



**FINANCIAL RECORD KEEPING AND BUSINESS DECISION  
MAKING PROCESSES OF SMALL & MEDIUM ENTERPRISES  
(SMEs) IN GULU MUNICIPALITY, UGANDA**

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## **DECLARATION**

I, Okot Norbert Kizito declare that this dissertation is my original work except in cases where scholarly citation has been used and referenced and the work has never been submitted to any Institution of Learning for any award.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Okot Norbert Kizito

## **APPROVAL**

This dissertation titled, “Financial record keeping and business decision making processes of Small & Medium Enterprises (SMEs) in Gulu Municipality, Uganda” has been submitted for examination under our guidance as Institute supervision.

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## **DEDICATION**

I dedicate this research to my family who gave me both moral and physical support that kept me moving up to the logical conclusion of my study.

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## **LIST OF ABBREVIATIONS**

AICPA	-	American Institute of Certified Public Accountant
CVI	-	Content Validity Index
EIU	-	Eastern Illinois University
IAS	-	International Accounting Standard
MSME	-	Micro small and medium enterprises
PAT	-	Positive Accounting Theory
SMEs	-	Small and Medium Enterprises
UNCTAD	-	United Nation Conference on Trade and Development
FGD	-	Focus Group Discussion

## ABSTRACT

The study examined the impact of financial record keeping on business decision making process of SMEs in Gulu Municipality, Uganda. Specific objectives included; to assess the impact of safety of financial records on business decision making processes of SMEs, to assess the impact of ease of access to financial records on business decision making processes of SMEs, to assess the impact of completeness of financial records on business decision making processes of SMEs and to assess the impact of nature of financial statements on the relationship between financial record keeping and business decision making processes of SMEs. These were demonstrated using positive accounting theory which suggests that SMEs minimized contract cost by developing appropriate policies. Key problem noted with SMEs are lack of financial records to support decision making processes. It was found that both financial record keeping and SMEs businesses have history way back during industrial revolution and the concept clearly supported development at that time. The descriptive research design was used and complemented with both qualitative and quantitative approach. A population of 208 respondents was identified from which 185 respondents formed the sample. Questionnaires and FGDs were used to aid data collection. A response rate of 79% was obtained. Key findings included all variables namely safety of financial records (.469\*\*), ease of access to financial records (.209\*\*), completeness of financial records (.541\*\*) and nature of financial statements (.365\*\*) were positively related with business decision making processes of SMEs. In light of the discussion held earlier, it is concluded that financial records controls block unauthorized access while immediate filing and backup of financial records curb records mismanagement. In addition, much as using adverts is expensive it attracts more customers. More still, storage of electronic business files and recording of all financial transaction is good information for making decisions. From the discussion held are recommendations for the study namely SMEs owners to purchase storage facilities, there is

need for a passwords register. There is also need to prepare general purpose financial statement for stakeholder and consider materiality in preparing financial statement for decision making.

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.0 Introduction**

The study was about financial record keeping and business decision making processes of Small and Medium Enterprises (SMEs) in Gulu Municipality. This chapter covered the background of the study, statement of the problem, objectives of the study, research questions, hypotheses, scope of the study, significant, justification, conceptual framework and operational definitions of terms and concepts.

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

The backgrounds to the study are divided in to four: historical background, theoretical background, conceptual background and contextual background.

#### **1.1.1 Historical background**

The history of financial record keeping traced back to 1494 when the first double entry system of accounting was introduced by Luca Pacioli with a debit and credit ways of transaction recoding (Bob, 2006). In 1887, thirty-one accountants joined together to create the American Association of Public Accountants. The first standardized test for accountants was given a decade later, and the first Certified Public Accountants (CPAs) were licensed in 1896 (AICPA, 2016). Subsequently, application of financial record keeping was very helpful during the industrial revolution from 1760 to around 1840 and the great depression in American from 1929 to 1939 for cost accounting (Nike, 2012).

Historically, SMEs traced way back before the industrial revolution where it played important role in regard to employment in Europe and in the manufacturing trade particularly. However, SMEs were among the first victim and it was feared that such an industrial upheaval could fail or slowed down due to incapable SMEs (Eastern Illinois University 2015). The biggest challenge with SMEs was lack of adaptability to digitization of their financial record keeping. These therefore led to the conclusion that for the successful implementation of industrial revolution, it has to take place in large enterprises as well as SMEs (Schmidt 2014). After the Second World War of 1939 to 1945, SMEs dominated the world business stage. Although precise, up-to-date data was difficult to obtain and estimates suggested that more than 95% of enterprises across the world were SMEs, accounting for approximately 60% of private sector employment (Ayyagari, 2011).

### **1.1.2 Theoretical background**

This study was guided by Positive Accounting Theory (Schrader, 1962)

#### **Positive Accounting theory (PAT):**

Positive Accounting Theory (PAT) is an expression of neoclassical economic theory. Fundamental to it is a belief in rational choice theory which is the framework for understanding and often modeling social and economic behavior. In PAT, self-interest is the reason for the choice of accounting methods, techniques and policy decisions. In PAT, firms (organizations, companies, etc.) are described in terms of collection of contracts i.e. a nexus of contracts between managers, suppliers of capital and employees who must cooperate for wealth maximization to occurs. Wall and Zimmerman (1978) claimed that PAT sought to



“explain the world in which we live”. As such it attempts to provide answers as to why certain accounting methods are chosen over others and why regulation of accounting was left in the hands of accounting professionals rather than direct government involvement.

Watts (1995) claimed that PAT research was designed to explain and provide reasons why accounting takes the form it does and predicts how accounting changes across time and place. This theory was useful in determining SMEs choice of accounting method, policy, economic behaviors and how they impacted on business decision making process based on the nature of businesses. The theory also helped to explain the relationship between the suppliers of capital (owners) and employees and their impacts on business decision making process.

### **1.1.3 Conceptual background**

The main objective of financial record keeping is to provide financial reports which provide information useful to those making business decision (Saleemi, 2014). It further state that if financial records are accurately prepared and properly presented, it will inform business decision making. There are four major business decisions SMEs need to make: investment decision, marketing decision, liquidity decision, and pricing decision (Kabali, 2010).

For an easy business decision making, the international accounting standard board has come up with the conceptual framework which guide financial records keeping and presentation of final accounts of SMEs (Kaplan, 2012). The frame work states that final accounts should include statement of income, statement of financial position, statement of cash flow and notes to the financial statements. The framework has four main qualitative characteristics that

decision makers should find in financial records: materiality, understandability, relevancy and reliability (Kaplan, 2012). All these are intended to provide information that supports business decision making process.

Ministry of Trade and Industry (2015) policy guide states that small enterprises employ between 5 and 49 and have total assets between UGX: 10 million but not exceeding 100 million. The medium enterprise therefore, employs between 50 and 100 with total assets more than 100 million but not exceeding 360 million (Ministry of Trade and Industry, 2015).

Business decision making process has five processes: problem identification, identification of possible options to solve the problem, evaluating the options, selecting the best option, making decision by taking action and review of outcome (Pike, Neale and Linsley, 2014).

The business decision making process is therefore a careful process that should lead to the choice of the best decision that maximize outcome (Drury, 2014).

#### **1.1.4 Contextual background**

Uganda has experience increase in a number of SMEs right from the time of economic liberalization (Ministry of trade and industry, 2015). Majority of these are located in central areas and on the outskirts of urban areas, producing goods and services consumed by the low-income class and some sections of the middle class. National SMEs survey 2015 indicates that Uganda economy has 29% of SMEs contribution and employing over 2.5 million people (Nathan, 2015).

In Gulu Municipality, SMEs are in the industrial area, Gulu main market, all divisions markets of Pece, Laroo, Layibi and Bar degee. Their business activities include wholesaling, retailing and small scale manufacturing. Others include constructions, hairdressing, catering

services, carpentry, poultry and dressmaking. The SMEs are organized under Gulu main market vendors Association, Gulu contractors association, Gulu hotel owners association, Gulu produce buyers association, and Gulu business community association. These associations are registered under the office of the community development Gulu district which grant them one year temporary operations permit renewable yearly. Others have registration with the registrar of company which gives them permanent operation permits. There are SMEs operating as SACOS and are registered under the ministry of trade, micro finance and cooperative. The district commercial office is responsible for coordinating and monitoring activities of the SMEs in Gulu municipal by ensuring compliance with quality standards.

## **1.2 Statement of the problem**

Small and medium enterprises (SMEs) constitute a large part of Economies in many developing countries (Obura, 2008). And yet available data suggest that very few of them grow into larger businesses (The New Vision, March 23, 2016). For example national SMEs survey in Uganda indicates that only 31% of the businesses operate for more than 15 years (Financial Sector Deepening Uganda, 2015). Most SMEs do not appreciate the role of professional accountants and as a result some of them prepare incomplete financial records (Byekwaso, 2015). To help the enterprises grow in to larger business, government of Uganda introduced operation wealth creation and developed capacity of SMEs in financial record keeping and business decision making process (SMEs business guide, 2008). Despite these efforts, reports from Gulu municipal commercial office indicate several challenges face SMEs; some of these include: incomplete financial record keeping which forms the bases of business decisions making process (Byekwaso, 2015). Completeness, ease of access and

safety of information has been the major problems of record keeping by SMEs which affects provision of quality and timely financial statements. These affect access to funding, markets, investment decision hence poor working capital management. It also affects capacity to deal with fierce local, international competition and access to competitive technology (Byekwaso, 2015). Therefore, the study examined the impact of financial record keeping of SMEs on business decision making process in Gulu municipality Uganda with a sampling size of 208 SMEs

### **1.3 Purpose of the study**

The study examined the impact of financial record keeping on business decision making process of SMEs in Gulu municipality (Uganda) in light of the existing government interventions and available regulatory frameworks.

### **1.4 Specific objectives of the study**

- a) To assess the impact of safety of financial records on business decision making processes of SMEs in Gulu Municipality.
- b) To assess the impact of ease of access to financial records on business decision making processes of SMEs in Gulu Municipality.
- c) To assess the impact of completeness of financial records on business decision making processes of SMEs in Gulu Municipality.
- d) To assess the impact of nature of financial statements on the relationship between financial record keeping and business decision making processes of SMEs in Gulu Municipality.

