS

**Record keeping** – This is the practice of maintaining and monitoring the history of financial activities by an individual or organization

**Book keeping** - Is recording of business financial transactions which include sales, purchase income, receipt and payment by an individual or organization. In essence, bookkeeping may be defined as the art of recording business transactions in books in a regular and systematic manner

**Small and Medium Enterprises** - Small and mid-size enterprises are businesses that maintain revenues, assets or a number of employees below a certain threshold.

**Baseline Data** - refers to measurement results or other information that can be used as a basis of comparison. Baseline data are often used to establish trends over time, identify abnormal operating situations, and gauge the effectiveness or level of improvement that is associated with the introduction of new systems and programs and/or corrective actions.

## **ABSTRACT**

The government of Uganda through the ministry of finance, and Uganda revenue authority, has made tremendous efforts to support the growth of small and medium enterprises by creating enabling environment through establishing appropriate legal and regulatory procedures, and continuous education and sensitization of the business owners about the purposes of record keeping to business operations.

The main purpose of this research proposal was to examine the effect of business record keeping on the performance of small and medium enterprises. For the success of SMEs, accurate records of business transactions need to be kept.

The study was guided by the following research questions: (i) what are the different types of records with examples of each type the Star Link International keep in its business operations, (ii) What is the level of performance of accurate records keeping to the management of Star Link International, and (iii) what is the relationship between records keeping and Star Link International's performance?

A descriptive research design was used. The population of the study comprised of staff at Star Link International. The study population and sampling frame comprised of a list of owners, managers, accountants and accounts assistant that work at Star Link International in order to capture the entire population, thus the sample size of the study will be fifty (50) respondents.

Primary data for the study was gathered using a structured questionnaire developed by the researcher specifically for this study. Descriptive data analysis was used to determine the proportions and variables. Correlation tests were used to draw inferences about the population from the samples, and Microsoft excel was used to facilitate the data analysis.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.0 Introduction**

According to (Ayyagari, et al., 2005) the World Bank Review on Small Business Activities<sup>1</sup> establishes the commitment of the World Bank Group to the development of the small and medium enterprise (SME) sector as a core element in its strategy to foster economic growth, employment and poverty alleviation. In the year 2004 alone, the World Bank Group has approved roughly \$2.8 billion in support of micro, small and medium enterprises. There is also a growing recognition of the role that SMEs play in sustained global and regional economic recovery.

Small and medium enterprises are named by adjectives indicating size, thus economists tend to divide them into classes according to some quantitative measurable indicators (Berisha & Pula, 2015). The most common criterion to distinguish between large and small businesses is the number of employees (Hatten, 2011).

Globally, the most successful companies use financial records as a basis for performance (Bowen, et al., 2009). Indeed, according to (Onaolapo & Adegbite, 2014), the variation in financial performance of Small and Medium Enterprises (SMEs) can largely be explained by the level of accounting record keeping. Regionally, studies indicate that in most African countries, record keeping has been embraced as a driving factor for firms' financial performance (Mwebesa, et al., 2018).

#### **1.1 Background of the study**

Cambridge University Press (2018) defines record keeping as the activity of organizing and storing all the documents, files, invoices among others relating to a company's or organization's activities. Record keeping according to my accounting course (2018), is the process of recording transactions and events in an accounting system. According to Oxford Living Dictionary (2019), record keeping is the activity or occupation of keeping records or accounts. A business record is a documentation of the transactions that a business carries out in a given period (Uganda Revenue Authority, 2015).

According to URA (2015), this documentation (business record) is normally in the tradition form of records written down on paper; it may also be electronically kept on a computer, or both. A

business has to keep records relating to all its transactions that are dated, so that one can understand which records relate to what period. The types of records a business should keep include: Income statement (list of receipts and invoices), balance sheet, payroll, imports and exports schedules, contracts and agreements, bank statements, appointment letters, bills (like utility bills), stock records, asset register (list of assets) and many other documents or records relevant to the business such as debtors, credit and debit notes.

According to Lutwama (2008) Small Medium Enterprises (SMEs) play a critical role in the world economy. They not only provide a vast range of employment opportunities but are also a breeding ground for innovations in all sectors of the economy. Innovations that have transformed this world were not born in the posh offices on Wall Street or Trafalgar square but in garages, and back offices of little known towns.

Small and mid-size enterprises are businesses that maintain revenues, assets or a number of employees below a certain threshold (Kenton, 2018). According to Kenton (2018), in the European Union, a small-sized enterprise is a company with fewer than 50 employees, while a medium sized enterprise is one with fewer than 250 employees. “Micro firms and SMEs account for the majority of firms in most countries (95 percent on average), and for the vast majority of jobs” (World Trade Organization, 2016).

In Uganda a ‘Micro Enterprise’ is an enterprise employing up to four people, with an annual sales/revenue turnover or total assets not exceeding Uganda shillings 10 million (Uganda investment authority, 2018). Furthermore, Uganda investment authority describes the medium enterprise as the one that employs between 50 and 100 with total assets more than 100 million but not exceeding 360 million. According to Lutwama (2008), SMEs make up 67 percent of Uganda’s business sector and when the micro businesses which employ less than 5 percent are included the figure comes to 99 percent.

According to (Mwebesa, et al., 2018) regionally, studies indicate that in most African countries, record keeping has been embraced as a driving factor for firms’ financial performance. Adurayemi (2016) noted that the Nigerian government placed a lot of emphasis on the development of SMEs as a means of encouraging self – employment, poverty reduction and accelerating economic growth. SMEs contribute to the employment opportunities in Nigeria and over 40% of the GDP. Despite their significance, recent studies show that 60% of the SMEs fail within the first few months of operation (National Bureau of Statistics, 2007).



It is hard for SMEs to access finances from the financial institutions since they lack financial records as a requirement (Williams et al. 1993). Poor performance of SMEs results into high failure rates: 75% of them fail within the first two years (Flusche et al, 2001) and 95% fail within the first five years (Gerber, 2003). Studies by Elkan (1998), Liedholm and Mead(1993) in Southern and Eastern Africa show that most small businesses stagnate at start-up size while Tulip and Bitekerezo (1993) further note that most small businesses in Uganda fail in the short run: one out of every two fails within the first two years of operation. While the performance levels of small businesses have traditionally been attributed to general managerial factors, such as manufacturing, marketing and operation, accounting systems may have a strong impact on the survival and growth of SMEs.

## **1.2 Statement of the Problem**

The causes of business failure includes management incompetence, lack of experience, lack of capital, over investment in fixed assets, poor customer credit practices, unplanned expansion and improper attitudes such as laziness, extensive vacation and unethical behavior (Adurayemi, 2016). Some of the researchers did not link business failure to lack of proper record keeping. However, in recent times, increased attention has been focused on the effect of inadequate financial record keeping as a source of business failure (Adurayemi, 2016).

According to (Mwebesa, et al., 2018) in Uganda, research carried out on small and medium scale enterprises (SMEs) in Western Uganda found that SMEs are a driving force for the promotion of the country's economic development (Turyahebwa Sunday & Ssekajugo, 2013). In another study Muhindo et al. (2014), found out that the major problem facing SMEs is lack of or inadequate accounting information systems which result into continuous low performance levels.

One major area that could be investigated is the extent to which the SMEs owners and managers keep records of their business operations. Research has shown that sixty percent (60%) of MSEs fail within few months of their operation (Bowen, et al., 2009). Furthermore research has also confirmed that poor or lack of recordkeeping in a business and especially the Small enterprises lead to their collapsing (Germain 2010).

It is against that background that the researcher picked interest in carrying out a study about the effectiveness of record keeping and business performance among the SMEs using Star Link International as a case study.

### **1.3 Purpose of the Study**

The purpose of this study was to determine the effect of record keeping on the performance of small and medium enterprises, a case study of Star Link International in Bulenga Town Council.

### **1.4 Specific Objectives of the Study**

- (i) To determine the different types of records with examples of each type Star Link International keep in its business operations.
- (ii) To determine the level of performance of accurate records keeping to the management of Star Link International.
- (iii) To examine the relationship between records keeping and SMEs performance.

### **1.5 Research Questions**

The research study was guided by the following research questions:

- (i) What are the different types of records with examples of each type Star Link International keep in their business operations?
- (ii) What is the level of performance of accurate record keeping to the management of Star Link International?
- (iii) What is the relationship between records keeping and performance of Star link International

### **1.6 Significance of the study**

#### **Star Link International**

The findings will benefit the policy makers of Star Link International to develop, implement and enhance programs that promote proper, accurate and adequate record keeping practices in the Organization.

#### **Contribution to the SMEs**

Small and medium enterprises will use the research findings to improve on their record keeping practices which in turn will have a positive impact on the business performance.

#### **Contribution to the Research Field**

The research study will add knowledge on the effect of record keeping on the performance of small and medium enterprises which may be used for further research purposes in this area.

## 1.7 Scope of the Study

### 1.7.1 Subject scope

The study focused on the effect of record keeping on the performance of Star Link International operating in Bulenga Town Council. The respondents were selected from managers, owners, accountants and accounts assistants that work at Star Link International

### 1.7.2 Geographical scope

The study focused on the small and medium enterprises that operate in Bulenga Town Council which is located on Mityana Road one mile from Busega Round about.

## 1.8 Conceptual Framework

### Independent Variable

#### Records Keeping

##### Different types of records kept

- \*Financial Statements
- \*Human Resource mgt documents
- \*Administrative documents

### Dependent Variable

#### Performance

##### SME Performance

- \*Increased productivity
- \*Increased profitability
- \*Reduced customer complaints

##### Intervening variables

- \*Competition
- \*Marketing
- \* Product type
- \*Employee motivation

Source: Adopted from (Mwebesa, et al., 2018)

According to (Mwebesa, et al., 2018) regionally, studies indicate that in most African countries, record keeping has been embraced as a driving factor for firms' financial performance.

SME has to keep proper records for its operations in order to improve its performance. Records like financial statements, Human resource and Administrative documents should be kept to enhance proper planning that will result in increased productivity, increased profitability and reduced customer complaints hence.

However there are other factors that can affect Performance apart from record keeping and these include the level of Competition, Product type, Employee motivation, Marketing strategy and many others.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter seeks to present a review of significant theoretical literature in relation to the research questions being analyzed. The purpose of this study is to determine the effect of record keeping on the performance of SMEs in Bulenga Town Council using Star Link International Ltd. This section will elaborate on the concept of record keeping, the different types of records kept by SMEs, the importance of keeping accurate and sufficient records in the management of SMEs, and the relationship between record keeping and SME performance.

#### **2.1 Small and Medium Enterprises (SMEs)**

Small Medium Enterprises (SMEs) play a critical role in the world economy. They not only provide a vast range of employment opportunities but are also a breeding ground for innovations in all sectors of the economy (Lutwama, 2008).

Small scale enterprises have been defined variously by many individuals and institution using various yardsticks such as numbers of employees, volume of sales, value of assets, or the volume of deposit in banks (Olukotun et al 2012).

SMEs are predominantly seen as drivers of a domestic economy given the role they play in the various sectors. However, the definition and nature of SMEs vary from country to country depending on the investment/capital, turnover and/or employee threshold (Musah & Ibrahim, 2014).

