

**RECORD KEEPING AND PERFORMANCE OF SMALL AND MEDIUM
ENTERPRISES**

A CASE OF HARISS INTERNATIONAL LIMITED UGANDA. (RIHAM)

BY

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MAY 2018

DECLARATION

I NANYONJO RUTH, hereby declare that this is my original work and has not been presented for any academic award in any other institution

Signed... Ruth Date... 26/09/18

NANYONJO RUTH.

APPROVAL

This is to certify that this research proposal by Nanyonjo Ruth entitled "RECORD KEEPING AND PERFORMANCE OF SMALL AND MEDIUM ENTERPRISE has been written under my supervision and is hereby approved for submission for the award of Bachelors' Degree in Business Administration.

Sign.......... Date 26/09/2018

MR. NUWAGIRA KENNETH.

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DEDICATION

This research project is lovingly dedicated to our family that has been my constant source of determination. You have given me the drive and discipline to tackle any task with enthusiasm and determination. Without their love and support this project would not have been made possible.

LIST OF ACRONYMS

CBD	Central Business District
GAAP	General Accepted Accounting Principles
GDP	Gross Domestic product
PAT	Positive Accounting Theory
RBV	Resource Based View
SASRA	Sacco Societies Regulatory Authority
SMEs	Small and Medium Enterprises
U.S.A	United States of America

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ABSTRACT

Small and medium enterprises are gaining wide spread acceptance as viable drivers of economic growth. A sound accounting and internal control system in any business irrespective of its scale is crucial. Audits of small scale enterprises have proven to be worrisome for professional accountants because of the inadequacy of the internal controls. The study sought to establish whether a relationship exists between accounting systems, the manner in which accounting records were maintained by SMEs and their financial performance. The study adopted a descriptive research design on SMEs in Kampala Central Business District. Systematic sampling technique was used to sample SMEs. Descriptive statistics and regression analysis was used to analyze the findings. The study found that revenue and expenditure accounts play a major role in ledger accounts. For ledger accounts to be effective, revenue and expenditure accounts must be well prepared to limit chances of negative financial performance of SMEs in Uganda County. It found that an improvement in keeping and preparing purchases and sales ledgers can result in improved financial performance. It also found that all the SMEs in Uganda keep purchases and sales ledger, cash book, revenue and expenditure accounts, statement of income and balance sheet. It found that most SMEs neutrally agree that purchases ledger shows all purchases returns of the business, sales ledger shows all returns to the business and sales ledger shows all the receivables of the business. Finally, the study found that a large number of SMEs prepare balance sheets as they convey substantial information about the financial strength and current performance of an enterprises.

CHAPTER ONE

1.0 INTRODUCTION:

This chapter consisted of the background of the study, statement of the problem, objectives, scope of the study, significance of the study and the conceptual frame work.

1.1 Background of the Study

1.1.1 Historical Background.

Prior to the late 19th century cottage industries mostly small and medium scale business, controlled the economy of European. The industrial revolution changed the status- quo and introduced mass production. The twin oil shocks during the 1970s undermined the mass production model which trigged an unexpected reappraisal of the role of importance of small and medium size enterprises in the global economy. Findings by economists over the years show that small firms and enterprises play a much more importance role in economic growth and development(if nacho 2002).many economies ,developed and developing have come to realize the value of small and medium business. The impact of financial accounting recording on the performance of organizations(small and medium) basically aim at ascertaining how financial accounting reporting has helped in advancing the objectives of organizations. In the process it investigated the effect that financial accounting bear on the performance of business. Furthermore it's sought to ascertain the compliance of relevant statues by cooperate organizations and the overall satisfaction of stakeholders in cooperate organizations. Many new business owners are daunted by the mere idea of bookkeeping and accounting. But in reality, both are pretty simple. Keep in mind that bookkeeping and accounting share two basic goals: to keep track of income and expenses, which improves chances of making a profit, and to collect the financial information necessary for filing various tax returns. There is no requirement that records be kept in any particular way. As long as records accurately reflect the business's income and expenses, there is a requirement, However, that some businesses use a certain method of crediting their accounts: the cash method or accrual method. Depending on the size of the business and amount of sales, one can create own ledgers and reports, or rely on accounting (Williams et al 1999).An accounting system records, retains and reproduces financial information relating to financial transaction flows and financial position. Financial transaction flows encompass primarily inflows on account of incomes and outflows on account of expenses. Elements of financial position, including property, money received, or money spent, are assigned to one of the primary groups, that is,

assets, liabilities, and equity. Within these primary groups each distinctive asset, liability, income and expense is represented by respective "account". An account is simply a record of financial inflows and outflows in relation to the respective asset, liability, income or expense. Income and expense accounts are considered temporary accounts, Since they represent only the inflows and outflows absorbed in the financial position elements on completion of the time period (Williams et al, 2008). Accounting systems process data and transactions to provide users with the information they need to plan, control and operate their business. In this definition, accounting information system are considered as tools that help management in planning and controlling process by providing the relevant and reliable information for decision making (Romney & Steinert, 2000). Accounting system function are not solely for purpose of producing financial reports rather the role goes beyond this traditional view and can also be used as controlling merchandise such budgeting. Large organizations are gaining wide spread acceptance as viable drivers of economic growth. A sound accounting and internal control system in any business irrespective of its scale is crucial. Audit of organizations have proven to be worrisome for professional accountants because of the inadequacy of the internal controls. The current study shall seek to determine the impact of record keeping and performance of small and medium enterprises; a case of Hariss international Uganda limited.

