

**COMPUTERIZED ACCOUNTING SYSTEMS AND THE FINANCIAL
PERFORMANCE OF FINANCIAL INSTITUTIONS IN UGANDA**

A CASE STUDY OF CENTINARY RURAL DEVELOPMENT

BANK UGANDA LIMITED

BY

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**A RESEARCH REPORT SUBMITTED TO THE COLLEGE OF
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THE REQUIREMENT FOR THE AWARD OF A BACHELOR DEGREE IN
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UNIVERSITY**

JUNE, 2016

DECLARATION

I Owange James hereby declare that this report is my original piece of work and that it has never been submitted to any University or other Institution of higher learning for the award of a degree or other qualifications.

Signature.....*Owange James*.....

Date: *11*...../*07*...../*2016*.....

APPROVAL

This is to certify that I, Owange James did this research and it has not been presented before for award of any degree in any institution of higher learning. This report is now ready to be submitted to College of Economics and management, Kampala International University with due approval.



Sign.....

Date 07 / 13 / 2016

Mr. Mugume Tom (Supervisor)

DEDICATION

This entire effort is dedicated to the Almighty God for the provision of life and to my family, especially to my late mum, Akello Esther, and to my dad Amuku Joseph, brothers: Dan, Moses, Simon, Steven, Martin, Sam, Isaac, Mr. Etadu Sam, Sisters: Ruth, Beatrice, and Tethra.

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LIST OF ABBREVIATIONS AND ACRONYMS

CB	Commercial Bank
CAS	Computerized Accounting System
PHRO	Principle Human Resource Officer
ATM	Automatic Teller Machine
%	Percentage
No	Number
PIN	Personal Identification Number
NT	Net Income
ICIS	Internal Control and Information System
ICT	Information and Communication Technology
Etc.	Etcetera
BoU	Bank Of Uganda
CVI	Content Validity Index

ABSTRACT

The research established the relationship between computerized accounting systems and the financial performance of financial institutions in Uganda. The study was guided by the following objectives: 1) To establish the level of adoption of computerized accounting system; 2) To establish level of financial performance among financial institutions and 3) To establish whether there is a significant relationship between computerized accounting systems and the financial performance of financial institutions. This study employed a case study because the researcher was more interested in a deeper understanding of the problem rather than generalizing the findings across the entire population. For the purpose of obtaining the objectives of the study, various designs were used as follows; the research used qualitative and descriptive research design to conduct the study because the findings of the study were non-numerical. A sample size of 50 respondents was got using Cronbach's formula. Both questionnaires and interviews were used to solicit for data from respondents who were randomly selected to participate in the study and the data collected was organized and analyzed to generate information which was treated with utmost confidentiality and strictly for academic purpose. Content validity index (CVI) method was used to establish the validity of all the designed questionnaires. The study made the following findings; age distribution had 71.43% of the respondents between 25-46 years. Education level had degree holders as the majority with 40% of the total respondents; the research also found out that the bank uses mostly computerized accounting to perform its operations since 88.7% of the total respondents agreed that the bank uses computerized accounting, this implied that the bank was a relevant case study with regards to the topic of study. On performance, 85% of the customers had their expectations met by the bank, this was interpreted as satisfactory. The study strongly recommends that financial institutions in Uganda that are yet to adopt computerized accounting systems should do a more thorough cost benefit analysis before venturing into this business of computerization in order to be aware of the benefit beforehand. This will help them to know whether it will be profitable to go into it or maintain the existing manual banking system. In order to avoid loss of data and information, there should also be standby computers and other related facilities as well as other software backups that can be used in times of an urgent need for such replacement. It is also recommended that financial institutions hire highly trained experts in the field of information technology to manage any unforeseen contingencies that can disrupt the smooth flow of the banking activities. Such future eventualities can be frequent power failure, which can create software problems. The research also recommends that further research should be done to find out the extent to which rural financial institutions in Uganda are linked to the Inter banking payment system amongst both the rural and the commercial banks at large. Other studies can focus on how the emergence of Internet and mobile banking in the country is helping the customers.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Financial institutions such as banks are into safekeeping transactions and group management purposes with the intention of making profits and delivering best but affordable services to their customers. These customers may either be individuals or institutional and serving them in the more convenient, efficient and fastest possible way is the aim of all financial institutions so as to derive utmost benefit from them. In the 1990's through to early 2000's, the number of accounts holders in the various financial institutions in Uganda, both rural and commercial financial institutions were very few. The use of manual banking and accounting systems made it uneasy to serve customers in the more diverse ways as urgent demand for information coupled with reconciliation of financial statements of the various institutional customers were very hard to come by. In Uganda, the use of computerized Accounting System in the various banks is drastically changing the way banking activities are being organized. Electronic commerce is now regarded as the panacea for the new commercial revolution that is taking place in the ever advancing world which in one way or the other is insufficient in Uganda, and by offering reasonable banking products and services to customers, Ugandan financial institutions had to adopt computerized Accounting Systems (Financial Institutions Act 2004- BoU). Business dictionary.com defines financial institutions as an establishment authorized by the Government to accept deposits, pay interest, clear Checks give loans, act as an intermediary in financial transactions, and provide other financial services to their customers.