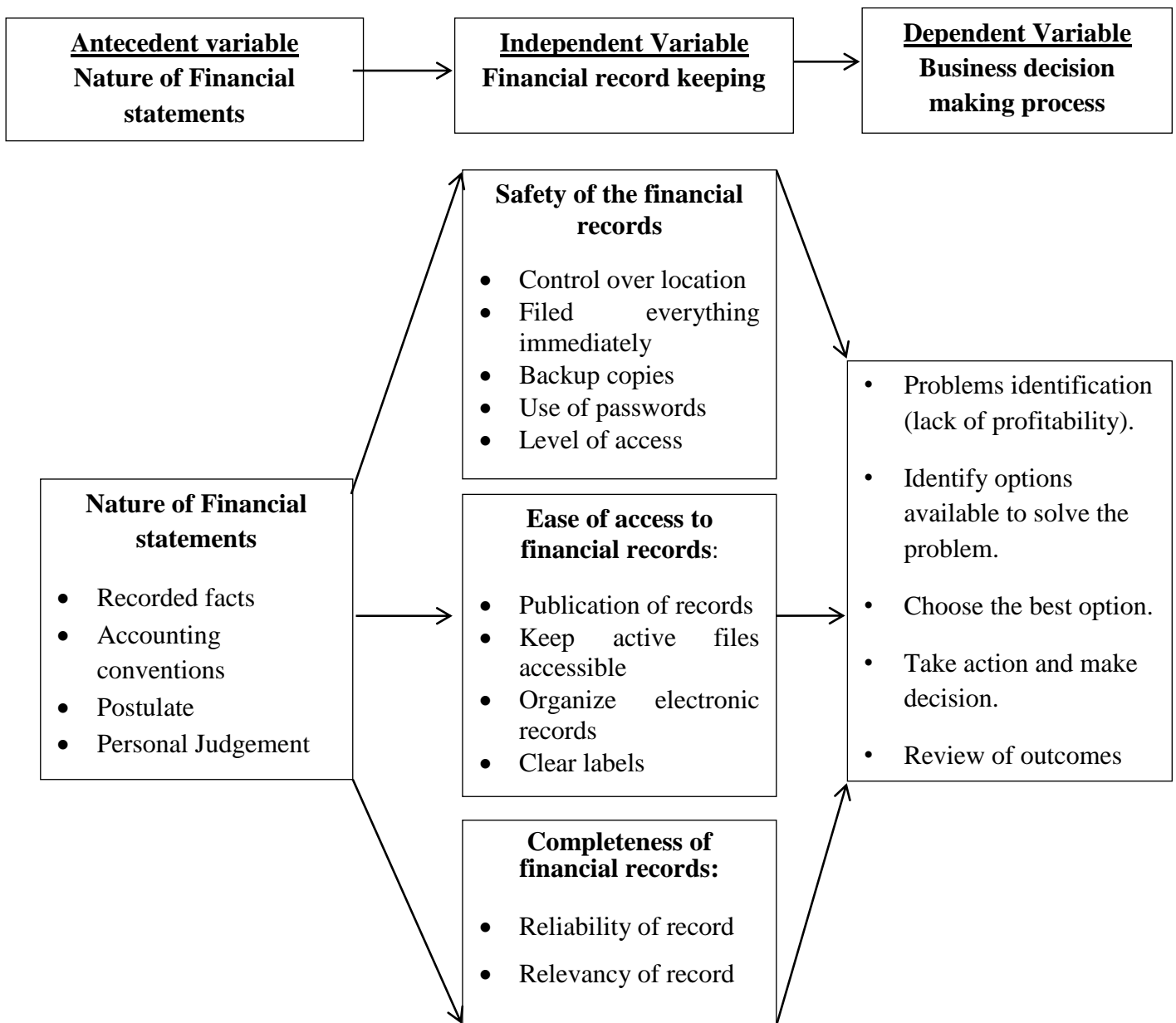
### **1.5 Research question**

- a) To what extent does safety of financial records impact on business decision making processes of SMEs in Gulu Municipality?
- b) To what extent does ease of access to financial records impact on business decision making process of SMEs in Gulu Municipality?
- c) How does completeness of financial records impact on business decision making process of SMEs in Gulu Municipality?
- d) How does nature of financial statements impact on the relationship between financial record keeping and business decision making process of SMEs in Gulu Municipality?

### **1.6 Research hypotheses**

- a) Safety of financial records has a significant positive impact on business decision making processes of SMEs in Gulu Municipality.
- b) Ease of access to financial records has a positive impact on business decision making processes of SMEs in Gulu Municipality.
- c) Completeness of financial records has a positive impact on business decision making process of SMEs in Gulu Municipality.
- d) The nature of financial statements have a positive impact on the relationship between financial record keeping and business decision making processes of SMEs in Gulu Municipality.

### 1.7 Conceptual framework



**Figure: 1.1: Conceptual framework showing the relationship between financial record keeping and decision making process**

*Sources: From literature (Kaplan, 2012; Kabali, 2010; Byekwaso, 2015; Dartmouth, 2015).*

The conceptual framework above indicates that financial record keeping depend on the nature of financial statements (Saleemi, 2014). The natures of financial statements are affected by factors including: recorded facts, accounting convention, accounting postulate and personal

judgement of the person preparing them (Mishra, 2014). Mishra (2014) added that there should be good and proper systems to prepare and keep financial record to support business decision making processes. Safety, ease of access and completeness of accounting information affects the efficiency and effectiveness of business decision making processes. Efficient and effective business decisions making process determine the quality of profit earned, liquidity and solvency from the different level of assets, liabilities and income (Kaplan, 2012). According to decision making model, the process of business decision making is a careful process which include, identification of the problem, identification of options available to solve the problem, choice of the best option, taking action and review of outcomes (Dartmouth, 2015).

### **1.8 Justification of the study**

Majority of business in Uganda fall within SMEs and are key contributors to the economy in terms of employment, major driver of growth and innovation in the country. Financial record keeping remains the main challenge for most of the SMEs and lack of informed business decisions for all activities undertaken. It is therefore important to examine the impact of financial record keeping on business decision making process of SMEs in Gulu Municipality.

### **1.9 Significance of the study**

The study may benefit existing SMEs businesses and those which are underway to improve on their business. They may improve their financial record by employing the right personnel who apply accounting knowledge to keep financial records needed to solve problem of decision making.

This study may help the individuals improve upon their managerial skills and knowledge. The research generates knowledge from the findings which will inform the gap in understanding on how the problem of financial record keeping and business decision making processes can be managed. Thereafter, efficient and effective financial statements, record keeping and business decision making may improve profitability of SME businesses.

This study assists policy makers in understanding the performance of SMEs in keeping financial record and whether the records are safe, accessible and complete. They may understand the nature of financial statements needed by SMEs and may be able to relate this to the problem of business decision making processes. This may help them make informed policies.

## **1.10 Scope of the study**

### **1.10.1 Content scope**

The study focused on the financial record keeping as the independent variable and business decision making processes as the dependent variable. The independent variables looked safety of financial records, ease of access to financial records and completeness of financial records. All these are affected by the nature of financial statements which depends on the recorded facts, accounting conventions used, postulate and personal judgment of the person preparing the records.



### **1.10.2 Geographical scope**

This study was conducted in Gulu Municipality in Northern Uganda, 335 kilometers from Kampala the Capital city of Uganda and on latitude 2.48 north and longitude 32.17 east. It covers 61 square kilometers with four divisions of Pece, Laroo, Bar Degee and Layibi.

### **1.10.3 Time scope**

This study considered five years 2011 to 2016 and this is justified as period when members of the SMEs came together to formed business associations in Gulu municipality.

## **1.11 Operationalization of key terms and concepts**

### **Financial records keeping:**

Refers to the process of recording and maintaining transactions and events in an accounting system in a manner that are easily accessible, safe and complete for decision making. The ways records are kept depend on the accounting conventions, assumptions, recorded facts and personal judgement of the person preparing the accounting information (Saleemi, 2014).

### **Business decision making:**

These are decision focus on: Which investment should a firm undertake? Which, when and how much finances should be raised? How should the firm's net profit be used or distributed? How much short term capacity should be procured to successfully operate long term

capacity? These questions are referred to as: investment decision, financing decision, dividend decision and working capital management or liquidity decision (Kabali, 2010).

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter is about literature review on financial record keeping and business decision making processes. It covers literatures on positive accounting theory, detailed review of related literatures on the conceptual framework based on the objectives of the study and summary of the findings in literature review.

#### **2.2 Theoretical review**

This study was guided by Positive Accounting Theory (PAT).

##### **2.2.1 Positive Accounting Theory**

According to Watts and Zimmerman (1990), Positive Accounting theory (PAT) tries to make good predictions of real events and translate them to accounting transactions. Collin, Tagesson, Andersson, Cato, and Hansson (2009) found that PAT explains action such as which accounting policies firms should choose and how firms should react to newly propose accounting standards. Collin et al (2009) also states that because of economic consequences those firms want to maximize their prospects for survival, so they organize themselves efficiently. According to Milne (2002) PAT assumes that there are contracts between internal and external parties such as suppliers, claim holders and customers. Because there are needs for efficiency, firms want to minimize costs associated with contracts such as negotiation, renegotiation and monitoring costs. The firms choose the accounting policies that

acknowledge the need for minimization of contract costs. This theory is useful in determining SMEs choice of accounting method, policy, economic behaviors and how they impacts on business decision making process based on the nature of their businesses. It also explains the relationship between the suppliers of capital (owners) and employees and their impacts on business decision making process.

Milne (2002) criticized PAT on the basis that it encourages the problem of opportunistic behavior when the actions of management are to better their own personal interests. Milne (2002) explained that the set of accounting policies established by management compromise between fixing accounting policies to minimize contract costs and providing flexibility in times of changing circumstances. Furthermore, Milne (2002) critiqued that PAT does not provide means of improving accounting practice. Collin, Tagesson, Andersson, Cato, and Hansson (2009) also criticized PAT that it relates to the fundamental assumption that all actions are driven by a desire to maximize wealth.

### **2.3 Financial record keeping and business decision making processes of SMEs**

This section is a summary of detailed review of literatures on the research objectives. It covered summary of literatures on safety of financial records, ease of access to financial record, completeness of financial record, the nature of financial statements and their effect on business decision making processes.

### **2.3.1 Nature of financial statements and business decision making processes of SMEs**

According to Mishra (2014), financial statements, by nature, are summaries of the items recorded in the business and these statements are prepared periodically and generally for the accounting period. Mishra (2014) added that the nature of financial statements are affected by recorded facts concerning the business transactions, conventions adopted to facilitate the accounting technique, postulates or assumptions made and personal judgments used in the application of the conventions and postulates. The nature of financial record determines what accountant needs to do in order to provide safety, completeness and ease of access to financial record. According to Mishra (2014), tangible records can be accessed by means of organized filing system while soft copies can be accessed by means of passwords to the location of soft copies. This position agreed to suggestion by Kaplan (2012) who advised that unauthorized access can otherwise affect the safety and completeness of the financial record which determine the process of business decision and the resultant decision taken on the basis of the record thereafter (Kaplan, 2012).

### **2.3.2 Safety of the financial records and business decision making processes of SMEs**

According to Kramer (2014), control of financial records for business decision making is one of the first steps to ensure safe and effective records. According to Kramer (2014), safety of financial record can be evidence by having control over location, clearly label everything, filing everything immediately, and keeping active files accessible, backup copies, use of passwords and level of access. According to Hall (2009), safe financial records provide information in standardized manners that support the process of financially based decision making. This is because it will provide information used to appraise the business

performance, financial health, stability and growth potentials needed by decision makers (Hall, 2009).

Control over location: According to Kramer (2014) control over location involves managing financial statements, tax forms, receipts and other documents and added that this requires keeping records together, ideally in a fireproof safe or in a filing cabinet. According to Millichamp and Taylor (2012), having control over location will enhance the effectiveness of operations, reliability of financial reporting and compliance with law and regulation. These factors lower the risk-based business decision-making process on borrowings and financing costs by ensuring more accurate preparation and hence compliance with debt agreements (Kabali, 2010). According to Costello (2011), this information should be filed immediately in a place controlled by the SMEs to avoid unauthorized access.

Hall (2009) advised that backup should be used as a means to restore original data in case it's deleted, corrupted or lost. According to Brent (2013), passwords should be used to authenticate access to data. However, Hall (2009) added that there should be a level of access to financial records for all users to restrict access to confidential information. Kaplan (2012) advised that segregation of duty allows SMEs to control authority levels by allowing individual access to data within their level of powers.

### **2.3.3 Ease of access to financial records and business decision making processes of SMEs**

Ease of access to financial records refers to situations where financial records are made available to the general public who has interest in the entity (Kaplan, 2012). Stakeholders

wants the financial records to support the process of decision making such as investment, financing, product costing, employment, marketing pricing and taxation (Byekwaso, 2015). According to Kaplan (2012), financial record can easily be accessible through publication, keeping active files accessible, keeping electronic record and clearly labeling of information.

The international accounting standard board (IASB) requires SMEs to prepare annual financial report for publication and gave the format of published financial statements. According to the IASB, published financial statement should include; statement of financial position and statement of profit and loss and other comprehensive income (Kaplan, 2012).

However, Bakare and Issa (2016) noted that many organizations would not survive without keeping, maintaining, and using their records in the active files beside the published financial records. This is due to the need to make quick decision and take advantage of the daily business opportunities (Bakare and Issa, 2016). Schiff and Bates (2010) advised that electronic records are needed to support business decision making process. Modern businesses are required to have financial record keeping software that solves the problem of financial record keeping and provide timely electronic records to inform management decision making (Kaplan 2012).

#### **2.3.4 Completeness of financial records and business decision making processes of SMEs**

Millichamp and Taylor (2012) looked at Completeness of financial records of SMEs in terms of its effects on transactions, account balance, presentation and disclosure of financial records. Millichamp and Taylor (2012) noted that completeness looks at whether all transactions that occurred during the period have been recorded and gave example that if

SMEs fail to record a valid revenue transaction, the revenue account balance will be understated. Millichamp and Taylor (2012) ended by stating that completeness is also concern with whether all disclosure such as pending law suit, claims and receivables that should have been included in the financial record have actually been included and properly presented in the financial statements. Incomplete financial record reduces the efficiency and effectiveness of the decision taken on the basis of the record in resolving the intended problem.