1.1.2 Theoretical Background

This research utilized many theories among which include; theory of resources based view. This suggests that Effectiveness of company managers and resources efficiency directly affects the development of the state in which a business operates. Positive financial performance results from decisions made in the course of business as articulated by decision usefulness theory (Decision Usefulness Approach 2009). Also According to accounting theory transactions data requires precise measurement and consistency in classification. Accounting systems are also needed to ensure that all transactions of an entity are entered (Schrader, 1962). Watts and Zimmerman (1978) helped generate positive accounting literature which offers an explanation of accounting practice. The extent to which accounting choice affects the contracting parties' wealth depends on the relative magnitudes of the contracting costs. Positive Accounting Theory (PAT) has been referred to as an important aspect in accounting practice.

1.1.3 Conceptual Background.

According to Parker (2002) record keeping involves identification, classification, storage and protection, receipt and transmission, retention and disposal of records for preparation of financial statements. He also adds that record keeping also includes policies, systems, procedures, operations and personnel required to administer records. Romney (2003) defined record keeping systems as set of components that collects, records, classifies, analyses, and processes and summarizes business transactions in the books of accounts. A system should be simple to use, easy to understand, reliable, accurate consistent and designed to provide information on a timely basis.

Mc Lean (1999) points out that good record management helps in controlling the creation and growth of records to reduce operating costs, assimilation of new records management technologies and in ensuring regulatory compliance. Poor record keeping, inefficient use of accounting information to support financial decision- making and low quality and reliability of financial data are part of the main problems in financial management concerns of SMEs (Karunananda and Jayamaha ,2011). Record keeping is clearly essential to good administrative decision-making, consistency and fairness, impartiality, continuous learning and improvement, and effective risk management (Tacy, 2004). Quality record keeping is critical and important for any kind of enterprises. Financial record keeping is critical and important for any kind of enterprise. It serves as a means of assessing business financial performance and setting standards and making corrective measures in order to make up for past losses. Therefore, financial record keeping can be said to be a tool used in performance management.

Guest, Michie and Conway (2003) defined performance as outcomes, end results and achievements (negatives and positives) arising out of organizational activities. They argued that it is essential to measure strategic practices in terms of outcomes. Those outcomes vary along a continuum of categories such as: financial measures (ROA, ROE, turnover, PBT); measures of output of goods and services such as number of units produced, number of clients attended to, number of errors in the process, customer satisfaction indexes or measure of employee satisfaction (Locke & Latham, 1990,Guest , 2003).

Small and medium business enterprises do not need elaborate records, many businesses use cash registers as a basis for obtaining most of the information for their financial records (Evarad-burrow 1984). The writer in his contents said that small and medium enterprises record their day to day transactions in order to enable them monitor their performance in

terms of the sales volume, profitability and growth. Accounting is concerned with designing the systems of recording, classifying and summarizing the business data, auditing the books of records, cost studies forecasting future events, income tax work, computer applications to accounting process and the analysis and interpretation of the accounting information as an aid to internal and external users (ICMA, 1998).Kasanya (2000) noted that accounting has moved from records on the financial activities, analyzing and interpreting financial and operating reports, undertaking financial responsibilities, offering consultancies on taxation, management and economic issues. Therefore, this research study conceptualized performance in terms of profitability, sales maximization, cost reduction, effectiveness and quality of outputs at Hariss International Uganda Limited.

1.2Statement of the problem.

A number of small scale and medium enterprises are coming up drastically but their operation is short lived because the small business operators are not keen on keeping their business records which are useful in the evaluation of the performance. Small businesses are uniquely susceptible to disaster (Donna, 2005) with the above, there is likely to be a problem in determining the level of growth and profitability of Harris international as a result of failure to keep proper records .Improper or incomplete records results in huge taxes being levied on small and medium business operators denying them a chance to access loans, grants and funding. . Consequently the study will seek to answer the question as to whether there is a relationship between Record keeping and Performance of small and medium sized enterprises; a case of Hariss International Limited Uganda

1.3 General objective of the study.

The study shall sought to determine the relationship between record keeping and performance of small and medium enterprises; a case of Hariss International Limited Uganda.

1.4 Specific objectives of the study.

- To determine the effects of maintaining cash books on profitability of Small and Medium Enterprises a case of Hariss International limited.
- To determine the effects of a general ledger on growth levels of Hariss International limited?
- To determine the effects of journal entries on market share of Hariss International limited Uganda

1.5 Research Questions.

Based on the above stated purpose of the research, the following questions guided this study.

- What are the effects of maintaining cash books on profitability of Hariss International limited Uganda?
- What are the effects of a general ledger on growth levels of Harris International limited in Uganda?
- What are the effects of maintaining journal entries on market share of Harris international limited in Uganda?

1.6 Scope of the study.

1.6.1 Subject scope.

The study focused on the relationship between record keeping and performance of small and medium enterprises; a case of Hariss International Limited Uganda (Riham)

1.6.2 Geographical scope.

Harris international is a small scale enterprises located in Kawempe Bombo road in Kampala district

1.7 Significance of the study

- The finding of this research assisted in identifying the grey areas if any in the way SMEs keep their business records in order to offer relevant advice.
- It also created an opportunity for SMEs to appreciate the role played by accountants in a business entity.
- The tax authority through this study can determine the extent of reliance of financial statements prepared from SMEs available records.
- Lenders can gain a general overview of the reliability of information made available from SMEs financial records.