Technology has dramatically changed the accounting profession. One response to this change is the development of accounting programs that emphasize Computerized Accounting Systems (CAS) (Strong, et al, 2006). The rapid change in information technology, the wide spread of user-friendly systems and the great desire of organizations to acquire and implement up-to-date computerized accounting systems

and software that enabled accounting tasks to be accomplished much faster and accurately than with Manual accounting systems. On the other hand, this advanced technology has also created significant risks related to ensuring the security and integrity of computerized accounting systems (CAS) (Musa, et al, 2005).The advancement in technology especially the Internet has generated new methods of communicating with customers both current and potential in the banking world. E-commerce has not only changed the way businesses specifically banks market their products or services, but also how these products or services are normally delivered, knack with computers is highly significant in this direction. (Simmons, et al, 2011)

With the expansion of business the number of transactions increased. The manual method of keeping and maintaining records was found to be unmanageable. With the introduction of computers in business, the manual method of accounting is being gradually replaced. And finally, the database technology has revolutionized the accounts department of the business organizations (retrieved from: www.nos.org/srsec320newE/320EL12.pdf). As the lifeblood of any competitive business, computerized accounting system is a critical resource for all enterprises. The concept of CAS is quite well established and numerous commercial packages as well as tailor-made systems have been developed. However, the business world is best by accounting systems that have varying levels of efficiency and excessive costs for such systems (Yau et al, 2000). In Uganda, before the introduction of computerized system of accounting, the manual systems were inaccurate and inconsistent for many organization needs especially reporting of financial information. This is because the system was associated with errors since data was collected, analyzed, journalized and a trial balance and balance sheet prepared (Meigs, 1986). However many organizations are not enjoying the benefit of computerization of accounting system as they have continued to be inaccurate due to increased number of interruptions due to system failure or breakdown and untimeliness with its reliability left in question (As per European Union Audit Report by National Audit Organization 6 may 2003)

Computerized Accounting System is a computer based system, which combines accounting principles concepts as well as the concept of information system to record, process, analyze and produce financial information to its users to make economic decisions (Gelinias et al,2005). A computerized accounting system involves the computerization of accounting information systems which is established in order to facilitate decision making. These are associated with a numbers of benefits like speed of carrying out routine transactions, timeliness, quick analysis, accuracy and reporting. Effective and efficient information flow enhances managerial decision-making, thereby increasing the firm's ability to achieve corporate and business strategy objectives (Manson, McCartney, Sherer, 2001). This in turn, may increase the prospects of the firm's survival (Platt, 2012).This can be evaluated by the procedures, accounting records and tools used (Keating, Frumkin, 2003).

A computerized accounting system can also be referred to as accounting information system that processes the financial transactions and events to produce accurate accounting results as per the user requirements or guidelines. Every proper accounting system, be it manual or computerized must follow the generally accepted accounting principles and also the framework for maintenance of records, generation of reports, and must be well defined and easy to be understood. In a computerized accounting system, the process of storage and handling of data, which is normally referred to as operating environment consists of computer hardware and software under which the accounting system operates. Computer hardware and software are interdependent and so one cannot do without the other. The link here is that, the type of accounting system employed determines the operating environment. The nature of software used determines its hardware so selecting a computer hardware depends upon several factors like the number of users, secrecy level and the sectional or departmental activities in the bank, etc. (Computerized Accounting Software, Chapter 13, 492). A computerized accounting system also involves the use of computer hardware and software to perform the recording and reporting functions that would otherwise have been done manually by a staff of a bank or an owner of a business. Prior to

technological advancement, accounting records were being kept only on a manual basis whereby the bookkeeper needed to complete a manual basis document for each sale or receipt, and then spend all day or better still a week in writing the records of the day or week into special journals, stock cards, as well as debtors and creditors records. This clearly took some time, time that would otherwise have been spent in managing the business. Most importantly, completing the accounting records were sometimes seen as a hurdle to business, rather than a way of making it more profitable. (Simmons, Hardy 2011, 372)

1.2 Problem statement

Despite the existence of a well-established manual accounting system, instances of delay, inaccurate reporting, miss posting and wrong balances have continued to occur. Given that computerized accounting systems are put in place, such instances are not expected to occur. According to a Journal written by Boye S.S titled "*Innovative Banking Activities in Ghana*" (1990) indicated that in any industry with which the banking industry is of no exception, there is a need to create innovative services and products to respond to the varying consumer demographics and their lifestyle. The intense competition among Ugandan banks calls for regular overhaul of the banking activities and services in order to guarantee customers with quick but efficient service delivery hence the research is prompted to establish the effectiveness of the computerized accounting systems and their effects on the financial performance of financial institutions in Uganda.

1.3 Purpose of the Study

The primary purpose of this study was to establish the relationship between computerized accounting system and financial performance on the banking sector in Uganda and to determine whether the adoption and practice of this system has led to increased financial performance, efficiency, effectiveness, timeliness and accuracy in delivering of banking services

1.4 Main objectives of the Study

- ❖ To find out the impacts of computerized accounting on the banking industry in Uganda.

1.4.1 Specific objectives

- ❖ To establish the level of adoption of computerized accounting system
- ❖ To establish level of financial performance among financial institutions
- ❖ To establish the relationship between computerized accounting systems and the financial performance of financial institutions.

1.5 Research Questions

- ❖ What is the level of adoption of computerized accounting system?
- ❖ What is the level of financial performance among financial institutions?
- ❖ What is the relationship between computerized accounting systems and the financial performance of financial institutions?

