Financial Records and Financial Performance of Small and Medium Enterprises in Mukono Municipality

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Abstract: The study examined the relationship between financial records and financial performance of SMEs in Mukono Municipality. Specifically, the study aimed at; establishing the relationship between safety of financial records and financial performance; examining the relationship between ease of access to financial records and financial performance; assessing the relationship between completeness of financial records and financial performance. Correlational cross-sectional survey design was used. The study used 252 proprietors of SMEs in Mukono municipality as the population of the study (Mukono municipality performance report 2021), from which, the researcher selected a sample of 154 respondents using Slovene's formula. Simple random sampling and purposive sampling methods were used to select the sample. Self-administered questionnaire and documentary review checklist were used for data collection. The findings indicated that; Safety of financial records has a positive significant relationship with financial performance. Regarding ease of access to financial records has a significant relationship with financial performance was revealed by the finding. The financial performance of SMEs can be improved once ease of access to financial records is effectively worked on. Completeness of financial records has a positive significant relationship with financial performance of SMEs as revealed by the findings. The study recommended; Proprietors of SMEs should develop a good data safety systems to monitor and track all the business transactions, develop and improve an effective data access system for sound financial reporting as well as ease of access to financial records, and develop an effective and reliable financial records system which evaluates each SMEs' performance, as well.

Keywords— financial; records; performance;

INTRODUCTION

Background of the study

The earliest financial records were found over 7,000 years ago among the ruins of Ancient Mesopotamia. At the time, people relied on accounting to keep a record of crop and herd growth. They used financial techniques that are still used today to determine if there was a surplus or shortage after crops were harvested each season (Mwebesa, Kansiime, Asiimwe, Mugambe, & Rwego, 2018). The Mesopotamians kept the earliest records of goods traded and received, and these activities are related to the early record-keeping of the ancient Egyptians and Babylonians. The impact of financial accounting recording on the performance of small and medium enterprises basically aims at ascertaining how financial accounting reporting has helped in advancing the objectives of organizations(Ronald, 2018).

This study adopted the Life cycle theory states "records of organizations are managed in three phases of creation, use and disposition" (Boarchie, 2017). Record creation is the first stage which occurs when the business application user declares a record such as a receipt. Maintenance and use is the second stage in the life cycle of a record. Maintenance and use refers to any action involving the storage, retrieval and handling of records. Disposition is the last stage in the life cycle of a record. Disposition encompasses the destruction or transfer to an archive for future reference (Baker, 2018).

Therefore SMEs can manage their financial records in three stages to improve financial performance.

SMEs can properly; timely and transparently practice financial record keeping where there are relevantly adequate financial records and accounting systems in place (Mbagua, 2021). For example, without the relevant financial records on leased or purchased assets, the assets' register and consequently, the financial statements may not be prepared or even if prepared under such circumstance, they may be misleading since they do not represent the true state of affairs (Mbabazi, 2020).

Mwebesa et al. (2018) defined financial record keeping systems are a set of components that collects, records, classifies, analyses, and processes and summarizes business transactions in the books of accounts. A system should be simple to use, easy to understand, reliable, accurate consistent and designed to provide information on a timely basis. Also Ronald (2018) noted that record keeping involves identification, classification, storage, protection, receipt and transmission, retention and disposal of records for preparation of financial statements. He also adds that record keeping also includes policies, systems, procedures, operations and personnel required to administer records.

Financial records are the products of an accounting system. Accounting system is an orderly, efficient, scheme for providing accurate financial information (Nathan, Peter,

Shishi, & Solomon, 2021). Accounting systems show the books, records, vouchers, files and related supporting data resulting from application of accounting process that has observed regulatory requirements and internal administration policies. Financial systems must comply with the Generally Accepted Accounting Principles (GAAP) (Singh, 2021).

Performance refers to an ongoing process that involves managing the criteria for which an institution, agency or project can be held accountable (Duranti and Thibodeau, 2011) Performance of a business refers to the ability of business to meet the required standards, increase market share, improve facilities, ensuring returns on profitability and total cost reduction and once this is achieved, a business is believed to be performing effectively (Aladejebi & Oladimeji, 2019). The need for an effective accounting system in promoting good performance in small and medium enterprises cannot be overlooked. SMEs may not be able to adopt elaborate systems but should be encouraged to use customized adaptive systems for a profound impact on their corporate performance (Olatunji, 2013).

