THE EFFECT OFRECORD KEEPING ON FINANCIAL PERFORMANCE OF SMALL SCALE ENTERPRISES: A CASE STUDY OF SHALOM ENTERPRISES

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DECLARATION

I **NABULIME ANGELLA,** declare that this report is my original work and has never been presented to any other institution for any award.

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APPROVAL

This research report is an original work done by Nabulime Angella under my supervision and has never been presented to any other institution. It is now ready for presentation to the school of Business and Management for examination with my approval.

Signature : ....

MR. BARASA HENRY

(Supervisor):

Date : 23rd June 2021

DEDICATION

I dedicate this book to my cherished parents, my beloved brothers and sisters especially Rev. Dr. Fr. Biriija Atwooki. Their prayers love, and moral support greatly encouraged me towards the completion of this course.

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I wish to acknowledge the contribution of all those, in one way or another, made this research become a reality. My greatest thanks go to the Almighty Saviour Our God for restoring health and strength in me, in order for me to make this successful achievement.

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I am equally grateful to all the lecturers at KIU for the knowledge they gave me, which made me a better person.

May the Almighty God reward all of you abundantly!

LIST OF ABBREVIATIONS AND ACRONYMS

FASB	Financial Accounting Standard Board
PSF	Private Sector Foundation
SSEs	Small Scale Enterprises
IMF	International Monetary Fund
PAN	Pan Asian Networking
UBOS	Uganda Bureau of Statistics
USAID	United States Foreign Assistance Programs
UNCTAD	Uganda National Conference of Trade and Development

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ABSTRACT

The study focused on record keeping, its nature and forms in relation to small scale enterprises particularly determining the problems faced by those small scale enterprises operating without or with poor record keeping systems. The study was carried out with an aim of establishing the relationship between record keeping and financial performance of small scale enterprises. To obtain the following goals, we set the appropriate objectives that resulted into the research questions. The study seemed significant as portrayed in the findings and the basis for future expounded research.

Data was obtained using both primary data and secondary data. It is basically a field based research relying on primary and secondary sources of information. The researcher edited the data collected to ensure that the information received from respondents was accurate and consistent. The researcher analyzed the data using the qualitative and quantitative methods.

Findings indicate that the enterprise which lack or with poor record keeping systems have operational control problems reflected in their poor performance. The study also revealed that few of these enterprises operate computerized record keeping systems and manual systems in place are generally inadequate and poor in most cases.

Recommendations towards means of improving record keeping systems were suggested and emphasis was particularly laid on developing competencies to enhance the quality of record keeping with specific focus on type, adequacy and updated-ness of records kept.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter of the proposed study presents the background of the study including the historical, contextual, theoretical and conceptual perspectives of the study. It also gives the problem statement, the objectives, research questions, study scope and significance of the study.

1.1 Background to the study

The first international accounting standards have their origin in the United Kingdom in the year 1973 and have since been the basis for financial record keeping in many business enterprises. The standards were developed to create uniformity in international business transactions and operations world over. Lucy (1996) contends that record keeping originated to fulfill the stewardship function of business and this is still an honored and component of enterprises According to Nkundabanyanga (2009) steward ship accounting protects the owners of wealth from theft and embezzlement as all the information pertaining to the business can easily be followed.

Most of the external financial aspects of the organization, for example those dealing with accounts payable and receivable, preparation of final accounts are dealt with by the financial accounting system. Internal information is also prepared but in general, it can be said that record keeping presents a broader or overall view of the business with primary emphasis upon classification according to type of the transaction for example salaries and any other operations of business enterprises.

Record keeping is concerned with giving a time and fair view of the business. To ensure this, considerable attention is paid to any accounting conversion and concepts which influence the preparation of financial accounts. In case of limited companies, attention is paid to the legal requirements of standard accounting practice. Corporations that are listed on the stock exchange commission or other regulatory bodies are required to meet interim records usually on quarterly basis. Such records have a significant influence on the valuation of the corporation's equity securities on the stock exchange. Business should disclose such information as gross revenue, costs and expenses, provision for income tax, net income, and earnings per share, contingent items and cash flows (American Institute of Public Accountants, 1973). However, many small scale businesses collapse despite the maintenance of financial records. This collapse could be attributed due to the inadequate financial records or poor record keeping (Magginsson et al, 1997). Sendawula (2002) further argues that financial institutions would not risk extending credit to businesses with no records showing their performance.

Record keeping can be defined as the classification and recording of monetary transactions of an entity in accordance with established concepts, principles, accounting standards, legal requirements and presentations during and at the end of the accounting period (Lucy, 1996).

On the other hand, performance is defined as the act of performing; of functioning properly or running efficiently; as a result of good implementation, operation or execution (Cambridge International Dictionary of English, 1995). In the context of this study therefore, financial performance will refer to the effective financial operations, running and profitability of small scale business enterprises.