1.6 Scope of the Study

1.6.1 Geographical Scope

The research was carried out in Centenary Rural Development Bank (U) Ltd, Kyaliwajjala branch. Kyaliwajjala is a neighborhood in Kira Municipality, Kyaddondo; it's bordered by Namugongo to the North East, Bweyogerere to the South East, Naalya to the South, Najjere to the West and Downtown Kira to the Northwest. This location lies approximately 14 kilometers by road, northeast of Kampala, the capital of Uganda and the largest city in the country.

1.6.2 Content Scope

The research was based on two variables; computerized accounting systems which comprise of definitions, components of computerized accounting software, benefits and limitation of computerized system and financial performance which also comprises of

definitions of financial reports, benefits and effectiveness of accounting system used at Centenary Bank.

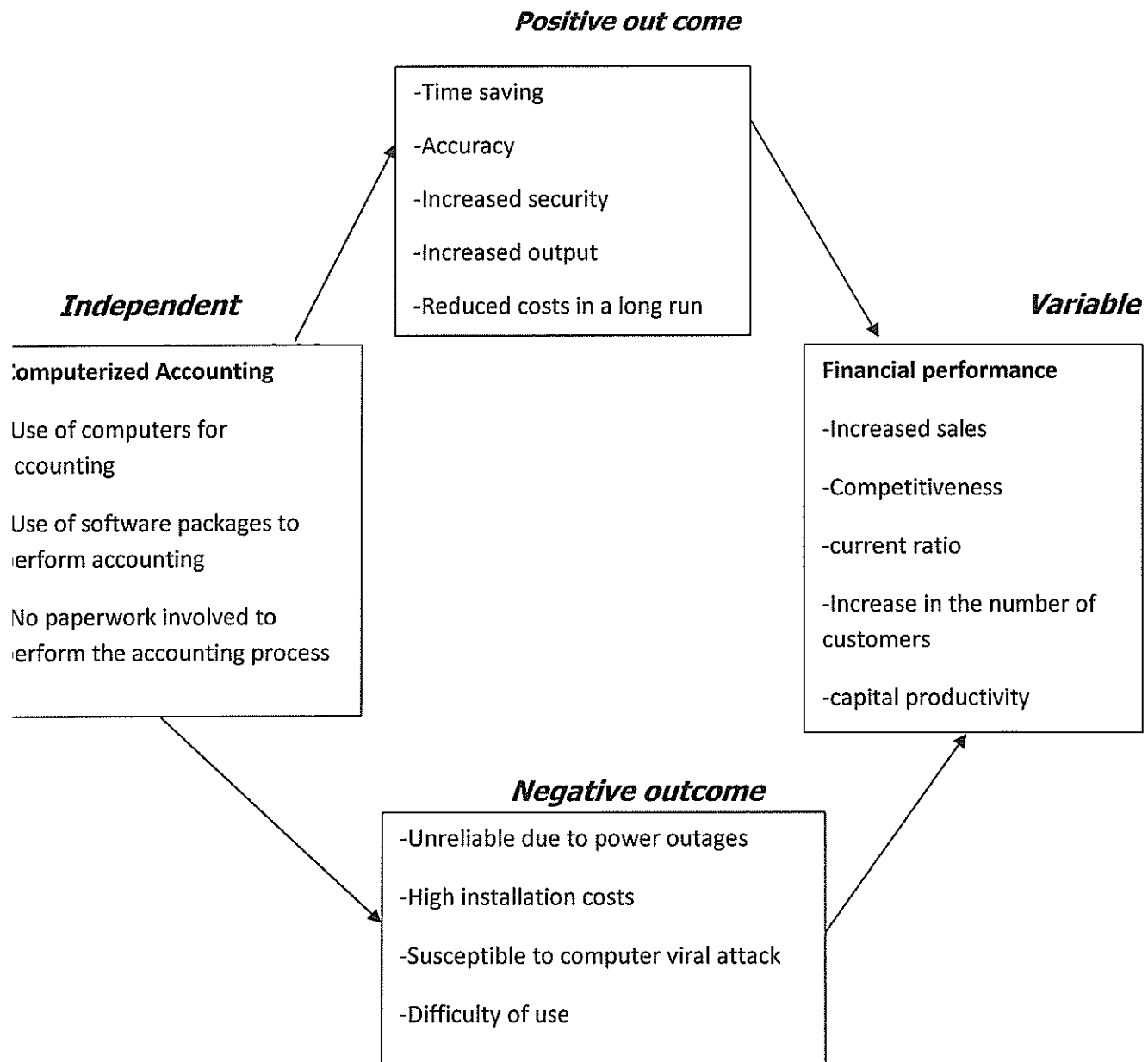
1.6.3 Time scope

The study was carried out within the months of February, March, April, May and June 2016 covering 2014/2015 performance period.

1.7 Significance of the Study

- The study will enable management of Centenary Rural Development Bank to understand the significance and the impacts the computerized accounting systems have on their financial performance. The study will point out weakness in the accounting system which management needs to address.
- The study will help investors on financial institutions, and also other interested stakeholders to know the importance of computerized accounting systems over other accounting systems used in the banking industry and why computerization of accounting is a strong competitive tool in the industry.
- The study will also help the government regulatory body on financial institutions, Bank of Uganda (BoU) –the Central Bank of Uganda to come up with and enforce policies, procedures and solutions to problems affecting the performance of financial institutions in Uganda.
- Other researchers will use the report as literature review in order to improve on their research in the same or related areas of study in another period of time.

