The Effect of Record-Keeping on Financial Performance of Small and Medium Scale Enterprises in Uganda in Lira City

Okello Apollo

Department of Accounting and Finance, Uganda Martyrs University P.O. Box 5498 Kampala (U)

Abstract: **The study sought to examine the effect that Record-keeping could have on financial performance of SMEs in Lira city. The researcher used both descriptive and correlational design. The study adopted a quantitative approach. The researcher used simple random sampling in selecting 118 SMEs operators in the service sector that formed the sample size of the study. A structured questionnaire was used as the main instrument of quantitative data collection from the selected SMEs Operators. Completed questionnaires were edited, coded, and entered into and categorized into themes and analyzed using SPSS 20 for Windows. Bivariate analysis in form of Pearson's product moment correlation was used to show the direction and strength of the relationship between each dimension of Record-keeping and financial performance. Regression analysis was also used to test the effect each construct of Record-keeping on financial performance. The study therefore concludes that Record-keeping has effect on financial performance of SMEs and recommends proper record filling, retention and retrieval in order to improve financial performance of SMEs.**

Key Words: **Record-keeping, Financial Performance, small and medium enterprises.**

I. INTRODUCTION

The current growth of most economies globally is premised on small and medium enterprises (SMEs) financial performance (Fanen & Avanenge, 2020). Small and medium enterprises play significant roles of creating employment, driving innovation and entrepreneurship, reducing poverty and other social challenges in both developed and developing countries (Wenzhen & Nik-Intan, 2021).

In the developed economies such as the European Union, almost 85% of jobs are created by SMEs (Pandy, 2019) . In India SMEs constitute over 90% of total enterprise of the economy (Pandy, 2019). While in Nigeria, they employ over 84.02% of the labour force both in the formal and informal sectors (Mutesigensi, Eton, Ebong, & Mwosi, 2017; Niwemutoni, Mulyungi, & Jaya, 2018). With such enormous contribution to economies, it is no long a debatable fact that SMEs are significantly contributing to economic growth of many developing economies.

In Uganda, SMEs account for more than 90% of the private sector businesses, and they are regarded as the engine for income generation, wealth creation, poverty reduction through job creation, and innovation (Ssempala, 2019; UBoS, 2020; UIA, 2020; Uwonda & Okello, 2015). However, extant studies indicates that over 90% of small and micro enterprises in Uganda fail before their first birthday (Mukhaye, 2020; Nshemereirwe, 2018). The collapse of SMEs is due to poor financial performance (Kizito, 2017; Mukhaye, 2020).

Financial performance is the measurement of how a business entity has utilized its resources to generate revenues (Eton, Uwonda, Mwosi, Ogwal, & Obote, 2019; Nangih, Ofor, & Onuorah, 2020). Profit and sales growth are used to quantify financial performance (Niwemutoni, Mulyungi, & Jaya, 2018). According to Nuwatuhaire and Ainomugisha (2019) the success of any economy is determined by the profitability and sales growth of its SMEs, the financial performance of SMEs in Uganda is poor. The persistent low performance of SMEs is attributed to poor Record-keeping (Kihamaiso, Kansiime, Asiimwe, & Paddy, 2018)

Financial record keeping has become the foundation on which modern businesses thrive for growth and sustainability (Ademola, James, & Olore, 2012). Businesses are highly dependent on financial records kept in the books of accounts for instance, record-keeping gives substantial information about the financial strength and performance of an enterprise and therefore managers find those records useful in making decisions for the growth and development of the business (Salamatu & Muhammad, 2021). Despite the significant of Record-keeping, it remains a mystery as to how SMEs in Uganda are practicing Record-keeping. Some of the critical components of Record-keeping espoused in organizations include filling, retention and retrieval (Salamatu & Muhammad, 2021). In Uganda, the extant literature does not show how SMEs in Uganda practice Record-keeping and how such practices impact on their financial performance. Moreover, evidence elsewhere show that Record-keeping has been positively related to performance of SMEs. For example, available literature suggest that major problem facing SMEs is lack of or inadequate record-keeping which result into continuous low performance levels (Kihamaiso, Kansiime, Asiimwe, & Paddy, 2018). Evidence also show that there is a high failure rate of SMEs which is unexplained which indeed merits investigation. This study therefore seeks to examine the effect that Record-keeping could have on financial performance of SMEs in Lira city. Specifically, the study was

to assess the effect of record filling, retention and retrieval on financial performance of SMEs in Lira city.

II. LITERATURE REVIEW

2.1 Nature of Record-keeping

Record keeping is essential to business management (Ademola, James, & Olore, 2012). Record keeping involves identification, classification, storage and protection, receipt and transmission, retention and disposal of records for preparation of financial statements. 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.

Accounting records include entries from day to day transactions of business for instance transactions in respect to receipts and expenditure. Records may include a list of organizational assets and liabilities. These help the enterprise to evaluate their performance in a particular period of time usually at the end of a financial period (Onaolapo & Adegbite, 2014). 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 (Ademola, James, & Olore, 2012)

Accounting records are important as they are sources of information and thus they must be numbered and stored properly for the purpose of record retrieval (Onaolapo & Adegbite, 2014). Crane (1997) defined record storage as the housing of records when whether semi-active or inactive, must still be retained. He also pointed out that records should be stored in a well-built records center, the archives, commercial storage and the basement (Crane, 1997).