In the Ghanaian context, Aryeetey (2001) argues that, in addition to contributing to Ghana's GDP, SMEs form a characteristic feature of the production landscape and thus provide about 85% of manufacturing employment. They thus play a crucial role in stimulating growth and reducing poverty. While recognizing the potential roles of SMEs, the ability of SMEs in playing these key roles depends largely on how they perform in the business environment.

According to Lutwama (2008), in Uganda as is the case elsewhere in the world there is currently no nationally agreed definition for SMEs. He adds that the Micro and Small Enterprise Policy Unit (MSEPU) in the Ministry of Planning and Economic Development adopted the following definition for Micro and Small enterprises: Micro enterprises are defined as business undertakings employing less than 5 people, often family members; value of assets excluding land,

buildings and working capital is below Ush2.5 million (US\$ 1,515); annual turnover is below Ush10 million (US\$ 6,060), which is the threshold for business related tax.

Small enterprises on the other hand were defined as enterprises employing a maximum 50 people; the value of assets excluding land, buildings and working capital is less than Ush50 million; annual turn-over is between Ush10 –50 million.

Lutwama (2008) further explained that SMEs make up 67% of Uganda's business sector and when the Micro businesses which employ less than 5 people are included the figure comes up to 99%. The majority of sectors in Uganda are dominated by SMEs. It's only the Agriculture and Forestry, Utilities, and Mining and Quarrying sectors which have a significant proportion of large businesses. In these three sectors the large businesses account for 11%, 11% and 8% of total number of businesses respectively.

## **2.2 Record Keeping Concept**

According to Oxford Living Dictionary (2019), record keeping is the activity or occupation of keeping records or accounts. Olukotun et al (2012) defined record keeping as the recording of business transactions in systematic manner so that the financial position of an organization can be ascertained at any point in time. It has become the foundation of on which modern business depends.

URA (2015) defines a business record as a documentation of the transactions that a business carries out in a given period. This documentation is normally in traditional form of records written down on paper; it may also be electronically kept on say a computer, or both. URA (2015) further explained that records include but are not limited to accounting and other financial documents kept in an organized way.

The practice of creating written documents to support effective decision making, facilitate ongoing operations, allow for checking effectiveness, and that may be required to meet legal compliance in some situations (CEC, 2013).

Record keeping itself has a long history dating back to 3600 BC (Mairura, 2011) where clay tablets were predominantly used to maintain records and list of commodities. Several books of records have come to pass as civilization permeates to every corner across the globe.

You are (business owner or manager) required to maintain adequate records if you are carrying on a business or engaged in a commercial activity. These records must provide sufficient details

to determine your tax obligations and entitlements. They have to be supported by source documents to verify the information in the records (URA, 2015).

Record keeping involves identification, classification, storage and protection, receipt and transmission, retention and disposal of records for preparation of financial statements (Abdul-Rahamon & Adejare, 2014). He also included that in record keeping, policies, systems, procedures, operations and personnel are required to administer the records. Record keeping plays a key role in management of knowledge necessary for good business performance. Modern organizations are concerned with the capture, use and storage of knowledge.

Musah and Ibrahim (2014) argue that record management involves the application of systematic and scientific control to all recorded information that an organization needs in order to conduct its business in a sustainable manner. This definition is embracing, factoring legal, commercial as well as sustainability considerations. These are key features and happenings in the ever changing business environment.

### **2.3 Types of Business Records Kept by the SMES**

A business has to keep records relating to all its transactions, it is important to always have records that are dated, so that you can understand which records relate to what period (Uganda Revenue Authority, 2015). This confirms Cameron (2019) opinion that owning a small business comes with a lot of paperwork. Adding that a business needs to keep several kinds of records to stay compliant with laws and measure progress. The business should make sure to keep track of the following types of records among others.

#### **2.3.1 Accounting Records**

Accounting records document a business's transactions. These records include information about income, expenses, and equity. These are divided as follows according to International Accounting Standard one (ISA 1) that identifies the presentation of financial statements which include;

**Statement of Comprehensive Income or Income statement or Profit and Loss Report:** This statement reports on the company's income, expenses, and profits over a stated period of time. An income statement provides information on the operation of the enterprise. These include sales and various expenses incurred during the stated period.

**Statement of Financial Position or Balance Sheet:** This statement reports on the company's assets (fixed and current assets), liabilities (long term and short term liabilities). and owners'

equity at a given point in time. This financial statement provides valuable information of what a company owns and owes, as well as the amount invested by the shareholders (Kenton, 2018).

**Statement of Changes in Equity or Equity Statement or Statement of Retained Earnings:**

This statement reports on the changes in equity of the company over a stated period of time. According to Kenton (2018) this financial statement reconciles the beginning and ending retained earnings for the period, using information such as net income from other financial statements. It is prepared in accordance with generally accepted accounting principles (GAAP).

**Cash Flow Statement (CFS):** This statement reports on a company's cash flow activities, particularly its operating, investing and financing activities over a stated period of time. This financial statement summarizes the amount of cash and cash equivalents entering and leaving the company. The CFS measures how well the company manages its cash position, meaning how well the company generates cash to pay its debt obligations and fund its operating expenses (Murphy, 2018).

### **2.3.2 Bank Statements**

A bank statement is a record sent to the account holder (the company) every month, summarizing all the transactions in an account throughout the time from the previous statement to the current one. The opening balance from the previous month added to the total of all transactions during the period results in the closing balance for the current statement. Consumers (the company) should carefully review their bank statements and keep them for their own financial records (Kagan, 2018).

### **2.3.3 Legal Documents**

**Charter or Articles of Incorporation:** This is a legal document that provides for the creation of a corporate entity. A corporation's charter, issued by the government, creates a legal existence of incorporation for the business. Most charters include the corporation's name, the location of its head office, the date of incorporation, the amount or type of stock to be issued, and any restrictions on areas of business activity or further share issuances (Kenton, 2018).

**Deed:** A deed is a legal document that grants the bearer a right or privilege provided that he or she meets a number of conditions. In order to receive a privilege such as ownership, the bearer must be able to do so without causing others undue hardship (Kenton, 2018).



**Power of Attorney (POA):** This is a legal document giving one person (the agent or attorney-in-fact) the power to act for another person (the principal or the company). The agent can have broad legal authority or limited authority to make legal decisions about the principal's property, finances among others. The power of attorney is frequently used when the principal cannot be present to sign necessary legal documents for financial transactions (Kagan, 2018).

**Stamp Duty:** This is the tax placed on legal documents, usually in the transfer of assets or property (Kenton, 2018).

**Waiver of Notice:** This is a legal document that waives the right to the requirement for a formal notification, commonly to allow legal proceedings to move along faster. It may be used in a number of situations, such as during the process of probating a will, the serving of legal documents or when a corporate board of directors needs to hold an emergency meeting (Kagan, 2019).

**Business contracts:** A business contract is a legally binding agreement between two or more persons or entities. Dealing with contracts is part of running an SME. A number of business relationships involve some type of contractual commitment or obligation. Managing business contracts and business relationships is very important.

#### **2.3.4 Permits and Licenses**

**Permits:** Depending on the type of the business the company operates, the business may need to obtain an inspection and a permit from the regulatory bodies of the government. For example healthy and safety permits, sign permit among others (Maverick, 2015).

**Licenses:** Any type of business to operate must obtain a local, county, municipal business license. This is a basic license to engage in business activities within the local jurisdiction. For example sales tax license, professional license, operating license among others (Maverick, 2015).

#### **2.3.5 Audit Report**

The audit report is the most common and highest level of assurance provided by an independent auditor to those interested in a company's financial information. Independent auditors provide various levels of assurance about different types of assertions. Performing attestation is the most important way they add credibility to an assertion of the financial statements prepared by the company's management (Soltani, 2007).

## 2.4 The level of performance of keeping Accurate, organized and Sufficient Records

According to Olukotun et al (2012), record keeping is essential to business management. Proper record keeping provides evidence of how the transaction was handled and substantiates the steps that were taken in order to comply with business standards. Record keeping is the foundation on which a compliance program should be built upon measures should be put in place to capture the documentation and events that take place throughout a transaction commencing from delivery and payment (Reed 2010).

Uganda Revenue Authority (2015) advised that the importance of record keeping cannot be overemphasized, the benefits are limitless. And some benefits of keeping complete and organized records include.

Keeping good records will remind you (the owner or the business manager) of expenses you can deduct when it is time to do your income tax return (URA, 2015).

When you earn income from many places, good records help you to identify the source of income. Unless proper records are kept, you may not be able to prove that some income is not from your business or that it is not taxable (URA, 2015).

Good records will keep you better informed about the past and present financial position of your business (URA, 2015). Measure and monitor effectiveness of corrective measures introduced to address problems by comparing with baseline data accumulated over time (CEC, 2013). This is very important in determining the progress of the business.

Good records can help you budget, spot trends in your business, and assist to get help from banks and other lenders (URA, 2015). CEC (2013) argues that business can manage ongoing operations more effectively with data ("you cannot manage what you do not measure," i.e., you cannot manage for improvement if you do not measure to see what is getting better and what is not);

Good records can prevent problems you may run into if we (URA) audit your income tax returns (URA, 2015). Facilitate both internal and external compliance audits undertaken by certification or regulatory bodies (CEC, 2013).

**Compliance to laws and regulations:** Demonstrate accountability to regulators, certification or insurance bodies by having appropriate documentation in place and being able to make it available in a timely manner when requested to do so (CEC, 2013).

**Decision making:** Accurate and adequate business records enables the owners to make informed decisions which helps them to avoid uncertain and anxiety. McCannon (2002) argues that, many

SMEs fail because owners could not make timely and key managerial decisions resulting from the lack of adequate records. Given the benefits of record keeping, one would therefore wonder why some owners of SMEs fail to maintain books of accounts. It appears many SME operatives are unaware of the contributions of record keeping to the bottom line. Indeed, many have not seen the relevance.

**Enterprise risk management:** This is a plan based business strategy that aims to identify, assess and prepare for an dangers, hazards and other potentials for disaster – both physical and figurative – that may interfere with an organization’s operations and objectives. Accurate, sufficient and organized business records can be reliable in risk management of an enterprise (Kenton, 2018).

## **2.5 The Relationship between Records Keeping and SME Performance**

Performance of business refers to the ability of business to meet the required standards, increased market share, improve facilities, ensuring returns on profitability, and total reduction and once this is achieved, a business is believed to be performing effectively (Fitzgerald et al 2006). Esaete (2005) also found a positive correlation between the quality of record keeping and business performance among small business enterprises in Kampala District of Uganda.

Performance refers to an ongoing process that involves managing the criteria for which an institution, agency or project can be held accountable (Duranti and Thibodeau, 2001). Typically, these criteria are represented as component parts of an internal system and cover the institution’s ability to; control financial expenses, satisfy staff, deliver timely interventions and respond to target group reactions to interventions (Abdul-Rahamon & Adejare, 2014).

Accounting records provide a basis for complete and accurate income tax computation, a basis for sound planning for the future and basis for discussion with partners, potential investors, and lenders all these are important aspects which enhance performance of the business. Business also depends on correct accounting records to make good decisions about the firm. Decision such as expansion, drop or maintain decisions of product lines make or buy decisions, about size of debtors. Therefore if proper records are kept they will facilitate efficient, proper timely decision making and enhance performance in small scale industry (Abdul-Rahamon & Adejare, 2014)

Musah and Ibrahim (2014) investigated the connection between records keeping and business performances among SMEs in the Tamale City of Ghana and established a positive relationship

between records keeping and business executions. Mairura (2011) concentrated the impact of business records on business performances. The study demonstrated that, there exists a positive connection between book keeping records and business executions.