In many developing countries, the role of SMEs is crucial as they provide employment to a large number of people. In countries like India and China, a large number of goods such as clothes, toys, furniture, edible oil and leather goods are produced by small scale traders. The SMEs sector in Kenya contributes an estimated 18% of Gross Domestic product (GDP) thereby contributing to economic growth (Mutwiri, 2021).Considering such significant contribution towards employment creation and growth of country's economy, one of the goals outlined in Uganda's vision 2030 is how this sector can attain its potential of contributing up to 40% or more to the country's economic growth (MFPED, 2016).

In Uganda, Mukono municipality has a significant number of registered SMES in the country spanning across various sectors of the economy. These have insignicantly used financial recording systems accruing to an entity as a whole in the long run as it will lead to increased processing power, timely generation of reports and general reduction of associated operating costs(Kwame,2019). The need to reduce direct human interface in record management as well as reporting enhances credibility of reports generated to aid decision making and hence reliability by the end users due to minimization of biases. According to Damanpour and Gopalakvishnan (2021), companies achieve a high performance when they can afford the implementation of certain technological developments however there are other firms that have shown that performance drops immediately after the implementation by taking several years to realize the full benefits of IT adoption. Wah (2020) also indicates that many firms have invested in accounting systems and accounting records but do not succeed in attaining the established performance goals. Most research works have been concentrated on large firms however, the analysis on the impact on the smaller firms would be particularly important

because it creates a competitive hedge for the firm and even enhances market positioning in achieving better results. Over 75% of the SMEs in Mukono municipality have no clear financial records systems in place. This has seen several companies fail to secure loans from lending institutions due to failure of defending their financial muscle of repaying borrowed finds (Pride microfinance, 2021).

Statement of the problem

Financial performance of most SMEs has registered declining profitability trends particularly in developing countries (Belas *et al*., 2015; Palacios *et al.*2016; Githaiga & Kabiru, 2015). For instance, a World SMEs report (Uganda) (2017), indicated that 69% of SMEs in the Mukono Municipality generate less than UGX 10 million annually in net income rendering them too unprofitable to attract a tax. Additionally, studies indicate that 70% of the businesses that start in Uganda do not survive until their 3rd year of establishment (Uganda Investment Authority, 2018). This is a decline in the survival rate of SMEs from 50% as documented in 2004 (Walter *et al*., 2004; Abaho *et al.*, 2017) to 30% in 2018. The Competitive Industries and Innovation Program (2016), Uganda attributes the fluctuating decline in financial performance of SMEs from 60% in 2013 to a record low of less than 10% in 2016 for the major sectors of the economy to low levels of profitability among SMEs. According to the report, financial performance decline is a reflection of declining profitability in an economy where private equity is largely limited within the SME sector. The extent to which the poor financial performance trend is linked to the financial records of SMEs remains an empirically unresolved challenge.

Moreover, much of the empirical research on the relationship between financial records and financial performance has been largely conducted in developed economies as well as focusing on listed companies (Ebaid, 2009; Abor & Biekpe, 2009). Limited attention has been given to the financial records -financial performance research in the Ugandan context particularly focusing on Small and Medium Scale Enterprises (Eton, Mwosi, Mutesigensi, & Ebong, 2017). It is therefore evident that despite the ongoing efforts, empirical research on the financial records -financial performance relationship of the unlisted SMEs in the emerging economies is incipient and fragmented, especially so in Uganda where only 47% of SMEs are registered (Sekabira, 2013; Abaho *et al.,* 2017; Olutayo *et al*., 2015). This has prompted the researcher to establish the relationship between financial records and financial performance of SMEs in Mukono Municipality.

Purpose of the Study

The study examined the relationship between financial records and financial performance of SMEs in Mukono Municipality.

Research Objectives

(i) To establish the relationship between safety of financial records and financial performance of SMEs in Mukono Municipality.

(ii) To examine the relationship between ease of access to financial records and financial performance of SMEs in Mukono Municipality.

(iii) To examine the relationship between completeness of financial records and financial performance of SMEs in Mukono Municipality.

METHODOLOGY

Research Design

This study used correlational survey design, which sought to examine the relationships between variables (Sekaran, 2014). This research design was chosen because it can be used to determine prevalence and relationships among variables, and to forecast events from current data and knowledge. In spite of its many uses, prudence is required when using the methodology and analyzing data.