Record retrieval is defined as a system of removing records from their storage places (Reed, 2010). He stated that file arrangement should support the retrieval of records by either arranging them numerically or alphabetically so as to ease retrieval. Crane (1997) further explained that retrieval should be done by authorized personnel in a record centre. He explained that accounting record documents should be arranged to ensure that files containing restricted information are accessible only to authorized personnel and officials. Best practices for successful record retention program should include; training and education, check lists to ensure inclusions of all required documentation prior to closing a file, paying attention to detail, documenting pertinent information relative to the transaction providing and obtaining instructions in writing, records maintained in an organized manner and stored in a designed area and written standard operating procedures addressing record retention (Reed 2010).

2.2 Financial Performance

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues (Nangih, Ofor, & Onuorah, 2020). The term is also used as a general measure of a firm's overall financial health over a given period.

Financial performance is the measurement of how a business entity has utilized its resources to generate revenues (Nangih, Ofor, & Onuorah, 2020). The financial performance of business entities is determined by the financial statements of the business entities which are a collection of reports on the business financial results for a given period of time (Niwemutoni, Mulyungi, & Jaya, 2018). It refers to the ability to operate efficiently, make profit, survive and grow. According to Nuwatuhaire and Ainomugisha (2019), considered profitability also and return on assets as the key performance indicators which play a big part in explaining any business financial status. The financial performance has become an issue of common concern as it reflects its development condition (Eton, Uwonda, Mwosi, Ogwal, & Obote, 2019) reported that good financial performance is the precondition for the firms to achieve sustainability.

Financial performance analysis is the process of determining the operating and financial characteristics of a firm from accounting and financial statements (Mulajje, 2019). The goal of such analysis is to determine the efficiency and performance of firm's management, as reflected in the financial records and reports. The analyst attempts to measure the firm's liquidity, profitability and other (Kizito, 2017)

indicators that the business is conducted in a rational and normal way; ensuring enough returns to the shareholders to maintain at least its market value (Kihamaiso, Kansiime, Asiimwe, & Paddy, 2018). The ability of an organization to analyze its financial position is essential for improving its competitive position in the marketplace. Through a careful analysis of its financial performance, the organization can identify opportunities to improve performance of the department, unit or organizational level (Niwemutoni, Mulyungi, & Jaya, 2018).

2.3 Record-keeping and Financial Performance

Several groups keep records if they are to perform coherently, efficiently, effectively and ensure profitability (Ozatambgo, 2015). Good financial records, can greatly improve many of the management decisions a business owner and or manager takes, including decisions about marketing, personnel, borrowing, pricing, inventory, and product development (Muchira, 2012). Such financial records include; income statement, statement of financial position (balance sheet), the statement of Cash flows, and the financial internal control system records that check the accuracy of company transactions (Ssekajugo, Tuyishime, & Kasenene, 2013)

It is widely believed that record keeping has a significant impact on financial performance of a given business

(Kihamaiso, Kansiime, Asiimwe, & Paddy, 2018). For instance, Onaolapo & Adegbite (2014) asserts that record keeping gives substantial information about the financial strength and current performance of an enterprise and therefore managers find those records useful in making decisions. Complementarily, Muchira (2013) emphasizes that good record keeping will make any business partner or investor more aware of what is going on in their businesses and it will save them money.

A study by Salamatu & Muhammad, (2021) indicated a positive relationship between record keeping and financial performance of Savings and Credit Cooperatives (SACCOs) in Nairobi County. Research by Onaolapo & Adegbite, (2014) revealed that about 60% of small businesses fail within the first three years due to management inefficiencies brought about by poor record keeping. This is in line with Ademola et al. (2012) whose study agrees that poor records can lead to financial inefficiency of small and medium enterprises hence leading to poor organizational performance.

III. MATERIALS AND METHODS

3.1 Research Design and approach

The researcher used both descriptive and correlational design. Descriptive design was used because it enables the researcher to obtain information that can describe the nature of Record-keeping and financial performance of SMEs while correlation research design was used to examine the association between Record-keeping and financial performance of SMEs. The study adopted a quantitative approach because it enables the researcher to measure responses and describe the phenomenon in numerical terms.

3.2 Study Population

The study population is the total number of units, subject from which a sample is to be selected (Bryman and Bell, 2011). The study population was 180 respondents. This comprised of owners/managers/head teachers and accountants/bursars of small and medium enterprise in Lira city. These are selected for the study because they have experience, knowledge of the business and access to the relevant data required for the study. Given the nature of the respondents (SMEs), only respondents in the service sector SMEs within Lira City was considered because they are organized according to commercial officer report (2020)

3.3 Sample Size and Sampling Methods

Sample size is the part of the target or accessible population that the researcher has chosen representing the rest of the members of the population. The study used a sample size of 155 determined using Krejcie and Morgan (1970) table for determining samples from a given population. For the purposes of this study, probability sampling techniques was used. In particular, the researcher used simple random sampling to select SMEs operators in the service sector within Lira city by dividing the service business (population) into

non-over lapping groups called strata which shall include radio station, funeral service gas and oil station among others. This improves generalizability since each group was represented in the sample. Thereafter, simple random sampling procedure was used in the selection of managers'/head teachers and accountant/Bursars of Radio station, Funeral Services Providers, motor spares and garages, Catering and hotel services, private schools and Gas and oil station. This gave all members of this service businesses an equal chance of being selected.