Theoretically, Fabunmi(2000) characterizes all organizations that interact with their environment as open systems–collections of parts (subsystems) operating interdependently to comprise wholes (Kreitner, 2003).The open system theory which seeks to identify the internal and external organizational subsystems as well as their interrelationships and respective significance on organizational performance is therefore , particularly pertinent to the investigation of relationship between record keeping and financial performance of small business enterprises such as Shalom enterprises.

According to the systems basic input-output model of the theory, systems consist of internal and external subsystems that are mutually dependent. It adds that organizational success necessitates system equilibrium among the system's interdependent subsystems failure of which leads to dysfunctional effects and unfavorable changes in system subsystems (Mullins, 2002). This implies in the case of this study that, record keeping which is a subsystem of the business operations is an input which if poorly handled, directly affects the financial performance of a business enterprise.

Despite small scale enterprises being recognized as engines of growth and development in third world countries, their failure has been due to poor record keeping practices leading to inadequate financial information (Balunywa, 1997). In many countries, there has been a considerable effort to support small scale businesses. The Uganda government has for example supported such programmes as "entandikwa" scheme, "bona bagagawale" scheme and also micro finance institutions have been set up to increase on the income and productivity of business enterprises. The support from government has helped the small business enterprises to grow, widen their scope, improve capacity and hence their performance. However, the problem of poor record keeping has persisted in these small scale businesses for reasons including poor financial management, lack of qualified personnel, lack of equipment and others.

Compared to large scale businesses, small scale business enterprises are preferred in developing countries because of the small capital requirements, flexibility and mobility (Gupta, 1994). Much as these businesses are important and easily formed, many of them have collapsed because of poor record keeping leading to loss of capital, business profits, and government revenue.

1.2 Statement of the problem

Business records are considered as a basis for business men and institutions to accurately analyse the financial performance of their firms in order to make appropriate informed decisions concerning their businesses (Stone, 2002). However, the financial performance of small scale businesses in Uganda has remained poor and some even collapse inspite of the business institutions maintaining records (Sendawula, 2002). This state of affairs could be attributed to inadequate or poor record keeping. This study seeks to find out the relationship between record keeping and financial performance of small scale business enterprises so as to establish how this business function can improve their performance.

1.3 Purpose of the study

The purpose the study was to establish the relationship between record keeping and the financial performance of small scale businesses in Uganda using a case of Shalom enterprises.

1.4 objectives of the study

a) To find out the nature of the record keeping in Shalom enterprises

b) To find out the factors affecting the way records are kept at Shalom enterprises

c) To establish the relationship between how records are kept and the financial performance of Shalom enterprises.

1.5 Research questions

a. How are business records kept at Shalom enterprises?

b. What factors influence record keeping at Shalom enterprises?

c. What is the relationship between the nature of record keeping and financial performance of Shalom enterprises?

1.6 Scope of the study

The proposed study sought to find out the relationship between record keeping and financial performance of small scale business enterprises in Uganda using a case of Shalom enterprises.

Geographically, the study was carried out at Shalom enterprises in Nakawa division of Kampala district. Nakawa division is located on the far east of Kampala district; the capital of Uganda. This was because Nakawa is in an accessible location and the transport costs were affordable.

The proposed study was carried out in a period of 6 months from January 2011 to June 2011. During this time the researcher was able to interview the various stake holders in the business enterprise and able to come out with useful information on the topic of the study.

1.7 Significance of the study

This study might help the government realize the problems facing small scale businesses and might try to come up with solutions in such areas.

The study might also be beneficial to other researchers and scholars as it provides them with first hand information relating to the topic of study and also provide a basis for further research.

Small scale firms might be able to acquire more knowledge on the usefulness of record keeping and the best methods for keeping methods in their business enterprises.

The researcher might be equipped with research knowledge to enrich the society and also to fulfill the partial requirement for the award of a degree in Business Administration of Kampala International University.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents the review of the existing literature related to the subject of the study. The literature was from text books, newspapers, internet, archives, research available and other publications.

2.1 Definitions

According to Wahab (1998), record keeping is an elementary part of accounting which is concerned with the recording of transactions in proper books of accounts. A book keeper is responsible for keeping all records of financial data relating to the operations of a business in a significant and systematic manner. Therefore, record keepers simply record financial transactions that have been completed and these are analyzed by the accountants.

According to Beckette (1980), record keeping involves analyzing, classifying and recording of financial transactions in books of accounts. In other words, to him, record keeping is merely concerned with making records of business transactions. On the other hand, Spicer (1980) defines record keeping as an art of recording all money transactions such that its relationship to both its proprietors and to the outside persons can be readily ascertained.

2.1.1 Nature of record keeping

The nature of record keeping considers factors like; type of business, its size, volume of transaction processed and degree of all information employed (Smith, 1987). Record keeping can be both manual and computerized systems. Record keeping systems consist of people, facilities, procedures and controls to process information for intelligent decision making (Sarker, 1993).