Study population

The study used the proprietors of SMEs in Mukono municipality as the population of the study. According to Mukono municipality performance report (2021), there are 252 registered SMEs in the area and this was adopted as the population of the study. The reason for selecting these categories of respondents was due to the fact that the researcher expects them to have a good understanding of the affairs on financial records and financial performance of the SMEs in Mukono Municipality.

Sample size

Out of the total population of the study, the researcher selected a sample of 154 respondents who were identified from the total population of 252. This number was arrived at by use of the Slovene's formula.

Sampling Technique

This study used simple random sampling and purposive sampling methods to select the sample. According to Mugenda and Mugenda (2013), simple random sampling involves allocating equal chance to the selected elements in the population. This method involved giving a number to every respondent in the accessible population, placing the numbers in a container and then picking any number at random. This was used during the selection of proprietors to participate in the study to avoid biased results by ensuring that all the registered SMEs in Mukono municipality have the same chance of being selected for the study.

Primary data

The study was conducted using the raw data that was collected from the field. The data was collected using the research instruments (questionnaires). These enabled the collection of data appropriate for the study to depict the situation prevailing at a time in the study.

Structured Questionnaire

Self-administered questionnaires were used for the proprietors of registered SMEs in Mukono municipality. Structured questions arranged per objective were used to collect data because this is the most appropriate instrument for a big sample. The questionnaire used a 4- point Likert scale ranging from 4 (strongly agree) to 1 (strongly disagree), in order to provide consistent responses. The questionnaire was systematically organized to include demographic characteristics of the respondents, financial records and financial performance of the SMEs in Mukono Municipality.

Document Review Checklist

Document analysis involved reviewing existing publication and literature related to the study problem and cross reference with what the study discovered. Sarantakos (2015) asserts that reviewing documents give an in-depth study of financial records and financial performance of the SMEs. Similarly, in this study, the researcher was granted permission to carry out the research among the proprietors of registered SMEs in Mukono municipality, documentary checklist were availed to the concerned authorities, to enable access the listed or necessary documents for perusal, studying of written documents and recording of facts where necessary.

ANALYSIS AND INTERPRETATION OF RESULTS

Financial Records

The independent variable in this study was financial records, this variable (IV) was broken into three constructs and these were; safety of financial records (with nineteen items/questions), easy of access to financial records (with thirteen questions) and completeness of financial records (with twelve questions). Each of these questions was based on a four point Likert scale whereby respondents were asked to rate the financial records by indicating the extent to which they agree or disagree with each question.

Table 4.1: Safety of financials

Items on safety of financial records	Mean	Interpretation	Rank
This business provide safety of the financial records in orders to maintain the quality of the records	3.51	Very satisfactory	1

This business has control over locations where financial records are kept	3.47	Very satisfactory	2
All financial records in our business are filed immediately prepared	3.42	Very satisfactory	3
This business keep backup copies of all financial record	3.31	Very satisfactory	4
This business use passwords to prevent unauthorized access to financial records	3.30	Very satisfactory	5
Dissemination of your company information is done in a timely manner	3.25	Satisfactory	6
Due to your company's level of openness it is trusted by the public	3.24	Satisfactory	7
During the verification process, the issues raised are addressed amicably	3.16	Satisfactory	8
Proof of your company expenditures and revenue is ascertained by statutory bodies	3.08	Satisfactory	9
The audited accounts of your company are available for public access	3.05	Satisfactory	10
Your company facilitates understandability and interpretation of the published information	2.95	Satisfactory	11
Your company financial statement are authenticated by statutory bodies	2.82	Satisfactory	12
Your company provides regular progress reports about its performance to statutory bodies	2.62	Satisfactory	13
Your company regularly under goes an audit process to verify its performance	2.33	Unsatisfactory	14
Your company responds to audit queries raised by statutory bodies	2.32	Unsatisfactory	15
The information provided by your company is error free	2.14	Unsatisfactory	16
The information provided to the public is complete	2.01	Unsatisfactory	17
The information that is disclosed by your company is a reflection of its performance	1.99	Unsatisfactory	18
There is no falsification of information at your company	1.97	Unsatisfactory	19
Average mean	**2.84**	**Satisfactory**	