3.4 Data collection instrument

A questionnaire was used to collect primary quantitative data. A questionnaire is a research instrument consisting of a series of interrelated questions prepared by the researcher. It contains questions about the research problem under investigation based on objectives of the study. The aim of the questionnaire is to gather information from respondents (McLeod, 2018; Amin, Social Research Conception "Methodology and Analysis, 2005). In this study a structured questionnaire was used as the main instrument of quantitative data collection from the selected SMEs Operators in Lira City. The questionnaire was structured in such a way that respondents were able to complete it with little supervision hence self-administered. To measure variables, these questions were constructed using a five-point Likert-type scale of 5"Strongly Disagree", 4"Disagree", 3"Not Sure, 2"Agree" and 1"Strongly Agree" (Cooper and Schindler, 2008). The scale was used because it offers multiple choices so the respondents simply had to select answers from the already predetermined feedback. In addition, it becomes easier to interpret and analyze results whose responses are coded in a specific manner. The researcher personally distributed the questionnaire to improve on data accuracy and to minimize suspicion among respondents.

3.5 Data Analysis

Completed questionnaires were edited, coded, and entered into and categorized into themes and analyzed using SPSS 20 for Windows with the aim of generating descriptive statistics on each of the three and one construct under independent and dependent variable respectively. Bivariate analysis in form of Pearson's product moment correlation was used to show the direction and strength of the relationship between each dimension of Record-keeping and financial performance. Regression analysis was also used to test the effect each construct of Record-keeping on financial performance. In testing the significance of the model, adjusted R^2 was used to measure the extent to which the variation in financial performance explained each construct of Record-keeping. F-statistics was computed at 95% confidence level to test whether there was significant relationship between Record-keeping and financial performance.

IV. RESULTS

4.1 Response rate

The sample of the study consisted of 155 obtained from a total population (N) of 270 respondents. The study targeted 155 respondents among whom self-administered questionnaires were distributed, out of 155 respondents, 118 were filled and returned yielding a response rate of 76.13%. The response was considered sufficient because Amin, (2005) argues that any response above 75% is considered good enough. Similarly, according to Mugenda and Mugenda (2009), any response rate above 50% is considered adequate for analysis and reporting, while 60% is rated good and any response rate over 70% is considered to be an excellent response rate thus the response here is indeed excellent. This excellent response is attributed to the researcher and the assistants' patience while dealing with respondents. The response is shown in Table 1.

Table 1: Response rate

S/n	Response	Frequency	Percentage
1	Responded	118	76.13
2	Not Responded	37	23.87
Total		**155**	**100.00**

Source: Primary data (2022)

4.2 Characteristics of the respondents

This section presents the findings on the various characteristics of the respondents. These characteristics of respondents include gender, qualification, position held, age bracket and experience.

With regards to the respondent gender, the male respondents dominated the study at 90(76.27%) while female were at 28(23.73%) implying that there are more male employed in the SMEs service sector than the female. This is supported by the study of Čelebić, and Kuljančić (2020) who found that businesses are generally dominated by male than female.

With regard to education, majority of the respondents were Certificate and diploma 64(54.24%) implying that the respondents were of good academic qualification with the ability to understand and respond to the survey questionnaire. Thus, the responses given can be relied on since it came from respondents of good education level.

Table 2: Demographic Characteristics of the respondents

Items	Response	Frequency	Percent
Gender	Male	90	76.27
	Female	28	23.73
Qualification	UPE	2	1.69
	UCE	5	4.24
	UACE	18	15.25
	Certificate/Diploma	64	54.24
	Bachelor	27	22.89
	Master	2	1.69
Service Sector Category	Radio Station	8	6.78
	Funeral Services	5	4.24
	Gas and Oil Station	21	17.80
	Catering and hotel Services	32	27.12
	Private School	48	40.68
	Motor Spare and Garage	4	3.38
Age Bracket	18 – 25	3	2.54
	26 – 35	49	41.53
	36 – 45	34	28.81
	46+	32	27.12

Source: Primary data (2022)

Respondents were selected from different business for example the findings show that majority of the respondents 40.68% were from private schools, 27.12% from catering and hotel services and the least in terms of respondents came from Motor Spare and Garage at 3.38%. This is because the funeral service business is still new to the Ugandan market and many people burry their loved ones in the traditional way. However, schools being one of the services exposed to the Ugandan market and many people invest in it, the findings confirm to this by showing a high percentage of participation.

Table 2 further indicated that majority of respondents 49(41.53%) were between (26-35) years old, implying that they were mature enough to give reliable information since they are considered knowledgeable on the subject matter of study. More so, the majority of the respondents were in their youthful age hence capable of supporting their organizational performance.