1.8 The conceptual frame work



The development of computerized accounting systems has transformed the way small businesses keep their accounting records. This has permitted small business owners to simplify the accounting processes, thus leaving them more time to work on their main business. (Simmons, Hardy, 2011)

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section of literature review focused on the concept of computerized accounting system in relation to financial performance of financial institutions. The literature was presented in the order of the stipulated objectives of the study.

2.2 Accounting

As many professional accountants and auditors state - accounting is a language of business which is accepted in all developed and developing countries, but what exactly is accounting? Well, accounting has been defined by many authors in various ways. According to Osmond, (2011), accounting is the way business owners manage their company's financial information in orders to make better decision regarding their companies.

Meigs (1986) also defines accounting as the art of measuring, communicating and interpreting financial activities. I do agree with both authors since the meaning derived out of their ideas are similar and state the actual art behind accounting.

2.3 Brief History of Accounting

Osmond (2011), states that; Accounting is old in several centuries and that Luca Pacioli, an Italian from San Sepulcro, is the father of accounting. Pacioli is credited with developing the double entry bookkeeping system in 1494 using debits and credits to manage a company's financial information. His system included ledgers and journals where financial information was kept relating to business transactions. Pacioli's accounting system is still in use today, even by the various computerized accounting programs in the industry.

2.4 Accounting System

Accounting system as defined by business dictionary.com states as an organized set of manual and or computerized accounting methods, procedures, and controls established to gather, record, classify, analyze, summarize, interpret, and present accurate and timely financial data for management decisions. (Business dictionary.com, Quoted 10.12 2012) Every organization must operate accounting system due to the fact that it is generally recommended for companies to report on its financial position to the stakeholders for better decision-making and other policy implementations. The decision to choose whether a company would operate manual or computerized accounting system depends on the company itself.

2.5 Computerized Accounting Systems

Meigs et al (1998) defined a computerized accounting system as a system that uses computers to input, process, store and output accounting information inform of financial reports.

He adds that accounting system records all transactions that routinely deal with events that affect the financial position and performance of an entity.

Mari Vic (2009) described a computerized accounting system as a method or scheme by which financial information on business transactions are recorded, organized, summarized, analyzed, interpreted and communicated to stakeholders through the use of computers and computer based systems such as accounting packages. He emphasized that it's a mechanized process of facilitating financial information inflows as well as the automation of accounting tasks such as database recording and report generation.

Mari Vic adds that keeping accurate accounting records is a vital part of any organization. Apart from helping it to keep its float financially and legal, it is a requirement of funding bodies or donors. However computerized accounting system involves the use of computers to handle large volume of data with speed, efficiency and accuracy aimed at overcoming fundamental challenges which do not change the

principle. The principle of accounting remains the limitations of many accounting and hence producing quality and reliable work.

McRae (1998) adds that computerized accounting systems are advantageous in consolidating information channels meaning that files that were previously been duplicated by several departments will now be consolidated into single file. If a customer wishes to make cash or cheque withdrawals, what the customer has to do is to present the cheque or withdrawal forms to the cashier, then the cashier would key in your account number into the computer. After this, the customer's account profile would immediately appear on the screen, when the cashier is satisfied with all the available details on the screen, payments is then effected immediately.

The illustration below shows how a computerized accounting system works (Ge-linas et al 2005)

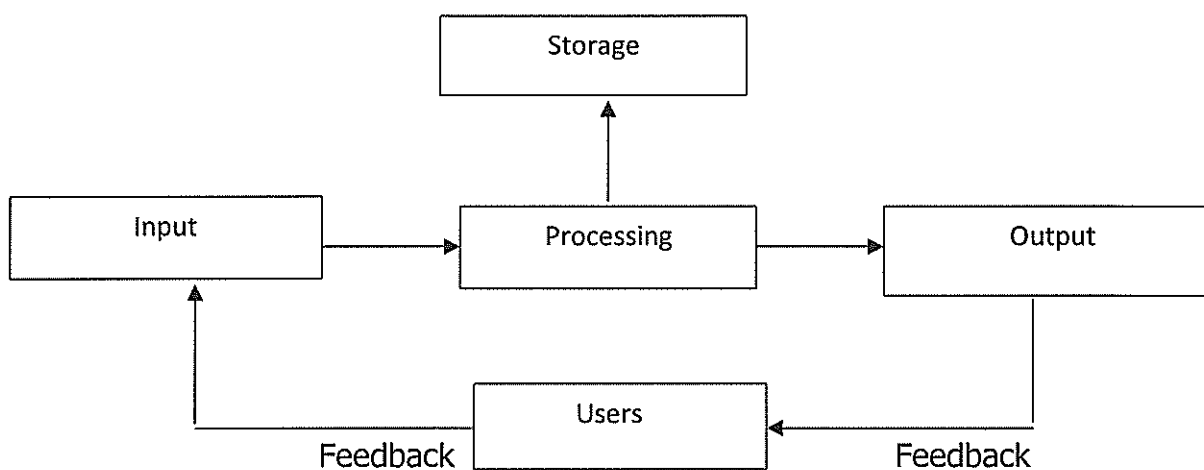


Figure 1: A computerized Accounting System Model

2.6 Level of adoption of computerized accounting

Till 1970th-80th the most common used system in accounting was "general ledger". It was a book with assigned pages for each account, such as cash, receivables, payables, stockholder equity. Everyday transactions were entered by hand into a journal. After each transaction entry had to be posted in a proper general ledger account on the assigned page (Hous). Next step was an input of the numbers from general ledger into financial statements and preparing tax returns. All these processes where inefficient, slow, and manual. Even a minor mistake or inaccuracy in these processes led to long time spent for recalculations (Hous).