Sources: Primary Data 2022

With respect to safety of financial records; results indicated that safety of financial records was rated satisfactory and this was indicated by the average mean (mean=2.84), implying that the SMEs are somehow ensuring safety of financial records while carrying out their activities. Results still indicated that the following items were rated very satisfactory (mean=3.51, mean=4.47, mean=3.42, mean=3.31 and mean=3.30), hence implying that SMEs in Mukono Municipality are always ensuring safety when it comes to verifying SMEs' reports submitted to statutory bodies. The following items were rated satisfactory and these

included (mean=3.25, mean=3.24, mean=3.16, mean=3.08, mean=3.05, mean=2.95, mean=2.82 and mean=2.62), this imply that dissemination of SMEs' information is done in a timely manner since the SME's level of openness is trusted by the public. However the following items were rated unsatisfactory and very unsatisfactory respectively; the SMEs regularly undergo an audit process to verify its performance (mean=2.33), the SMEs respond to audit queries raised by statutory bodies (mean=2.32), the information kept provided by the SMEs is error free (mean=2.14) and the information provided to the public is complete (mean=2.01), the information that is disclosed by

the SMEs is not always a reflection of its performance (mean=1.99) and there is no falsification of information in most SMEs (mean=1.97), hence implying there is always falsification of information in most SMEs and such

information is not always a reflection of its performance.

Table 4.2: Ease of access

Items on Ease of access to financial records	Mean	Interpretation	Rank
This business use passwords to prevent unauthorized access to financial records	3.64	Very satisfactory	1
All employees in this business have Levels of access to financialrecord based on their levels of authorities	3.52	Very satisfactory	2
Management of our business work to support ease of access to	3.49	Very satisfactory	3
The degree of access to company information leads to compliance	3.36	Very satisfactory	4
The accessibility process is used as a means of assessing resource allocation	3.20	Satisfactory	5
The management of SMEs is committed to free access to company information	3.11	Satisfactory	6
At your company, there is financial records monitoring	2.88	Satisfactory	7
Significant departures from financial records accessibility set targets are reported	2.72	Satisfactory	8
At your company a lot of emphasis is put on timely provision of financial statements	2.65	Satisfactory	9
The availability of monitoring frameworks enhances access to financial records	2.55	Satisfactory	10
Management provides for tracking variances and backlash	2.37	Unsatisfactory	11
There is a clear methodology of tracking records access	2.28	Unsatisfactory	12
There is identification of the risky areas likely to affect the accessibility process	1.75	Unsatisfactory	13
Average mean	**2.89**	**Satisfactory**	

With respect to access to financial records; results in table 4.3 indicated that thirteen items were used to measure this construct and it was also rated satisfactory and this was indicated by the average mean of 2.89. The respondents still strongly agreed that; management allows adequate information access (mean=3.64), management adheres to accessibility procedures set by law (mean=3.52), there is stakeholder participation information access (mean=3.49), the degree of participation during the financial records accession process leads to compliance (mean=3.36). The respondents still agreed that; the records accessibility process is used as a means of assessing resource allocation (mean=3.20), the management of SMEs is committed to the records access process (mean=3.11), at most SMEs, there is resource monitoring (mean=2.88), significant departures

from records accessibility set targets are reported (mean=2.72), at most SMEs a lot of emphasis is put on timely provision of accessibility to financial records (mean=2.65), the availability of monitoring frameworks enhances records accessibility (mean=2.55), however the respondents disagreed that; Management provides for tracking variances and backlash (mean=2.37), there is a clear methodology of tracking accessibility (mean=2.28), there is identification of the risky areas likely to affect the records accessibility process (mean=1.75).

Table 4.3: Completeness of records

Items on completeness of financial records	Mean	Interpretation	Rank
All our financial records are clearly labeled and can be retrieved as soon as needed	3.38	Very satisfactory	1
Management of this business ensure financial records are complete and use them to support the business	3.32	Very satisfactory	2
Our financial record reliability is high enough to support the business	3.29	Very satisfactory	3
Our financial records are relevant to our business decision making	3.25	Satisfactory	4
Management put publication of our business financial records on internet, newspapers, magazine etc.	3.18	Satisfactory	5
This business keep active files used on a daily basis in a place accessible to all employees in need	2.95	Satisfactory	6
This business have organized electronic financial records on our financial data base	2.78	Satisfactory	7
This business has control over locations where financial records are kept	2.62	Satisfactory	8
All financial records in our business are filed immediately prepared	2.52	Satisfactory	9
This business keep backup copies of all financial record	2.45	Unsatisfactory	10
This business use passwords to prevent unauthorized access to financial records	2.27	Unsatisfactory	11
All employees in this business have Levels of access to financialrecord based on their levels of authorities	1.16	Very unsatisfactory	12
Average mean	**2.76**	**Satisfactory**	