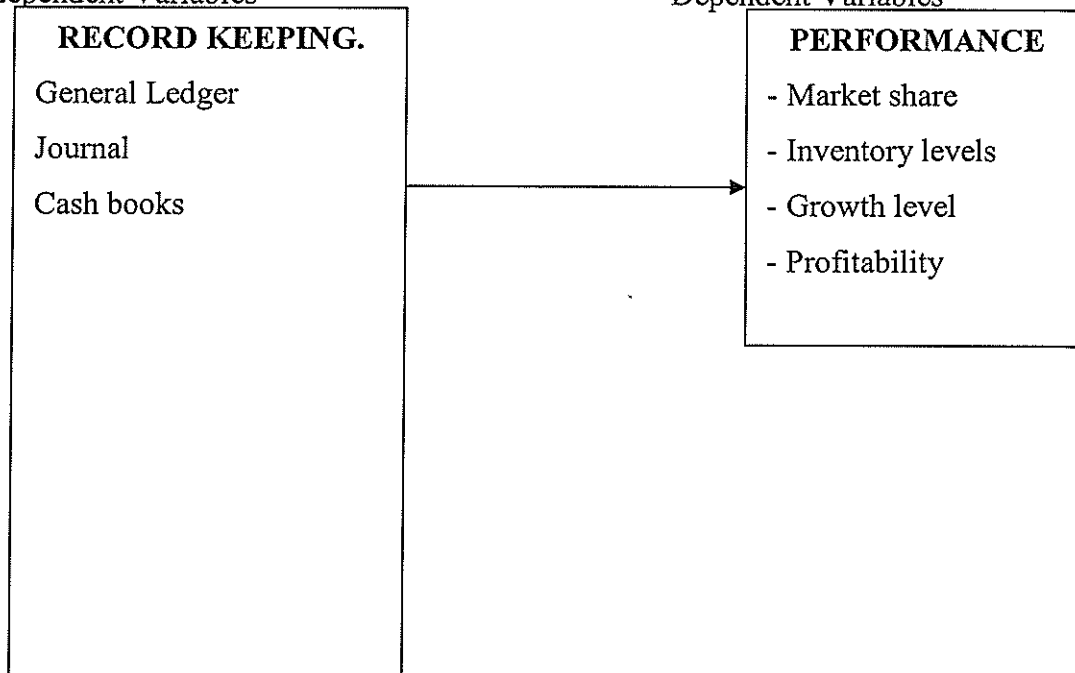
- Finally this research established if SMEs financial performance is in any way linked to record keeping.

1.8 The Conceptual Framework

These described the relationship between microfinance services and microenterprises performance.

Independent Variables

Dependent Variables



SOURCE; primary data.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter involved a critical review of existing works on the variables that is to say what the different authors have talked about record keeping and performance of an enterprises. It discusses performance determinants.

2.1 Definition of terms.

2.1.1 Performance indicators

These are qualitative measure son how the various business are performing in terms of growth, productivity and profitability to ensure the survival and failure of new small business

2.2 Theoretical Framework

2.2.1Resource Based View

Pearce and Robinson (2011) defined the Resource Based View (RBV) as a method of analyzing and identifying a firm's strategic advantage based on examining its distinct combination of assets, skills, capacities, and intangibles as an organization. This theory is concerned with internal firm specific factors and their effect on performance. It views the firm as a bundle of resources which are combined to create organizational capabilities which it can use to earn above average profitability (Grant 1991). Each firm develops competencies from these resources and when they are well developed, these become the source of the firm's competitive advantage. SMEs accounting systems, staffs' degree of qualification and organization of physical resources may have a bearing on their performance. Penrose (1959) explains the importance of unique bundles of resources that are controlled by a firm and crucial for its performance. Such resources include all tangible and intangible assets, capabilities, organizational processes, firm's attributes, information and knowledge controlled by a firm in order to improve efficiency and effectiveness that lead to higher financial performance (Daft 1985). This theory helps in explaining performance variations.

2.3 The relationship between record keeping and the performance of small scale enterprises

The approach to operation is experience oriented or absolutely no training in accounting courses and management. This denies the business the key professional touches to running

the business yet skill in record keeping and cash management should be done according to financial control to ensure that record keeping and performance are reconciled (Morgun, 2000). According to Cheryle Jones (2006), the best time to set up a record system for a small business is before the business is started. Experience clearly indicated that the use of an adequate record keeping system increased the chances of the business to survive. Cheryle Jones (2006) also pointed out that the biggest problem for many small businesses was that they did not know where to start from with the business records so none were kept at all. The need for income tax information is not the only reason to keep business records but good records would as well provide an accurate record of business financial performance which would also be used as a vehicle to monitor performance in specified areas of the business. 13 Record keeping is very necessary in the attainment of proper performance in business as all business activities are shown in the records kept (Enoch Biryabarema, 1998). The Arkansas small business development center (2003) also pointed out that a small business that failed to keep complete and accurate financial records placed its long term continuance with success in grave, grave doubt. Still on the relationship between record keeping and performance of small scale enterprises, the law on small scale business development center (2006) also said there was a need for appropriate record keeping to determine the survival or failure of a new small business. According to the business center for those already in businesses, a good record keeping system would increase the chances of staying in business which would also give an opportunity for the small business to earn larger profits.