The intensive review of literature reveals that many scholars have done various studies in different countries worldwide to establish the reason and understand the impact of keeping records to the performance of small and medium enterprises in different sectors. However, there are not many studies done to help the SME owners and managers to address this important aspect of business management. Therefore, the intention of the researcher is to establish the effect of record keeping to business performance of SMEs in Bulenga town council.

## **2.6 Other factors that affect the performance of SMEs in Wakiso District**

Performance of an SME is not only affected by recording keeping, it is also affected by other factors that equally as important as record keeping. These factors include;

### **Competition**

According to the Business Dictionary (2019), competition is the rivalry in which every seller tries to get what other sellers are seeking at same time: sales, profit, and market share by offering the best practicable combination of price, quality, and service. Where the market information flows freely, competition plays a regulatory function in balancing demand and supply (Dictionary, 2019).

Business competition is the process of companies and individuals competing in the same industry or field (Westbrook, 2018). This sort of competition applies to virtually all businesses and employees. While these competitive situations may arise because of competition in the workplace, it is important to remember that competition is not necessarily negative. In fact, there are ways in which this idea can positively affect employees and companies alike (Westbrook, 2018).

Competition is defined as rivalry in business, as for customers or markets (Entrepreneur, 2019). In further explanation, it may be hard to believe, but competition is good for the company. It drives innovation, inspires perseverance and builds team spirit. And most importantly the presence of competition increases the market for everyone.

## **Marketing**

According to (Kenton, 2018) marketing to refer to the activities of a company associated with buying and selling a product or service. It includes advertising, selling and delivering products to people.

Marketing is everything a company does to gain customers and maintain relationships with them. Even the small tasks like writing thank you letters, paying golf with a prospective client, returning calls promptly and meeting with a past client for coffee are marketing. The goal of marketing is to match a company's products and services to the people who need and want them to ensure profitability (Kenton, 2018).

A marketing strategy is a business's overall game plan for reaching people and turning them into customers of the product or service that the business provides. The marketing strategy of a company contains the company's value proposition, key marketing messages, information on the target customer and other high level elements (Chen, 2018).

## **Product type**

A group of similar kind of manufactured goods and services. A product type might be used by the marketing team of a business to structure its overall marketing strategy and direct it toward optimally interested customers (Business, 2019).

Most businesses manage their products by grouping them according to functional design and market similarities. These groupings are normally called product lines or product ranges. This measure is necessary due to numerous benefits including faster time to market, reduced cost for producing and delivering a product, increased scalability, better product quality and optimized information management (Cobuilder, 2019).

## **Employee motivation**

Motivation refers to a psychological process that gives behavior purpose and direction (Cassidy & Kreitner, 2008). According to (Moundo & Perkins, 2013) motivation is the willingness to exert a high level of effort to reach any goals or satisfy any individual need.

According to (Omollo, 2015) motivation is the key of a successful organization to maintain the continuity of the work in a powerful manner and help organizations to survive. Motivation is finding a need inside the employees, and help to achieve it in a smooth process. Motivating the staff leads to broaden their skill to meet the organizational demands.

Motivation in context of a business is said to be about the will to work. It can come from the enjoyment of the work itself and/or from the desire to achieve certain goals like even earn more money or achieve a promotion. It can also come from the sense of satisfaction that we gain from completing something, or achieving a successful outcome after a difficult project or problem solved (Bright, 2000).

The concept of motivation according to (Buchanan, 2010) is a decision making process, through which the individual chooses the desired outcomes and sets in motion the behavior appropriate to them. Motivation can therefore be thought of as the degree to which an individual wants and chooses to engage in certain behaviors (Masud & Veronica, 2015).

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter deals with research methodology which includes description of research design the target population and sampling procedure, description of the research instruments validity and reliability of the instruments, description of the data collection procedures and finally description of the data analysis.

#### **3.2 Research Design**

Saunders et al. (2003) describes research design as a procedure that provides answers to issues such as techniques to use to gather data, the kind of sampling strategies and tools to be used and how time and cost constrain will be dealt with. Both qualitative and quantitative research design was used in this study. A case study focuses on one organization selected from the total population of organizations in the same industry (Singh, 2015). Cooper and Schindler (2011) state that a case study is designed as a learning vehicle with specific educational objectives in mind; it places more emphasis on a full contextual analysis of fewer events or conditions and their interrelations. Cohen, et al., (2013) imply that case studies are capable of providing a major challenge to a theory and can provide a source of new hypothesis.

Descriptive research design was used in this study. Descriptive research involves gathering data, describes phenomenon and then organizes, tabulates, depicts and describes data collection, in the form of graphs and charts. in order to help the reader. understand the distribution of data (Cooper & Schindler, 2011).

#### **3.2 Study population**

According to Onwuegbuzie & Leech (2005) a population element is the study subject and may consist of a person, an organization, customer database, or the amount of quantitative data on which the study measurement is being taken. The population of this study comprised of all the employees of Star Link International (40 in total), because they are the basis of the study and provide the relevant answers to the study questions. The study population comprised of all the staff members who come from various departments within the organization.

**Table 1 Population Distribution**

	<b>Population Distribution</b>
<b>Section</b>	<b>Employee Numbers</b>
Top Management	4
Account/Auditor	1
Cashiers	4
Procurement officers	4
Sales and Marketing	14
Agents	8
Drivers	5
Casual Laborers	10
<b>Total</b>	<b>50</b>

**Source: Star Link International Ltd**

### 3.3 Sample size and sampling design

#### 3.3.1 Sample Size

This refers to the number of elements selected from a given population (Denscombe, 2014). A sample is defined as a small proportion of an entire population; a selection from the population (Lohr, 2010). The sample size is an important feature of any empirical study in which the goal is to make inferences about a population from a sample (Noy, 2008). The sample size for this research study was 50 respondents.

**Table 2: Sample Size**

	<b>Sample Size</b>
<b>Section</b>	<b>Employee Numbers</b>
Top Management	4
Account/Auditor	1
Cashiers	4
Procurement officers	4
Sales and Marketing	14
Agents	8
Drivers	3
Casual Laborers	6
<b>Total</b>	<b>44</b>

**Source: Star Link International Ltd**



### **3.3.2 Sampling Design**

According to Lavrakas, (2008) a sample design is the framework, or roadmap, that serves as the basis for the selection of a survey sample and affects many important aspects of a survey as well. Cooper and Schindler (2011) state that sampling refers to the process by which part of the population is selected and conclusions are drawn about the entire population.

### **3.4 Data sources**

This research study collected data relevant to the study from two different sources which included primary source and the secondary source.

#### **3.4.1 Primary data**

The primary data collection method explored the originality of data through gathering information relevant to the study. Primary data was obtained from respondents at Star Link International in Bulenga Town Council by use of the questionnaires and interview manuals, the research gathered data from the respondents which In fact are the primary concern of this survey design approach.

#### **3.4.2 Secondary Data**

Secondary data collection explored methods supplementary to the above method where data was obtained from Star Link International records (obtained from heads of various departments and speakers), dissertations, text books, the internet and other materials (such as journals, newspapers, among others) as found useful to the study. This kind of data collection method was also important to the study especially in the literature review and chapter five of this study.

### **3.5 Data collection instruments**

#### **3.5.1 Questionnaire**

Questionnaires were chosen because of their ability to reduce any bias and the collection of authentic data important for data analysis. The researcher used close ended questionnaires aimed at testing the effects of record keeping on the performance of SMEs in Bulenga Town Council.

#### **3.5.2 Interview Guide**

Structured questions and open ended statements will be used by the researcher in trying to interview owners, managers, accountants and accounts assistant at Star Link International in Bulenga Town Council.

### **3.6 Validity and Reliability of research instruments**

This section was important in assuring the validity and reliability of the instruments and thus controlling data generated through questionnaires and interviews.

#### **3.6.1 Validity**

Validity is important in determining whether the statements in the questionnaire instrument and interview manuals are relevant to the study. Content and construct validity will be obtained by the help of the supervisor's input and three experienced lecturers from school of business management and administration.

#### **3.6.2 Reliability**

Reliability aimed at testing for how reliable the instruments are to the study (i.e. ability of instrument to test for the same results over time). To ensure reliability, the researcher will carry out a pilot study where a few respondents will be given questionnaires to rate themselves on the applicability of the instruments.

### **3.7 Data process and analysis**

Cooper and Schindler, (2011) explain that the purpose of data analysis is to reduce accumulated data to a manageable size, developing summaries, looking for patterns, and applying statistical techniques. The data collected will be coded and captured into the computer for analysis using Microsoft excel. The data will then be presented in a convenient and informative way including frequency tables, graphs and charts for easier analysis and interpretation. Descriptive analysis will be used to determine the proportions and frequency of the variables and Microsoft excel will be used to facilitate the data analysis. The results will be presented in the form of tables and figures.

### **3.8 Limitations and problems encountered**

Two broad ethical issues from the researcher's perspective will be required to be addressed in this study;

- (1) The researcher's influence on participants during the process of data collection.
- (2) The risk that participants may experience discomfort while responding to commercially sensitive questions.

(3) Since the questionnaires were self-administered, the researcher noted inconsistencies in answering and returning the questionnaires. The researcher further noted (during the editing process) that most respondents expressed high levels of bias according to their departments. These factors tremendously reduced the actual sample size used for analysis to 50.

(4) The researcher noted considerable difficulty in contacting these respondents since most of them are busy people. The researcher further noted that some respondents may not be sincere, since they feared for their positions however the researcher had earlier assured them of absolute confidentiality.

## CHAPTER FOUR

### DATA ANALYSIS AND PRESENTATION

#### 4.0 Introduction

This chapter presents the data analysis and presentation of the research findings of the effect of record keeping and the performance of small and medium enterprises in Wakiso district, Uganda using a case study of Star Link International Ltd in Bulenga Town Council. The chapter is divided into various sections; the introduction, demographic information, results on the different types of records that Star Link International Ltd keeps and maintains in their operations, the level of performance of keeping accurate and sufficient records to the management of the company in their operations, the Relationship between Record Keeping and the Performance of SMEs, and the other factors that affect the performance of Star Link International Ltd.

#### 4.1 Response Rate

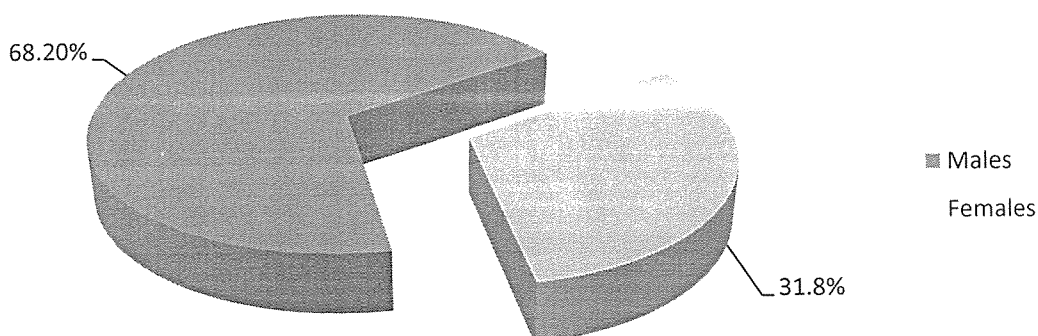
The researcher distributed fifty (50) questionnaires to the population and 46 were received. After the process of data cleaning which involved the scrutiny of the questionnaires to determine that they were completely filled and none had more than one response on a particular question, only 44 questionnaires remained. This gave the study a response rate of 84%.