Byekwaso (2015) attributed the reasons why SMEs have incomplete financial records to high cost of accounting personnel and that SMEs do not appreciate the roll of accountant and destruction of accounting record by natural disasters, disappearance of accounting records and lack of professionalism in preparation of the financial records as the other reasons.

#### **2.4 Summary of literature reviewed**

Business decision making process is therefore a careful process which may vary from case to case (Drury, 2014). Decision makers need information in form of financial records to support efficient and effective business decision making process (Kaplan, 2012). The financial record needed to support the process of business decision making should be complete, accessible and safe to support quality and informed business decision making process. These financial records should be supported by financial statements nature which depend on the recorded facts, accounting convention used, accounting postulate (assumption) and personal judgments of the accountant involved in the process of preparing the financial record (Mishra, 2014). Financial record keeping and business decision making processes are heavily supported by



positive accounting theory and decision usefulness theory in explaining policy guide on record keeping that SMEs can take advantage.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Introduction**

Chapter three is the methodology chapter which included the research design, study population, sample size, sampling technique and procedure, data collection method and instruments, validity and reliability of instruments, data processing and analysis, measurement of variable and ethical considerations.

#### **3.2 Research design**

The research adopted the descriptive research design to collect information without changing the business environment of SMEs and took place at a single point in time. The descriptive research design helped to provide a clearer understanding of the relationship between financial record keeping and the processes of business decision making of SMEs (Hilscher and Nosbusch, 2010).

The research also used both quantitative and qualitative approaches supported by documentation and description of analysis of what happened on the ground. The information was about how something is experienced and not specifically about facts and figures. Emphasis was put on quality and depth of information. The quantitative approach was used to generate information that can be captured numerically and use summary of statistics. They helped to describe the scope of the relationship and what is going on in the population by looking at the relationship. The design therefore enabled the respondents to describe their attitudes, feelings and opinion regarding the impact of financial record keeping on business decision making process of SMEs.

### 3.3 Study population

The study population of 208 was identified from Small and Medium Enterprises classified based on nature of business. The nature of business included work, services and trade. The SMEs in the provision of work are the ones in the infrastructures development and are organized under Gulu contractors association. The SMEs in the service sectors are those that provide services such as hotel and are organized under Gulu Hotels Owners Association. The last classifications are SMEs in the trading sectors and they deal in buying and selling of produce and general merchandise. These are organized under Gulu produce buyers association, Gulu business community association and Gulu market vendors association. A representative sample of 25 SMEs was studied from all association. This is because each association contributed 5 to 10 SMEs for study where 25 to 60 people were interviewed from each SME (Gulu SME Records, 2015). Also other data from the district commercial office were considered to describe the extent of the relationship between financial record keeping and business decision making processes of SMEs. These are presented in Table: 3.1 below

**Table: 3. 1: Population and sample size**

<b>Associations</b>	<b>Population</b>	<b>Sample of staff and owners (sample size)</b>	<b>Sampling procedure</b>
Gulu Hotels Owners Association	58	50	Stratified
Gulu Contractors Association	26	25	Stratified
Gulu Produce Buyers Association	26	25	Stratified
Gulu Business Community Association	26	25	Stratified
Gulu Market Vendors Association	72	60	Cluster
<b>Total</b>	<b>208</b>	<b>185</b>	

**Source: Gulu SME Records (2015), Krejcie and Morgan population Table 1970**

### **3.4 Sampling techniques and procedure**

#### **3.4.1 Stratified**

This are used to pick SMEs from Gulu produce buyers association, Gulu business community, Gulu hotel owners association and Gulu contractors association. This is because each association has homogenous members who run the same business activities. Each association formed strata and members of SMEs are randomly selected for data collection using questionnaire.

#### **3.4.2 Cluster**

Cluster sampling was applied on Gulu market vendors association since members of this association are heterogeneous. Members consist of those in the business of tailoring, vegetables and general merchandise amongst others. Members are clustered according to their businesses and a simple random selection done to administered focus group discussion and questionnaire.

### **3.5 Data collection methods**

Structured questionnaire and focus group discussion were used to collect the primary data on financial record keeping and the process of business decision making.

### **3.6 Data collection tools**

Two data collection tools used for the study were questionnaire and focus group discussion as indicated below.

#### **3.6.1 Questionnaire**

The questionnaire was designed with closed ended questions based on existing literature outlined on the conceptual framework. The structured questionnaire was divided into major sections to specifically address the study variables on the financial record keeping and the process of business decision making of SMEs. These are list of question, and issues that were covered during data collection (David and Sutton, 2004). It was an attempt to get reliable measure of relationship between financial record keeping and business decision making process of SMEs from the respondents. The questionnaire had structured questions with the same wording, in the same sequence. The aim was to ensure that all respondents should be given exactly the same questions with a fixed range of answers. This was to enable researcher have control over the topics and the format of the questions. This tool was applied to the business association.

#### **3.6.2 Focus group discussion**

For the case of Gulu Market Vendors Association, focus group discussion was applied to collected data from a sample size of 36 people. This are group of 6 to 9 people led through an open discussion by a skilled moderator to generate a rich discussion (David and Sutton, 2004). The moderator nurtured discussion in an open and spontaneous format with the goal of generating maximum numbers of different idea and opinions structured around a set of

carefully predetermined questions. Focus group discussion enabled researchers to get personal and group feeling and allowed seeking clarification about the topic of discussion with broader range of information.

### 3.7 Validity and reliability of instruments

#### 3.7.1 Validity of instruments

To ascertain validity which is the appropriateness, meaningfulness and usefulness of the instrument to measure what is intended to be measured. Three experts were identified and requested to provide their ratings of the questions that were asked. This was intended to determine or test for high or low validity and coefficients in addressing specific research objective. Later the CVI was calculated based on the formula below

$$CVI = K/N \times 100$$

Where K was the items or questions rated valid divided by N= total number of items (both valid + invalid). The results are presented in the Table: 3. 2 below.

**Table:3. 2: Validity results for financial records and business making decision process**

<b>Experts</b>	<b>Expert rating</b>	<b>Validity outcome</b>
Expert One	32 out of 38	0.84
Expert Two	27 out of 38	0.72
Expert Three	28 out of 38	0.74

**Source: Primary data**

The findings presented in the Table: 3.2 above reveals a validity score of over 0.7 as recommended by Amin (2005). The results suggest that the instruments for this study were valid.

### 3.7.2 Reliability of instruments

For purpose of this study, reliability referred to the ability of the instruments to provide consistent results when administered to different groups of respondent over a defined period of time or repeatedly measured under same conditions. The study adopted the internal consistency technique and specifically Cronbach’s alpha since all questions were measured based on Likert-Type Scale. Results that were obtained are provided in the Table: 3.3 below.

**Table: 3. 3: Reliability results for the instruments**

Study variables	Reliability outcome	Number of questions
Safety of financial records	.742	8
Ease of access to financial records	.664	6
Nature of financial statements	.617	5
Completeness of financial records	.642	3
Business decision making processes	.760	5

**Source: primary data**

According to results presented in the table: 3.3 above, the scores are all greater than 0.5. This means the questionnaire is reliable (Amin, 2005). Pre-testing was done using a selected sample to eliminate questions that are vague.

### **3.8 Data processing and analysis**

This section explains both quantitative and qualitative data analysis.

#### **3.8.1 Quantitative data analysis**

The quantified data collected was coded and analyzed using SPSS a statistic analysis package. The computer package was used to code and analyze data. First, descriptive statistics were run where frequencies, percentages and mean scores were obtained while inferential statistics were extracted to obtain Pearson correlation for determining relationship (0 - +1= positive relation and 0 - -1= negative relationship) between safety of financial records, nature of financial statements, ease of access, completeness of financial records and the processes of business decision making. The regression correlation analysis (adjusted R<sup>2</sup>) was used to explain the variance that the independent variable had on the dependent variable.

#### **3.8.2 Qualitative data analysis**

Qualitative data analysis was done using content analysis where non-numerical data on financial record keeping and business decision making of SMEs was categorized; indexed, coded and classified in specific context to make sense out of it. The process involved getting the message features and findings how specific non-numeric data addressed the specific research objectives. The analysis involved interpreting of the responses as to what it was inferred or implied. The content analyzed was presented using themes or narrative statements put in quotes to complement on the quantified data.



### **3.9 Measurement of variables**

The study used two measures namely nominal and ordinal. The ordinal scale was used on the independent variable or financial record keeping and business decision making process or the dependent variables. The financial record keepings were sub divided in to completeness of financial records, ease of access to financial record and safety of the financial record. While the dependent variable was categorized into careful process of problem identification which may be low profitability, identification of options to solve the problems, choice of the best options, taking action by taking decision and review of the outcome. All questions asked were based on a Likert scale of five items namely 5-strongly agree, 4-agree, 3- not sure, 2-disagreed and 1-strongly disagree. Lastly, all respondents' bio data was measured using the nominal scale.

### **3.10 Ethical considerations**

The following ethics were observed for the study namely; the purpose of the data collection was indicated to highlight to the respondents that data was solely for academic purpose. Secondly, the interviewees introduced themselves and their businesses signing consent form authorizing data collection before the start of the meeting. Lastly, a short training for data collectors was conducted to ensure they understand the purpose of data collection.

## CHAPTER FOUR

### PRESENTATION, ANALYSIS AND INTEPRETATION OF RESULTS

#### 4.0 Introduction

This chapter presented analyses and interpreted findings of the study in accordance with specific objectives of the study. The chapter is arranged starting with response rate, demographic characteristics of respondents and empirical findings. Lastly, the research question and hypothesis are answered.

#### 4.1 Response rate

Questionnaires numbered up to 151 were administered however, 96 were returned fully completed constituting a 64% response rate. In addition, out of 36 planned FGDs, 34 were conducted constituting 94% response rate. The responses are summarized in the Table: 4.4 below.

**Table: 4.4: Showing the response rate**

<b>Tool/Instrument</b>	<b>Planned (n)</b>	<b>Actual (n)</b>	<b>Percentage (%)</b>
Questionnaires	151	96	64%
FGDs	36	34	94%
Total	<b>187</b>	<b>130</b>	<b>(158/2)= 79%</b>

**Source:** Primary data

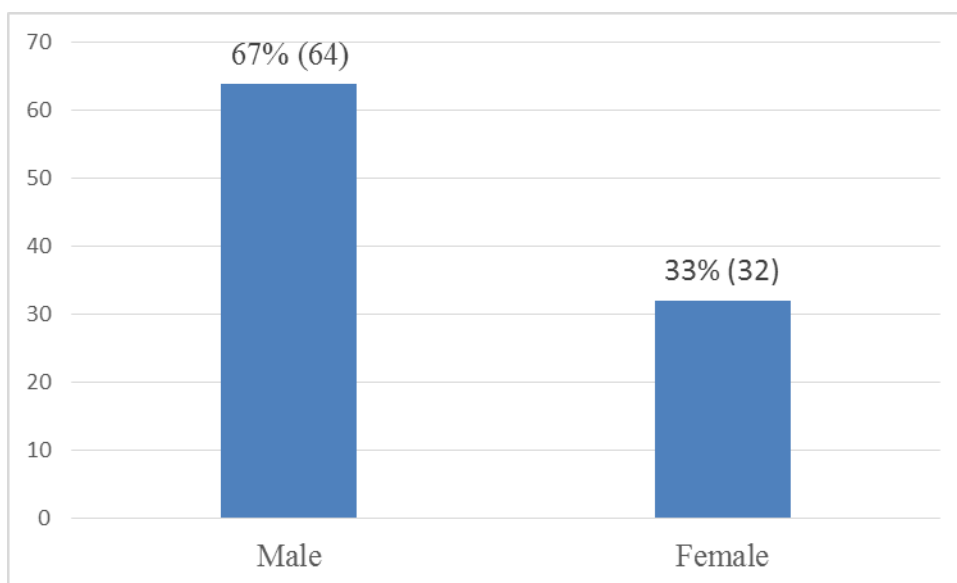
The results presented in Table: 4.4 revealed 79% overall response rate was achieved. The result suggests a good representation of a survey population in accordance with Amin (2005) who asserts that a response rate of 50% and above ( $\geq 50\%$ ) represents a survey population.