2.4 Determinants of Performance

Performance can be defined as an approach determining the extent to which set objectives of an organization are achieved in a particular period of time. The objectives or goals can be in financial or non-financial terms. Performance may be determined by macro and micro-factors. According to Oliver (2000) macro-economic factors are those pertinent to a broad economy at the regional or national level and affect a large population rather than a few select individuals. Macro factors include GDP growth, inflation, unemployment, interest rates, exchange rate and level of competition. Micro factors include individual risk exposure, operating strategies and degree of management strategies.

According to cooper (1992) factors which influence business performance are experience, education, occupation of parents, gender, race, age and entrepreneurial goals. Lerner and Hisrich (1997) conducted a study on Israel women entrepreneurs and found 13

that their performance was influenced by factors that he grouped in 5 perspectives:

motivation and goals, social learning theory (entrepreneurial socialization), network affiliation (contacts and membership in organization); human capital (level of education and skills) and environmental influences (location, sector participation and social political variables).

Thibault, Wicock and Kanetkar (2002) attributes business performance to demographic variables and business factors such as amounts of financing, use of technology, age of business operating location, business structure and number of full time employees as important factors in examining performance of a small scale business.

A company financial performance is directly influenced by its market position. Profitability can be split into its main components; net turnover and net profit margin. Ross, Westerfield and Jatte (1996) argue that both components influence profitability. High turnover means better use of assets owned by the company and therefore better efficiency while a higher profit margin means that the entity has a substantial market power.

Risk and growth influences a firm's financial performance. Since market value is conditioned by company's results, the level of risk exposure can cause changes in its market value. High risk business should have high returns. Economic growth helps a firm to achieve a better position on the financial markets, because market value also takes into consideration expected future profits.

According to reputation perspective, an organizations communication with external parties about its levels of corporate social responsibility may help build a positive image with customers, investors, bankers and suppliers for better business performance (Fombrun and Shanley, 1990).

Technical and strategic human resource management is an important determinant of a firm's performance. It involves designing and implementing a set of internally consistent policies and practices that ensures a firm's human capital (employees' collective knowledge, skills and abilities) contributes to its business objectives (Mark and Susan, 1997). 14

According to Costea (2011) another factor that influences financial performance is the size of the firm. Large firms have easier access to resources but SMEs have to struggle to win the trust of financial institutions.

2.6 effects of maintaining a general ledger on growth levels of Hariss International limited in Uganda.

Accounting records are organized summaries of business financial activities (Sserwanga 2005). The following documents help in coming up with the accounting records; General ledger, is a ledger that contains all accounts needed to prepare financial statements (Sserwanga, 2005). Since financial record keeping involves keeping accurate records of companies' spending and revenues. Some small business owners decide to do their own financial record to save on costs while others prefer to hire a trained accountant (Adu Cecilia Adurayemi, 2016) however some of the benefits are as follows;

Financial record keeping is influenced by so many factors including the type or nature of business, type of information required, and volume of activities and others. Many business owners choose to use software to keep track of various aspects of their business, and resources are provided here to help you institute computer automation. The key to taking full advantage of accounting software is to save time and give freedom to concentrate on running your business. According to Adu, Cecilia Adurayemi (2016),

In studies done by the Liedholm and Mead (1993), growth of small and medium enterprises was measured using the accounting records kept by the organization. They noted that the number of small enterprises was increasing annually with a birth rate of about 20% per year. Liedholm and Mead (1993) however found that the majority of small and medium enterprises didn't grow at all. While many reasons have been identified for the lack of growth of small and medium enterprises; poor record keeping is noted to be the most important one. It's true that this reason contributed greatly to their poor performance.

Sewanyana (1997) in his study also found out that amongst the small and medium enterprises which are the subjects of his study, the entrepreneurship behavior is exhibited in the majority of these enterprises. He came to conclusion that the poor performance of small and medium enterprises is attributed to bad financial management due to poor record keeping.

In Uganda the role of small enterprises sector has been recognized and various financing schemes have been established to assist in the growth of these enterprises. Pride Africa, FINCA Uganda, Uganda women credit finance institutions and many others are cases in point (Balunywa and Ssekajja, 1997)

Most studies (Ngobo-1995 Kibera and Kiberam, 1997; Chinjora and Cassiman, 1997), point to finance as one of the key constraints to small enterprises growth. This is worsened by the absence of financial markets in developing countries, small enterprises business owners cannot easily access finance to expand business and they are usually faced with problems of collateral, feasibility studies and unexplained bank charges. This means that they cannot access finance to enable them to grow.

2.7 Effects of maintaining journal entries on market share of Hariss international limited in Uganda.

Journal; is any book containing original entries of daily financial transactions. New York states society of certified public accountants (1997). Since financial record keeping involves keeping accurate records of companies' spending and revenues. Some small business owners decide to do their own financial record to save on costs while others prefer to hire a trained accountant(Adu Cecilia Adurayemi, 2016)however some of the benefits are as follows;

The maintenance of good accounting records is usually the most important variable in effective performance of small scale enterprises. It is very crucial in the effective administration of VAT regime in Uganda. In order for a firm to register and to comply with the requirements of law, it must keep good accounting records (Sejjaka, 1997).