4.3 Descriptive statistics

4.3.1 Record Filling

Descriptive statistics encompasses the use of mean and standard deviation. The respondents were asked various questions on issues surrounding record filling in SMEs businesses, among others, as to whether SMEs emphasizes capture of records at all levels, SMEs has competent staff to file the required records, Proper records filed has made easy to access them when they are needed, SMEs uses modern instruments for records filing, Filling of records has allowed classification according to different uses, Classification of records enables safe custody and maintenance and Records have been filled using different ways including word processing, email, etc. The responses on each of these items are presented in table 3.

Table 3: Descriptive statistics for Record Filling					
	N	Mini	Maxi	Mean	Std. Deviation
SMEs emphasizes capture of records at all levels	118	2.00	5.00	4.1186	.52574
SMEs has competent staff to file the required records	118	2.00	5.00	4.0932	.66650
Proper records filed has made easy to access them when they are needed	118	2.00	5.00	4.2797	.59751
SMEs uses modern instruments for records filing	118	1.00	5.00	4.4492	.90202
Filling of records has allowed classification according to different uses	118	2.00	5.00	4.7034	.57452
Classification of records enables safe custody and maintenance	118	3.00	5.00	4.6017	.54128
Records have been filled using different ways including word processing, email, etc.	118	1.00	5.00	4.4492	.81227
Composite Mean	118	1.00	5.00	4.385	0.65997
Scale: 1.00 – 1.90 strongly disagree, 2.00 – 2.90 disagree, 3.90 - 3.90 Not sure, 3.00 – 4.90 Agree, and 5.00 Strongly Agree					

Source: Primary Data (2022)

As illustrated in table 3 above, the respondents agreed that SMEs emphasizes capture of records at all levels (mean = 4.0932, std. dev. 0.52574), SMEs has competent staff to file the required records (mean = 4.1186, std. dev. 0.66650), Proper records filed has made easy to access them when they are needed (mean = 4.2797, std. dev. 0.59751), SMEs uses modern instruments for records filing (mean = 4.4492, std. dev. 0.90202), filling of records has allowed classification according to different uses (mean = 4.7034, std. dev. 0.57452), classification of records enables safe custody and maintenance (mean = 4.6017, std. dev. 0.54128) and records have been filled using different ways including word processing, email, etc. (mean = 4.6017, std. dev. 0.81227). Based on the scale 1 to 5, mean for all the responses was 4.385 with standard deviation of 0.65997, implying that most of the responses were neutral with the statements on record filling.

4.3.1 Record Retention

Descriptive statistics encompasses the use of mean and standard deviation. The respondents were asked various questions on issues surrounding record retention in SMEs businesses, among others, as to whether SMEs has proper guidelines on storage of records, All employees in charge of records storage personnel are well trained, The stored records are always well preserved for future use, There is use of electronics in storage of SMEs records, Proper storage of records has enabled ease access when these records are needed, Proper filling is done that allows easy tracking of these at SMEs records, The electronic record storage system has reduced wastage of space and SMEs has the best records storage system to improve Financial Performance The responses on each of these items are presented in table 4.

Table 4 :Descriptive statistics for Record Retention					
	N	Mini	Maxi	Mean	Std. Deviation
SMEs has proper guidelines on storage of records	118	1.00	5.00	3.6441	1.18051
All employees in charge of records storage personnel are well trained	118	1.00	5.00	4.0932	.72780
The stored records are always well preserved for future use	118	2.00	5.00	4.5254	.63666
There is use of electronics in storage of SMEs records	118	2.00	5.00	4.4915	.60969
Proper storage of records has enabled ease access when these records are needed	118	1.00	5.00	4.2288	1.15774
Proper filling is done that allows easy tracking of these at SMEs records	118	2.00	5.00	4.5678	.77877
The electronic record storage system has reduced wastage of space	118	1.00	5.00	4.6102	.65416
SMEs has the best records storage system to improve Financial Performance	118	2.00	5.00	4.1525	.56428
Composite Mean	118	1.00	5	4.2892	0.78870
Scale: 1.00 – 1.90 strongly disagree, 2.00 – 2.90 disagree, 3.90 - 3.90 Not sure, 3.00 – 4.90 Agree, and 5.00 Strongly Agree					

Source: Primary Data (2022)

As illustrated in table 4 above, the respondents agreed that SMEs has proper guidelines on storage of records (mean = 3.6441, std. dev. 1.18051), All employees in charge of records storage personnel are well trained (mean = 4.0932, std. dev. 0.72780), The stored records are always well preserved for future use (mean = 4.5254, std. dev. 0.63666), There is use of electronics in storage of SMEs records (mean = 4.4915, std. dev. 0.60969), Proper storage of records has enabled ease access when these records are needed (mean = 4.2288, std. dev. 1.15774), Proper filling is done that allows easy tracking of these at SMEs records (mean = 4.5678, std. dev. 0.77877), The electronic record storage system has reduced wastage of space (mean = 4.6102, std. dev. 0.65416) and SMEs has the best records storage system to improve Financial Performance (mean = 4.1525, std. dev. 0.56428). Based on the scale 1 to 5, mean for all the responses was 4.2892with standard deviation of 0.78870, implying that most of the responses were neutral with the statements on record retention.