#### 4.2 Respondents general information

This section provided respondents general information namely gender, nature of business, type of trade, business association, how long such businesses have been operated and how many staff and family members support the business. Details about the findings are provided in the preceding sections below.

##### 4.2.1 Respondents by gender distribution

The respondents in this study were requested to indicate their gender and the finding are presented in the Figure: 4.2 hereunder.



**Figure: 4. 2: Gender distribution of respondents**

Figure: 4.2 above show the gender distribution of respondents. Results revealed 67% (64) were male and 33% (32) were female respondents. These suggest that more male are involve in financial record keeping for business decision making of SMEs in Gulu municipality than female.

#### 4.2.2 Respondents by nature of business

Respondents in this study were requested to indicate the nature of business that they held within Gulu Municipality. The opinions from the field are presented in the Table: 4.5 below.

**Table: 4.5: Showing nature of SME businesses**

<b>Nature of SME business</b>	<b>Frequency</b>	<b>Percent</b>
Limited company	27	28.1%
Partnership	1	1.0%
Sole proprietor	35	36.5%
Family owned	24	25.0%
Others	9	9.4%
<b>Total</b>	<b>96</b>	<b>100.0%</b>

**Source: Primary data**

Table: 4.5 suggest that sole proprietors had the biggest share with 36.5% (35), family owned business had 25% (24), limited company had 28.1% (27) while other businesses scored 9.4% (9) and partnership with the least score had 1.0% (1). Furthermore, this also suggest that a good numbers of SMEs are not registered as a limited company with the Uganda Registration Service Bureau (URSB) where companies get certificates of registration and file annual returns of financial records. The lack of compliance with this means it is difficult to regulate

their financial record keeping since they may not conduct independent statutory audit in order to file the return. It is only independent external audit that give confidence to decision makers in form of their opinion on the financial records.

Despite the lack of registration with URSB, the Director of “Kwite Ber” construction company reported that he keeps list of their expenditures and income where they can know whether they are making profit or not. He narrated that the total expenditures are subtracted from total income to determined profitability using the lists. These inform their business decision making process.

#### 4.2.3 SMEs by type of trade

Participants of this study were requested to indicate the type of business trade that their SMEs were running in Gulu Municipality. The findings were quantified and presented in the Table: 4.6 below.

**Table: 4.6: Type of SME trade**

Type of SME trade	Frequency	Percent
General merchandise	35	36.5
Manufacturing	7	7.3
Service or Hotels	27	28.1
Construction	8	8.3
Others	19	19.8
<b>Total</b>	<b>96</b>	<b>100.0</b>

**Source: Primary data**

Table: 4.6 above shows respondents opinions about the type of trade that were operational within the municipality. General merchandise had 36.5% (35), manufacturing had 7.3% (7), service or hotels had 28.1% (27), construction had 8.3% (8) and 19.8% (19) represented

others type of trade. Consequently the statistics suggest that majority of SMEs are dealing in general merchandise and hotels with mixtures of inventories and services. This requires multiple financial records to properly record inventories movement and services. However, information from FGD with Gulu market vendors association suggest that most SMEs do not have professional accountant and this affect the accuracy of the record to be used for business decision making.

#### 4.2.4 SME business association

Respondents were asked to provide their views about the business association to which their SMEs were associated. The findings are provided in the Table: 4.7 below.

**Table: 4.7: SME business association**

<b>SME Business association</b>	<b>Frequency</b>	<b>Percent</b>
Gulu Market Vendor Association	12	12.5
Gulu Business Community	24	25.0
Gulu Produce Buyers Association	8	8.3
Gulu Hotels Owners Association	16	16.7
Gulu Contractor Association	9	9.4
Others	27	28.1
<b>Total</b>	<b>96</b>	<b>100.0</b>

**Source: primary data**

From Table: 4.7, it can be noted that Gulu market vendors association had 12.5% (12), Gulu business community had 25% (24), Gulu produce buyers association had 8.3% (8), Gulu

hotels owners association had 16.7% (18), Gulu contractors association had 9.4% (9) and 28.1% (27) represented others. According to the District commercial officer Gulu, the business associations normally hold meetings to discuss costs and prices of their goods and services. The decision taken by members helps individual SME to develop price list for their goods and service. SMEs that are not registered with business association normally lack bargaining power from buyers as well as support from the district commercial office in terms of skill development.

#### 4.2.5 Length of time that SMEs businesses had been operated

Participants in this study were requested to indicate the duration in years they had operated their SME businesses in Gulu Municipality. The findings are provided in the Table: 4.8 below

**Table: 4.8: Length of time SMEs have been in operation**

<b>How long the SMEs had been operated</b>		<b>Frequency</b>	<b>Percent</b>
Valid	Less than 1 year	11	11.5%
	1-5 years	24	25.0%
	6 - 10 years	25	26.0%
	11-15 years	14	14.6%
	over 15 years	22	22.9%
	<b>Total</b>	<b>96</b>	<b>100.0%</b>

**Source: Primary data**

Findings provided in the above table: 4.8 reveal that 11.5%(11) of SMEs are less than a year, 25% (24) operated between 1-5 years, 26% (25) constituting majority had operated between 6

– 10 years, 14.6% (14) are between 11-15 years and 22.9% operated for over 15 years. It is clear from the data above that only 22% of the SMEs are more than 15 year old. These numbers has met the standard of national SMEs survey in Uganda which indicated that only 31% of the businesses operate for more than 15 years (Financial Sector Deepening Uganda, 2015). One of the reasons given in the survey to support this long stay is good financial record keeping that decision makers rely on. Subsequently, most of these SMEs in Gulu municipality use computers to keep financial records. Some of the SMEs less than 15 years use computer for typing letters only as suggested by the director of “Kwite Ber” Construction Company when applying for works and services. Others do not use computer at all and prefer manual record keeping as suggested by members of the FGD from Gulu market vendors association.

#### **4.2.6 Number of family members and staff helping the SME business**

Respondents were asked to indicate the number of family members who were helping in running the SMEs. The findings are quantified and provided in the Table: 4.9 below.

**Table: 4.9: Number of staff helping the SME business**

<b>Members helping the businesses</b>	<b>Frequency</b>	<b>Percent</b>
Less than five members	45	46.9%
5- 49 members	44	45.8%
50-100 members	4	4.2%
More than 100 members	3	3.1%
<b>Total</b>	<b>96</b>	<b>100.0%</b>

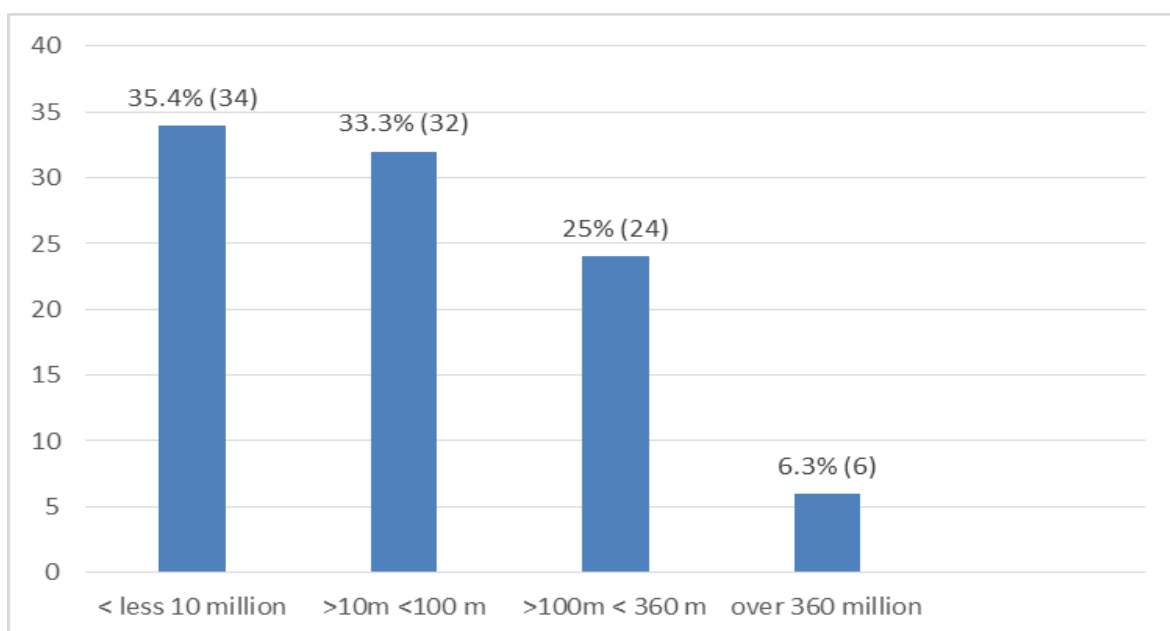
**Source: primary data**



Findings on the table: 4.9 above indicate that 46.9% (45) has less than five staff, 45.8% (44) has 5- 49 staff while 4.2% (4) has 50-100 staff and 3.1% (3) has more than 100 staff. The findings are a representation of the number of staff who are involved in keeping SME financial records as well as participated in the business decision making process in Gulu Municipality.

#### 4.2.7 Total of SME estimated assets owned

Participants were requested to provide evidence on the estimated assets of the SME business. The details of the finding are provided in the Figure: 4.3 below.



**Figure: 4.3: Worthiness of SMEs assets**

Findings presented in Figure: 4.3 above reveal that 35.4% (34) has estimated assets of less than 10 million, 33.3% (32) has assets estimated at more than 10 million but less than 100 million, 25% (24) had businesses assets over 100 million but less than 360 million and 6.3% (6) SMEs had assets estimated at over 360 million. The findings reveal a representation of

SMEs by their estimated assets in millions of shillings. These suggested that for SMEs to operate the assets at full capacities there are needs for financial records where decision to invest on input can be made. The owners also want financial record on working capital that can be used to operate long term assets. Accordingly, it is important for the SMEs to keep financial records which are used to support decision making processes.

#### **4.3 Findings on financial record keeping and business decision making processes of SMEs**

This section provides both descriptive and inferential results based on the objectives of the study namely; to assess the impact of safety of financial records on business decision making processes of SMEs in Gulu municipality, to assess the impact of ease of access to financial records on business decision making processes of SMEs in Gulu municipality, to assess the impact of completeness of financial records on business decision making processes of SMEs in Gulu municipality and to assess the impact of nature of financial statements on the relationship between financial record keeping and business decision making processes of SMEs in Gulu municipality. The Key used and rating are: SA (5) stands for strongly agreed, A (4) stands for agreed, UD (3) stands for Undecided, D (2) stands for disagreed and SD (1) stands for strongly disagreed. To further interpret mean scores, mean above three or  $>3.00$  stands for agreed and the mean below three or  $< 3.00$  stands for disagreed scores. Finally, SA & A are merged to show agree scores, UD scores are not grouped and SD & D stands for disagree.

### 4.3.1 Safety of financial records and business decision making processes of SMEs

The first objective was to assess the impact of safety of financial records on business decision making processes of SMEs in Gulu municipality. The opinions were accordingly collected and presented in the Table: 4.10 below.

**Table: 4.10: Opinions about the safety of financial records**

<b>Statements on safety of financial records</b>	<b>SA (5)</b>	<b>A (4)</b>	<b>UD (3)</b>	<b>D (2)</b>	<b>SD (1)</b>	<b>Mean</b>
This business provide safety of the financial records in orders to maintain the quality of the records	29% (28)	61% (58)	5% (5)	5% (5)	0% (0)	4.14
This business have control over locations where financial records are kept	31% (29)	54% (52)	8% (8)	5% (5)	2% (2)	4.05
All financial records in our business are filed immediately prepared	23% (22)	48% (46)	23% (22)	5% (5)	1% (1)	3.86
This business keep backup copies of all financial record	20% (19)	38% (37)	24% (23)	14% (13)	4% (4)	3.56
This business use passwords to prevent unauthorized access to financial records	18% (17)	26% (25)	28% (27)	26% (25)	2% (2)	3.31
All employees in this business have levels of access to financial record based on their levels of authorities	15% (14)	36% (35)	29% (28)	12% (11)	8% (8)	3.38

**Source: primary data**

Table: 4.10 above reveals that 90%, 86 respondents agreed that the business provided safety of the financial records in orders to maintain the quality of the records, 5%, 5 respondents were undecided and 5%, 5 respondents disagreed. Consequently it implied that SME business owners appreciate the value attached to their business records and therefore maintained the records for present and future business reference which support business decision making. This is seen in line with problem identification, identifying a solution to the problem, choosing the best option, taking action, and reviewing of the outcomes. To complement the findings, a group of 34 members of FGD from Gulu market vendors association had a common understanding about safety of financial records and reported that

they use drawer, lock and passwords to keep their records safe. However, other members do not believe that safety of the record can be guaranteed since they could forget their password and unauthorized person can break the lock and gain access to the records. This will reduced the quality of the record that decision makers rely on.