Sources: Primary Data 2022

Completeness of financial records was measured using twelve items (questions) and it was rated satisfactory (mean=2.76), implying that most of financial records meet the quality of completeness and hence useful in determining the financial performance of SMEs in Mukono Municipality. Results further indicated that Management of SMEs business ensure financial records are complete and use them to support the business (mean=3.32), financial record reliability is high enough to support the business (mean=3.29), the following items were rated satisfactory; financial records are relevant to our business financial performance (mean=3.25), Management put publication of our business financial records on internet, newspapers, magazine etc. (mean=3.18), however regarding business keeping backup copies of all financial record (mean=2.45),

business use passwords to prevent unauthorized access to financial records (mean=2.27), All employees in this business have Levels of access to financialrecord based on their levels of authorities and this was indicated by the mean of 1.16.

Financial performance of SMEs

Financial performance of SMES is the dependent variable in this study and was measured by thirteen questions/items in the questionnaire. Each of these questions/items based on a four point Likert scale and respondents were asked to rate the financial performance of SMES by indicating the extent to which they agree or disagree with each question, their responses were analyzed using SPSS and summarized using means and standard deviations as indicated in tables 4.5;

Table 4.4: Financial performance

Items on financial performance	Mean	Interpretation	Rank
Your business is highly productive and values its customers	3.28	Very satisfactory	1
Your business is highly profitable	3.26	Very satisfactory	2
Your business is one of the fastest growing SMEs in the country	3.21	Very satisfactory	3
Your business's sales volumes have been growing for the last 3 years	3.10	Satisfactory	4
Your business's sales turnover has grown	2.78	Satisfactory	5
Your business's return on investment has been growing over the years	2.65	Satisfactory	6
Your business has grown and has a number of branches	2.58	Satisfactory	7
The asset base of you	2.42	Unsatisfactory	8
Your business competes favorably in the financial sector	2.32	Unsatisfactory	9
Your business's customer base has grown over the years	2.25	Unsatisfactory	10
The profits of your business have been steadily increasing	2.17	Unsatisfactory	11
The profit margins of Your business have grown	1.56	Very unsatisfactory	12
At your business, the total costs of operations have continued to reduce	1.45	Very unsatisfactory	13
Average mean	**2.54**	**Satisfactory**	

Source: primary data (2022)

Results in table 4.5 indicated that financial performance was rated satisfactory and this was indicated by the overall mean of 2.54, implying that SMES in Mukono, Municipality always use their assets and other resources effectively and efficiently. The results still indicated that; your business is highly productive and values its customers (mean=3.28), these SMES are also productive (mean=3.26), these selected SMES are one of the fastest growing financial institution in the country (mean=3.21). The following items were rated satisfactory; the SMES's sales volumes have been growing for the last 3 years (mean=3.10), the business's sales turnover has grown (mean=2.78), the business's return on investment has been growing over the years (mean=2.65). The following items were rated Unsatisfactory; the asset base of the business has grown (mean=2.42), the business competes favorably in the financial sector (mean=2.32), SMES's customer base has grown over the years (mean=2.25), profits of the business have been steadily increasing (mean=2.17), profit margins of the business have grown (mean=1.56), at the business , the total costs of operation have continued to reduce (mean=1.45), hence implying that the business's turnover is not adequate to meet short and long term obligations.

4.4 Objective one; the relationship between safety of financial records and financial performance of SMEs in Mukono Municipality.

Table 4.5: Relationship between safety of financial records and financial performance of SMEs in Mukono Municipality

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.623[a]	.388	.364	.50465

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

ANOVA[b]

Model	Sum of	df	Mean	F	Sig.

	Squares		Square		
1 Regression	1.670	1	1.670	28.889	.003[a]
Residual Total	24.050	128	.188		
	25.720	129			

b. Dependent Variable: financial Performance of SMEs

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.839	.432		4.257	.000
Safety of financial records	.473	.159	.255	2.981	.000

Regression analysis results in the Model Summary table revealed that safety of financial records accounted for 33.8% on financial performance of SMEs in Mukono Municipality and this was indicated by r-squared of 0.388, implying that safety of financial records as an aspect of financial records contributes to the financial performance of SMEs in Mukono Municipality.