Through the 20th century developments in computing, data modeling, and telecommunications influenced accounting processes significantly. The first mention of the term "systems" regarding accounting emerged in the 1920's and was used widely in mass-media. At the same time many scholars considered that development of computerized accounting systems technologies had begun even earlier. For example in 1890s, to meet needs of cost accounting, calculating machines, such as Hollerith device, were created (Badua, Watkins 3). According to Badua and Watkins, some inventions went even in reverse directions when particular area of accounting facilitated the creation of specialized machines or technology. Invention of accounting software revolutionized accounting processes. Multiple developments forerun present-day technologies. A countess Ada Lovelace computing machine was the first machine created and used for accounting. The IBM 9Pac was one of the first programming systems that preceded the invention of many modern accounting systems (Novinson). SAP software was created in 1973 and provided opportunities not only for automated financial transactions but also for supported executive decision making. Before the invention of Peachtree program, all accounting computerized programs were unavailable for broad public. Peachtree was the first program sold in stores and accessible for everyone.

In 1983 company Intuit introduced a computerized computing program for personal finance Quicken. After that TurboTax for calculation of federal and income taxes and QuickBooks for small business accounting purposes were presented to wide public (Novinson). At this point of the development of accounting technologies manual journal entries were left in the past and computer technologies made profession of accountant easier. Accounting software gave an opportunity to professional accountants to do their job faster and more productive. At the same time owners of small businesses, who had limited knowledge in accounting area, could keep their finance statements in order to use an accounting software (Hous). The last decade of 20th century brought significant changes to data communication. It became faster, more reliable, and less expensive. The client/server applications in a "hosted" environment became popular among technology manufacturers and suppliers. This kind of model allowed a firm to operate complex accounting systems with just a little investment. The model also gave way to the on demand Software as a Service (SaaS) financial systems.

2.7 Components of Computerized Accounting Software

Accounting software's are used to implement computerized accounting system. The computerized accounting is based on the concept of database; it is basic software which allows access to the data contained in the database. The following are the components of computerized accounting software as discussed by Marivic (2009)

- **Preparation of accounting documents.** Computers help in preparing accounting documents like cash memo, bills, invoices and accounting vouchers. Here computerized accounting systems have user defined templates which will provide faster, accurate entry of transaction and therefore all documentation and reports can be generated automatically.
- **Recording of transactions.** Everyday business transactions are recorded with the help of computer software. Every account and transactions is assigned a unique code where the grouping of account is done at the first stage. This process simplifies the work of recording the transaction. Marivic (2009) argued

that computerized packages will minimize human errors in transactions recording as in the system there is the existence of reference of every transaction.

- **Preparation of trial balance and financial statements.** After recording of transactions, the data is transferred into ledger accounts automatically by the computer. Trial balance is prepared by the computer to check accuracy of records, with the help of trial balance; the computer can be programmed to prepare the statement of comprehensive income and the statement of financial position.

2.8 Accounting Software

Basic accounting software demands not only ICT skills, but also thorough accounting knowledge. By contrast, current accounting software can be run with only a simple understanding of the accounting practice. Nowadays, with in depth help menus and also the vast information that can be sourced online free of charge, resources to assist users in their use of accounting software are easily to come by. (Simmons, Hardy 2011, 372)

2.8.1 Accounts Receivable Software

The accounts receivable must consists of a detailed listing of customers and the amounts of money each owes the company or bank and other information like the date the debt was incurred, address and phone numbers of each customer. Businesses considering the installation of accounts receivable management software must undertake an extensive research into the available alternative solution to ensure it includes the key potentials that would enable accuracy and integrity of its financial reporting. The right accounts receivable software solution updates the ledger accounts with appropriate transactions automatically. Invoices are added and customer payments in regards to outstanding invoices are also deducted. The software checks that payments that have been applied to a specific invoice or identify that it covers multiple invoices. There should be regular reports generated in detailed, such as an accounts

receivable, aged listing so that customers at risk of defaulting could easily be identified. (Accounting Software)

2.8.2 Accounts Payable Software

The company or organization considering the implementation of accounts payable software solution must first of all realize that the best ones are the one that provide a rapid return on investment. The main characteristics of accounts payable that increase the payback include early payment awareness that enable the company to make use of discounts offered. More so, the ability to write cheques to suppliers and to have the correct debits and credits applied to the company account makes balancing the books easy. (Accounting Software)

2.8.3 General Ledger Software

A ledger account refers to an accounting record that summarizes all transactions affecting each individual item such as Bank, Stock, Creditors, Vehicles or Capital. In the financial statements all items have its own ledger account and so in this case the bank can have so many ledger accounts to manage considering its numerous customers, without computerized accounting system, it would be virtually impossible to locate one ledger account out of hundreds accurately and conveniently. (Simmons, Hardy 2011, 373)

The general ledger software is a very important software solution for all businesses since it is the main accounting record of the business. Key features companies must look for in general ledger accounting software are its ability to trace budget and financial data so as to produce accurate financial statements, detecting fraud so easily, tracking budget and financial data to produce accurate financial statements that can bring out better income statement, balance sheet, and general ledger reportage. When the best general ledger software is chosen, it helps to develop year-end reports and statements quickly and accurately. The general ledger software automatically passes data from subsidiary ledgers such as accounts payable and accounts receivable for

quick and accurate double entries as well as balance sheet balance sheet. (Accounting Software)