Despite a high failure rate, small scale enterprises contributes about 20% of the country's GDP and 80% manufactured output. However, small scale enterprises are in danger of collapse unless proper and accurate record keeping systems are implemented (The New Vision (business vision) 9th July 2001)

2.7 Effects of maintaining cash books on profitability of Hariss International limited in Uganda.

Cash book; is a book in which cash and cheque transactions are entered. The cash book is said to be the book of original entry (Omonuk, 1999). The maintenance of good accounting records is usually the most important variable in effective performance of small scale enterprises. It is very crucial in the effective administration of VAT regime in Uganda. In order for a firm to register and to comply with the requirements of law, it must keep good accounting records (Sejjaka, 1997). Despite a high failure rate, small scale enterprises contributes about 20% of the country's GDP and 80% manufactured output. However, small scale enterprises are in danger of collapse unless proper and accurate record keeping systems are implemented (The New Vision (business vision) 9th July 2001) vision) 9th July 2001)

Financial statements must be prepared in accordance with an identified appropriate reporting framework. IAS 1 presentation of financial statement was issued on Dec 2003 and had to be applied for annual period which begun after Jan 01 2005 (Nkundabanyanga, 2004). Record keeping helps in identifying the financial position of the enterprises after the auditor has expressed his or her opinion on the financial statements. Keeping clear and accurate records will contribute to the success of your small business in the following ways: ... (www.inst.archive.au.go), Assists in preparing financial statements quickly and accurately, Provides information to enable the control of cash in the business, Provides management information on which to base business decisions, Contributes promptly to assessing the financial situation of the business at any time, Saves a lot of time and effort, Keeps a good track of the costs of staff and their performance, Measures the business performance against the projections that were originally set down in the business plan., Highlights quickly areas where problems could arise and enable remedies to be put in place, Fulfils the obligations as to taxation law, Assists you in calculating how much tax you have to pay, Assists in providing information required by your bankers,

2.6 Overview

The Ugandan economy is supported mainly by MSMEs contributing about 90% of the private sector production. SMEs are the prime source of new jobs and play a crucial role in income generation, especially for the poor. However MSMEs by the sheer limitation of their size and resources are highly dependent on Business Development Services (BDS) to provide capacity building and support their business growth in areas such as training, advice, information, business planning, marketing, technology, communications and other services. BDS complement credit and micro-finance programs, and assist small enterprises with growth potential to become medium-sized enterprises. To increase the quality and efficiency of production capability, one key factor identified is the capacity of the entrepreneurs behind the business operation. In addition, the other critical element for promoting enterprise development is a suitable enabling environment for business creation, survival and growth. This refers among other things, to policy and regulatory issues, infrastructure, financial and business development services

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter outlined the research methodology that was used to carry out the study. It includes the research design, study population targeted, sampling technique used, data collection procedures, analyses and presentation methods.

3.1 Research Design

Research design is a conceptual framework within which research is conducted. A descriptive research design was used in this study. The object of descriptive research was to portray an accurate profile of persons, events or situations' (Sauders, Lewis and Thornhill, 2007). Descriptive research design shall give a description of phenomenon's characteristics and association of variables, in this case, the relationship between record keeping and performance of small and medium enterprises. Descriptive research was appropriate since it enables high level of analysis such as correlation and regression analysis between the variables and reduces data to a manageable form. Record keeping which is the independent variables was measured by presence and use of cashbooks, purchases and sales ledgers, revenue and expenditure accounts and statements of income within the SMEs. The dependent variable which is performance was represented by profitability, market share, level of business growth and others.

3.2 Study Population

According to Saran and Bounjie (2010), population refers to the entire group of people, events or things of interest on which the researcher wishes to investigate. The population can have the observable characteristics from which the researcher intends to draw generalizations. There was an estimated 50 employees of Harris International SMEs in Uganda Country.

3.3 Sample Design

A research sample is a group of cases, participants, events, or records consisting of a portion of the target population, carefully selected to represent the population, while sampling is the process of selecting individuals for a study (Cooper and Schindler, 2003).

According to Israel (1992), a sample size was determined by a scientific formula when the population is large or more than 10000. The sample size is then determined scientifically by the formula: $n = N / (1 + Ne^2)$

Where

n = desired sample size for the study area

N = total no. of house-holds in the study area

e = desired margin error

Source: (Israel, 1992)

A margin error of 0.05 was selected since it was logistically difficult to deal with a larger sample size (Mugenda et al., 2003). But since the target population in this study is small, our research sample was 50 respondents.

3.4 Sampling techniques

The sample was selected using two sampling methods, namely; simple random and purposive sampling. Using simple random sampling, each individual was chosen by chance which guarantees each individual in the population the same probability of being chosen for the study (Oso&Onen, 2009). On the other hand, purposive sampling was used to select respondents to provide in-depth responses for qualitative analysis. The method of purposive sampling chosen will intensity purposive sampling. This is because intensity sampling allows the researcher to select a small number of rich cases that enable the obtaining of in depth information (Patton, 2003). Simple random sampling was used to select lower employees of the organization while purposive sampling was used to select senior administrators like the CEO, Managers and Accountants of the organization.

3.5 Data Collection Methods

3.5.1 Interviewing

The qualitative method of data collection was interviewing. Through in-depth interviews, the respondents were asked their opinions and experiences about record keeping and performance of small and medium enterprises at Harris international Limited. The interview sought information of much detail (Moriarty, 2011). Each participant was talked to directly by the researcher (Bordens& Abbott, 2011).

3.5.2 Research Questionnaire Survey

The study employed a questionnaire Survey on senior administrators of Harris International Limited. The format used was a simple- multiple-choice based on the ordinal scale. The simple-multiple-choice identifies only the most important alternative for each respondent preventing the respondent from expressing his or her preference over the others.(Sato, 2004).