#### 4.2 Demographic information

##### 4.2.1 Gender

The respondents were asked to indicate their gender and the results were as shown in the figure (1) below. The research revealed that 31.80% (14) of the respondents were females while 68.20% (30) were males (Survey Data, 2018). This indicates that the company has a large number of male employees than female employees but this did not have any impact on this study.

**Figure 1: Gender of the Respondents**



#### 4.2.2 Age Group

Table 3 (Survey Data, 2018) shows the age groups to which the respondents belonged to. Results reveal that 20.5%(9) of the respondents are below 25 years of age, 31.8%(14) are between 26-30 years, 34.1%(15) are between 31-35 years, those aged between 36-40 years are 9.1%(4) and 41 years and above are 4.5%(2) each. This shows that majority of the respondents are aged between 26-30 years and 31-35 years.

**Table 3: Age Group of the Respondents**

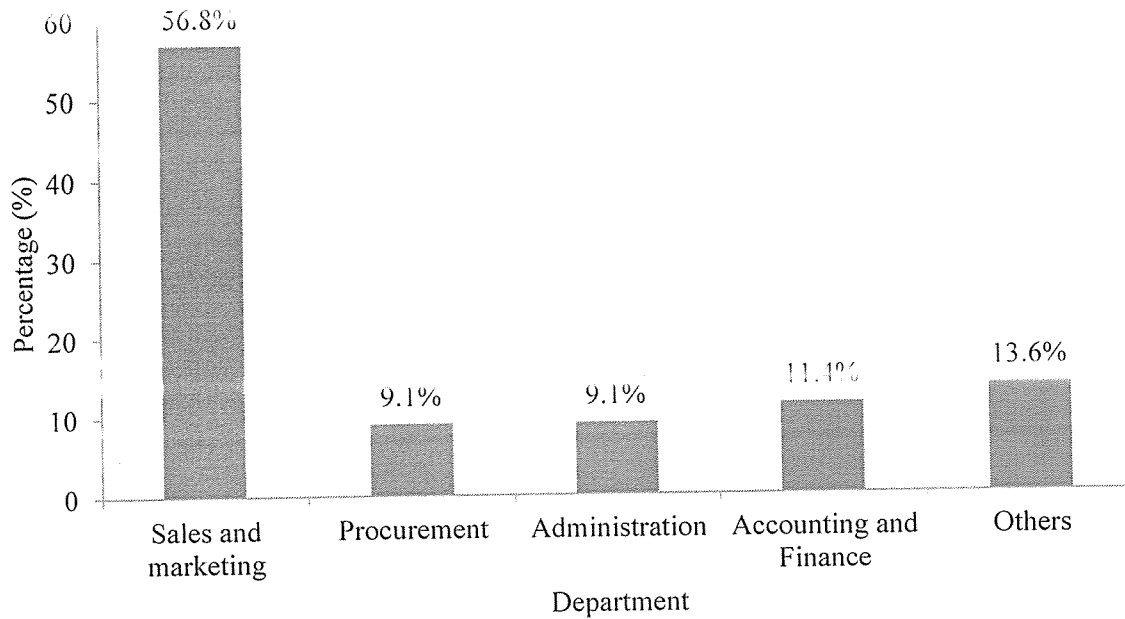
Age group (Years)	Frequency	Percentage (%)
Below 25	9	20.5
26-30	14	31.8
31-35	15	34.1
36-40	4	9.1
41 and above	2	4.5
<b>Total</b>	<b>44</b>	<b>100</b>

**Source: Primary Data 2019**

#### 4.2.3 Department

The respondents were asked to indicate the department they work in. Figure 2 (Survey Data, 2018) shows that 56.8% (25) of the respondents work in sales and marketing department, 9.1% (4) work in the procurement, 9.1% (4) work in the administration, 11.4% (5) work in accounting and finance department and 13.6% (6) work in other departments. This indicates that majority of the employees work in sales and marketing department.

**Figure 2: Department of the Respondents**

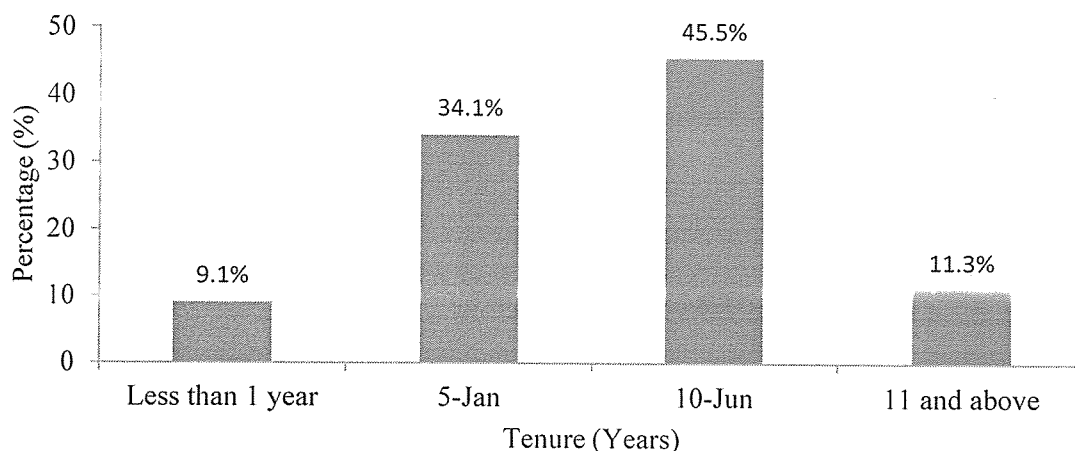


**Source: Primary Data 2019**

#### **4.2.4 Tenure**

The respondents were asked to indicate the number of years they had worked in the organization. Figure 3 (Survey data, 2018) shows that 9.1% (4) of the respondents have worked with the company for less than 1 year, 34.1% (15) have worked between 1-5 years, 45.5% (20) have worked between 6-10 years, and 11.3% (5) have worked for 11 years and above. This shows that the majority of the company's workforces have worked between 1-5 years and 6-10 years.

**Figure 3: Tenure of the Respondents**



**Source: Primary Data 2019**

### **4.3 Types of Business Records Kept by the SMES**

The respondents were asked to indicate their level of agreement or disagreement to the different types of records that SMEs keep in their business operations.

#### **4.3.1 Emphasis on documentation and record keeping**

The respondents were asked to indicate whether the company management emphasizes that every employee should always record, update and keep important information regarding their business operations in their departments. From table 4 below, 40% (18) of the respondents strongly agreed, 31.8% (14) agreed, 13.7% (6) were neutral, 9.1% (4) disagreed and 4.5% (2) strongly disagreed. This indicates that the management of Star Link International Ltd puts much emphasis on documentation and record keeping during operations.

**Table 4: Emphasis on Documentation**

Response	Frequency	Percentage (%)
Strongly Agree	18	40.9
Agree	14	31.8
Neutral	6	13.6
Disagree	4	9.1
Strongly Disagree	2	4.1
Total	44	100

**Source: Primary Data 2019**

### 4.3.2 Source Documents

Respondents were asked to indicate whether the company collects and documents accurate and sufficient information using documents of book keeping like receipts, invoices, vouchers and other source documents. Table 5 below (survey data, 2019) reveals that 34.1% (15) strongly agreed, 45.5% (20) agreed, 9.1% (4) were neutral, 4.5% (2) disagreed and 6.8% (3) of the respondents strongly disagreed. This shows that majority of the respondent agree that the company collects and documents accounting information using source documents.

**Table 5: Source Documents**

<b>Response</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Strongly Agree	15	34.1
Agree	20	45.5
Neutral	4	9.1
Disagree	2	4.5
Strongly Disagree	3	6.8
<b>Total</b>	<b>44</b>	<b>100</b>

**Source: Primary Data 2019**

### 4.3.3 Statement of Comprehensive income

The respondents were asked to indicate whether the company records company's income, expenses and profits providing important information on the operation of the company over a given period of year using an income statement. Table 6 below (Survey data, 2019) reveals that 29.6% (13) strongly agreed, 31.8% (14) agreed, 31.8% (14) were neutral, 4.5% (2) disagreed and 2.3% (1) of the respondents strongly disagreed. This indicates that majority of the respondents agreed that the company uses a statement of comprehensive income.



**Table 6: Statement of Comprehensive Income**

Response	Frequency	Percentage (%)
Strongly Agree	13	29.6
Agree	14	31.8
Neutral	14	31.8
Disagree	2	4.5
Strongly Disagree	1	2.3
<b>Total</b>	<b>44</b>	<b>100</b>

**Source: Primary Data 2019**

#### 4.3.4 Statement of Financial Position

The respondents were asked to indicate whether the company records information on company's assets, liabilities and other owner's equity using a statement of financial position (balance sheet) at a given period of time providing information on what the company owns and owes. Table 7 below (Survey Data, 2019) indicates that 20.5% (9) of the respondents strongly agreed, 56.8% (25) agreed, 11.4% (5) were neutral, 6.8% (3) agreed and 4.5% (2) strongly disagreed. This indicates that majority of the employees agree that the company uses a statement of financial position (balance sheet).

**Table 7: Statement of Financial Position**

Response	Frequency	Percentage (%)
Strongly Agree	9	20.5
Agree	25	56.8
Neutral	5	11.4
Disagree	3	6.8
Strongly Disagree	2	4.5
<b>Total</b>	<b>44</b>	<b>100</b>

**Source: Primary Data 2019**

#### 4.3.5 Contracts

The respondents were asked to indicate whether the company collects important and relevant legal information that ensures compliance to the rules and regulations like memorandums of understanding, business and employee contracts, articles of association among others.

Table 8 below (Survey Data, 2019) reveals that 11.4% (5) strongly agreed, 68.2% (30) agreed, 2.3% (1) were neutral, 4.5% (2) disagreed and 13.6% (6) of the respondents strongly disagreed.

This indicates that majority of the respondents agree that the company keeps contracts.

**Table 8: Contracts**

Response	Frequency	Percentage (%)
Strongly Agree	5	11.4
Agree	30	68.2
Neutral	1	2.3
Disagree	2	4.5
Strongly Disagree	6	13.6
<b>Total</b>	<b>44</b>	<b>100</b>

**Source: Primary Data 2019**

#### 4.3.6 Permits and Licenses

The respondents were asked to indicate whether the company keeps and updates important legal documents as the rules and regulations requires like business and employee contracts, permits and operating licenses among others. Table 9 below (Survey Data, 2019) shows that 18.2% (8) strongly agreed, 63.7% (28) agreed, 6.8% (3) were neutral, 4.5% (2) disagreed and 6.8% (3) of the respondents strongly disagreed. This indicates that majority of the respondents agreed that the company keeps permits and licenses.