2.8.4 Accounting Packages and Chart of Account

A number of Software packages have been developed to assist in the accounting field and some of such packages are QuickBooks, Cash flow Manager, Attaché, Econet and Temenos T24. Even though some of this software mentioned here are developed for small businesses, they are also designed specifically for accounting purposes in the banks, especially the Temenos T24 software which is currently in use at Centenary Bank. It functions in such a way that once a customer's data is entered, the accounting records of that particular customer are updated automatically, and also customer's reports pop-up so easily. Links between the bank and its staff, as well as other information are easily accessible and can be produced quickly, accurately and efficiently. These accounting packages that have been outlined here earlier bring out transactions using accounting records such as the general ledger accounts. (Simmons, Hardy 2011, 373)

Furthermore, if some of the customers have the same names or similar names it may be very difficult to identify which account they belong to. To tackle these issues, a bank or business can use a Chart of accounts to arrange its ledger accounts. A chart of accounts is a catalogue of all the accounts, which detects and organizes each ledger account individually by assigning to it an account number or code. (Simmons, Hardy 2011)

2.9 Manual Banking Systems

Manual can be referred to as anything physically done or operated by the hand. Manual as defined by Dictionary.com refers to anything that is "done, operated, worked, etc., by the hand or hands rather than by an electrical or electronic device". (Dictionary.com quoted: March.2013)

This concept when applied to banking can be described as the process whereby the mainframe activities of the bank such as customers, management and accounting information are received and recorded by hand without computerized or electronic supported devices.

2.10 Manual versus Computerized Accounting

Accounting is an important part of every company. Businesses are required to keep books on their credits and debits.

Well, Weber, M. (2011) emphasizes that every company applies accounting because it is generally accepted that companies have to reveal certain financial and management information to the government and public users and of course because accounting is an indispensable tool in business decision-making process, it has led to the development of information technologies and many computer products (software in terms of accounting packages) that make accounting as easy as ABC for those who use them. From this point accounting can be divided into two basic categories: those which apply manual accounting and those which prefer computerized accounting systems. This topic therefore targets the main features of manual and computerized accounting, their benefits and shortcomings, and their comparison.

Whereas computerized accounting has been defined by Alan & Frank (2005) as a total suit of components that together comprises all inputs, storage, transactions, processing, collecting and reporting of financial transaction data, manual accounting on the other hand implies that employees perform the whole accounting cycle manually on a periodic basis: they calculate trial balances, journalize transactions, prepare financial statement reports and other routines.

Whether manual or computerized, accounting in itself is known to have a cycle that includes the following steps: journalizing the transactions, posting them to ledger accounts, preparing trial balance, making adjustment entries, preparing adjusted to end-of-period trial balance, preparing financial statements and appropriate disclosures, journalizing and posting the closing entries, and preparing after-closing trial balance at

last, Weber M. (2011). From the first look, it is not very difficult and it is so indeed, but when there are thousands or millions of transactions to be handled, the situation dramatically changes. Lots of transactions that must be processed in the accounting cycle make this process routine and even a little mistake or inaccuracy can cause all the cycle from the very beginning to fail which will therefore require an extra effort to find and correct the mistake.

Manual accounting uses several paper ledgers and journals where accountants record financial information. The general ledger includes miscellaneous transactions and the aggregate balance of all subsidiary ledgers and journals. Whereas Manual accounting is very detailed, since accountants must carefully enter information into physical books, Computerized accounting uses software programs designed from traditional manual accounting systems and involves the use of computers, spreadsheets and programs designed to record and report financial information electronically, (Osmond, 2011).

2.11 Benefits of Computerized Accounting over Manual Accounting

Time: Paper works are involved in manual accounting; all the accounting activities are carried out on paper manually and obviously, it takes much time and resources for the average business organization and most especially, a financial institution that still uses the manual system. Computerized accounting saves a lot of time where in, the employee has to record the transactions and all the other calculations would be carried out by the software either automatically or by a request. Magdalene M, (2010)

Accuracy: I also agree with Magdalene M, (2010) again, that computerized accounting is not only speedy but also accurate. With a computer being used to collect data and change it into meaningful information that is used by management to make timely and effective decisions, the computer carries out the entire data processing through classifying, sorting, calculating, summarizing the data and production of reports, as stated by Birungi (2000). This entire process helps to minimize the risk of miscalculations and other human errors that could have emerged as a result of manual data processing.

Security: With the manual accounting system, every record is on paper and in case of any uncertainties such as heavy floods, landslides and fire outbreaks, the useful data may all be lost, and yet with the computerized accounting system and the introduction of internet and networks in the information technology world, an easy backup and restoration system as well as the use of passwords to avoid unauthorized parties from accessing the data, keeps the information secure.

Cost: Some arguments may stress that manual accounting can be handled with cheap work force and resources and that it is reliable as it is done manually with minutes of observations Magdalene M, (2010). However, the level of competition in the business world of today is tight and even growing tighter day by day and if a business with an aim of being successful does not consider the aspect of time especially as far as decision making is concerned, then that business stands to lose. Computerized accounting in this case may be more costly than manual accounting in terms of cheap work force but its output actually overweighs its cost.

Level of output: Magdalene M, (2010) also argues that computerized accounting can actually handle thousands of calculations simultaneously and accurately as compared to manual accounting where by transactions are handled one at a time and even needs much time to do that as well as being characterized by human errors and mistakes in calculations which may eventually affect the final output of information and hinder effective decision making.