4.3.3 Record Retrieval

Descriptive statistics encompasses the use of mean and standard deviation. The respondents were asked various questions on issues surrounding record retrieval in SMEs businesses, among others, as to whether Proper records retrieval has enhanced locating and removing of records from

storage, Records retrieval has been following set standard procedures in the SMEs, Proper records control has allowed consistent retrieval of the requested records, Proper records retrieval at SMEs has made easy to follow-of any compliant/cases, There is improved speed of records retrieval at SMEs, Enhanced records retrieval allows time to staff to concentrate on other activities, There has been quick response time due easy retrieval of SMEs records and Proper records retrieval has improved Financial Performance at SMEs. The responses on each of these items are presented in table 5.

Table 5: Descriptive statistics for Record Retrieval					
	N	Mini	Maxi	Mean	Std. Deviation
Proper records retrieval has enhanced locating and removing of records from storage	118	1.00	5.00	4.4831	.75936
Records retrieval has been following set standard procedures in the SMEs	118	2.00	5.00	4.6102	.66710
Proper records control has allowed consistent retrieval of the requested records	118	1.00	5.00	4.0508	1.33875
Proper records retrieval at SMEs has made easy to follow-of any compliant/cases	118	1.00	5.00	4.5763	.89066
There is improved speed of records retrieval at SMEs	118	1.00	5.00	4.4831	.81370
Enhanced records retrieval allows time to staff to concentrate on other activities	118	1.00	5.00	4.6017	.65555
There has been quick response time due easy retrieval of SMEs records	118	2.00	5.00	4.7288	.54945
Proper records retrieval has improved Financial Performance at SMEs	118	1.00	5.00	3.6102	1.14005
Composite Mean	118	1.00	5.00	4.39302	0.85182
Scale: 1.00 – 1.90 strongly disagree, 2.00 – 2.90 disagree, 3.90 - 3.90 Not sure, 3.00 – 4.90 Agree, and 5.00 Strongly Agree					

Source: Primary Data (2022)

As illustrated in table 5 above, the respondents agreed that proper records retrieval has enhanced locating and removing of records from storage (mean = 4.4831, std. dev. 0.75936), Records retrieval has been following set standard procedures in the SMEs (mean = 4.6102, std. dev. 0.66710), Proper records control has allowed consistent retrieval of the requested records (mean = 4.0508, std. dev. 1.33875), Proper records retrieval at SMEs has made easy to follow-of any compliant/cases (mean = 4.5763, std. dev. 0.89066), There is improved speed of records retrieval at SMEs (mean = 4.4831, std. dev. 0.81370), Enhanced records retrieval allows time to staff to concentrate on other activities (mean = 4.6017, std.

dev. 0.65555), There has been quick response time due easy retrieval of SMEs records (mean = 4.7288, std. dev. 0.54945) and Proper records retrieval has improved Financial Performance at SMEs (mean = 3.6102, std. dev. 1.14005). Based on the scale 1 to 5, mean for all the responses was 4.39302 with standard deviation of 0.85182, implying that most of the responses were neutral with the statements on record retrieval.

4.3.4 Financial Performance

Descriptive statistics encompasses the use of mean and standard deviation. The respondents were asked various questions on issues surrounding financial performance in SMEs businesses, among others, as to whether SMEs have been able to make considerable profits in the last three years, The sales revenue of SMEshas periodical increased, SMEshave received large profits due to proper management skills, Record-keeping have helped most SMEs to get capital for its business, There have been increased sales due increased stock availability of SMEs and Increased total sales have led to increased revenue hence financial performance of SMEs. The responses on each of these items are presented in table 6.

Table 6: Descriptive Statistics for Financial Performance					
	N	Mini	Maxi	Mean	Std. Deviation
SMEs have been able to make considerable profits in the last three years	118	2.00	5.00	4.1780	.46467
The sales revenue of SMEshas periodical increased	118	1.00	5.00	4.1610	.71576
SMEshave received large profits due to proper management skills	118	1.00	5.00	4.1610	.94254
Record-keeping have helped most SMEs to get capital for its business	118	1.00	5.00	3.9322	1.45431
There have been increased sales due increased stock availability of SMEs	118	1.00	5.00	3.9831	1.30733
Increased total sales have led to increased revenue hence financial performance of SMEs	118	2.00	5.00	4.5508	.81227
Composite Mean	118	1.00	5	4.16102	0.94948
Scale: 1.00 – 1.90 strongly disagree, 2.00 – 2.90 disagree, 3.90 - 3.90 Not sure, 3.00 – 4.90 Agree, and 5.00 Strongly Agree					

Source: Primary Data (2022)