In another context, opinions were obtained about whether SME business had control over location where financial records were kept. The opinions included the mean of 4.05, 85%, 81 respondents agreed 8%, 8 respondents were undecided and 7%, 7 respondents disagreed. These suggests that SMEs had record measures and secure locations for instance safes, filling cabinets and other drawers where business records were kept hence such locations would enable SME owners to access the records and be able to improve business decision making processes. To further concretize the findings, a group of 34 member of the FGDs from Gulu market vendors association reported that they lock their record at home and other rely on the record provided by bank in form of account balance. They are contended that records provided by the banks are safer and reliable for business decision making.

Respondents representing 71%, 68 agreed that all financial records in their business are filed immediately prepared but nonetheless 6%, 6 respondents disagreed and 23%, 22 respondents were undecided. This suggest that such records were important for reflecting the financial stand of the SMEs. Therefore it was critical that all financial records were filed to avoid record mismanagement. It was observed that most members of Gulu hotel owners association and Gulu contractors association filed hard copy records in plastic files, box files and other filing materials which imply that such records would be accessed to improve business decision making of SMEs. To further complement on the quantified findings above, 34

members of FGD from Gulu market vendors association agreed that they put their records as soon as they reached home in their suitcase. These guarantee the safety of their records when it is needed for decision making.

Keeping backup copies of all financial record was another question that was asked under safety of financial records. Opinions obtained about the same question included mean score of 3.56, 58%, 56 respondents who agreed while 28% 17, respondents disagreed and 24%, 23 respondents were not sure. The findings suggest that in case of business disaster or lose of existing records, SME owners had offsite and on site backups which would be a fallback position where records would easily be retrieved and used to improve business decision making in such SMEs.

To the contrary, members of the FGD from Gulu market vendors association reported that they do not keep backup copies of their financial record and in case of loss of their record, they rely on the balance provided by the bank. This present some risk as both bank statement record and cash book records prepared should be reconciled to eliminate possible mistakes if any. Nonetheless, only authorized persons can access bank balances since one need to be a signatory before the records are provided. These increase the safety of such records for business decision making process.

Furthermore, 44%, 42 respondents agreed that passwords should be use on computers to prevent unauthorized access to financial records however, 28%, 27 respondents disagreed and 28%, 27 respondents were undecided. The result meant that SMEs use controls to ensure that

they secure their records on the computer. The controls include use of passwords and user names among others. Securing records would mean confidentiality and privacy to business records. This allows SMEs to maintain the quality of their record by protecting the records from unauthorized access. To the contrary 34 members of the FGD from Gulu market vendors association do not use passwords as they do not have computer for their business. They secure their records by lacking them in the suitcase

To descriptively conclude, 51%, 49 respondents agreed that employees in their SME business had levels of access to financial record based on their levels of authorities however, 20%, 19 respondents disagreed and 29%, 28 respondents were not sure. The findings meant that manual records were either labeled or classified as general and confidential with restriction while from the computer context, SME owners were administrators with full access and other SME workers were standard users with limited access. Subsequently, the levels of access secure financial records and only give SME owners free access to their records use for business decision making.

#### **4.3.1.1 Correlation results for safety of financial records**

The Pearson correlation technique was adopted and used to establish the direction and strength of relationship between safety of financial records and business decision making processes of SMEs. Therefore, below are the inferential statistics that were obtained.

**Table: 4.11: Correlation results for safety of financial records and business decision making**

	Safety of financial records	Business decision making
Safety of financial records Pearson Correlation	1	.469**
Sig. (2-tailed)		.000
N	96	96
Business decision making Pearson Correlation	.469**	1
Sig. (2-tailed)	.000	
N	96	96

\*\* . Correlation is significant at the 0.05 level (2-tailed).

Table: 4.11 above shows the correlations between safety of financial records and business decision making of SMEs. The findings presented indicate correlation or  $r = 0.469^{**}$  was significant at 95% (.000,  $p < 0.05$ ) and  $n$  as 96. These suggest that safety of financial records has a positive relationship with business decision making processes of SMEs in Gulu Municipality. It also implies that SMEs in Gulu municipality can improve on their business decision making by improving on safety of their financial records. Safety of financial record can be improved by having control over records location, engage in the immediate filing of records, creating backup copies of records, use passwords and levels of access to electronic records. This improved the availability of records upon which decisions can be made.

#### **4.3.1.2 Regression results for safety of financial records by SMEs**

The regression analysis was used to ascertain whether the safety of financial records had any variation on business decision making processes of SMEs. Below are the results that were obtained.

**Table: 4.12: Regression results for safety of financial records**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.469 <sup>a</sup>	.220	.212	.50024

a. Predictors: (Constant), safety of financial records

Table: 4.12 above shows regression results with R as .469, R squared as .220, adjusted R square as .212 and standard error of the estimate as .50024. The adjusted R<sup>2</sup> value of .212 above revealed that safety of financial records had a 21.2% variance on business decision making processes of SMEs while the remaining percentage of 78.8% was attributed to other factors not part of the study.

Hypothesis statement one that: *safety of financial records has positive impact on business decision making processes of SMEs in Gulu municipality was accepted (h1).*

#### **4.3.2 Ease of access to financial records and business decision making processes of SMEs**

The second objective of the study was to assess the impact of ease of access to financial records on business decision making processes of SMEs in Gulu Municipality. Ease of access to financial records was quantified based on a number of questions and opinions obtained are presented in the Table: 4.13 below.



**Table: 4.13: Opinions about ease of access to financial records**

<b>Statements on ease of access to financial records</b>	<b>SA (5)</b>	<b>A (4)</b>	<b>UD (3)</b>	<b>D (2)</b>	<b>SD (1)</b>	<b>Mean</b>
Management of our business work to support ease of access to financial records as means of keeping records	7% (7)	59% (57)	18% (18)	9% (8)	7% (6)	3.53
Management put publication of our business financial records on internet, newspapers, magazines etc	6% (6)	16% (15)	28% (27)	38% (37)	12% (11)	2.67
This business keep active files used on a daily basis in a place accessible to all employees in need	20% (19)	35% (34)	26% (25)	12% (11)	7% (7)	3.49
This business have organized electronic financial records on our financial database	15% (14)	25% (24)	33% (32)	20% (19)	7% (7)	3.20
All our financial records are clearly labeled and can be retrieved as soon as needed	19% (18)	49% (48)	15% (14)	14% (13)	3% (3)	3.68

**Source: primary data**

Table: 4.13 above show mean=3.53, 66%, 64 respondents indicated that management of SME business work to support ease of access to financial records however 16%, 14 respondents disagreed and 18%, 18 respondents were undecided. This suggest that as a matter of business continuity, majority of SME owners have avenue that support ease of access to financial records in case they are needed to support decision making within such SMEs. To the contrary, there are few SMEs that do not have system that ease access to financial records. This could negatively affect their ability to take advantage of business opportunity within short run.

Secondly, 50%, 48 respondents disagreed that SME management put publication of the business financial records on internet, newspapers and magazines amongst other, 28%, 27 respondents were undecided and 22%, 21 respondents agreed. The results suggest that majority of SMEs in Gulu Municipality had not used internet, newspapers and magazines amongst other to advertise their Financial record. This suggest that stakeholders such as

creditors, tax authority and the general public who are not involve in the day to day operation of the business have difficulties to access financial records to decide on extending credit and tax purposes. However, according to the Gulu Constructors association, their members can provide financial records when bidding for construction upon request by organizations. These are used by organization to evaluate their financial capability and decide on the best bidder.

Furthermore, mean 3.47, 55%, 43 respondents agreed that the SME business keep active files in a place that are accessible to all employees who need them however 26%, 25 respondents were undecided and 19%, 18 respondents disagreed. These imply that those active files that are used on day to day basis to aid normal business decision are made available to employees and owners of the business. Discussion with Gulu constructors association indicate that items put in the active files include, bills to pay, vendors list and price list amongst others. Reference to the file allows SMEs make daily business decision on payable and receivables. This assist in monitoring cash flow

Similarly, a mean of 3.20, 40%, 38 respondents agreed that their SME businesses had organized electronic financial records on their financial database while 27%, 26 disagreed and 33%, 32 respondents were undecided. The results suggest that SME has a central location of their financial records, which are only accessible by authorized persons. Additionally, Gulu hotel owners association and Gulu constructors association reported that they use ICT to produce and store LPOs, delivery notes, bid documents and make invoices among others to support their routine transactions. To the contrary, members of Gulu market vendors association and some members of Gulu business community reported that they do not have

ICT facilities for storing financial record. This affects their capacity to effectively take advantage of some business opportunities.

Lastly, 68%, 66 respondents agreed that all SME financial records were clearly labeled and could be retrieved as soon as needed while 17%, 16 respondents disagreed and 15%, 14 respondents were undecided. The findings are in line with the fact that most SMEs had records stored in box files labelled payment vouchers, receipts, invoices, debts, statements of account and counter book amongst others that authorized workers within the SMEs were permitted to access. Although this is one of the best practices, some few members of SMEs do not label their record and this affect ease of access to financial record when needed to support decision making.

#### **4.3.2.1 Correlation results for ease of access to financial records**

The Pearson correlation technique was adopted and used to establish the direction and strength of relationship between ease of access to financial records and business decision making of SMEs. Therefore, below are the inferential statistics that were obtained.

**Table: 4.14: Correlation results for ease of access to financial records**

	Ease of access to financial records	Business decision making
Ease of access to records	Pearson Correlation	1
	Sig. (2-tailed)	.209**
	N	.041
Business decision making	Pearson Correlation	96
	Sig. (2-tailed)	96
	N	1
		.041
		96

\*\* . Correlation is significant at the 0.05 level (2-tailed).

Table: 4.14 above shows correlations for ease of access to financial records and business decision making processes of SMEs in Gulu municipality. The findings indicate correlation or r of 0.209\*\* being insignificant at 95% (.041  $p > 0.05$ ) and  $n = 96$ . This suggests that ease of access to financial records had an insignificant positive impact with business decision making processes of SMEs in Gulu Municipality. Subsequently, increased in publication of records, keeping active business files accessible, organizing of electronic business records and clearly labeling of files would improve the business decision making processes of SMEs hence better business in Gulu Municipality.

#### **4.3.2.2 Regression results for ease of access to financial records**

The regression analysis was used to ascertain whether ease of access to financial records had any variation on business decision making processes of SMEs. The results are presented in the Table: 4.15 below.

**Table: 4.15: Regression results for ease of access to financial records**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.209 <sup>a</sup>	.044	.033	.55388

a. Predictors: (Constant), ease of access to financial records

Table: 4.15 above shows regression results with R =.209, R squared = .044, adjusted R square = .033 and standard error of the estimate = .55388 using the predictor; ease of access to financial records. The adjusted R<sup>2</sup> value of .033 above revealed that ease of access to financial records had a 3.3% variance on business decision making processes of SMEs while the remaining percentage of 96.7% was attributed to other factors not part of the study.