2.12 The impact of computerized accounting on the Banking Industry

Positive impacts

According to McBride (2000), computerized packages can quickly generate all types of financial reports needed by management for instance budget analysis and variance analysis.

Frank wood (1999) consented to the speed with which accounting is done and further added that a computerized accounting system can retrieve balance sheets, income

statement or other accounting reports at any moment. He consented that computerized accounting system allow managers to easily identify and solve problems instantly.

Indira (2008) pronounced the improvement in business performance as a result computerization of the accounting systems as it is a highly integrated application that transforms the business processes with the performance enhancing features which encompass accounting, inventory control, reporting and statutory processes. He then says, this helps the company access information faster and takes quicker decisions as it also enhances communication.

McBride (2000) stated that managers cannot easily satisfy statutory and donor reporting requirements such as profit and loss account, balance sheet and customized reporting when using computerized accounting systems. With the system in place, this can be done quickly and with less effort.

Computerized accounting systems ease auditing and have better access to required information such as cheque numbers, payments, and other transactions which help to reduce the time needed to provide this type of information and documentation during auditing.

According to Carol (2002), it is easy to do accounting functions using computerized accounting systems. Posting transactions to the ledger, the principle of double entry can largely be automated when done through the use of computerized accounting system.

Computerized accounting however, has some negative effects

Meigs (1986) stresses that there is a risk of improper human intervention with the computer programs and computer files. Employees in the organization may temper with the computer programs and computer based records for the purpose of deliberately falsifying accounting information. This may result into distortion of information that would essential be for decision making.

According to Wahab (2003), another threat and limitation of computerized system is the computer virus. Where a computer virus is a computer code (program) specially designed to damage or cause irregular behavior in other programs on the computer. The adverse effect is that it may lead to breakdown of the hardware thus leading to loss of valuable information (for instance in financial institutions information such as customers accounts, previous financial report, information pertaining loans advanced among others) already saved on the computer.

2.13 Financial Performance

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

(<http://www.investopedia.com/terms/f/financialperformance.asp>)

2.14 Determinants of Good Financial Performance

This section discussed the determinants of good financial performance which included computerized accounting systems, leadership and transparency.

Leadership

Leadership is the process of social influence in which one person can enlist the aid and support of others in the accomplishment of a common task. The role of leadership forms the backbone of any improvement strategy. The board of directors, management committees and management should have leadership skills in order to improve the financial performance. The leader's role in promoting and developing good financial performance begins with creating and sustaining a personal and organizational focus on the needs of internal and external needs or users. According to Keating and Frumkins (2003), leadership has three scores as follows; board/management committee Independence, board/management Committee Effectiveness and Management

Effectiveness. Sloan (2001) said that the financial report is the first source of independent and true communication about performance of company financially.

Transparency

Transparency and accountability mean making financial statements “user friendly” for those who are not financial specialists but want to be able to read and understand the financial reports. They mean being responsive to those who want to review your financial records by making them easily available. These two leadership qualities are also characterized by holding dialogues on your budget process and other important mission-defining events with the policy board, constituents and beneficiaries. These public events provide assurance that what you plan to do is in accordance with what is needed in the operating domain. According to Boice ((2004) accountability also refers to financial responsibility or operational transparency that requires demonstrating how donations to the organization are used and how effectively the organization is achieving its goals. Transparency can be measured by the openness, honesty and reliability.

2.15 Measurement of financial performance

Getting on top of financial measures of your performance is an important part of running a growing business, especially in the current economic climate. Many businesses fail because of poor financial management or planning. Your business success can depend on developing and implementing sound financial and management systems. (<https://www.nibusinessinfo.co.uk/content/measurement-your-financial-performance>)

2.15.1 Financial performance measures

(Retrieved from, QuickBooks: <http://quickbooks.intuit.com/r/financial-management/5-financial-kpis-gauge-business-health/>)

Current Ratio This accounting term describes the ability of a business to pay its bills. It can be calculated like this:

$$\text{Current ratio} = \text{current assets} / \text{current liabilities}$$

Capital productivity. Shows how well a company uses its working capital (inventories, receivables, and payables) and its property, plant, and equipment.

Increase in the volume of sales. For example increase in the number of account holders, increase in the number of people coming to borrow and later repay with interest, etc.

Increase in the number of customers. This will ultimately reflect the performance position in the competitive industry. Increase in the number of customers may be an indicator that customers are satisfied with the services they receive.

Costs This relates to the traditional approach on budgeting and cost accounting. Costs of producing an item or offering the services would be the main determinant for pricing, profit margins and for other decision making process. Thus, cost is an important variable to the survival of an organization.

Production factors. At this stage, it is important to evaluate how costs are efficiently allocated to production factors.

These factors relate to the extent of how the spaces were allocated, and machines and employees were utilized. Organizations should ensure that employees are properly motivated and rewarded to reduce wastage. Resources allocated should be properly accountable for and measured.

Efficiency of activities. Production factors are used to perform activities. The factors intend to evaluate efficiency of the Organization in delivering its products and services

and the costs involved. Quality of services to customers is included in the measurement. In summary, activities are measured through three dimensions: time, cost, and quality.

Properties of products. The organization uses activities to produce and develop products. This factor is an extension of the above factors whereby organizations normally match the amount of resources allocated to the level of satisfaction from the customers. The measurements include the amount and extent of resources allocated for the new products, level of customers' satisfactions and modifications needed for existing products and services.