Record keeping is the maintenance of systematic and convenient records of money transactions in order to show the conditions of a business enterprise (Williams, 2004). The essential purpose of record keeping is to reveal the amounts and sources of the losses and profits for any given period. Proper record keeping should also reveal the nature and value of the assets and liabilities of a firm, as well as its net worth at the close of that period (Hall, 1993).

Records are kept in columnar form, using separate columns for the date of transactions, an explanation of the nature of the transaction and its value. Other columns may be added. In general, two sets of columns are used; assets being placed in one set of columns and liabilities in the other set. Such an arrangement is called double entry (John, 1981).A balance sheet may be compiled at any time by totaling each column and subtracting the smaller total from the greater to give either a surplus or a deficit. The result is called the net worth and it gives an indication of the financial state of a firm. A detailed balance for a period between two balance sheets is called a profit and loss statement (Omunuk, 1999).

The process of deciding whether to enter items into one set of columns or the other, that is, into the debit side or credit side, is called journalizing, since the analyzed items are placed in a journal or day book, soon after the transactions occur separate accounts of persons or sections are kept in a book called ledger, the ledger is not often a computer file Created in ("spreadsheet" software) rather than a physical book. The transfer of items from the journal to the ledger is called posting. In large businesses, the journal is broken into many sections, each concerning separate -functions of the business, such as sales, purchases, accounts receivable, accounts payable, sales return, purchases return and cash.).

However, a single entry record keeping enters all debits and credits in a single set of columns in a journal and labels each entry Dr. (Debit) or Cr.

(Credit).Thus in a single entry only one element is entered. Single entry record keeping fails to give detailed information as to .the sources of gain or loss.

2.1.2 Forms of record keeping in small scale enterprises

Different authors have attributed to the literature concerning record keeping with emphasis on accounting records in small enterprises. Morgan Lewis Hedge Fund desk book (2006) says, the records must be kept on a current basis and must contain true and accurate representation of the facts. It adds that records must be maintained in the ordinary course of business by any business. The rationale for records is derived from internal conditions (Harold et al, 1988). Small enterprises maintain different forms of records.

Single entry records

Small businesses keep their accounting information in single entry from (Garbut, 2004).

Different reasons account for the single entry nature of records commonly known as incomplete records kept by small scale enterprises.

According to Omunuk (1997), incomplete records are caused by high costs of employing accountants, lack of knowledge by small business owners to carry out proper accounting.

Marriot and Marriot (1999), attributes single entry records to lack of finance and skills of small business owners which places little value on financial statements produced by their external accountants. Yet Wood (1998) indicated that incomplete records in small businesses can be caused by fire and dampness that may be brought by floods. This implies that incomplete records can arise in a business willingly or unwillingly.

2.2 Financial performance

According to Stacey (2000), financial performance is a relative concept and is defined in terms of the next best opportunity open to the owners of an organization for using or investing their funds. Pandey (1995) however defines financial performance as the firm's earning ability, which is reflected in its financial statements. He further points out that a business has a goal that is generally agreed in the theory that should be maximizing owner's economic welfare.

2.2.1 Measurement of financial performance

Financial performance measurement is aimed in respect of all responsibility divisions and departments of a given business organization (Jawahari, 1999). The following are important ways of measuring financial performance though not very perfect:

i) Risk and sensitivity analysis (Stephen, 2003), the purpose of this analysis is particularly sensitive. A particular enterprise may not be all that sensitive to changes in the exchange rate but it may be highly sensitive to changes in regulations on pollution control. It allows managers to gain some ideal of how serious a change in some variables such as interest rate will be for the future performance of an investment.

ii) Financial ratios William (2004), stipulates that there are a number of indicators of the level of financial risk that are used to make judgment about the acceptability otherwise of performance in financial terms include;

iii) Solvency ratio (Juliu, 2001), which indicates the degree to which all debts are secured and the relative mix of equity and debt capital used by the firm. The total debt to asset ratio is

One of several ratios used to measure solvency, all of which are based on the same relationship of assets, liabilities and net worth.

(iv) Liquidity ratio which refers to the degree to which debt obligations coming due in the next 12 months can be paid from cash or assets that will be turned into cash. This is measured by the current ratio and the amount of working capital. And a more thorough analysis of liquidity can be made with a cash flow budget (Warren and Fess, 1988).

(v) Profitability ratio, which refers to the difference between incomes and expenses of an enterprise. It is therefore a function of revenue and costs incurred to earn a profit Frank (1993).According to Kakuru (2003), profit is a result of excess revenues over costs. When profits are maximized, it is a sign of efficiency and therefore a yard stick for measuring performance.

He also argues that when profits are maximized, shareholders will be satisfied as their primary objective is to maximize their returns.