This was preferred because it limits the quantity of data, it is easy to collect and helped to save time. The required responses shall be scaled on a five – point Likert scale with 5 intervals (1 = Strongly Disagree 2 = Disagree 3 = Undecided 4 = Agree 5 = Strongly Agree).

3.6 Data Collection Instruments

3.6.1 Research Questionnaire

A self-administered questionnaire (SAQ) was administered on the respondents. The questionnaire was chosen because it collects appropriate data which makes data comparable and amenable to analysis, minimising bias in formulating and asking of the questions and made questions varied. The questionnaire had identical sets of items for all respondents. The questions in section (A) was on background characteristics based on the nominal scale with appropriate options given. Questions in section (B and C) was scaled using the five-point Likert from a minimum of 1 through 5. This instrument helps in collecting data quantitative in nature..

3.6.2 In-depth Interviews

An interview guide is a qualitative research technique that involves conducting intensive individual interviews with a small number of respondents to explore their perspectives on a particular idea, program or situation (Boyce &Palena, 2006). This method was useful for detailed information about the respondents' thoughts and helps to explore issues.

3.7 Data Analysis

Simple descriptive statistics was used in the analysis of data. According to Borg (1996), the commonly used methods in reporting descriptive surveys include frequency distributions, calculating the percentages and tabulating them appropriately.

The data collected was coded, classified and systematically analysed. Descriptive statistics such as mean, mode, standard deviation and frequency distribution shall be used to analyze the data. Data was coded and entered into the Statistical Package for Social Sciences (SPSS) for analysis. Mugenda et al (2003) asserts that it is advisable to use computer for any kind of data analysis in order to save time and increase the accuracy of the results. Data presentation was done by the use of pie charts, bar graphs, percentages and frequency tables.

3.8 Measurement of variables

Measurement is the process of assigning numbers to objects or observations. It is some form of quantification expressed in numbers. Data/Scales of measurements in terms of their mathematical properties are grouped as nominal, ordinal, interval and ratio. The nominal scale that classifies data into one of two or more categories according to their names shall be used for background information of the respondents (Soicher, 2013). However, data of the independent and dependent variables was measured basing on the ordinal scale. By the ordinal scale, numbers assigned to cases specify the order of the cases (Fife-Schaw, 2006). Data was categorised basing on the likert scale format which ranged from 1 to 5, strongly disagree, disagree, undecided, strongly agree and agree with.

3.9 Data quality control

3.9.1 Validity of Data Collection Instruments

Content related validity was considered in this study. This was achieved through consultation with the supervisor and fellow students reading through the questionnaire helping validate the instruments. There computation of CVI (Content Validity Index) using inter-judge method. This was done by summing up the judges ratings and dividing by two to get the average.

3.9.2 Reliability of Data Collection Instruments

Reliability means the extent to which results are consistent over time. If the results of a study can be reproduced under a similar methodology, then the research instrument is considered reliable (Joppe, 2000). The strategies that were used to obtain reliability was prolonged engagement and audit trails for qualitative data. Data was systematically be checked, focus maintained and identification and correcting of errors (Tashakkori&Teddlie, 2010). This ensured accuracy of data collected. Reliability for qualitative data was obtained by calculating Alpha – coefficient (α) using the statistical package for social sciences (SPSS 17.0).

3.10 Research procedure

The researcher obtained a letter of introduction from Kampala International University which was presented to the authorities at Harris International Uganda Limited to review and grant permission to the researcher. Then I obtained list of the top administrators of the company after which the researcher got a list of other employees of the company who acted as

respondents to the study, I randomly selected the casual workers and Staff to participate in the study. A self-administered questionnaire were used to collect information from the above mentioned respondents. I then purposively selected the managing director, senior accountants of the organization.

3.11 Limitations of the Study

The researcher was limited by finances, this is because of the too much costs inform of travel, printing, typing that was associated to the study.

Due to the self-report nature of data which entailed the use of questionnaires, responses on the survey may not accurately convey their real information about the study. This was because Some of the respondents may not return the questionnaires therefore, resulting to lesser the targeted sample thus, influencing the nature of statistical reporting.

Finally, due to limited time available to carry out the research, the above areas was not comprehensively studied to provide a national wide picture. This would be an important area because policy makers and implementers argue that Record keeping and performance of small and medium enterprises can only be resolved by providing them with research action points based on empirical data.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.0 Introduction

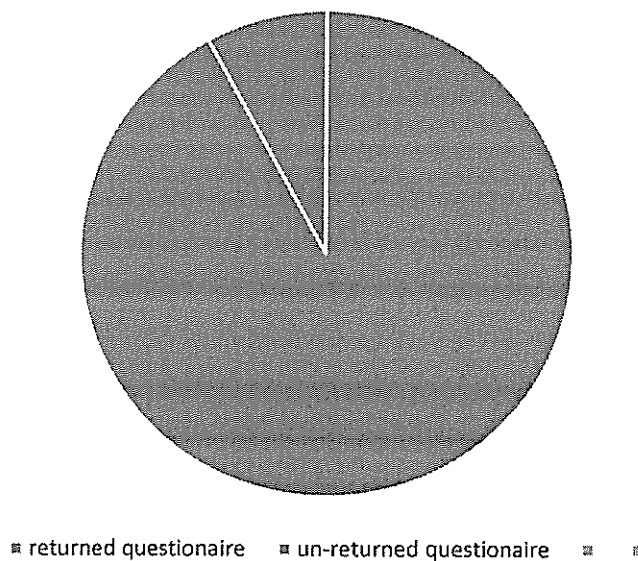
This chapter presents analyses and interprets the findings based on the study objectives and questions. It also presents analyses and interprets findings on record keeping and performance of small and medium enterprises at Hariss international limited Uganda.