As illustrated in table 6 above, the respondents agreed that SMEs have been able to make considerable profits in the last three years (mean = 4.1780, std. dev. 0.46467), The sales revenue of SMEshas periodical increased (mean = 4.1610, std. dev. 0.71576), SMEshave received large profits due to proper management skills (mean = 4.1610, std. dev. 0.94254), Record-keeping have helped most SMEs to get capital for its business (mean = 3.9322, std. dev. 1.45431), There have been

increased sales due increased stock availability of SMEs(mean = 3.9831, std. dev. 1.30733) and Increased total sales have led to increased revenue hence financial performance of SMEs (mean = 4.5508, std. dev. 0.81227). Based on the scale 1 to 5, mean for all the responses was 4.16102 with standard deviation of 0.94948, implying that most of the responses were neutral with the statements on Financial Performance

4.4 Inferential Statistics

4.4.1 Relationship between Variables

In order to ascertain the effect of Record-keeping (record filling, record retention and record retrieval) on financial performance, a correlation was first performed to assess whether there exists a relationship between record filling on financial Performance in SMEs, record retention on financial Performance in SMEs and record retrieval on financial Performance in SMEs. and how significant this relationship was. The results of bivariate are summarized in the table 7;

Table 7: Bivariate correlation between record filling, record retention, record retrieval and Financial Performance in SMEs

Correlations		Record Filling	Record Retention	Record Retrieval	Financial Performance
Record Filling	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	118			
Record Retention	Pearson Correlation	.420**			
	Sig. (2-tailed)	.000			
	N	118	118		
Record Retrieval	Pearson Correlation	.459**	.766**		
	Sig. (2-tailed)	.000	.000		
	N	118	118	118	
Financial Performance	Pearson Correlation	.374**	.829**	.826**	
	Sig. (2-tailed)	.000	.000	.000	
	N	118	118	118	118

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Primary Data (2022)

The results in table 7 shows that there is a significant correlation between record filling and financial performance SMEs in Lira City (r= 0.374, p < 0.01). The implication is that record filling enhances financial performance. Therefore, it can be argued that record filling must be done properly so as to have a positive effect on financial performance of SMEs.

Secondly, the results also show that there is a strong significant correlation between record retention and financial performance SMEs in Lira City (r= 0.829, p < 0.01). The implication is that record retention enhances financial

performance. Therefore, it can be argued that record retention must be done properly so as to have a positive effect on financial performance of SMEs.

Lastly, the results also show that there is a strong significant correlation between record retrieval and financial performance SMEs in Lira City (r= 0.826, p < 0.01). The implication is that record retrieval enhances financial performance. Therefore, it can be argued that record retrieval must be done properly so as to have a positive effect on financial performance of SMEs.

4.5. Effect of Record-keeping on Financial Performance of SMEs

4.5.1 Effect of record filling on financial Performance

The regression analysis was also carried out to test to assess the effect of record filling on financial performance. The results of the regression are shown in the table 8

Table 8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.374ª	.140	.132	.60381

a. Predictors: (Constant), Record Filling

The model summary for the regression in table 8 shows an adjusted R^2 of 0.132 which means that 13.2% of the variation in financial performance can be explained by effectiveness in filling records.

In order to establish whether there was a one slope coefficient of a simple regression model that is not equal to zero and therefore infer on the overall significance of the model, an analysis of the variance (ANOVA) (F-test) was performed. The results are shown in table 9

Table 9: ANOVAª

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.871	1	6.871	18.846	.000ᵇ
	Residual	42.292	116	.365		
	Total	49.163	117			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Record Filling

The F-test of 18.846 with a significance of 0.000 means that there is a significant relationship between record filling and financial performance SMEs in Lira City because the probability occurring by chance was less than 0.05 (p < 0.05) at a 95% significant level.

Table 10: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.517	.383		6.575	.000
	Record Filling	.371	.085	.374	4.341	.000
a. Dependent Variable: Financial Performance						

From the coefficient table (table 10), the t-test results for record filling was 4.341 with the probability of this occurring by chance of being 0.000, that is, (p < 0.05) 95%, confidence interval, two tails) implying this was statistically significant.

4.5.2 Effect of record retention on financial Performance

The regression analysis was also carried out to test to assess the effect of record retention on financial performance. The results of the regression are shown in the table 11

Table 11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.829[a]	.687	.685	.36393
a. Predictors: (Constant), Record Retention				

The model summary for the regression in table 6 shows an adjusted R^2 of 0.685 which means that 68.5% of the variation in financial performance can be explained by effectiveness in records retention.

In order to establish whether there was a one slope coefficient of a simple regression model that is not equal to zero and therefore infer on the overall significance of the model, an analysis of the variance (ANOVA) (F-test) was performed. The results are shown in table 12

Table 12: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	33.799	1	33.799	255.192	.000[b]
	Residual	15.364	116	.132		
	Total	49.163	117			
a. Dependent Variable: Financial Performance						
b. Predictors: (Constant), Record Retention						

The F-test of 255.192 with a significance of 0.000 means that there is a significant relationship between record retention and financial performance SMEs in Lira City because the probability occurring by chance was less than 0.05 (p < 0.05) at a 95% significant level.

Table 13: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.647	.303		-2.137	.035
	Record Retention	1.121	.070	.829	15.975	.000
a. Dependent Variable: Financial Performance						

From the coefficient table (table 13), the t-test results for record filling was 15.975 with the probability of this occurring by chance of being 0.000, that is, (p < 0.05) 95%, confidence interval, two tails) implying this was statistically significant.