The ANOVA table indicated that safety of financial records as an aspect of financial records significantly affects the financial performance of SMEs in Mukono Municipality and this was indicated by the F-value=28.889 and Sig-value=.003, since the sig. value (0.000) was less than 0.05 and which is the maximum level of significance required to declare a significant effect. This implies that safety of financial records as an aspect of financial records highly contributes to the financial performance of SMEs in Mukono Municipality. The coefficients table indicated that considering the standard error, safety of financial records significantly influence the financial performance of SMEs in Mukono Municipality (β=0.473, Sig=0. 000).**Decision on hypothesis**

The hypothesis was rejected since the significant value was found to be less than 0.05 (Sig=0. 000), thus rejecting the null hypothesis and accepting the alternative hypothesis.

4.5 Objective two; the relationship between ease of access to financial records and financial performance of SMEs in Mukono Municipality

Table 4.6: The relationship between ease of access to financial records and financial performance of SMEs in Mukono MunicipalityModel Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.546[a]	.298	.291	.52246

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

ANOVA[b]

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression Residual Total	11.953	1	11.953	43.788	.000[a]
	28.115	103	.273		
	40.068	104			

a. Predictors: (Constant), ease of access to financial records
b. Dependent Variable Financial performance

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant) Ease of access to financial records	.754	.329		2.291	.004
	.777	.117	.546	6.617	.000

Regression analysis results in the Model Summary table indicated that ease of access to financial records accounted for 29.8% on financial performance of SMEs in Mukono Municipality and this was indicated by r-squared of 0.298, implying that ease of access to financial records as an aspect of financial records significantly contributes 29.8% on the financial performance of SMEs in Mukono Municipality.

The ANOVA table indicated that ease of access to financial records significantly affects financial performance of SMEs in Mukono Municipality and this was indicated by the F-value=43.788 and Sig-value=.000, since the sig. value (0.000) was less than 0.05 and which is the maximum level of significance required to declare a significant effect. This implies that ease of access to financial records as an aspect of financial records highly affects financial performance of SMEs in Mukono Municipality. The coefficients table indicated that considering the standard error, ease of access to financial records significantly affects financial performance of SMEs in Mukono Municipality (β=0.562, Sig=0. 000).

Decision on hypothesis
The hypothesis was rejected since the significant value was found to be less than 0.05 (Sig=0. 000). Thus implying accepting an alternative hypothesis and rejecting null hypothesis.

4.6 Objective three; Relationship between completeness of financial records and financial performance of SMEs in Mukono Municipality

Table 4.7: Relationship between completeness of financial records and financial performance of SMEs in Mukono Municipality

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate

1	.755ᵃ	.570	.565	.33660

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

ANOVAᵇ

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	15.448	1	15.448	136.347	.000ᵃ
Residual	11.670	103	.113		
Total	27.117	104			

a. Predictors: (Constant),   Completeness of financial records b.   Dependent   Variable: Financial performance of SMEs in Mukono Municipality

Coefficientsᵃ

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
1 (Constant) Completeness of financial records	.307	.212		1.448	.001
	.884	.076	.755	11.677	.000

Regression analysis results in the model Summary table indicated that completeness of financial records significantly affects financial performance of SMEs in Mukono Municipality at a rate of 57% and this was indicated by r-squared of 0.57, hence implying that completeness of financial records significantly influences the financial performance of SMEs in Mukono Municipality.

The ANOVA table indicated a positive significant effect completeness of financial records has on Financial performance of SMEs in Mukono Municipality and this was indicated by the positive F-value=136.347 and Sig-value=0.000, since the sig. value (0.000) was less than 0.05 and which is the maximum level of significance required to declare a significant effect. This implies that completeness of financial records highly affects the financial performance of SMEs in Mukono Municipality. The coefficients table indicated that considering the standard error, completeness of financial records significantly affects the Financial performance of SMEs in Mukono Municipality (β=0.884, Sig=0. 000).

Decision on hypothesis

The hypothesis was rejected since the significant value was found to be less than 0.05 (Sig=0. 000), thus rejecting the null hypothesis and accepting the alternative hypothesis.