4.2 response rate

The researcher distributed 50 questionnaires; these were from different classes of people within Hariss international limited. Out of the 50 questionnaires that were distributed, 46 respondents brought back the questionnaires and only 4 did not manage to return the questionnaire therefore the response rate was 92%, this implied that the biggest part of the study sample gave their views about the topic under study.

The response rate of the respondents is shown in the pie-chart below.

response rate



4.1 Demographic characteristics

4.1.1 Gender

Table 1: showing the sex of the respondents

Gender	Frequency	Percentage
Male	30	65%
Female	16	35%
Total	46	100%

Source: primary data

Results in table, 1, above show that 65% of the respondents were males. 35% of the respondents were females

4.1.2 Age bracket

Table 2: showing the age composition of respondents

Age bracket	Frequency	Percentage
21-30years	18	39%
31-40years	22	48%
41-50years	04	9%
Above 50years	02	4%
Total	46	100%

Source: primary data

Results in table, 2, above show that 39% of the respondents were between the age of 21-30 years.48% were between 31-40, 9% of the respondents were between 41-50 and finally 4% of the respondents were above 50 years

4.1.3 Education level

Table 3: showing the level of education attained by the different respondents

Response	Frequency	Percentage
Certificates	12	26%
Diploma	20	43%
Bachelors	8	17%
Masters	06	13%
Total	46	100%

Source: primary

The result in Table, 3, above show that 43% of respondents had a diploma. 26% of the respondents had certificates, 17% of the respondents had Bachelors and finally 13% had masters.

4.1.4 Working experience

Table 4: showing working experience of respondents

Working experience	Frequency	Percentage
Not more than 2years	10	22%
From 2-4years	15	33%
From 4-6years	18	39%
From more than 6years	03	7%
Total	46	100%

Source, primary data

Results in table, 4, show that 39% of the respondents had an experience of between 4-6 years, 22% of the respondents had an experience of not more than 2 years; 33% of the respondents

had an experience between 2-4 years and finally only 7% of the respondents had an experience of more than 6 years.

4.2 Record keeping

4.2.1 Cash books and profitability

Table 5: showing whether there are effects of maintaining cash books on profitability at Hariss international

Response	Frequency	Percentage
Strongly agree	20	43%
Agree	18	39%
Not sure	6	13%
Disagree	2	4%
Strongly disagree	0	0
Total	46	100%

Source: primary data

Results in table, 5 above show that, 83% of the respondents agreed that credit sale and purchase records are maintained. This is because such records were needed especially at the time of honoring the debts for both parties that is to say customers, the farm and suppliers. In other words it is easier to tell how much the business owes to its suppliers and how much the customers owe to the farm. 4% of the respondents disagreed that credit sale and purchase records are maintained. However this does not outweigh the percentage of the respondents that agreed.

4.2.2 Effect of a general ledger on growth levels.

Table 6: showing whether there are effects of a general ledger on growth levels of Hariss international limited.

Response	Frequency	Percentage
Strongly agree	22	48%
Agree	16	35%
Not sure	08	17%
Disagree	-	-
Strongly disagree	-	-
Total	46	100%

Source: primary data

Results in table, 6, above show that 83% of the respondents agreed that a general ledger affects the growth level of Hariss international. 17% of the respondents were not sure, this was because majority of them did not have knowledge about the importance of record keeping to a business but this cannot over rule 83% that agreed that a general ledger has advance effects on growth levels of Hariss international limited.

4.6 The relationship between records keeping and performance of business enterprises

Table 12: showing relationship records keeping and performance of small enterprises

	Records keeping	Performance	R x	R y	d	d ²
Strongly agree	1	7	3	1	2	4
Agree	5	6	2	2	0	0
Not sure	-	1	4.5	5	-0.5	0.25
Disagree	14	3	1	3.5	-2.5	6.25
Strongly disagree	-	3	4.5	3.5	1	1
Total	20	20				Σd ² =11.5

Source: primary data

$$- \frac{6d^2}{\Sigma}$$

Using spearman's rank correlation where $(r) = 1 - \frac{6d^2}{n(n^2 - 1)}$

$$(r) = 1 - \frac{6 \times 11.5}{5(5^2 - 1)}$$

$$5(5^2 - 1)$$

$$(r) = 1 - 0.575$$

$$(r) = 0.425$$

From the above there is a positive weak relationship between record keeping and performance of small enterprises ($r = 42.5\%$) which implies business performance depends on record keeping. But to make the relationship more perfect there is a need to improve on record keeping by introducing data base management. However the remaining percentage

(57.5%) can be explained by other factors like effective management, favorable government policy, and improved infrastructure

4.7 Discussion of findings.

The researcher found out that cash books Assist in preparing financial statements quickly and accurately, Provides information to enable the control of cash in the business, Provides management information on which to base business decisions, Contributes promptly to assessing the financial situation of the business at any time, Saves a lot of time and effort, Keeps a good track of the costs of staff and their performance, Measures the business performance against the projections that were originally set down in the business plan., Highlights quickly areas where problems could arise and enable remedies to be put in place, Fulfils the obligations as to taxation law, Assists you in calculating how much tax you have to pay, Assists in providing information required by your bankers, The study also noted that a reluctance in the use of payment vouchers leads to more errors thus impacting the business performance negatively. The study went further and discovered that use of cash books leads to proper entry of transactions thus avoiding errors. Therefore record keeping (cash books) improves the public image of Hariss international limited.