Hypothesis statement two that: *ease of access to financial records have a positive impact on business decision making processes of SMEs in Gulu Municipality was accepted (h1).*

### **4.3.3 Completeness of financial records and business decision making processes of SMEs**

The third objective of the study was to assess the impact of completeness of financial records on business decision making processes of SMEs in Gulu Municipality. Subsequently completeness of financial records was quantified using the questions presented in the Table: 4.16 below

**Table: 4.16: Opinions about completeness of financial records**

<b>Statements on completeness of financial records</b>	<b>SA (5)</b>	<b>A (4)</b>	<b>UD (3)</b>	<b>D (2)</b>	<b>SD (1)</b>	<b>Mean</b>
Management of this business ensure financial records are complete and use them to support the business	20% (19)	59% (57)	12% (11)	6% (6)	3% (3)	3.86
Our financial record reliability is high enough to support the business	16% (15)	60% (57)	10% (10)	9% (9)	5% (5)	3.71
Our financial records are relevant to our business decision making	29% (28)	48% (46)	15% (14)	5% (5)	3% (3)	3.95

**Source: primary data**

Findings presented in table: 4.16 above reveal 79%, 76 respondents agreed that the management of SME businesses ensured that financial records were complete and used the records to support their businesses. However, 12%, 11 respondents were undecided and 9%, 9 respondents disagreed respectively. The result therefore suggested that completeness of financial record such as payment vouchers, receipts, LPOs, delivery notes and invoices among others were important to support any sort of business decision making. Hence completeness of such records would improve the quality of business decisions made by SMEs in Gulu municipality.

Furthermore, SMEs that participated on FGD from Gulu market vendors association confirmed that they ensure their records are complete by recording all expenditures paid and income received and at the end of the day, they subtract expenditures from income to determined profit made.

Secondly, respondents were asked on whether SMEs financial record reliability was high enough to support their businesses and majority agreed with a 76%, 72 respondents while 10%, 10 respondents were undecided and 14%, 14 respondents disagreed. Subsequently the findings suggest that items included in SMEs records were factual and consistent and can influence decision making. To the contrary, a few SMEs do not record little expenditures and this affects reliability of their financial record to influence decision making.

Lastly, many respondents indicated that SME financial records were relevant to business decision making with 77%, 84 respondents agreed (mean=3.95), 15%, 14 respondents were not sure however 8%, 8 respondents disagreed to the statement. With majority of the respondents agreeing, it can be concluded that without relevant records for present and future reference, no SME can survive since it cannot have records to support the business take appropriate decision.

#### **4.3.3.1 Correlation results for completeness of financial records**

The Pearson correlation technique was adopted and used to establish the direction and strength of relationship between completeness of financial records and business decision making process of SMEs in Gulu municipality. Below are the results of the finding presented in Table: 4.17.

**Table: 4.17: Correlation results for completeness of financial records**

	Completeness of financial records	Business decision making
Completeness of financial records Pearson Correlation	1	.541**
Sig. (2-tailed)		.041
N	96	96
Business decision making Pearson Correlation	.541**	1
Sig. (2-tailed)	.041	
N	96	96

\*\* . Correlation is significant at the 0.05 level (2-tailed).

Table: 4.17 above shows correlation results for completeness of financial records and business decision making of SMEs in Gulu Municipality. The correlation finding or  $r = 0.541^{**}$  was significant at 95% (.000,  $p < 0.05$ ) and  $n = 96$ . This suggests that completeness of financial records had a significant positive impact on business decision making of SMEs in Gulu Municipality. Subsequently, SMEs can improve on the accuracy of their decision making by monitoring and improving reliability and relevancy of their financial records.

#### 4.3.3.2 Regression results for completeness of financial records

The regression analysis was used to ascertain whether completeness of financial records had any variation on business decision making processes of SMEs in Gulu municipality. The results are presented in the Table: 4.18 below.

**Table: 4.18: Regression results for completeness of financial records**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.541 <sup>a</sup>	.293	.286	.47618

a. Predictors: (Constant), completeness of financial records



Table: 4.18 above shows regression results with  $R = .541$ ,  $R^2 = .293$ , adjusted  $R^2 = .286$  and standard error of the estimate = .47618 using the predictor on completeness of financial records. The adjusted  $R^2$  value of .286 above imply that completeness of financial records had a 28.6% variance on business decision making processes of SMEs while the remaining percentage of 71.4% was attributed to other factors not part of the study.

Hypothesis statement three that: *Completeness of financial records has a positive impact on business decision making process of SMEs in Gulu Municipality was accepted (h1).*

#### **4.3.4 Nature of financial statements and business decision making processes of SMEs**

The fourth objective of the study was to assess the impact of nature of financial statements on the relationship between financial record keeping and business decision making processes of SMEs in Gulu Municipality. Subsequently, nature of financial statements was quantified using questions presented in the Table: 4.19 below.

**Table: 4.19: Opinions about the nature of financial statements**

<b>Statements on nature of financial statements</b>	<b>SA (5)</b>	<b>A (4)</b>	<b>UD (3)</b>	<b>D (2)</b>	<b>SD (1)</b>	<b>Mean</b>
Financial records prepared in this business are supported by facts about my transaction	39% (37)	45% (43)	7% (7)	3% (3)	6% (6)	4.06
Financial records prepared in this business are supported by assumption on thing that will happen or has happened	21% (20)	47% (45)	19% (18)	10% (10)	3% (3)	3.72
All transactions in this business are recorded at particular dates	30% (29)	53% (50)	7% (7)	4% (4)	6% (6)	3.96
All costs in this business are recorded at the cost paid for assets and expenses	28% (27)	49% (47)	15% (14)	5% (5)	3% (3)	3.94
All costs are recorded when cash is paid or when there is need to any cash	26% (25)	55% (53)	10% (10)	4% (4)	4% (4)	3.95
All income or sales in this business are recorded when received or when there is need to receive income	28% (27)	52% (50)	13% (12)	4% (4)	3% (3)	3.98
This business records all transactions that if omitted will negatively affect business decision	23% (22)	48% (46)	18% (17)	4% (4)	7% (7)	3.75
We exercise personal judgment when preparing financial records for this business	14% (13)	45% (44)	22% (21)	13% (12)	6% (6)	3.48

**Source: primary data**

Inasmuch as majority of the respondents in Table: 4.19 above show 84%, 80 agreed that financial records prepared in their business were supported by facts about their transaction, 7%, 7 respondents were undecided and 9%, 9 respondents disagreed. Additionally, FGD with members of Gulu market vendors association indicated that market vendors considers prices, quantities sold, dates of transaction and costs amongst others as facts that must be included in their financial records. It is therefore concluded that items included in the financial records must be supported by facts about that business transaction as far as possible in order for stakeholders to make realistic decision making using the record.

Similarly, 68%, 65 respondents agreed that financial records prepared in their businesses were supported by assumption on things that would happen or had happened however 19%,

18 respondents were undecided and 13%, 13 respondents disagreed. Furthermore, members of the FGD from the market vendors association assumed that prices recorded and charged to customers sometime depend on the bargaining powers of the customers. Subsequently, higher prices are recorded and charged on customers with lower bargaining power than customers with higher bargaining power as stated by the groups. Following these information, a good assumption improve the nature of financial statement and its impact on the relationship between financial record keeping and business decision making.

Furthermore, 83%, 79 respondents agreed that all transactions in their businesses were recorded at particular dates while 7%, 7 respondents were undecided and 10%, 10 respondents disagreed. The result suggests that financial records by nature must be recorded at specific date of transaction when cash are received or receivable. Transactions recorded at a specific date facilitate timely decision making, comparisons of performance within different periods, projecting future planning and performance.

Additionally, 77%, 74 or mean= 3.94 respondents agreed that all costs in their business were recorded at the cost paid for assets and expenses however 15%, 14 respondents were undecided and 8%, 8 disagreed. This implied that most SMEs are accurately recording their costs although a few of them do not accurately records their costs as they are either not sure or disagreed whether items are recorded at the cost paid. This affect the items included in financial statement by nature and its impact on the relationship between financial record keeping and business decision making processes of SMEs in Gulu municipality.

Similarly, 82%, 78 respondents agreed that all costs were recorded when cash was paid or when there was need to pay cash, 10%, 10 were undecided and 8%, 8 disagreed. Subsequently, these suggest that majority of SMEs in Gulu municipality records their costs when cash is paid or payable. These inform investment decision for owners of capital which affects the future profitability and expansion of business in terms of customers and channel of distribution that may require cash to support working capital.

Further still, more respondents 71%, 77 agreed that all income or sales in their business were recorded when received or when there was need to receive income however 13%, 12 respondents were undecided and 7%, 7 respondents disagreed. Inasmuch as the findings suggests that most SMEs accurately recorded credit and cash sales, a few of them do not accurately prepare the records. These lead to understatement of the income for some SMEs.

In line with the above, 71%, 68 respondents agreed that SME business recorded all transactions that if omitted would negatively affect business decisions made however, 18%, 17 respondents were undecided and 11%, 11 respondents disagreed to the statement. These suggest that majority of the SMEs comply with materiality principle and record all transactions that if omitted would negatively affect decision taken on the basis of such record.

Lastly, respondents were asked whether they exercised personal judgment when preparing financial records for the SME business. Majority of 60%, 57 respondents agreed while 22%, 21 respondents were undecided and 19%, 18 respondents disagreed. These suggest that personal judgments are very important in determining items that should be included in their

financial statements that affect the nature of financial statement and the financial records therein.

#### 4.3.4.1 Correlation results for nature of financial statements

The Pearson correlation technique was adopted and used to establish the direction and strength that the nature of financial statements had on the relationship between financial record keeping and business decision therein. Subsequently, the results are presented in the table: 4.20 below.

**Table: 4.20: Correlation results for nature of financial statements**

	Completeness of financial records	Business decision making
Completeness of financial records Pearson Correlation	1	.365**
Sig. (2-tailed)		.000
N	96	96
Business decision making Pearson Correlation	.365**	1
Sig. (2-tailed)	.000	
N	96	96

\*\* . Correlation is significant at the 0.05 level (2-tailed).

Table: 4.20 above shows correlation results for nature of financial statements and business decision making of SMEs. The findings indicate the correlation or  $r = 0.365^{**}$  was significant at 95% (.000,  $p < 0.05$ ),  $n = 96$ . These suggests that nature of financial statements records had a significant positive relationship with the relationship between financial record keeping and the process business decision making of SMEs in Gulu Municipality. Consequently, securing of recorded facts, adhering to the accounting convention, postulating

as well as using personal judgment by SMEs members would help improve the relationship between financial record keeping and business decisions making processes of SMEs in Gulu municipality.

#### 4.3.4.2 Regression results for nature of financial statements

The regression analysis was used to ascertain whether nature of financial statements had any variation on business decision making processes of SMEs. The results are presented in the Table: 4.21 below

**Table: 4.21: Regression results for nature of financial statements**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.365 <sup>a</sup>	.133	.124	.52732

a. Predictors: (Constant), nature of financial statements

Table: 4.21 above shows regression results with R as .365, R squared as .133, adjusted R square as .124 and standard error of the estimate as .52732 using the predictor; nature of financial statements. The adjusted R<sup>2</sup> value of .124 above revealed that nature of financial statements had a 12.4% variance on nature of financial statement and its impact on the relationship between financial records keeping and business decision making processes of SMEs while the remaining percentage of 87.6% was attributed to other factors not part of the study.

Hypothesis statement four that: *The nature of financial statements have a positive impact on the relationship between financial record keeping and business decision making processes of SMEs in Gulu Municipality was accepted (h1).*

## **CHAPTER FIVE**

### **SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.0 Introduction**

This chapter includes summary, discussion, conclusions and recommendations based on the specific objectives of the study. It further continued with limitations of the study and ends with areas for further studies.

#### **5.1 Summary of the study**

This section provides a summary of the findings based on objectives. The four objectives are; to assess the impact of Safety of financial records on business decision making processes of SMEs in Gulu municipality; to assess the impact of ease of access to financial records on business decision making processes of SMEs in Gulu municipality; to assess the impact of completeness of financial records on business decision making processes of SMEs in Gulu municipality and to assess the impact of nature of financial statements on the relationship between financial record keeping and business decision making processes of SMEs in Gulu municipality.

##### **5.1.1 Safety of financial records and business decision making processes of SMEs**

The study established that safety of financial records and business decision making of SMEs were positively related with a correlation score of 0.469\*\* realized. This suggested that increase in the safety of financial records lead to improvement of the quality of business decision. Accordingly safety of financial records can be improved by having control over their records location, filing their records promptly, having backup copies of records, use of



passwords and observing the levels of access to their electronic records. This positively impacted on business decision making processes of SMEs in Gulu Municipality.