4.7 Multiple Linear Regression

Table 4.8: Multiple Linear Regression analysis between the Dependent and Independent Variables

Variables regressed	Adjusted r^2	F-value	Sig.	Interpretation	Decision on H$_0$
Financial performance of SMEs **VS** Financial records	.761	106.955	.000a	Significant effect	Rejected
Coefficients	**Beta**	**t-value**	**Sig**		
(Constant)	3.062	7.143	.000	Significant effect	Rejected
Safety of financial records	.375	7.731	.000	Significant effect	Rejected
Ease of access to financial records	.356	6.730	.000	Significant effect	Rejected
Completeness of financial records	.421	1.951	.000	Significant effect	Rejected

Regression analysis results in table 4.9 revealed that financial records accounted for 76.1% on financial performance of SMEs in Mukono Municipality and this was indicated by adjusted r squared of 0.761, this imply that financial records significantly affects financial performance of SMEs in Mukono Municipality, and this is indicated by the F-value=0.513, and Sig=0. 001. The coefficients table indicated that of all the aspects of financial records, Completeness of financial records accounted for the biggest influence on financial performance of SMEs in Mukono Municipality (β=0.421, Sig=0. 001).

DISCUSSIONS, CONLUSIONS AND RECOMMENDATIONS

Discussions on findings

The study intended to examine the relationship between financial records and financial performance of SMEs in Mukono Municipality. The study had three specific objectives; to establish the relationship between safety of financial records and financial performance of SMEs in Mukono Municipality, to examine the relationship between ease of access to financial records and financial performance of SMEs in Mukono Municipality, and to examine the relationship between completeness of financial records and financial performance of SMEs in Mukono Municipality.

The findings indicated that safety of financial records significantly affects financial performance of SMEs in Mukono Municipality; this effect therefore implies that safety of financial records as a financial records system contributes to financial performance of SMEs in Mukono

Municipality since safety of financial records has been found to involve all relevant documents/reports/statements of the business are available for access, disseminate company information is done in a timely manner, SMEs have regularly provided progress reports about its performance to statutory bodies, SMEs financial statement are authenticated by statutory bodies and also SMEs also facilitates understandability and interpretation of the published information and Proof of SMEs expenditures and revenue is ascertained by statutory bodies.

This finding is in line with Barbu (2015) who noted that safety of financial records is integral to corporate governance, because higher safety of financial records has helped to reduce the information asymmetry between SMEs management and financial stakeholder's (equity and bondholders), mitigating the SMEs problems in financial records. In Mukono municipality, lack of safety of financial records has led to the closures of SMEs. The concept of SMEs safety of financial records is broad in scope; it refers to the quality and quantity of public information on a SMEs' risk profile and to the timing of its disclosure, including the business's past and current decisions and actions as well as its plans for the future. The safety of financial records of SMEs sector as a whole also includes public information on SMEs regulations and on safety operations of the SMEs (Brown and Caylor, 2014).

Weak safety of financial records makes SMEs' asset risks opaque. Stock market participants including professional analysts such as Moody's encounter difficulties in measuring SMEs' credit worthiness and risk exposures (Chiang, 2015).

There are a number of issues to consider in this regard. Rogers (2016) argues that timely incorporation of economic

losses in the published financial statements increases the effectiveness of financial records, compensation systems, and debt agreements in motivating and monitoring managers. For instance, improved financial record keeping can manifest in a reduction of the private benefits that managers can extract from the company or in a reduction of the legal and auditing costs that shareholders must bear to prevent managerial opportunism (Abor and Biekpe,2017).

According to Leblanc and Gillies (2015), stakeholders includes employees, unions, and governments at various levels, media, customers, suppliers, financial institutions, various non-governmental corporations with broad or narrow agendas, and even the public at large. The stakeholders have a legitimate claim to know vast quantities of information about corporations' actions and intents. Brown (2014) asserts that safety of financial records is integral to financial reporting, higher safety of financial records reduces the information asymmetry between a firm's management and financial stakeholders, mitigating the agency problem in financial records.