4.3.3 Effect of record retrieval on financial Performance

The regression analysis was also carried out to test to assess the effect of record retrieval on financial performance. The results of the regression are shown in the table 14

Table 14: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.826[a]	.682	.679	.36716
a. Predictors: (Constant), Record Retrieval				

The model summary for the regression in table 6 shows an adjusted R^2 of 0.679 which means that 67.9% of the variation in financial performance can be explained by effectiveness in accessing records.

In order to establish whether there was a one slope coefficient of a simple regression model that is not equal to zero and therefore infer on the overall significance of the model, an analysis of the variance (ANOVA) (F-test) was performed. The results are shown in table 15;

Table 15: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	33.526	1	33.526	248.698	.000[b]
	Residual	15.637	116	.135		
	Total	49.163	117			
a. Dependent Variable: Financial Performance						
b. Predictors: (Constant), Record Retrieval						

The F-test of 248.698 with a significance of 0.000 means that there is a significant relationship between record retrieval and financial performance SMEs in Lira City because the probability occurring by chance was less than 0.05 (p < 0.05) at a 95% significant level.

Table 16: Coefficients[a]					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.050	.269		-.188	.852
Record Retrieval	.959	.061	.826	15.770	.000
a. Dependent Variable: Financial Performance					

From the coefficient table (table 16), the t-test results for record filling was 15.770 with the probability of this occurring by chance of being 0.000, that is, $(p < 0.05)$ 95%, confidence interval, two tails) implying this was statistically significant.

V. DISCUSSION

Findings revealed that there is a significant correlation between record filling and financial performance SMEs in Lira City (r= 0.374, $p < 0.01$), there is a strong significant correlation between record retention and financial performance SMEs in Lira City (r= 0.829, $p < 0.01$and that there is a strong significant correlation between record retrieval and financial performance SMEs in Lira City (r= 0.826, $p < 0.01$). The implication is that since all the construct of Record-keeping (record filling, record retention and record retrieval) have relationship with financial performance, therefore, it can be argued that there a relationship between Record-keeping and financial performance of SMEs. This finding is in agreement with a study by Salamatu & Muhammad, (2021) indicated a positive relationship between record keeping and financial performance of Savings and Credit Cooperatives (SACCOs) in Nairobi County.

On the effect of Record-keeping on financial performance, the study revealed that 13.2% of the variation in financial performance can be explained by effectiveness in filling records, 68.5% of the variation in financial performance can be explained by effectiveness in records retention and 67.9% of the variation in financial performance can be explained by effectiveness in accessing records. It argued that since, all the construct of Record-keeping has effect on financial performance, therefore Record-keeping has effect on financial performance. It can therefore be argued that good Record-keeping has positive effect on financial performance of SMEs. Several groups keep records if they are to perform coherently, efficiently, effectively and ensure profitability (Ozatambgo, 2015). It is widely believed that record keeping has a significant impact on financial performance of a given business (Kihamaiso, Kansiime, Asiimwe, & Paddy, 2018). For instance, Onaolapo & Adegbite (2014) asserts that good Record-keeping gives substantial information about the financial strength and current performance of an enterprise and therefore managers find those records useful in making decisions and this is in line with Ademola et al. (2012) whose study agrees that poor records can lead to financial inefficiency of small and medium enterprises hence leading to poor organizational performance.

VI. CONCLUSIONS

The study was meant to examine the effect that Record-keeping could have on financial performance of SMEs in Lira. Specifically, the study was to assess the effect of record filling, retention and retrieval on financial performance of SMEs in Lira city. The finding revealed that 13.2% of the variation in financial performance can be explained by effectiveness in filling records, 68.5% of the variation in financial performance can be explained by effectiveness in records retention and 67.9% of the variation in financial performance can be explained by effectiveness in accessing records. The study therefore concludes that Record-keeping has effect on financial performance of SMEs.

VII. RECOMMENDATION

The study recommends proper record filling, retention and retrieval in order to improve financial performance of SMEs. For proper Record-keeping to be achieved in SMEs, there should be training of staff on record filling, record retention and record retrieval in order to ensure complete and accurate records are filled, retained and retrieved for decision making purposes. Alternatively, SMEs can ensure proper records filled, retained and retrieved by hiring skilled and knowledgeable record keepers.