**Table 9: Permits and Licenses**

Response	Frequency	Percentage (%)
Strongly Agree	8	18.2
Agree	28	63.7
Neutral	3	6.8
Disagree	2	4.5
Strongly Disagree	3	6.8
<b>Total</b>	<b>44</b>	<b>100</b>

**Source: Primary Data 2019**

#### **4.3.7 Protection of and compliance to legal documents**

The respondents were asked to indicate whether the company protects and emphasizes the purpose of keeping, and complying with the stated information in the legal documents to avoid legal risks like penalties and litigation. Table 10 below (Survey Data, 2019) shows that 20.5% (9) strongly agreed, 65.9% (29) agreed, 4.5% (2) were neutral, 6.8% (3) disagreed and 2.3% (1) of the respondents strongly disagreed. This indicates that majority of the respondents agree that the company is very protective and compliant to the legal documents.

**Table 10: Protection of, and Compliance to Legal Documents**

Response	Frequency	Percentage (%)
Strongly Agree	9	20.5
Agree	29	65.9
Neutral	2	4.5
Disagree	3	6.8
Strongly Disagree	1	2.3
<b>Total</b>	<b>44</b>	<b>100</b>

**Source: Primary Data 2019**

#### **4.4 The level of performance of keeping Accurate, organized and Sufficient Records**

The respondents were asked to indicate their level of agreement or disagreement to the level of performance of keeping accurate and sufficient records to the management of the company in their operations.

#### 4.4.1 Financial comparison

The respondents were asked to indicate whether the books of accounts maintained correctly and in a proper manner help a lot in making comparison of the current year profit with that of the previous year and tell significant factors as to why profit is more or less in comparison to that of the previous year. Table 11 below (Survey Data, 2019) shows that 38.6% (17) strongly agreed, 31.8% (14) agreed, 18.2% (8) were neutral, 6.8% (3) disagreed and 4.5% (2) of the respondents strongly disagreed. This indicates that majority of the respondents agree that recording keeping can be used in financial comparison.

**Table 11: Financial Comparison**

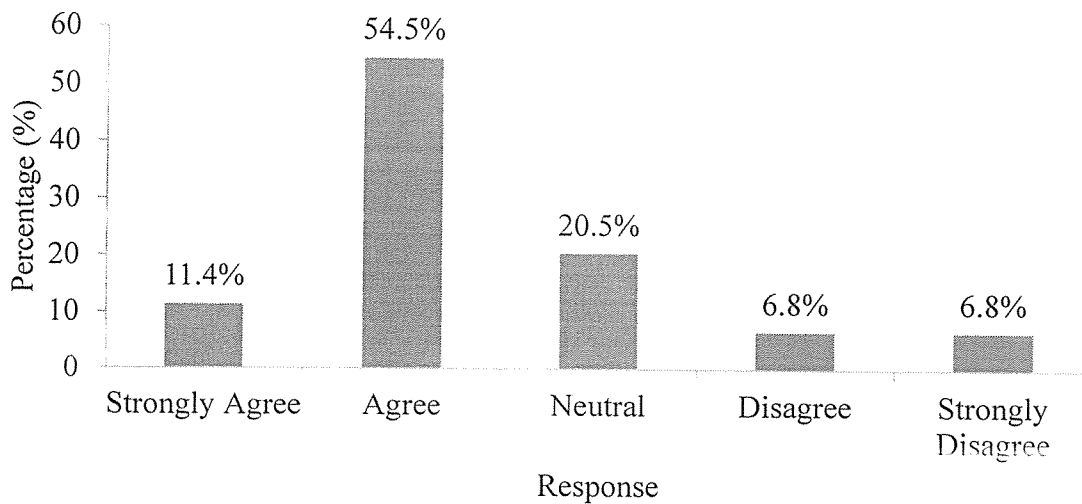
Response	Frequency	Percentage (%)
Strongly Agree	17	38.7
Agree	14	31.8
Neutral	8	18.2
Disagree	3	6.8
Strongly Disagree	2	4.5
<b>Total</b>	<b>44</b>	<b>100</b>

**Source: Primary Data 2019**

#### 4.4.2 Budget monitoring

The respondents were asked to indicate whether record keeping facilitates up- to- date company financial information that can be cross- checked with the budget to make sure that the company is not over spending. Financial record keeping also identifies instances of under –spending so the company may find new uses for the extra money to help productivity. Figure 4 below (Survey Data, 2019) shows that 11.4% (5) of the respondents strongly agreed, 54.5% (24) agreed, 20.5% (9) were neutral, 6.8% (3) disagreed and 6.8% (3) strongly disagreed. This indicates that majority of the respondents agree that record keeping is very useful in budget monitoring.

**Figure 4: Budget Monitoring**

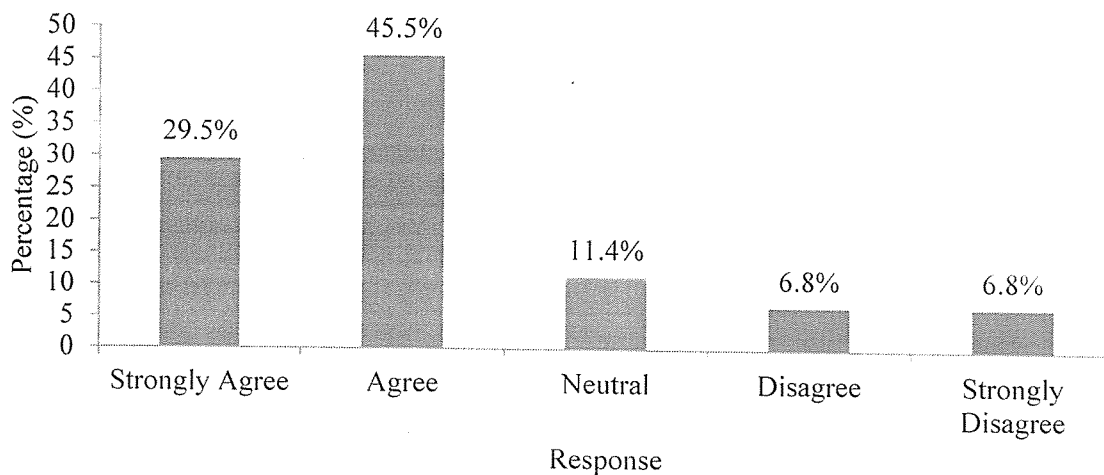


**Source: Primary Data 2019**

#### **4.4.3 Tax deduction**

The respondents were asked to indicate whether financial record keeping makes it easier to report revenue for tax filings at the end of the year, but a comprehensive spending profile can also help you find tax deduction that will lower your tax burden. Figure 5 below (Survey Data, 2019) indicates that 29.5% (13) strongly agreed, 45.5% (20) agreed, 11.4% (5) were neutral, 6.8% (3) disagreed and 6.8% (3) strongly disagreed. This indicates that majority of the respondents agree that recording keeping is important in tax deductions.

**Figure 5: Tax Deductions**

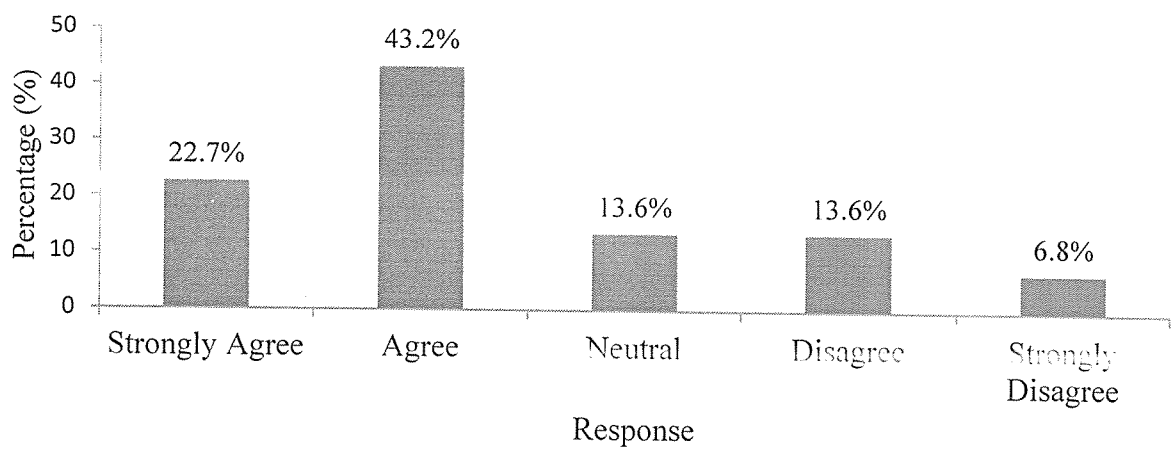


**Source: Primary Data 2019**

4.4.4 Helpful in raising loans

The respondents were asked to indicate whether commercial banks and other financial institutions before granting loans to a business, screen various statements prepared using financial and accounting information such as accounting documents and legal documents. Figure 6 below (Survey Data, 2019) shows that 22.7% (10) strongly agreed, 43.2% (19) agreed, 13.6% (6) were neutral, 13.6% (6) disagreed and 6.8% (3) strongly disagreed. This indicates that majority of the respondents agreed that record keeping is helpful in raising loans for the business.

Figure 6: Helpful in Raising Loans

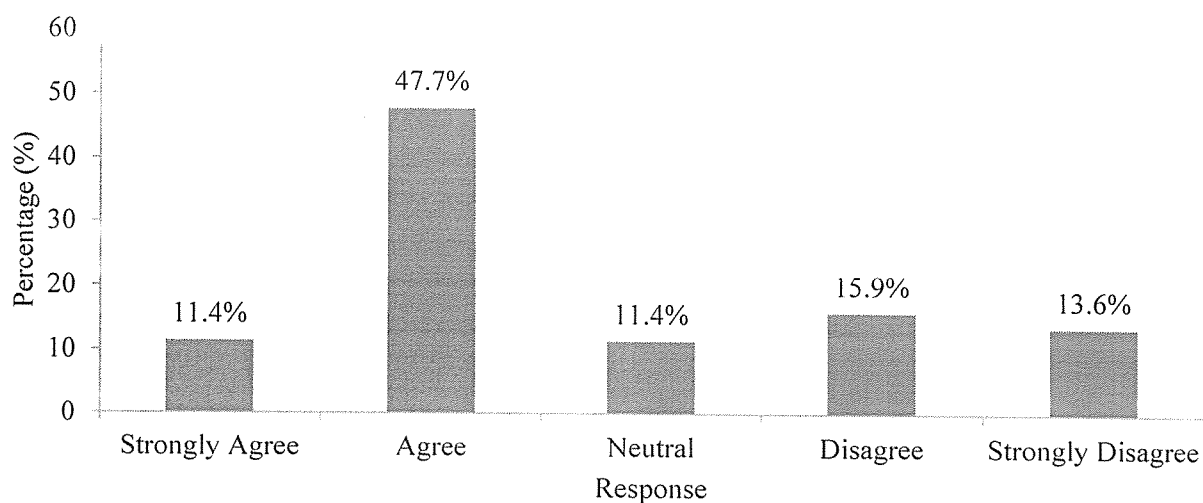


Source: Primary Data 2019

4.4.5 Payroll

The respondents were asked to indicate whether record keeping includes checking the accuracy of each payroll period to make sure that each employee receives the proper amount, an especially important function in companies that pay bonuses, sales commission and supplemental payment based on a percentage of revenue. Figure 7 below (Survey Data, 2019) shows that 11.4% (5) strongly agreed, 47.7% (21) agreed, 11.4% (5) were neutral, 15.9% disagreed and 13.6% (6) strongly disagreed. This indicates that majority of the respondents agree that record keeping is important in managing a payroll for the company.