The researcher further found out that journal entries help in the maintenance of good accounting records is usually the most important variable in effective performance of small scale enterprises. It is very crucial in the effective administration of VAT regime in Uganda. In order for a firm to register and to comply with the requirements of law, it must keep good accounting records.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter gives the summary of major findings, conclusions drawn from discussion of findings, recommendation and areas for further research. Having carried out the study, presented data, as well as analysis of findings, the chapter then reviews the outcome to the study in line with objective.

5.2 Summary of findings

5.2.1 Effects of maintaining cash books and profitability of Haris international limited.

The researcher found out that cash books Assist in preparing financial statements quickly and accurately, Provides information to enable the control of cash in the business, Provides management information on which to base business decisions, Contributes promptly to assessing the financial situation of the business at any time, Saves a lot of time and effort, Keeps a good track of the costs of staff and their performance, Measures the business performance against the projections that were originally set down in the business plan., Highlights quickly areas where problems could arise and enable remedies to be put in place, Fulfils the obligations as to taxation law, Assists you in calculating how much tax you have to pay, Assists in providing information required by your bankers,

5.2.1 effects of maintaining journal entries on market share of Hariss international limited.

The researcher found out that journal entries help in effective performance of small scale enterprises. It is very crucial in the effective administration of VAT regime in Uganda. In order for a firm to register and to comply with the requirements of law, it must keep good accounting records. Some credit sales and purchases records are maintained but irregularly most regularly maintained records kept are those that have high capital investment and their stock levels were high.

5.3 Conclusion

Findings from spearman's rank correlation imply that there is a positive weak relationship between record keeping and performance of small enterprises $r=0.425$ which implies that records keeping affects performance greatly.

5.4 Recommendations

A basic record keeping system, whether on paper or an off- shelf computer software program, should be simple to use, easy to understand, reliable, accurate, and consistent and designed to provide information on a timely basis. It generally needs; a basic journal to record transactions, a basic journal to record transactions (receipts, disbursements, sales, purchases, etc) accounts receivable records, accounts payable records, payroll, petty cash records, inventory records and all these documents and all these documents should reflect the following;

5.5 Area of further study

Effect of value added tax on performance of small business enterprises Computerization and performance of small businesses enterprises

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APPENDIX I:

A RESEARCH QUESTIONNAIRE

I am currently undertaking research on the topic "Record keeping and Performance of small and medium enterprises as a partial fulfilment for the award of a Bachelor's degree in Business Administration of Kampala International University, Participation is entirely out of your free will and necessary for the success of this work. I request you to respond with truthfulness and honesty for the success of the research. Information provided will be treated with maximum confidentiality

Yours Sincerely

.....

NANYONJO RUTH

SECTION A: Background Information (Please Tick Appropriate)

1. Gender

Male	Female
<input type="checkbox"/>	<input type="checkbox"/>

2. Age group category

20-30	31-40 Years	41-50 Years	51 and above
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3. Level of Education:

certificate	Ordinary diploma	Bachelor's degree	masters	Others
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4. How long have you been in business

Below 2 years	3 – 5 years	6 – 8 years	9 and above
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

In the subsequent sections use the scale provided to tick or circle a number that describes your opinion. 1 strongly disagree, 2.disagree, 3.not sure 4.agree 5. Strongly agree.

Section B: Importance of book keeping on the performance of Small and Medium enterprises

1	Helps in making rational decisions	5	4	3	2	1
2	Promotes better financial management	5	4	3	2	1
3	Shows the financial position of the organization.	5	4	3	2	1
4	It is used to access loans from Banks.	5	4	3	2	1
5	It acts as an indicator of the firms' growth level	5	4	3	2	1
6	Helps to determine a firm's inventory levels.	5	4	3	2	1
7	Promotes managerial skills	5	4	3	2	1
8	Helps to determine each production units' output.	5	4	3	2	1
9	Promotes efficiency amongst employees	5	4	3	2	1
10	It is used by government agencies like URA.	5	4	3	2	1

Section c; Harris international uses the following books when keeping its records

1	General Ledger	5	4	3	2	1
2	Journal	5	4	3	2	1
3	Cash books	5	4	3	2	1
4	Statement of financial position	5	4	3	2	1
5	Statement of comprehensive income	5	4	3	2	1

Section d; the following are used as performance indicators at Harris international Limited

1	Market share	5	4	3	2	1
2	Inventory levels	5	4	3	2	1
3	Growth level	5	4	3	2	1
4	Profitability level	5	4	3	2	1

Thank you for your cooperation.

APPENDIX II.

A TABLE SHOWING THE TIME FRAME FOR THE STUDY.

S/N	MONTH/PERIOD	ACTIVITY.
1	June	Topic Formulation and analysis.
2	July	Research proposal writing.
3	August	Submission of the research proposal.
4	August	Dissertation writing
5	August	Submission of the dissertation

APPENDIX III.

AN ESTIMATED BUDGET SHOWING EXPENDITURES OF THE RESEARCH STUDY.

PARTICULARS	QUANTITY	UNIT COST	TOTAL COST
Internet/Café	Lump sum	15,000	15,000
Communication cost	Lump sum	5,000	5,000
Typing, Printing and photocopying.	Several	50,000	50,000
Travel		10,000	20,000
Food and Drinks			15,000
Miscellaneous	Lump sum		10,000
TOTAL			125,000