### **5.1.2 Ease of access to financial records and business decision making processes of SMEs**

One of the financial record keeping dimensions was ease of access to financial records which is found to positively relate (.209\*\*) with business decision making processes of SMEs in Gulu Municipality. This suggested that increase on ease of access to financial record impact positively on the quality of business decision. Ease of access to financial record can be increased by in increasing publication of financial records, keeping active business files accessible and keeping organized electronic records, clearly labeling file. These increased the quality of business decision making processes of SMEs in Gulu municipality.

### **5.1.3 Completeness of financial records and business decision making processes of SMEs**

Completeness of financial records another independent variable was found to have a positive relationship (.541\*\*) with business decision making processes of SMEs in Gulu Municipality. Consequently, increase in the level of completeness of financial records impacts positively on the quality of decision made. Therefore it is concluded that reliability and relevancy of business records would improve business decision making processes of SMEs hence better business decision making process.

#### **5.1.4 Nature of financial statements on the relationship between financial record keeping and business decision making processes of SMEs**

The nature of financial statement another independent variable was found to relate positively (.365\*\*) with the relationship between financial record keeping and business decision making processes of SMEs in Gulu Municipality. This suggests that by improving financial statement nature, the relationship between financial records and business decision making would improve positively. In that case, nature of financial record can be improved by improving on recorded facts in the financial statements, adhering to the accounting conventions, properly postulating as well as using personal judgment by SMEs members.

### **5.2 Discussion**

This section of the study provides a detailed discussion on financial record keeping and business decision making process of SMEs based on the objectives of the study.

#### **5.2.1 Safety of financial records and business decision making processes of SMEs**

With results reflecting a positive significant relationship between safety of financial records and business decision making processes of SMEs in Gulu municipality, it can be argued that without records no business can survive. The above stated phrase is a reflection of how the respondents provided their opinions about the safety of financial records of SMEs. For instance respondents agreed that their businesses had control over locations where financial records were kept.

The results are a reflection of one scholar Kramer (2014) who stressed that safety of financial record can be evidence by having control over location, clearly label everything, filing everything immediately, and keeping active files accessible, backup copies, use of passwords and level of access. Similarly, Millichamp and Taylor (2012) argue that having control over location will enhance effectiveness of operation, reliability of financial reporting and compliance with law and regulation. These lower the risk base business decision making process on borrowings and financing costs by ensuring more accurate preparation hence compliance with debt agreements (Kabali, 2010).

Best practice indicates that organization can have full control over location of financial records by use of passwords, safe and lock amongst others. This prevent unauthorized access to the records that management need for decision making hence better business decision making processes.

On the other hand, a numbers of conflicting opinions where provided by respondents who disagreed to the facts that businesses seem not to have control over location due to lack of facilities such as safes, computers, filing cabinets amongst others. These exposed the record to unauthorized person that altered the records hence affected the decision made on the basis of such records.

Ultimately, the above showed that, respondents agreed to use safety of financial record to support the process of business decision making of SME in Gulu municipality. The findings concur with Brent (2013) who coincides that passwords should be used to authenticate access to data. Similarly, Hall (2009) added that there should be level of access to financial records

for all users to restrict access to confidential information and Kaplan (2012) advised that segregation of duty allows SMEs to control authority level by allowing individual access data within their level of powers. Many organization uses password to keep information safe to avoid loss of valuable records that are used to support decision making processes. On the contrary, some respondents during FGD with Gulu market vendors association disagreed to the statement citing forgetting the password hence loss of valuable information pass worded.

### **5.2.2 Ease of access to financial records and business decision making processes of SMEs**

The result of the finding indicated positive relationship between ease of access to financial record and business decision making of SMEs in Gulu Municipality. However, the regression result shows that the process of business decision making has other factors that positively contribute to it alongside ease of access to financial records. For effective decision making processes, SMEs should therefore consider all factors alongside ease of access to financial record.

Ease of access to financial records refers to situations where financial records are made available to the general public who has interest in the entity (Kaplan, 2012). Stakeholders wants the financial records to support the process of decision making such as investment, financing, product costing, employment, marketing, pricing and taxation (Byekwaso, 2015). According to Kaplan (2012), financial record can easily be accessible through publication, keeping active files accessible, keeping electronic record and clearly labeling of information.

The international accounting standard board (IASB) requires SMEs to prepare annual financial report for publication and gave the format of published financial statements.

According to the IASB, published financial statement should include; statement of financial position and statement of profit and loss and other comprehensive income (Kaplan, 2012). However, Bakare and Issa (2016) noted that many organizations would not survive without keeping, maintaining, and using their records in the active files beside the published financial records. This is due to the need to make quick decision and take advantage of the daily business opportunities (Bakare and Issa, 2016). Schiff and Bates (2010) advised that electronic records are needed to support business decision making process. Modern businesses are required to have financial record keeping software that solves the problem of financial record keeping and provide timely electronic records to inform management decision making (Kaplan 2012).

In the real world of today, businesses are advised to prepare general purpose financial statements for stakeholders such as creditors, tax authority and owners amongst other. The general purpose financial statement help the stakeholders to make decision that affects them. This statement must be made available to the general public at all time by advertising on internet, newspapers and magazine amongst others. To the contrary, some SMEs did not agree to these facts and are not ready to publicize their financial statement. These negatively affect decision making by stakeholders

### **5.2.3 Completeness of financial records and business decision making processes of SMEs**

With the finding indicated positive contribution of completeness of financial records on business decision making process, SMEs have engaged in ensuring all little expenses that are material in nature are included in the financial record that decision makers rely on. This has improved reliability and relevancy of financial records. SMEs therefore keep list of items

paid or payable and income received or receivable to effectively determined their profit, cash flow and planning. Accordingly the capacity to determined profit and cash flow facilitate investment decision.

Millichamp and Taylor (2012) looked at Completeness of financial records of SMEs in terms of its effects on transactions, account balance, presentation and disclosure of financial records. Millichamp and Taylor (2012) noted that completeness looks at whether all transactions that occurred during the period have been recorded and gave example that if SMEs fail to record a valid revenue transaction, the revenue account balance will be understated. Millichamp and Taylor (2012) ended by stating that completeness is also concern with whether all disclosure such as pending law suit, claims and receivables that should have been included in the financial record have actually been included and properly presented in the financial statements. Incomplete financial record reduces the efficiency and effectiveness of the decision taken on the basis of the record in resolving the intended problem.

Byekwaso (2015) attributed the reasons why SMEs have incomplete financial records to high cost of accounting personnel and that SMEs do not appreciate the roll of accountant and destruction of accounting record by natural disasters, disappearance of accounting records and lack of professionalism in preparation of the financial records as the other reasons.

Contemporary financial record includes all contingent liabilities that depend on occurrence of particular events in the future. If there are pending law suit, it must be fully disclosed in the financial statement notes with the likely cost that may be incurred so that decision makers are

guided to make the right decision. These also include assets that are held for sale and any discontinued operation due to impairment or obsolescence. If these are not properly recorded and disclosed they will affect the level of assets and future profitability. To the contrary, some SMEs do not agree to full disclosure to that effect as they fear it affects customer base. These affect completeness of their financial record that stakeholders should rely on for decision making.

#### **5.2.4 Nature of financial statements on the relationship between financial record keeping and business decision making processes of SMEs**

It has been found that financial statements by nature are items included in the financial records. The items included in the financial records are invoice paid or payable, income received or receivable, wear and tear of assets amongst others. Most SMEs exercised personal judgement and belief in accounting convention as a means of treating these items in the financial statement. These therefore made the nature of financial statement have positive impacts on the relationship between financial record keeping and business decision making processes of SMEs in Gulu municipality.

According to Mishra (2014), financial statements, by nature, are summaries of the items recorded in the business and these statements are prepared periodically and generally for the accounting period. Mishra (2014) added that the nature of financial statements are affected by recorded facts concerning the business transactions, conventions adopted to facilitate the accounting technique, postulates or assumptions made and personal judgments used in the application of the conventions and postulates. The nature of financial record determines what accountant needs to do in order to provide safety, completeness and ease of access to

financial record. According to Mishra (2014), tangible records can be accessed by means of organized filing system while soft copies can be accessed by means of passwords to the location of soft copies. This position agreed to suggestion by Kaplan (2012) who advised that unauthorized access can otherwise affect the safety and completeness of the financial record which determine the process of business decision and the resultant decision taken on the basis of the record thereafter (Kaplan, 2012).

In practice, financial statement must include all information that if omitted will materially affect decision making taken on the basis of the records. However, most SMEs have failed to keep complete record and small expenses are left out which have affected accuracy of their cash flow and inventory records. These also affect decision on planning future investment and human resources needed. The lack of proper plan affects decision making in all aspect of their business.

### **5.3 Conclusions**

This section of the study concluded study findings on financial record keeping and business decision making process of SMEs based on the objectives of the study and the positive accounting theory.

#### **5.3.1 Safety of financial records and business decision making processes of SMEs**

From the study findings provided earlier on safety of financial records and business decision making processes of SMEs, it is learnt that keeping financial records, having control over the locations where they are stored improve records retrieval of the records and use especially during the decision making. On the other hand, immediate filing and backup copies (records)



reduces chances of records mismanagement thus foster good decision hence business continuity which eliminate business threats.

### **5.3.2 Ease of access to financial records and business decision making processes of SMEs**

From the study it was established that ease of access to financial records improved business decision making and it is concluded that advertising using Internet, newspapers and other media by SMEs would lure customers much as it is a cost. In addition, keeping active business files accessible, organizing of electronic business records and clearly labeling them would improve business decision making hence better business.

### **5.3.3 Completeness of financial records and business decision making processes of SMEs**

From the study, it is noted that completeness of financial records and business decision making were positively related and therefore it is concluded that, more SME needed to have a highly reliable and relevant financial records to aid completeness and decision making.

### **5.3.4 Nature of financial statements on the relationship between financial record keeping and business decision making processes of SMEs**

The nature of financial statements was seen to impact positively on the relationship between financial record keeping and business decisions making processes of SMEs. Therefore, it is concluded that recorded facts at a specific date and reflecting all business transactions would be important to rely on in order to realize better decision making processes.

#### **5.3.4 Conclusion on positive accounting theory.**

As seen from the data collected, arrangement of SMEs businesses are in line with the idea of Positive Accounting theory (PAT) which assumed that there are internal stakeholder such as staff and owners and external stakeholders such as creditor and suppliers. These stakeholders are interested in minimizing contract cost of negotiation, renegotiation and monitoring. Cost minimization strategies were very much reported by all business association that are comfortable with choosing the best decision that minimized cost and increase profitability. This is noted in the finding where there is a positive correlation between nature of financial statements and its impact on the relationship between financial records keeping and business decision making process of SMEs in Gulu municipality. Subsequently, when you increase the quality of items included in the financial statement by nature, it leads to increase in the relationship between financial records keeping and business decision making processes of SMEs in Gulu municipality. Therefore, the theory was very relevant to this study.

#### **5.4 Recommendations**

The statements provided below represent recommendations made for the study to close gaps identified in the discussions held above on financial record keeping and business decision making process of SMEs. The recommendations are in line with the objectives of the study.

##### **5.4.1 Safety of financial records and business decision making processes of SMEs**

Inasmuch as safety of financial records and business decision making processes of SMEs were found to move in the same direction, some gaps were identified during the discussion held about the two variables. The gaps were as a result of weak controls and lack of facilities and recommendations are hereunder.

It is recommended that SMEs owners consider safety of the records by providing better facilities such as safe, filing cabinets and computers where records can be kept with multiple backup copies. These allow easy retrieval of the records in its original forms and qualities whenever it is needed for various business reasons. Subsequently, relying on such records improves the safety of the records and business decision making process.

It is recommended that SMEs owners and their staff who frequently use financial records should have password register as a reference in case of loss. The register is where passwords are kept and put safe from unauthorized person. This will help curb the problem of loss and forgetting the passwords.

#### **5.4.2 Ease of access to financial records and business decision making processes of SMEs**

Overall, ease of access to financial records and business decision making process were found to have positive relationship but other staff of owners disagreed due to notable gaps. These gaps are more of laxity within staff and owners to have level of access to financial record based on level of authorities and lack of daily records. These gaps were evident in the discussion held in 5.2.2 above. The recommendations to curb the gaps are hereunder.