(vi) Repayment capacity ratio which shows the degree to which cash generated from the enterprise and other sources will be sufficient to pay principle and interest payments as they come due (Williams, 2004). Financial models and scenario corporate models are used to stimulate the future of the corporation on the basis of different scenarios. The use of scenarios involves specifying different possible future environment for the company.

2.3 Relationship between the nature of record keeping and financial performance of Small scale enterprises

According to FASB (Financial accounting standard board 1980), financial performance and position of a business can be assessed based on quality financial reporting, which is as a result of proper record keeping. However, according to Mc Mahon (1998), many SSEs do not focus on keeping books of accounts as a tool for good financial performance but only as an assessment for future profit impediment. Mc Cannon (2002) asserts that many SSEs fail because managers did not keep records and could not make timely and important management decisions. Flusche et al (2001) asserts that without quality record keeping, the firm's competitiveness can be jeopardized and USAID (1996), affirms that weaknesses in improving the quality of record keeping impede the enterprise's financial performance. Keeping quality records is therefore critical in determining the survival or failure of any business (Mulurge 2001).

The private sector foundation Ed. (PSF, 2000) and Chen and Reinikka (1999) affirm that record keeping in Uganda is characterized by poor quality. The PAN (1997), studies in some countries indicate a very small percentage of SSEs that practice quality record keeping. Bangladesh 6%, Egypt 6%, Honduras 14%, Jamaica 16% and Sierraleone 18%, yet the key to quality record keeping is a commitment to a good accounting system that grows out of an acknowledgement of its value.
For many SSEs, the biggest problem is that of not knowing where to start with the business records, so none are kept (Syracuse, 1994). Keeping accurate and up to date financial records is for many people the most difficult and uninteresting aspect of the business operations. Most SSEs do not even keep the basic cash book and are thus contented with mental records about their costs, revenues and debts (Stover, 1997).

Apparently, this is a phenomenon common in many SSEs in Uganda. IMP (1999) affirms that many SSEs in Uganda appear ignorant about keeping books of accounts. Wabwire (1996), states that there is almost complete absence of record keeping in SSEs in Uganda. On the ground, Sejjaaka (1996), being in consonant with ensuring discourse notes that, there is poor level of record keeping in the country as shown by the following table.

Table 1: Level of books kept by SSEs

Type of Books Kept	**Percentage (%) of Firms that keep Books**
Cash sale receipts	85.7
Sales invoice	61.0
Payment vouchers	45.3
Stock cards	18.4
Sales ledger	44.4
Purchases ledger	43.5
Creditors ledger	38.1
Debtors	48.0
Payroll / wage record	28.7

Source: Sejjaaka (1996)

Table 1 implies that on average, less than 50% of businesses (that is 45.5%) keep records. Besides, the small number of SSEs that keep books of accounts, Flusche et al (2001) in their findings noted that 12.3% of SSEs fail due to poor records kept.

However, Murray (1994) associates such failures with exhibitions of certain danger signals such as locked in assets, poor profit growth about which SSE owners either do not understand the significance of or tend to optimistically believe that things will get better on their own. Berryman (1983), Gaskill et al (1993) and Stover (1997), being in agreement with the above argument states that, "many business failures are directly related to conditions such as high operating expenses, excessive inventory, poor cash flow control and deteriorating profits".

Table 2: Influence of records on survival status

Survival	**Books maintained**			
	Poor	Inadequate	Average	Excellent
Failed Firms	235 (97.5%)	1822 (79.9%)	232 (50.2%)	1260 (37.0%)
Survival	6 (2.5%)	459 (20.1%)	230 (49.8%)	2150 (63.0%)
Total	245	2281	4638	3410