**Figure 7: Payroll**



**Source: Primary Data 2019**

#### **4.4.6 Legal obligation**

The respondents were asked to indicate whether record keeping enables to comply with rules and regulations. A company must track and document revenue and expenditure in order to pay appropriate taxes each year. Not maintaining company books can result in government penalties if you are audited and asked to produce evidence of your company's business transactions. Table 12 below (Survey Data, 2019) indicates that 15.9% (7) strongly agreed, 52.3% (23) agreed, 20.5% (9) were neutral, 6.8% (3) disagreed and 4.5% (2) of the respondents strongly disagreed. This indicates that majority of the respondents agree that record keeping is very important in complying with the laws of the land.

**Table 12: Legal Obligation**

Response	Frequency	Percentage (%)
Strongly Agree	7	15.9
Agree	23	52.3
Neutral	9	20.5
Disagree	3	6.8
Strongly Disagree	2	4.5
<b>Total</b>	<b>44</b>	<b>100</b>

**Source: Primary Data 2019**

#### 4.5 The Relationship between Records Keeping and SME Performance

The respondents were asked to indicate their level of agreement or disagreement to the relationship between records keeping and SME performance.

##### 4.5.1 Accountability

The respondents were asked to indicate whether record keeping creates accountability with customers and other business partners who may access the company's books to review revenues and expenditures. This creates greater transparency to potential investors interested in documentation of the business financial health. Table 9 below (Survey Data, 2019) shows that 52.3% (23) of the respondents strongly agreed, 22.7% (10) agreed, 4.5% (2) were neutral, 11.4% (5) disagreed and 9.1% (4) strongly disagreed. This indicates that majority of respondents agree that record keeping is very fundamental in creating accountability.

**Table 13: Accountability**

Response	Frequency	Percentage (%)
Strongly Agree	23	52.3
Agree	10	22.7
Neutral	2	4.5
Disagree	5	11.4
Strongly Disagree	4	9.1
<b>Total</b>	<b>44</b>	<b>100</b>

**Source: Primary Data 2019**

##### 4.5.2 Prevention of errors and fraud

The respondents were asked to indicate whether proper record keeping not only checks errors and fraud but also minimizes them. For example double entry system of book keeping, business transactions are recorded at many places to minimize fraud. Table 10 below (Survey Data, 2019) shows that 36.4% (16) strongly agreed, 38.6% (17) agreed, 15.9% (7) were neutral, 6.8% (3) disagreed and 2.2% (1) of the respondents strongly disagreed. This indicates that majority of the respondents agree that prevention of errors and fraud is highly dependent on proper record keeping.



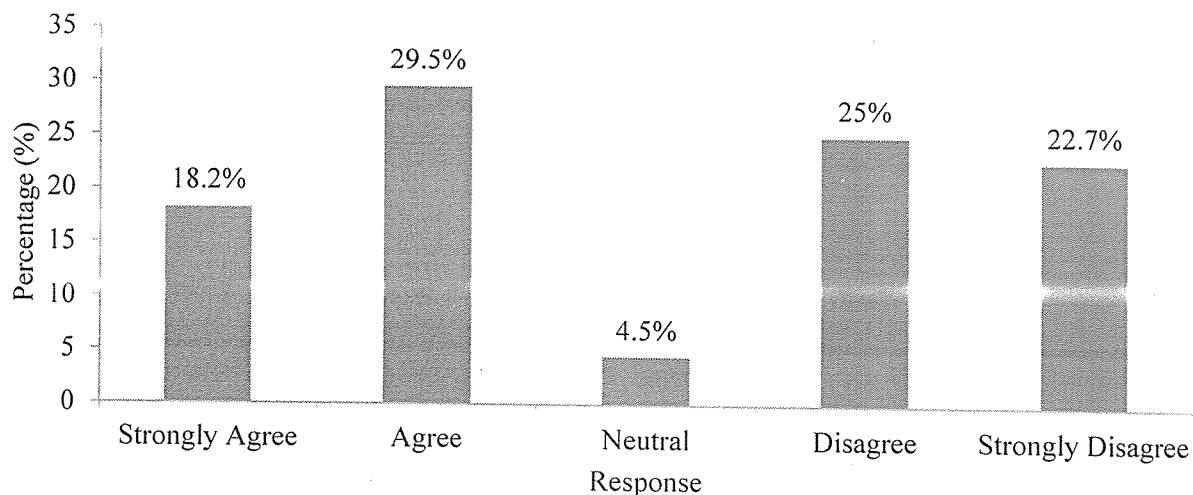
**Table 14: Prevention of errors and risks**

Response	Frequency	Percentage (%)
Strongly Agree	16	36.4
Agree	17	38.7
Neutral	7	15.9
Disagree	3	6.8
Strongly Disagree	1	2.2
<b>Total</b>	<b>44</b>	<b>100</b>

Source: Primary Data 2019

#### 4.5.3 Practice of record keeping

The respondents were asked to indicate whether they know if most SMEs in Wakiso district collect and keep accurate and relevant records when making business transactions. Figure 8 below (Survey Data, 2019) shows that 18.2% (8) strongly agreed, 29.5% (13) agreed, 4.5% (2) were neutral, 25% (11) disagreed and 22.7% (10) strongly disagreed. This indicates that majority of the respondents agree that most SMEs in Wakiso district practice proper record keeping

**Figure 8: Practice of Record Keeping.**

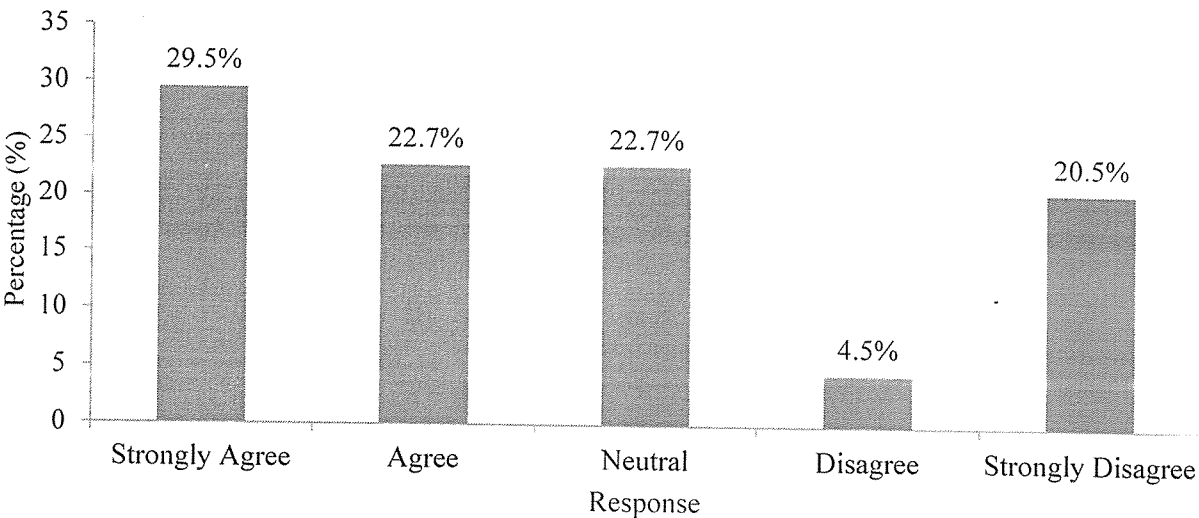
Source: Primary Data 2019

#### 4.5.4 Information of the impact of record keeping

The respondents were asked to indicate whether they believed if business owners and managers had adequate information and sufficiently understand the impact of keeping good records on the

performance of their businesses. Figure 12 below (Survey Data, 2019) shows that 29.5% (13) strongly agreed, 22.7% (10) agreed, 22.7% (10) were neutral, 4.5% (2) disagreed and 20.5% (9) of the respondents strongly disagreed. This indicates that majority of the respondents believed that business owners and managers had adequate information and sufficient understanding of the impact of record keeping to the performance of a business.

**Figure 9: Information of the impact of record keeping**

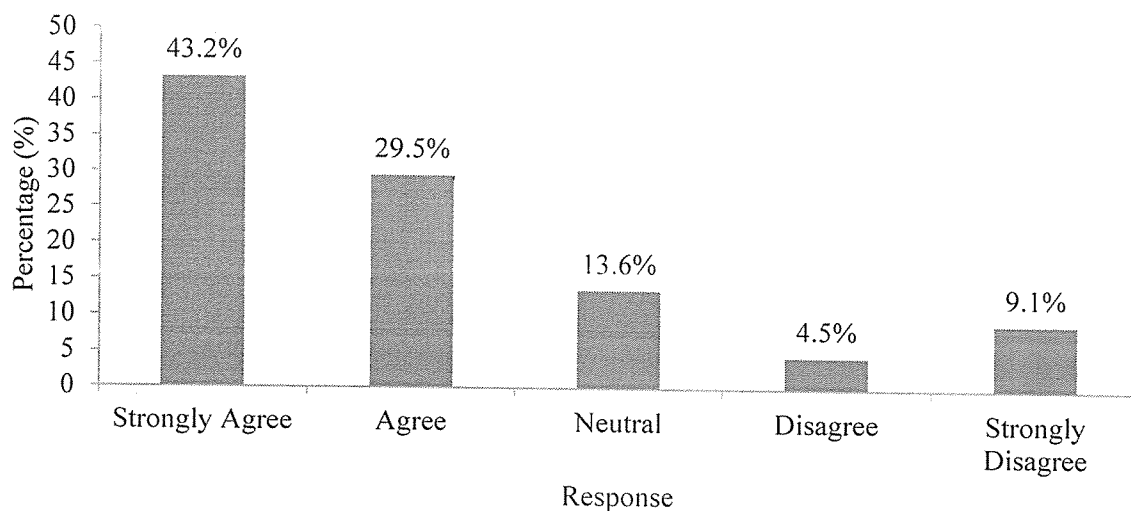


**Source: Primary Data 2019**

**4.5.5 Business planning**

The respondents were asked to indicate whether they believed that record keeping is related in resource allocation and business performance planning to a certain degree. Figure 13 below (Survey Data, 2019) shows that 43.2% (19) of the respondents strongly agreed, 29.5% (13) agreed, 13.6% (6) were neutral, 4.5% (2) disagreed and 9.1% (4) strongly disagreed. This indicates that majority of the respondents believed that there is a big relationship between business planning and record keeping.

**Figure 10: Business Planning**



#### 4.6 Other factors that affect the performance of SMEs in Wakiso District

The respondents were asked to indicate their level of agreement or disagreement to the other factors that affect the performance of SMEs in Wakiso District.

##### 4.6.1 Competition among SMEs

The respondents were asked to indicate whether there is too much competition among the SMEs in Wakiso district. Table 13 below (Survey Data, 2019) shows that 52.3% (23) of the respondents strongly agreed, 27.3% (12) agreed, 11.4% (5) were neutral, 6.8% (3) 2.2% (1) strongly disagreed. This indicates that majority of the respondents knew that there is too much competition in Wakiso district among SMEs.