SMEs should facilitate ease of access to the record by having proper level of access to the record based on individual level of authorities. This would allow individual take appropriate

decision and take risks that they can easily provide reliable solution. . This would help them in locating the records of solution provided and the decisions therein.

Additionally, SMEs should also have daily records properly maintained using computer with proper access criteria for use in their business. This facilitates all stakeholders' knowledge of how records are located which can be used to support day to day business decision making.

#### **5.4.3 Completeness of financial records and business decision making processes of SMEs**

Although completeness of financial records indicated a significant positive relationship with the business decision making processes of SMEs, discrepancies were identified as discussed in 5.2.3 above. The recommendations to curb the gaps are hereunder.

SMEs should ensure that all expenses both small and big amounts are properly recorded and included in their records. Small expenses that when aggregated would materially affect decisions making processes should not be omitted from the financial records. These ensure records are complete and owners of the business can rely on for decision making.

Additionally, SMEs should use specialized computer software capable of recording and analyzing financial records efficiently and effectively and trained staff on how to apply it on record keeping. This will facilitate a robust means of providing accurate information needed for day to day business decision making.

#### **5.4.4 Nature of financial statements on the relationship between financial record keeping and business decision making processes of SMEs**

Nature of financial statements constituted the antecedent variable hence affecting the relationship between financial record keeping and business making processes of SMEs. This variable highlighted weakness related to lack of facts in the financial statement and accounting procedures. The recommendations to curb the gaps are hereunder.

SMEs should ensure that all financial statement items come from the facts of the business activities on which expenses are incurred. The facts should follow proper accounting assumptions such as first in first out method of inventory treatment in the financial records. This assumption must be applied consistently for easy reconciliation of account balances. These improve reliability of the record for decision making process.

Additionally, this items recorded should follow proper accounting procedure of double entry principles, properly recorded and used to prepare financial statements. Furthermore, summaries of the double entries should support the financial statement to accurately provide statement of the SMEs affaires and profitability of the items that support business decision making.

#### **5.5 Limitations of the study**

The study encountered a number of limitations of which some are presented in the statements provided hereunder.

The lack of information was one of the main limitations that were encountered. The respondents lacked adequate information specifically from their own financial records much as the researcher overcame this limitation by encouraging SMEs persons to provide the incomplete estimated records made by non-accountants for analysis. Therefore the results would be generalized for that matter.

Additionally, behavioral related limitation exhibited by some respondents who expressed unwillingness to disclose financial information concerning their businesses since it was deemed confidential. Inasmuch as this limitation was sorted and overcome by convincing people that information was specifically for academic purposes and would be handled with confidentiality it deserve some SMEs could not release information since there was no guarantee which they could belief in and this affected 100% achievement of the sample size planned. Nonetheless the information they provided was representative of the SME environment in Gulu Municipality hence study results could not be generalized.

Lastly the study on financial recording keeping and business decision making processes of SMEs was conducted in Gulu Municipality yet there are variations in conditions affecting the two variables say in Jinja Municipality where results obtained when a study is conducted might be different from those of this study. Therefore, results would not be generalized that what takes place in Gulu is similar to what affects SMEs in Jinja.

## **5.6 Areas for further study**

The following areas hereunder are considered for further studies.

The study of the qualitative characteristics of financial records and performance of SMEs is recommended. This is important to know whether or not SMEs are keeping the desired qualities of records needed and the problem therein.

Additionally, the relationship between financial record keeping for decision and the performance of SMEs should be investigated to establish the extent of the relationship.

Lastly, it would be important to investigate why continuous improvement support given by government on financial record keeping are not leading to the desired improvement in the financial performance of the SMEs.

## Appendix I: Questionnaire

### Questionnaire on Financial record keeping and business decision making processes of SMEs in Gulu Municipality

Dear respondent,

This is an academic survey which is aimed at collecting data on financial record keeping and business decision making processes of SMEs in Gulu municipality. The investigation is purely for research purposes and all the information will be kept strictly confidential. The study is in partial fulfillment for the award of a Masters' Degree in Management Studies of Uganda Management Institute. Because of your skills and experience, you have been identified as a resource person to contribute to this study.

Thank you in advance.

#### Section A: General information

- 1- Name of Business and person.....
- 2- Gender (tick as appropriate)

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

- 3- Nature of business.  
(Please tick as appropriate)

limited company	Partnership	Sole proprietor	Family owned business	Others (specify)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- 4- Type of trade  
(Please tick as appropriate)

General merchandise	Manufacturing	Service hotels	or	Construction	Others (specify)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- 5- Which of the association below this business is a member (Please tick as appropriate)

Gulu market vendor association	Gulu business community	Gulu produce buyers association	Gulu hotels owners association	Gulu contractor association	Others (specify)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- 6- How long has this business been in operation?  
(Please tick as appropriate)

Less than 1 year	Between 1 to 5	Between 6 to 10	Between 11 to	Over 15 years
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



	years	years	15 years	

7- How many people including family members are helping or are employed in this business?

(Tick as appropriate)

Less than 5	Between 5 to 49	Between 50 to 100	More than 100

8- What is the total assets amount owned by this business on average?

(Tick as appropriate)

Less than 10 million	10 million but less than 100 million	100 million but less than 360 million	More than 360 million

### Section B: Nature of financial statements

9- Use the two tables below and answer each case which will show the extent you agree with the variables in the nature of financial statements of this business entity

#### Keys

<b>Strongly agree</b>	<b>Agree</b>	<b>Disagree</b>	<b>Strongly disagree</b>	<b>Undecided</b>
<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>

Use the keys above to complete the table below and tick as appropriate

<b>Nature of financial statements</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
Financial records prepared in this business are supported by facts about my transaction					
Financial records prepared in this business are supported by assumption on thing that will happen or has happened					
All transactions in this business are recorded at a particular dates.					
All costs in this business are recorded at the cost paid for assets and expenses					
All costs are recorded when cash is paid or when there is need to pay cash					
All income or sales in this business are recorded when received or when there is need to receive the income					
This business records all transactions that if omitted will negatively affect business decision					
We exercise personal judgement when preparing financial records for this business					

### Section C: Financial record keeping

10- Do you have professional accountant in this business? Yes/No

11- If no, what is the reason for not having professional accountant?

(Tick "Yes" or "No" in the box provided)

<b>Reasons for not having professional accountant</b>	<b>Yes</b>	<b>No</b>
Professional accountants are expensive		
Professional accountant is not relevant and may not add value		
We intend to employ a professional accountant		
Our accountant have resigned and we have not yet replaced		
We can keep financial records without having professional accountant		

12- What are the qualifications of management team in this business? (tick as appropriate)

Primary level	O level	A level	Diploma level	Degree and above

13- How does this business keep financial records? (Tick as appropriate)

Use of counter book	Us MS excel	Use accounting software	Use of MS access	Other (specify)

14- Use the two tables below and answer each case which will show the extent you agree with variables in keeping financial record in this business entity

**Keys**

<b>Strongly agree</b>	<b>Agree</b>	<b>Disagree</b>	<b>Strongly disagree</b>	<b>Undecided</b>
<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>

Use the keys above to complete the table below and tick as appropriate

<b>Financial record keeping</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
This business provide safety of the financial records in orders to maintain the quality of the records					
This business have control over locations where financial records are kept					
All financial records in our business are filed immediately prepared					
This business keep backup copies of all financial record					
This business use passwords to prevent unauthorized access to financial records					
All employees in this business have Levels of accessto financial record based on their levels of authorities					
Management of our business work to support ease of access to					

financial records as a means of keeping the records					
Management put publication of our business financial records on internet, newspapers, magazine etc.					
This business keep active files used on a daily basis in a place accessible to all employees in need					
This business have organized electronic financial records on our financial data base					
All our financial records are clearly labeled and can be retrieved as soon as needed					
Management of this business ensure financial records are complete and use them to support the business					
Our financial record reliability is high enough to support the business					
Our financial records are relevant to our business decision making					

**Section D: Business decision making process**

15- Use the two tables below and answer each case which will show the extent you agree with variables about the process of business decision making in this business entity

**Keys**

<b>Strongly agree</b>	<b>Agree</b>	<b>Disagree</b>	<b>Strongly disagree</b>	<b>Undecided</b>
<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>

Use the keys above to complete the table below and tick as appropriate

<b>The process of business decision making</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
Our business problems identification is also about low profitability for some items					
Management of this business identify options available to solve the problem of low profitability of some items in the business					
Management of this business choose the best option to solve the problem of low profitability					
Management of this business take action and make decision that solve the problem of low profitability for the items					
Management of this business review outcomes of decision made					

on how it affects liquidity and profitability of this business					
--	--	--	--	--	--

16- Are there specific steps you follows when making business decision? (Yes/No)

17- If yes, what are the first five steps if any?

- i) .....
- ii) .....
- iii) .....
- iv) .....
- v) .....

18- If no, what do you consider when making business decision?

- i) .....
- ii) .....
- iii) .....
- iv) .....
- v) .....

19- What other problems of financial record keeping affects this business decision making process?

.....  
 .....  
 .....  
 .....  
 .....

## Appendix II: Focus Group Discussion

### Focus group discussion guide on financial record keeping and business decision making processes of SMEs in Gulu Municipality

Dear respondents,

This is an academic survey which is aimed at collecting data on financial record keeping and business decision making processes of SMEs in Gulu municipality. The investigation is purely for research purposes and all the information will be kept strictly confidential. The study is in partial fulfillment for the award of a Masters' Degree in Management Studies of Uganda Management Institute. Because of your skills and experience, you have been identified as a resource person to contribute to this study.

Thank you in advance.

#### Section A: General information

- 1- Name of SME/Business association.....
- 2- Name of the Market and division.....
- 3- Type of businesses and name of participants

S/N	Names	Type of business	Signature

- 4- By tallying, how long has these businesses been in operation?

(Please tally as appropriate)

Less than 1 year	Between 1 to 5 years	Between 6 to 10 years	Between 11 to 15 years	Over 15 years

5- By tallying how many people are employed by each of the businesses?

Less than 5	Between 5 to 49 years	Between 50 to 100 years	Over 100

6- By tallying what is the total assets amount of each of the business on average?

Less than 10 millions	10 million but does not exceed 100 millions	100 million but does not exceed 360 million	Exceed 360 million

**Section B: Nature of financial statements and financial record keeping**

7- What do you consider in preparation of financial statement?

- i) .....
- ii) .....
- iii) .....
- iv) .....
- v) .....

**Section C: Financial record keeping**

8- Do you all have professional accounting in your company? Yes/No

9- By tallying what are the qualifications of the management team for each of the business?

Primary level	O level	A level	Diploma level	Degree and above

10- By tallying how does your business keep financial records?

Use of counter book	Us MS excel	Use accounting software	Use of MS access	Other (specify)

11- Do you agree to consider the following in keeping your financial record?

- i) Safety of the records (Yes/No)
- ii) Ease of access to the record (Yes/ No)
- iii) Completeness of financial record (Yes/No)

12- According to each business, what is critical to ensure safety of financial records for a smooth business decision making process?

- i) .....
- ii) .....
- iii) .....
- iv) .....
- v) .....

13- According to your business, which one of the followings is critical to ensure ease of access to your financial records and a smooth business decision making process?

- i) .....
- ii) .....
- iii) .....
- iv) .....
- v) .....

14- What do you consider according to your business for complete financial records?

- i) .....
- ii) .....

**Section C: Business decision making process**

15- Are there steps you follow when making business decision? (Yes/No)

16- If yes, what are the first five steps?

- i) .....
- ii) .....
- iii) .....
- iv) .....
- v) .....

17- If no, what do you consider when making business decision?

- i) .....
- ii) .....
- iii) .....
- iv) .....
- v) .....

18- What other problems of financial record keeping affecting your business decision making process?

.....  
.....  
.....  
.....  
.....  
.....

Interview conducted by: .....

Signature: .....

Date.....



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## Appendix IV

<i>Table for Determining Sample Size of a Known Population</i>									
N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	1000000	384

*Note: N is Population Size; S is Sample Size* *Source: Krejcie & Morgan, 1970*