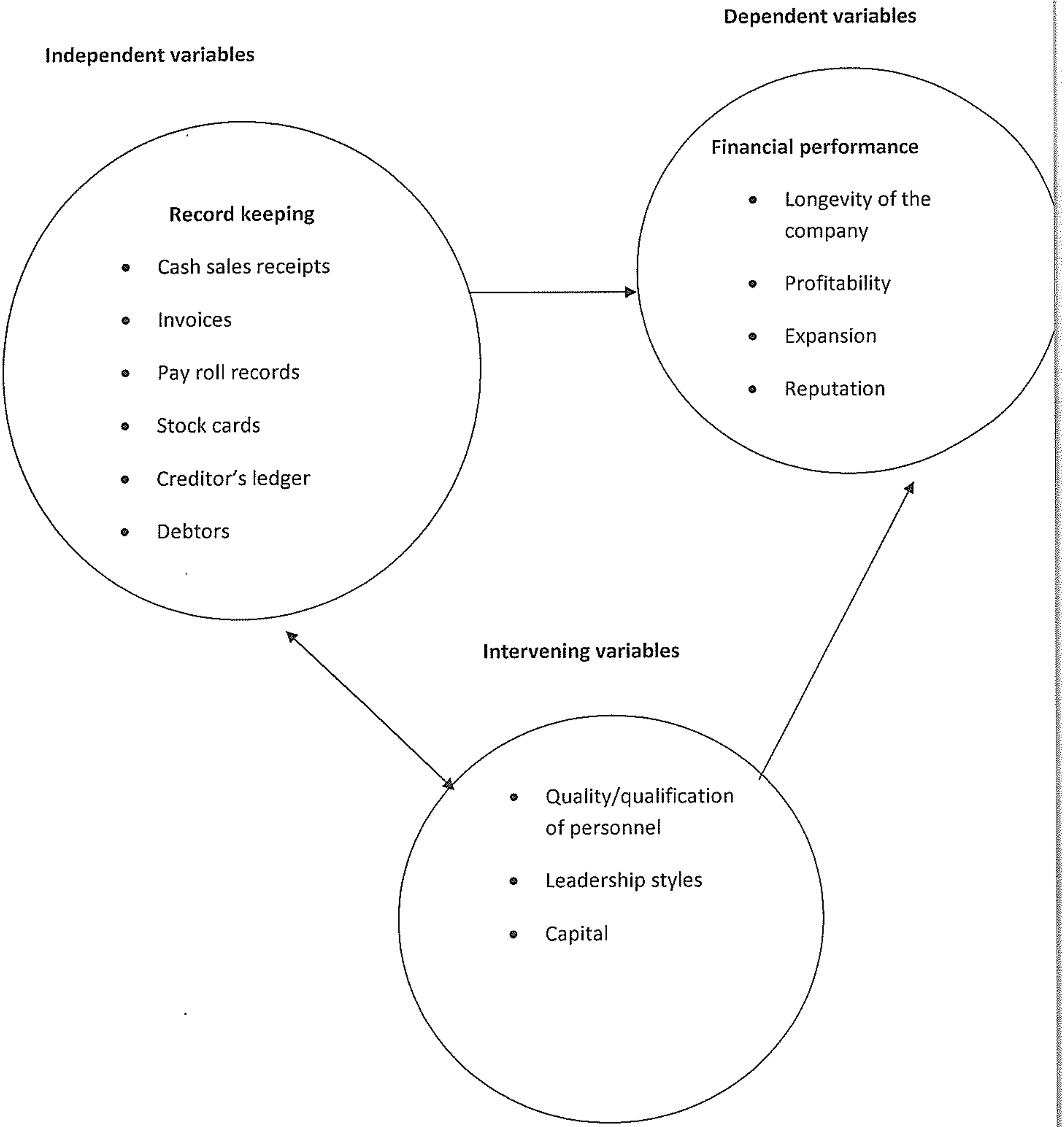
From table 2, firms that were poor at keeping adequate records had lowest (2.5%) chance of survival. Like wise, firms that were excellent at keeping adequate records had the highest (63.0%) chance of survival. Though the above empirical studies evidence the survival of business based on adequate record keeping, Mc Mahon (1998) and Gibson (1992), affirm that .many SSEs do not appreciate the value of record keeping information.

They (SSEs) use such information to help them determine whether their capacity to generate future profits have been impaired but without assuming that record keeping has any other role.

Studies reveal that poor financial performance of SSEs result into high failure rates that is 75% fail with in the first five years (Verber, 2003). Therefore, information on financial performance of SSEs is required in order to assess potential changes in the economic resources that the enterprise is likely to control in the future. It as well predicts the capacity of the enterprise to generate cash flows from existing resource base.

Despite the importance of record keeping, small businesses often neglect it because of the time and efforts it takes to set up and attend to a record keeping system. Most business owners would rather be out generating sales than sitting in office making journal entries or entering debits and credits in their ledgers. But record keeping is one thing you cannot afford to ignore if you are to keep your business on a sound financial footing.

2.4 Conceptual framework



CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents the methods that were used in carrying out this proposed study including the research design, study population, sample size, sampling strategies, data collection methods and instruments data quality control, procedure and data analysis and also the limitations of the study.

3.1 Research design

This study took a cross sectional survey design involving both the quantitative and qualitative approaches. The quantitative approach was used to analyze the data collected using structured questionnaires. The qualitative approach helped the researcher to gather valuable information by interacting with the stake holders in the business, interviewing them so as to seek their ideas, opinions and perceptions relating to the practice of record keeping in small scale firms in Uganda particularly Shalom enterprises.

3.2 Population and sample size

The study population was composed of workers of Shalom enterprises, the customers and competitors. Information from respondents was obtained from the respondents by use of an interview guide, self administered questionnaires, key informants and documentary analysis. However, due to time constraints sampling was carried out and only thirty respondents were interviewed. The sample size was randomly selected.