**Table 15: Competition among SMEs**

Response	Frequency	Percentage (%)
Strongly Agree	23	52.3
Agree	12	27.3
Neutral	5	11.4
Disagree	3	6.8
Strongly Disagree	1	2.2
Total	44	100

Source: Primary Data 2019

#### 4.6.2 Effects of stiff competition

The respondents were asked to indicate whether stiff competition affects the performance of SMEs especially in terms of profitability. Table 14 below (Survey Data, 2019) shows that 47.7% (21) of the respondents strongly agreed, 31.8% (14) agreed, 9.1% (4) were neutral, 9.1% (4) disagreed and 2.2% (1) strongly disagreed. This indicates that majority of the respondents agreed that stiff competition affects business performance.

**Table 16: Effects of stiff Competition**

Response	Frequency	Percentage (%)
Strongly Agree	21	47.8
Agree	14	31.8
Neutral	4	9.1
Disagree	4	9.1
Strongly Disagree	1	2.2
<b>Total</b>	<b>44</b>	<b>100</b>

Source: Primary Data 2019

#### 4.6.3 Impact of Marketing

The respondents were asked to indicate whether marketing had a big impact in determining the market share of an SME in Wakiso District. Table 15 below (Survey Data, 2019) shows that 54.7% (24) strongly agreed, 25% (11) agreed, 13.6% (6) were neutral, 4.5% (2) disagreed and 2.2% (1) of the respondents strongly disagreed. This indicates that majority of the respondents believed that marketing had a great impact on the performance of an SME.

**Table 17: Impact of marketing**

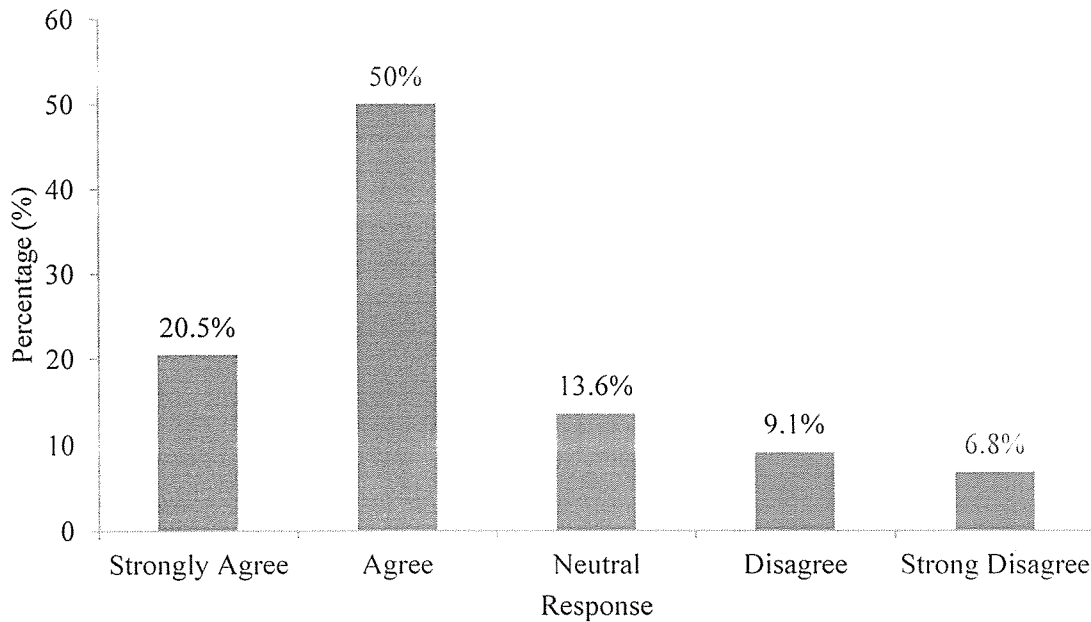
Response	Frequency	Percentage (%)
Strongly Agree	24	54.7
Agree	11	25
Neutral	6	13.6
Disagree	2	4.5
Strongly Disagree	1	2.2
<b>Total</b>	<b>44</b>	<b>100</b>

Source: Primary Data 2019

#### 4.6.4 Approaches to Marketing

The respondents were asked to indicate whether SMEs employ various approaches of marketing to ensure that they improve their performance in the market. Figure 13 below (Survey Data, 2019) shows that 20.5% (9) of the respondents strongly agreed, 50% (22) agreed, 13.6% (6) were neutral, 9.1% (4) disagreed and 6.8% (3) strongly disagreed. This indicates that majority of the respondents strongly agreed that SMEs employ various approaches of marketing to improve their performance.

**Figure 11: Approaches to marketing**



**Source: Primary Data 2019**

#### 4.6.5 Quality and Price of the Product Type

The respondents were asked to indicate whether the quality and price of the different types of products offered by an SME has a big impact on the performance in the market. Table 16 below (Survey Data, 2019) shows that 59.1% (26) of the respondents strongly agreed, 18.2% (8) agreed, 11.4% (5) were neutral, 9.1% (4) disagreed and 2.2% (1) strongly disagreed. This indicates that majority of the respondents believed that the quality and price of the product affects business performance.

**Table 18: Quality and price of the product type**

Response	Frequency	Percentage (%)
Strongly Agree	26	59.1
Agree	8	18.2
Neutral	5	11.4
Disagree	4	9.1
Strongly Disagree	1	2.2
<b>Total</b>	<b>44</b>	<b>100</b>

**Source: Primary Data 2019**

#### **4.6.6 Improving the quality and price of the product**

The respondents were asked to indicate whether SMEs had to ensure that their products are of good quality and priced well in order to have a positive impact on their performance by continuously improving on them. Table 17 below (Survey Data, 2019) shows that 59.1% (26) of the respondents strongly agreed, 18.2% (8) agreed, 11.4% (5) were neutral, 9.1% (4) disagreed and 2.2% (1) strongly disagreed. This indicates that majority of the respondents believed that by improving the quality of the products and pricing them well, the performance of SMEs would also be improved.

**Table 19: Improving the quality and price of the products**

Response	Frequency	Percentage (%)
Strongly Agree	26	59.1
Agree	8	18.2
Neutral	5	11.4
Disagree	4	9.1
Strongly Disagree	1	2.2
<b>Total</b>	<b>44</b>	<b>100</b>

**Source: Primary Data 2019**

#### **4.6.7 Motivated employees**

The respondents were asked to indicate whether motivated employees are key actors in the performance of an SME. Table 18 below (Survey Data, 2019) shows that 47.7% (21) of the

respondents strongly agreed, 45.5% (20) agreed, and 6.8% (3) were neutral. None of the respondents disagreed or strongly disagreed. This indicates that majority of the respondents agreed that motivated employees play a very big role in the performance of the SME.

**Table 20: Motivated Employees**

Response	Frequency	Percentage (%)
Strongly Agree	21	47.7
Agree	20	45.5
Neutral	3	6.8
Disagree	0	0
Strongly Disagree	0	0
<b>Total</b>	<b>44</b>	<b>100</b>

**Source: Primary Data 2019**

#### **4.6.8 Approaches to employee motivation**

The respondents were asked to indicate whether SMEs can use different strategic approaches of motivation to ensure that the employees are motivated like monetary and non-monetary incentives. Table 19 below (Survey Data, 2019) shows that 38.6% (17) of the respondents strongly agreed, 40.9% (18) agreed and 20.5% (9) were neutral. None of the respondents disagreed or strongly disagreed. This indicates that majority of the respondents agreed that an SME should use a variety of approaches to motivate their employees which in turn causes an improvement in the performance.

**Table 21: Approaches to employee motivation**

Response	Frequency	Percentage (%)
Strongly Agree	17	38.6
Agree	18	40.9
Neutral	9	20.5
Disagree	0	0
Strongly Disagree	0	0
<b>Total</b>	<b>44</b>	<b>100</b>

**Source: Primary Data 2019**

## **CHAPTER FIVE**

### **DISCUSSION OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS.**

#### **5.1 Introduction**

This chapter is a presentation of the discussion of the research findings, conclusions and recommendations. The conclusions are drawn from the answers the research questions sought to understand while the recommendations are based on the conclusions drawn while at the same time giving research areas that can further be done to enhance record keeping that benefit the SME sector. It is therefore organized into the following main parts, namely, summary, conclusions, recommendations and suggested further research.

#### **5.2 Discussion of Findings**

The main purpose of the study was to determine the effect of record keeping on the performance of small and medium enterprises, a case study of Star Link International in Bulenga Town Council. The study was guided by the following objectives; (i) to determine the different types of records with examples of each type the SMEs keep in their business operations. (ii) To determine the level of performance of accurate records keeping to the management of SMEs. (iii) To examine the relationship between records keeping and SMEs performance. The major findings for each objective were as follows;

##### **5.2.1 Types of Business Records Kept by the SMES**

The objective was intended to determine the different types of records with examples that the SMEs keep in their business operations.

The study revealed that the company is very critical to proper documentation and record keeping during the operations. Star Link International Ltd keeps many different types of records which include accounting and finance documents, legal documents, and many others.

The research findings revealed that 34.1% (15) and 45.5% (20) of the respondents strongly agreed and agreed respectively that among the accounting and finance documents kept by Star Link International Ltd included source documents like receipts, invoices and vouchers. It was also revealed that 29.6% (13) and 31.8% (14) of the respondents strongly agreed and agreed respectively that the company kept a statement of comprehensive income to record the company's income, expenses and profits providing important information on the operation of the company over a given period of time.



Furthermore, 20.5% (9) and 56.8% (25) of the respondents strongly agreed and agreed respectively that the company records information on company's assets, liabilities and other owner's equity using a statement of financial position (balance sheet) at a given period of time providing information on what the company owns and owes. The results confirm that SMEs do keep complete set of accounts, especially to capture sales and cost of sales. There is however a few numbers of SMEs that are keeping primary entries to record information. SMEs in the retail shops business are keeping complete set of accounts for controlling inventory and those in the service sector keeps cash book only as owners try to maintain their cash.

The research findings also revealed that Star Link International Ltd kept various legal documents. From the research findings 11.4% (5) and 68.2% (30) of the respondents strongly agreed and agreed respectively to keeping contracts, 18.2% (8) of the respondents strongly agreed and 63.7% (28) agreed that the company kept permits and licenses. And on the protection and compliance to legal documents, it was revealed that 20.5% (9) strongly agreed and 65.9% (29) of the respondents agreed that the company was putting much emphasis on it. However, it very important to note that majority of the SMEs in the retail sector rarely consults lawyers for legal guidance.

### **5.2.2 The level of performance of keeping Accurate, organized and Sufficient Records**

The objective was intended to determine the level of performance of accurate records keeping to the management of SMEs.

The study revealed that 38.6% (17) strongly agreed and 31.8% (14) agreed that proper record keeping is very important in financial comparison, however, it was noted that 18.2% (8) of the respondents were neutral. This indicates that there is a gap of information. About budget monitoring, it was discovered that 11.4% (5) strongly agreed and 54.5% (24) agreed that it was useful to have proper records. There was a 20.5% (9) of the respondents who were neutral which a considerable percentage was.