REFERENCES

[1] Ademola, G. O., James, S., & Olore, I. (2012). The roles of record keeping in the survival and growth of small scale enterprises in Ijumu Local Government Area of Kogi State. Global Journal of Management and Business Research.
[2] Amin, M. (2005). Social Research Conception "Methodology and Analysis. Kampala: Makerere Printery.
[3] Amin, M. (2005). Social Science Research Conception: Methodology and Analysis . Kampala: Makerere University Printery.
[4] Crane, M. (1997). Record Keeping. Essential to Risk Management NCIS.
[5] Cronbach, L. (1946). Response sets and tests validating. Journal for Educational & Psychological Measurement, 475 - 494.
[6] Eton, M., Barige, G., Nyangomal, M., Mwosi, F., & Ogwal, B. (2018). Financial Literacy, Cash management and Business Growth in Kampala City Council Authority, Uganda. Economics,Commerce and Trade Management. An International Journal (ECTIJ).
[7] Eton, M., Uwonda, G., Mwosi, F., Ogwal, B., & Obote, D. (2019). Cash management and financial performance of Business Firms in Northern Uganda a case of Lira District. International Journal of Business Management and Technology.
[8] Fanen, A.-k., & Avanenge, F. (2020). Micro-Finance and Performance of Micro, Small and Medium Enterprises in Makurdi Metropolis. International Journal of Accounting and Finance.
[9] Kihamaiso, M., Kansiime, C., Asiimwe, B., & Paddy, M. (2018). The Effect of Financial Record Keeping on Financial Performance of Development Groups in Rural Areas of Western Uganda. International Journal of Economics and Finance, 136-145.
[10] Kizito. (2017). Working capital management, Service quality and financial performance of Hotels in Kampala. Kamapala.
[11] Kothari, C. R. (2009). Research Methodology. New Delhi: New Age International Publishing Ltd.
[12] McLeod, S. (2018). Questionaires. Retrieved from http://www.simplypsychology.org/maslow.html
[13] Muchira, B. W. (2012). Record Keeping and Growth of Micro and Small Enterprises. A Case Study Municipally in Kenya. Nairobi:

Masters of Business Administration (thesis) of Kenyatta University.

[14] Mukhaye, D. (2020). Uganda Business Impact Survey. Impact of COVID-19 on formal sector small and medium enterprises. Kampala: The observatory of economic complexity. Unlocking Public and Private Finance for the poor.

[15] Mulajje, M. (2019). Working Capital Management and Financial Performance of Small and Medium Enterprises in Kampala Capital City Authority: A Case Study of Kawempe Division Urban Council. Kampala.

[16] Mutesigensi, D., Eton, M., Ebong, C., & Mwosi, F. (2017). Cash flow and survival of SMES in Arua District, West Nile Region Uganda. International Journal of Small Business and Entrepreneurship Research, 9-18.

[17] Nangih, E., Ofor, T., & Onuorah, V. (2020). Cash Flow Management and Financial Performance of Quoted Oil and Gas Firms in Nigeria. Journal of Accounting and Financial Management.

[18] Niwemutoni, S., Mulyungi, P., & Jaya, S. (2018). Effect of Cash Management Practices on Financial Performance of Small Medium Enterprises in Rwanda: case study of SMEs in Kicukiro District. International Journal of Management and Commerce Innovations .

[19] Nshemereirwe, S. (2018). Economic factors affecting the performance of Small and medium enterprises in Katwe, Kampala, Uganda. Kamapala: Uganda Management Institute.

[20] Onaolapo, A., & Adegbite, I. (2014). The Analysis of the Impact of Accounting Records Keeping on the Performance of Small Scale Enterprises. International Journal of Academic Research in Business and Social Sciences, .

[21] Onaolapo, A., & Adegbite, T. (2014). The Analysis of the impact of Accounting Records Keeping on the Performance of the Small Scale Enterprises. International Journal of Academic Research in Business and Social Sciences, 1-17.

[22] Ozatambgo, O. (2015). Financial Record Keeping In Religious Organizations: A Case Study of Catholic Church in Enugu Diocese.

[23] Pandy, D. (2019). Impact of Cash Management on Profitability in Small Manufacturing Organization. Silver Jubliee Issue PRAVAHA.

[24] Reed, R. (2010). Good Small Business Guide; How to Start and Grow Your Own Business. London: A & C Black publishers Ltd.

[25] Salamatu, A., & Muhammad, K. (2021). Exploring the Effect of Financial Record Keeping on Financial Performance of Tertiary Institutions in Yobe state. International Journal of Advances in Engineering and Management, 1607-1612.

[26] Sibongiseni, S. (2018). Cash-Flow Management Strategies in Small and Medium-Sized Occupational Health Enterprises. Walden Dissertation and Doctoral Studies.

[27] Ssekajugo, D., Tuyishime, E., & Kasenene, E. S. (2013). Performance of Public Institutions in Ngororero District, North Western Rwanda.

[28] Ssempala, R. (2019). Determinants of Growth of Micro, Small and Medium Enterprises (Msmes) in Developing Countries. Evidence from Rubaga Division, Kampala District Uganda. Kampala.

[29] UBoS. (2020). National Account Statistics and database. Kampala: Uganda Bureau of Statistics (UBoS) .

[30] UIA. (2020). Annual Report 2019-2020. Kampala: Uganda Investment Authority.

[31] Uwonda, G., & Okello, N. (2015). Cash Flow Management and Sustainability of Small Medium Enterprises (SMEs) in Northern Uganda. International Journal of Social Science and Economics Invention (IJSSEI).

[32] Wenzhen, M., & Nik-Intan, N. (2021). Short-Selling and Financial Performance of SMEs in China: The Mediating Role of CSR Performance. International Journal of Financial Studies, 2-16.

[33] Williams, P. (2008). Rethinking Decision Usefulness. Austria: Interdisciplinary Perspectives on Accounting Conference held in Innsbruck.