3.3 Sampling procedure

The researcher targeted a sample of 30 respondents from the population. These included the directors of Shalom enterprises, since they are the policy makers in the enterprise, workers in the finance and accounting department, marketing department and other employees within the enterprise. The researcher divided the sample population into four clusters namely: administration, finance and accounting, marketing and other departments. This helped the researcher to classify information that had some uniformity for easy interpretation.

3.4.0 Data collection methods

Both secondary and primary data were collected for the study. The secondary data was useful to avail the researcher with background information about the study area, the variables of the study and the relevant information about record keeping at Shalom enterprises. Collection of primary data involved the use of the following instruments:

3.4.1 Self administered questionnaires

Self administered questionnaires were used to collect information from respondents to obtain information pertaining to the study. The questionnaires comprised of structured and un-structured questions to enable the researcher obtain as much information as possible. The questionnaires also helped the researcher to cover a large number of respondents in a short time.

3.4.2 Interviews

An interview guide approach was used to collect data from respondents with specific open- ended questions so as to explore and exhaust the topic by the researcher. This was vital in collection of in depth information about the opinions, thoughts and knowledge of the interviewees on the study.

3.4.3 Observation

Observation was also used in the generation of information about the challenges small scale business owners face to attract customers of different backgrounds to their products using the case of Shalom enterprises.

3.5 Data analysis

The researcher edited the data collected to ensure that the information received from respondents is accurate and consistent. The researcher then analyzed the data using qualitative and quantitative methods.

3.6 Limitations

The following problems were encountered by the researcher during the study.

i) The researcher had limited funds for the research especially for transportation stationary, printing and binding services. Confidentiality. Some information was confidential which limited its access to the researcher.

ii) Time allocated to the study was not enough and this affected the scope by which the research was carried out. However, the researcher employed proper time management.

iii) There was very little information available about the topic of record keeping which increased the costs in a bid to obtain relevant and reliable information.

However, despite the above limitations, the researcher was still able to obtain information and evidence necessary for the study.

CHAPTER FOUR

4.0 PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

The study examined the relationship between the nature of record keeping and the financial performance in Shalom enterprises. The independent variable was the nature of record keeping measured by the type of records kept, adequacy and up-datedness of records. The dependent variable on the other hand was financial performance measured by especially financial ratios where profitability is taken to be the biggest measure of how well or bad an enterprise is performing.

4.1 Demographic characteristics of respondents

This part addresses and presents the demographic characteristics of the respondents. Bio data include; age, marital status, education level, religion and period worked with the organization. In this case, data on respondents' demographic is summarized in tables below.

Table 3: Age distribution among respondents

Age bracket	Frequency	Percentage %)
Below 24	6	20
24 – 34	12	40
34 – 44	4	12.3
Above 40	8	26.7
Total	30	100

Source: Primary data

From the table above, it is evident that age was one- of the targeting techniques. There were many respondents in different age distribution as shown. Where, 20% were below 24 years, 40% comprised of the age between 24 and 34 years which then dominated the population study and the least age bracket was between 34 and 44 years that had 13.3 and then 26.7% above 44 years.

Table 4: Gender distribution of respondents

Gender	Frequency	Percentage (%)
Female	16	53.3
Male	14	46.7
Total	30	100

Findings in the table indicate that majority of the respondents were female with 53.3%. Male respondents accounted for 46.7% this may be due to the nature of the business such that the business may not be profitable that could not attract a big number of males who need a lot of return for further investment.

Table 5: Marital status of respondents

Marital status	Frequency	Percentage (%)
Married	16	53.3
Single	14	46.7
Total	30	100

It is observed above that most of the respondents were married with 533% of the total respondents that were interviewed and 46.1% were living a single life. Possibly, this could have been that these un married individuals do not want to join business they have less responsibilities therefore, no need to join the business to earn income for expenditure.

Table 6: Education level among respondents

Education level	Frequency	Percentage (%)
Certificate	13	43.4
Diploma	5	16.7
Degree	13	40
Total	30	100

Source: Primary Data

The table above indicate that majority of the respondents interviewed in the sample had attained education up to a certificate level with 43.3%, however, there were a considerable number of respondents who had attained degree and diploma with 40% and 16.7% respectively which is a direct implication that well educated individuals under look the business.

4.2 Findings on the nature of record keeping in Shalom enterprises

The researcher found out that without quality record keeping practices, the firm's competitiveness can be limited. Shalom enterprises does not keep the basic cash book and are therefore contented with their mental records and even those firms which try to keep, they are scanty records.

Also, studies show that Shalom enterprises does not perform well because managers did not keep adequate and quality records and could not make timely and important management decisions.

Shalom enterprises does not put emphasize in drawing profit and loss accounts. The owners do not even depreciate their assets which mean that their profits are less compared to the way they are. The researcher also found out that most of the employees of Shalom enterprises do not have professionalism when it comes to business operations. This means that Shalom enterprises have employees with little or no skills to prepare books of accounts.