The study also revealed that 29.5% (13) strongly agreed and 45.5% (20) agreed to the importance of record keeping in tax deductions but 20.5% (9) were neutral. About the purpose of record keeping in raising loans from banks and other financial institutions, it was noted that 22.7% (10) strongly agreed and 43.2% (19) agreed.

However, it is important to note that 13.6% (6) were neutral and 13.6% (6) of the respondents strongly disagreed. This indicates that there is a significant gap of information about the importance of proper record keeping on tax deductions and raising loans.

The study further revealed that 47.7% (21) agreed about the payroll, the findings also revealed that 11.4% (5) were neutral, 15.9% (7) disagreed and 13.6% (6) of the respondents strongly disagreed. These percentages show that there is lack of knowledge and information about the payroll by the respondents. It was also revealed from the study findings that 15.9% (7) strongly agreed and 52.3% (23) agreed on the importance of record keeping and legal obligation. However, it was revealed that a considerable percentage of 20.5% (9) of the respondents were neutral and 6.8% (3) disagreed with the legal obligation.

These findings are congruent with (Muchira, 2012) who revealed that SMEs do not keep complete accounting records because of lack of accounting knowledge and the cost of hiring professional accountants. As a result, there is inefficient use of accounting information to support financial performance measurement by SMEs. Failure of keeping of accurate records was highly blamed on the lack of skills in this field.

### **5.2.3 The Relationship between Records Keeping and SME Performance**

The objective was intended to examine the relationship between records keeping and SMEs performance.

The research findings revealed that 52.3% (23) of the respondents strongly agreed and 22.7% (10) agreed that record keeping creates accountability with customers and among business partners who may access the company's books to review revenues and expenditures and it creates greater transparency and confidence to potential investors interested in documentation of the business financial health. However, it was also noted that 11.4% (5) disagreed.

On the prevention of errors and fraud, the research findings revealed that 36.4% (16) strongly agreed and 38.6% (17) agreed but it was also revealed that 15.9% (7) were neutral and 6.8% (3) disagreed with it. These findings are in line with (Crampton, 2013) conclusions that as companies move forward, they need to realize that record management plays a big role in risk management. Further explaining that just as risk management looks to protect assets and minimize damage to them, so too should programs be devoted to record management.

The research findings also revealed that 9.1% (4) and 4.5% (2) strongly agreed and agreed to the effect of record keeping on business planning. However, it is important to note that it was

revealed that 13.6% (6) were neutral, 29.5% (13) disagreed and 43.2% (19) strongly disagreed with this relationship. These findings are in agreement with (Nawaz, 2012) conclusions from their study that investigated whether small business owners in NZ use financial information in their business management decisions, how they use this information, and what types of difficulties they face in obtaining this information. The study concluded that small business owners mostly use their experience-based practices for making business decisions rather than using the practices prescribed in the financial management literature.

### **5.3 Conclusions**

The research draws its conclusions from the research questions that guided the researcher in this project. These questions had previously been formulated in chapter one of this research. These are:

#### **5.3.1 Records Keeping at Star Link International**

There are many types of records that SMEs keep which include finance and accounting documents like source documents, financial statements, budgets and others, legal documents like contracts, memorandum of understanding, articles of association, permits and licenses and others. However, SMEs have incomplete documents since most of them are not collected by professional people. For example the SMEs do not hire professional accountants and rarely consult lawyers for legal advice.

#### **5.3.2 The level of performance of accurate record keeping within Star Link International**

The SMEs experienced a great advantage obtained from keeping accurate records. However, it was concluded that many business owners and managers made decisions not necessarily basing on the records but on their intuition. Therefore, there is a big knowledge gap that relates accurate record keeping to the level of performance.

#### **5.3.3 The relationship between records keeping and performance of Star Link International Ltd**

There is a positive relationship between record keeping and performance of SMEs. This can be achieved only when business owners and managers employ professional people to operate in the relevant sectors. This would ensure that adequate and complete records are kept by the business.

## **5.4 Recommendations**

Successful organizations promote proper record management systems. These are good mechanisms that ensure that sufficient, relevant, accurate and adequate information is recorded, and used appropriately. This helps in minimizing the SMEs tendency of keeping incomplete records.

SMEs should ensure that professional people are employed who have the technical skills and knowledge to collect, record and interpret the records that are kept. This helps the management to make informed decisions when the available data is well understood by managers and business owners.

Business owners and managers should start to utilize the records in their decision making process instead of making decisions based on their intuition. This helps them not only to make decisions based on facts; it helps to eliminate guess work in business operations and makes them professional.

Improve communication between the management and the employees. In order to bridge the information gap that was exhibited by some employees, it is very important for management and business owners to organize sessions to teach their employees about different records, their importance and the impact they have on business performance.

## **5.5 Suggestions for further studies**

The aim of any business operation regardless of its size is to make profit. Research findings have shown clearly that for a business operator to make profit accurate recordkeeping of business records is vital. Research has also shown that SMEs are important for the economic growth of this country. To further support the management and growth of the SMEs this study suggests that:

1 There is need to carry out a study of this kind but targeting the large entities. Given that the need for accurate account recordkeeping increases with the expansion of growth in size of a business there is a need to find out how the large enterprises are performing in terms of the recordkeeping.

2 Training of managers or owners of SMEs on the record keeping skills are emphasized in this study. In line of this, this study suggests that a research be conducted to find out the best way to approach the training or to come up with a training program for these entrepreneurs which will not disrupt the operation of their businesses.

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## APPENDICES

### Appendix I: Questionnaire

#### Self Introduction

Dear Respondent,

I am a student at Kampala International University pursuing a Bachelor's Degree in Business and Administration. As a partial fulfillment of the Bachelors course, I am conducting a study on the effect of record keeping and the performance of small and medium enterprises in Wakiso district, Uganda: a case study of Star Link International Ltd in Bulenga town council.

Please take a few moments to answer the attached questionnaire and an interview guide. Your contributions and answers will be treated with utmost confidentiality and no names of staff members will be published in the final research document.

Your assistance and cooperation will be highly appreciated.

Yours Sincerely,

#### Part A: Demographics

Gender

Male [ ]                      Female [ ]

Age Group

Below 25 [ ]              26-30 [ ]              31-35 [ ]              36-40 [ ]  
41 and above [ ]

Department: Please indicate the department that you work in.

Sales and Marketing [ ]      Procurement [ ]      Administration [ ]              Finance [ ]

Other (please state) .....

Tenure: How long have you worked at Star Link International Ltd?

Less than 1 year [ ]              1-5 years [ ]              6-10 years [ ]              11 years & above [ ]

**Part B: The Different Types of Records with Examples that SMEs Keep in the Business Operations**

The questions in this section concern about the different types of records that Star Link International Ltd keeps and maintains in their operations. Using the key below, please indicate the extent to which you agree with each statement.

1 = strongly agree    2 = agree    3 = Neutral    4 = disagree    5 = strongly disagree

Different Types of Records	1	2	3	4	5
The company management emphasizes that every employee always record, update and keep important information regarding their business operations in their departments					
<b>Accounting records</b>					
The company collects and documents accurate and sufficient information using documents of book keeping like receipt , invoices, vouchers among other source documents					
The company records company's income, expenses and profits providing important information on the operation of the company over a given period of year using an income statement.					
The company records information on company's assets, liabilities and other owner's equity using a balance sheet at a given period of time providing information on what the company owns and owes.					
<b>Legal documents</b>					
The company collects important and relevant legal information that ensures compliance to the rules and regulations like memorandum of understanding, business and employee contracts, articles of association among others.					
The company keeps and updates important legal documents as the rules and regulations requires like business and employee contracts, permits and operating licenses among others.					
The company protects and emphasizes the purpose of keeping, and complying with the stated information in the legal documents to avoid legal risks like penalties and litigation.					

**Part C: The level of performance of Keeping Accurate and Sufficient Records to the Management of Star Link International Ltd.**

The questions in this section concern about the level of performance of keeping accurate and sufficient records to the management of the company in their operations. Using the key below, please indicate the extent to which you agree with each statement.

1 = strongly agree    2 = agree    3 = Neutral    4 = disagree    5 = strongly disagree

The level of performance of record keeping to the management	1	2	3	4	5
<b>Financial comparison:</b> The books of accounts maintained correctly and in a proper manner helps a lot of making comparison of the current year profit with that of the previous year and tell significant factors as to why profit is more or less in comparison to that of the previous year.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Budget monitoring:</b> Record keeping facilitates up- to- date company financial information that can be cross- checked with the budget to make sure that the company is not over spending. Financial record keeping also identifies instances of under –spending so the company may find new uses for the extra money to help productivity.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Tax deduction:</b> Financial record keeping makes it easier to report revenue for tax filings at the end of the year, but a comprehensive spending profile can also help you find tax deduction that will lower your tax burden.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Helpful in raising loans:</b> Commercial banks and other financial institutions before granting loans to a business, screen various statements prepared under accounting information such as accounting documents and legal documents.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Payroll:</b> Record keeping includes checking the accuracy of each payroll period to make sure that each employee receives the proper amount, an especially important function in companies that pay bonuses, sales commission and supplemental payment based on a percentage of revenue.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Legal obligation:</b> Record keeping enables to comply with rules and regulations. A company must track and document revenue and expenditure in order to pay appropriate taxes each year. Not maintaining company books can result in government penalties if you are audited and asked to produce	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

evidence of your company's business transactions.

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#### Part D: The Relationship between Record Keeping and the Performance of SMEs

The questions in this section concern about the Relationship between Record Keeping and the Performance of SMEs. Using the key below, please indicate the extent to which you agree with each statement.

1 = strongly agree    2 = agree    3 = Neutral    4 = disagree    5 = strongly disagree

Relationship between Record Keeping and Performance	1	2	3	4	5
Record keeping creates accountability with customers and among business partners who may access the company's books to review revenues and expenditures. And creates greater transparency to potential investors interested in documentation of the business financial health.					
Proper record keeping not only checks errors and fraud but also minimizes them. For example double entry system of book keeping. business transactions are recorded at many places to minimize fraud.					
Do most SMEs in you know of collect and keep accurate and relevant records when making business transactions.					
Do business owners, and managers have understand the impact of keeping good records to the performance of their businesses					
Does record keeping assist in resource allocation and business performance planning to a certain degree					

**Part E: Other factors that affect the performance of Star Link International Ltd.**

The questions in this section concern about the other factors that affect the performance of Star Link International Ltd. Using the key below, please indicate the extent to which you agree with each statement.

1 = strongly agree    2 = agree    3 = Neutral    4 = disagree    5 = strongly disagree

Other factors that affect the performance of SMEs in Wakiso District	1	2	3	4	5
<b>Competition</b>					
There is too much competition among the SMEs in Wakiso district.					
Stiff competition affects the performance of SMEs especially in terms of profitability					
<b>Marketing</b>					
Marketing has a big impact in determining the market share of an SME in Wakiso District					
SMEs employ various approaches of marketing to ensure that they improve their performance in the market.					
<b>Product type</b>					
The quality and price of the different types of products offered by an SME has a big impact on the performance in the market					
SMEs have to ensure that their products are of good quality and priced well in order to have a positive impact on their performance					
<b>Employee motivation</b>					
Motivated employees are key actors in the performance of an SME					
SMEs can use different strategic approaches of motivation to ensure that the employees are motivated					

**Thank you for your cooperation**