The findings revealed that there is significant effect ease of access to financial records has on financial performance of SMEs in Mukono Municipality because Management of SMEs in Mukono municipality provide adequate information when easing access to financial records, Management adheres to ease of access to financial records procedures set by law, they are committed to the ease of access to financial records process, there is stakeholder participation during ease of access to financial records, availability of monitoring frameworks within SMEs enhances ease of access to financial records and also the ease of access to financial records process is used as a means of assessing resource allocation. This also implied that high ease of access to financial records improves the level of financial performance of SMEs in Mukono Municipality and professional incompetency reduces it. This finding agrees with Barton (2016) who argued that ease of access to financial records ranges more freely over time and space, focusing as much on future potential as on past accomplishment, connecting and consolidating performance reports to plans and forecasts. According to Barton (2016), ease of access to financial records requires openness, safety of financial records and the provision of information. Ease of access to financial records ranges more freely over time and space, focusing as much on potential as on accomplishment, connecting and consolidating performance reports to plans and forecasts. Ease of access to financial records is concerned with giving explanations through a credible story of what happened, and a calculation and balancing of competing obligations, including moral ones. Broadbent and Laughlin (2013) contend that the provision of more detailed information does not automatically lead to greater ease of access to financial records.

Goddard (2015) revealed that greater ease of access to financial records is often presumed to provide more visibility and safety of financial records for organizational activity, enabling appropriate organizational behaviour and ultimately impact on organizational performance. It is increasingly used in political discourse and policy documents because it conveys an image of safety of financial records and trustworthiness. Cheffins (2015) proposed two aspects of ease of access to financial records thus: public ease of access to financial records, which involves the public as principals and is concerned with issues of democracy; and trust, and managerial ease of access to financial records that is concerned with day-to-day operations of the organization. Under managerial ease of access to financial records the provision of detailed information is not directed to being more accountable to the public but that rather, it is an attempt by the principals to control the agents (managers) and legitimize past decisions and actions.

The findings of this study proved a positive significant relationship between completeness of financial records has on financial performance of SMEs in Mukono Municipality which revealed that completeness of financial records provides mutual support and monitor the operations of the business, completeness of financial records is diversified in regard to skills and competences, management committee is independent during decision making, the management committee of the business is competent to handle the operations of the business. This therefore implies that good completeness of financial records increases the level of financial performance of SMEs in Mukono Municipality and poor completeness of financial records system reduces it. This finding is in line with Karamanou, et al (2017) who analyzed the completeness of and concluded that the size of the report does not enhance the returns of the company. As shown, most of the studies examining completeness of financial records and financial performance have confirmed Gompers, Ishii and Metrick's (2014) findings that completeness of financial records and financial performance of a firm were negatively correlated. This idea suggests that as the incompleteness of financial records increases, communication and coordination problems increases. The reviewed literature puts a lot of emphasis on completeness of financial records and financial performance. On the other hand, much of the available literature is centred on developed economies and little or no research has been conducted on the subject in developing economies such as Uganda..

Anderson, et al (2014) reveal that although many of the studies suggest a positive relationship between completeness of financial records and the performance of the company, some studies found no significant relationship between completeness of financial records and company performance. Moreover, some studies support a negative relationship between the previously mentioned

variables.

Conclusions

The study concluded that; Safety of financial records has a positive significant relationship with financial performance of SMEs in Mukono Municipality as revealed by the findings. Hence concluding that applying of safety of financial records as a financial records system can lead to the improvement in the financial performance of SMEs since it increases on the quality and efficiency during financial records, Ease of access to financial records has a significant relationship with financial performance of SMEs in Mukono municipality as was revealed by the finding. The financial performance of SMEs can be improved once ease of access to financial records is effectively worked on because it helps to increase the customer responsiveness by reducing the demand gap thus giving satisfaction to the end customer by availing the desired financial services when needed, and Completeness of financial records has a positive significant relationship with financial performance of SMEs in Mukono Municipality as revealed by the findings, which leads to the improvement in the financial performance of SMEs.

Recommendations

i) Proprietors of SMEs in Mukono Municipality should develop a good data safety systems to monitor and track all the business transactions so that there is effectiveness in financial records and ensure to cover loopholes in the system to enhance financial performance of SMEs.

ii) Proprietors of SMEs in Mukono Municipality should develop and improve an effective data access system for sound financial reporting as well as ease of access to financial records, so as to boost financial performance of SMEs, this will enable employees step up and doing what is best for the business .

iii) Proprietors of SMEs in Mukono Municipality should develop an effective and reliable financial records system which evaluates each SMEs' performance, as well.

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