Due to the high costs involved, Shalom enterprises has failed to maintain books of accounts and this has resulted into rejection of annual accounts submitted to Uganda Revenue Authority (URA). It has also failed to acquire financial assistance from financial Institutions.

4.3 Findings on the financial performance of Shalom enterprises

Findings from the study show that lack of information on financial performance is a consequence of non emphasis on the overall performance assessment and Shalom enterprises does not emphasize on financial performance measures yet it has been recognized as a crucial element towards improvement of the overall performance.

Further findings indicate 'that as much as financial performance measures based on financial information such as ratios may be used to assess the financial performance of a business, their analysis fails to provide sufficient management information because it requires some sophistication on the part of the owner to interpret.

Also, the poor performance in SSEs result into high failure rates where 75% fail within the first two years and 95% fail within the first five years.

The researcher found out that it is hard for Shalom enterprises to determine their performance because they do not keep records for every month at least to carry out arithmetic control measures. Most of the time, the owners of small scale enterprises are illiterate and do not mind about records hence constraints when determining profits.

4.4 Findings on the relationship between the nature of record keeping and financial Performance of Shalom enterprises.

The researcher put much emphasis on the managers who are educated and the shareholders. The question was whether there was any relationship between the nature of record keeping and the financial performance. Performance is effective where there are enough records to analyze the weaknesses and strength wanted to enhance profitability.

The researcher argued that some proprietors end up with losses they do not have records and are bound to perform poorly.
Shalom enterprises should use double entry system of recording transactions because it shows full information on a particular item showing receipts and payments so as to give a true picture of how the enterprise is performing.

It is evident that the quality of record keeping practiced by Shalom enterprises influences their performance. These findings are in agreement with FASB (1980), which asserts that financial performance and position assessment can be based on the quality of financial reporting which is as a result of proper record keeping.

Furthermore, the findings show that Shalom enterprises does not focus on record keeping as a tool for good financial performance but only as an assessment for future profit impediment.

Findings also show that indeed the relationship between the two variables is a positive due to the fact that if there are errors in records kept, the same errors are also carried to the financial performance analysis of an enterprise hence affecting the decisions to be made by the users of such information.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter represents the conclusion of the independent variable, dependent variable, the relationship between the independent and dependent variables and the recommendations.

5.1 SUMMARY

5.1.1 Nature of record keeping in Shalom enterprises

From the findings in Chapter four, the researcher has discovered that small scale businesses are independently owned and operate profit seeking enterprise that employ very few people working in a single location. The study indicates that Shalom enterprises do not practice quality record keeping, which is said to be the basis for relevant and reliable financial information in any business. Thus, unless Shalom enterprises, institute record keeping as its cultural practice, the quality of financial statements and performance for that matter will never be realized.

Most small scale enterprise Shalom enterprises in particular, is not performing well as far as profit realization is concerned, factors threatening their existence, with growth rate declining over past periods. One of the reasons responsible for this phenomenon is no doubt the maintenance of poor records. There is evidence however, those owners of small scale enterprises are beginning to realize the importance of maintaining good record keeping systems. This is a factor which could lead to improved performance of such enterprise and could also enable them seek for financial assistance from lending institutions in order to expand their businesses.

5.1.2 Financial performance of Shalom enterprise

Since financial performance of any business can be assessed based on quality records kept by an enterprise, and the weaknesses in improving the quality of record keeping impede the enterprise's financial performance, Shalom enterprises should focus on keeping quality books of accounts as a tool for good financial performance but not only as an assessment for future profit impediment. The researcher also discovered that the firm's good performance which is not only a social responsibility.

5.1.3 Relationship between record keeping and financial performance of Shalom enterprises.

The findings from the study depicted that the quality of record keeping carried out by Shalom enterprises positively influence their financial performance. Record keeping in Shalom enterprises is characterized by inadequate and un-updated books / records. In some SSEs, there was complete absence of record keeping, thus they based on financial performance assessment of mental records. Enterprises that do not practice proper record keeping on their business activities are unlikely to take corrective action on their financial performance, which may thus be detrimental to the long term liability of the enterprise hence, a relationship between record keeping and financial performance of Shalom enterprises.

Profitability, survival and growth can be used to measure the financial performance in Shalom enterprises. And the financial management view of financial performance as the ability to operate efficiently and this helps to bring out the relationship between record keeping and financial performance of the firm.

5. 2 Conclusions

Most of the SSEs employ less than 30 people, which is an indication of their size and scale of operation.

A good number of them do not practice record keeping resulting in them being taxed by unconventional methods like negotiation and imposition and given their weak bargaining power, they end up being cheated in the process.

Most of them cited income tax as having a large effect on their profitability compared to other business expenses.

Most of the SSEs have never acquired credit and those that have ever, have opted for friends and relatives and ignored formal financial institutions. This is because most financial institutions require financial records, which most SSEs do not maintain. Eventually, inaccessibility to credit hampers growth in SSEs.

5.3. RECOMMENDATIONS

Basing on the findings of the study, it is recommended that;
Small business owner- managers should develop competencies to enhance the quality of record keeping with specific focus on type, adequacy and updated -ness of records kept. It is through such proper records that the danger of poor financial performance can easily be detected to lead to a corrective action being promptly taken, hence promoting the long term liability of the business. Therefore, small scale firms should make management aware of the need for improved reporting and informing them the benefits of record keeping through seminars, workshops and training.

For many small businesses, the most common record keeping tips are recommended to help keep a business on a sound financial footing and these include; use of the right accounting systems, maintain daily record to have accurate tracking of the financial condition of your business, handle and review cheques carefully that is, take the same care with cheques as you would do with cash, get a bank statement with a month -end cut off, leave an audit trial for effective record keeping and use a computer record keeping software which is absolutely essential for all but the smallest business for Easy tracking of incomes and expenses, preparing tax documents and summarizing your enterprise's financial activities and back-up records for safe keeping.

The government should help out on the growth and development of these firms through improved information on credit facilities, reduction in taxes, easing accessibility to the markets through construction of proper infrastructure. Small scale businesses should also improve on their business entities in order to attract credit. Small scale enterprises must make themselves attractive for bank lending because professional banks will not lend loans to any business which is not credit worth and has not kept records.

Small scale enterprises should endeavour to recruit competent employees and to train existing one to equip them with the necessary skills, in the short run, SSEs can hire experts to carry out record keeping in case the current management can not produce quality reports.

5.4 AREAS OF FURTHER RESEARCH

My research was centered on record keepi4g and the financial performance of small scale firms. There are other areas that affect the performance of their firms. Thus, I recommend the following areas for further study.

1. The role of management accounts to the development of small scale businesses.
2. The role of customer care on the performance of small scale enterprises.

3. Computerized accounting systems and the performance of small scale businesses.
4. The role of motivation on the performance of small scale enterprises.

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APPENDICES

QUESTIONNARE

Dear respondent, I am Nabulime Angella a third year student of Bachelors of Business Administration. Currently I am under taking a research study about **"Record keeping and Financial Performance of Small Scale Enterprises (SSEs)"** of which I have selected you as one of my key respondents in this study because I believe that you have the necessary information that I need. The accuracy of my findings is entirely dependent on your response. Therefore, kindly I request you to spare some time and contribute to this study.

Bio Data:

(a) Institution ....

(b) Date of interview ....

(c) Highest level of education ....

(d) Period worked with the organization...............

(e) Sex of respondent ....

(f) Age ....

(g) Religion ....

(h) Marital status ....

1. Job title (*please tick one*)
   a) Proprietor / Director
   b) Supervisor
   c) Book keeper
   d) Sales person
   e) Cashier
   f) Other

2. What books of accounts does this enterprise maintain? (Multiple answers possible)

a) Cash books
b) Purchase Ledgers
c) Sales Ledgers
d) Debtors Ledger
e) Invoices
f) Any other (specify) ....

3. If none of the above is maintained, what could be the possible reason(s)? (***Multiple answers Possible***)

a) Not necessary
b) To cut the costs
c) Others
(specify)..

4. Is record keeping of any importance to Shalom enterprises?

YES / NO ....

If YES give reason(s)

....

....

....

5. Does this enterprise employ a qualified person to prepare financial statements?

YES/NO

....

6. Which of the Accounting Statement does your enterprise prepare? (***Multiple answers possible***)

a) Balance sheet
b) Income statements
c) Cash Flow statements

d) Any other (Specify)..

7. If none of the above, please give possible reason(s)

....

....

....

8. Of what use do you think such statements are to this Business?

....

....

....

9. If no Books of Accounts is prepared, how else do you assess the performance of this business?

....

....

....

10. Do you think maintaining up to date proper books of Accounts and preparation of financial statements could lead to better performance of this Enterprise?

YES/NO..

If YES, give reason(s)

....

....

....

11. Any other comment(s) you would like to make in regard to the subject matter of the study

....

....

....

Thank you for taking part in this study

INTER VIEW GUIDE

1. What is the nature of record keeping carried out by Shalom enterprises?

2. Do you keep proper books of accounts?

3. Do you draw up profit and loss accounts to determine your net profits?

4. How do you determine your net profits at the end of every accounting period?

5. What factors do you consider to determine the financial performance of your firm?

6. How often do you record the transactions that occur in your business?

7. Do you find it easy to have access to micro finance institutions?

8. What is the effect of record keeping on the performance of your business?

9. What methods of record keeping do you use?

10. Do you think there is a relationship between record keeping and performance of your Business?