Product and customer profitability. Products are sold to customers at a price that should provide organizations with sufficient profitability, normally based on profitability ratios. Profitability measures would help set the strategy and operational decisions of the management.

Competitiveness. Products and customers are important determinants of competitiveness. External factors have a strong impact on the survival and growth of an organization particularly in small and medium sized organizations. The rate of growth in revenue and its market size could determine returns and performance of the organizations.

2.16 Level of financial performance among financial institutions in Uganda

(source: Bank of Uganda Annual supervision report, December 2015-issue No.6)

This provides an overview of the Banking Sector performance in 2014/2015 performance period. Overall, the banking system remained sound, with bank liquidity and capital buffers remaining well above the minimum requirement. However, there was a rise in credit risk as shown by the increase in the ratio of non-performing loans to total loans.

Changes in banks' assets and liabilities

The banking sector's total assets grew by 10.9 percent from US\$19.6 trillion to US\$21.7 trillion between December 2014 and December 2015. This was mainly due to an increase in loans and advances of 14.9 percent in 2015, and an increase of 119

percent in funds due from banks abroad. Conversely, banks' holdings of government securities dropped by 8.9 percent from USh.4.5 trillion to USh.4.1 trillion as at December 2015.

During 2015, foreign currency denominated components of the banks' balance sheets grew faster than shilling denominated components. Foreign currency deposits rose by 29.9 percent, compared with 16.9 percent in 2014. Foreign currency loans grew by 18.5 percent, down slightly from 21.6 percent in the previous year. The share of foreign currency loans to total loans grew from 43.7 percent to 45.1 percent.

Adequacy of banks' capital

The banking sector held adequate capital to withstand shocks at the end of December 2015. All commercial banks met the minimum regulatory capital adequacy requirements, with an aggregate industry-wide tier 1 capital adequacy ratio and total capital adequacy ratio of 18.6 percent and 21.0 percent respectively. The leverage ratio (regulatory tier 1 capital to total assets plus off-balance sheet items) was relatively stable at 11.1 during 2015. The total shareholders' equity of the banking system grew by 12.6 percent from USh.3.2 trillion to USh.3.6 trillion between December 2014 and December 2015

Deposit Growth

Bank funding conditions remained stable with deposits contributing 81.8 percent of the total funding of the banking sector. The year-on-year growth rate of deposits in 2015 was 12.1 percent, down from 14.9 percent in 2014. Shilling deposits grew by 1.8 percent to Ushs8.52 trillion compared to a growth of 13.8 percent the previous year. Foreign currency denominated deposits increased by 30 percent to USh.6.3 trillion during the period which was higher than the percentage growth in the previous year 2014.

Lending activity

The annual credit growth increased from 14.0 percent in 2014 to 14.9 percent in December 2015. This was due to the growth in shilling loans by 12 percent to Ush 5.9

trillion compared to the 8.7 percent growth in the previous year. Growth of foreign currency loans declined to 18.5 percent in 2015 to reach US\$4.9 trillion, compared to the 21.6 percent growth in 2014.

2.17 Relationship between computerized accounting and financial performance

A computerized accounting system involves the computerization of accounting information systems which is established in order to facilitate decision making. These are associated with a number of benefits like speed of carrying out routine transactions, timeliness, quick analysis, accuracy and reporting. Effective and efficient information flow enhances managerial decision-making, thereby increasing the firm's ability to achieve corporate and business strategy objectives (Manson, McCartney, Sherer, 2001). This in turn, may increase the prospects of the firm's financial performance (Platt, Platt, 2012). This can be evaluated by the procedures, accounting records and tools used (Keating, Frumkin (2003).

2.18 The Appropriate Strategies of Improving Financial Performance

Frank Wood (1999), pointed that firms should ensure that they promote the use of up to date and complete information report systems in the preparation and presentation of its financial statements and ensure compliance to the set standards and governing regulations.

Indira (2008) remarked that, firms should also ensure public availability of full sets of financial statements including notes for public interest entities rather than producing a summary of the financial reports to the stakeholders.

Michael (2005) added that, firms should ensure that they recruit skilled professionals to handle its accounting and offer routine training to the employees in the field of accounting basing on the changing environment.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter describes how data was collected and analyzed. It rotates around the research design that was used, study population, sample size, data collection methods and instruments, data processing and analysis tools and problems that we encountered in the execution of the study.

3.2 Study Design

A case study was employed because the researcher was more interested in a deeper understanding of the problem rather than generalizing the findings across the entire population. For the purpose of obtaining the objectives of the study, various designs were used as follows; The researcher used qualitative and descriptive research design to conduct the study because the findings of the study were non-numerical (respondent's opinion and view about the variables).

3.3 Study Population

The study population was 50 respondents constituting Customers, and employees of Centenary Bank. The researcher analyzed the sample size using the Cronbach's formulae below;

$$N = \frac{Z^2 a pq}{e^2}$$

$$N = \frac{1.96^2 \times 0.65 \times 0.2}{0.1^2}$$

= 50 respondents approximately

Where Sample Size =50 respondents to be sample.

a= the level of significance =10% level of significance

e = error term/ tolerance level=0.1 and $q = 1 - P$

3.4 Sample Size and the Selection Method

A total of 50 respondents were examined through questionnaire and interviews. Out of this some customers were randomly selected and interviewed from Centenary Bank Premises while the rest were staff, and this was to know their opinion about the impact this subject has had on them. Samples were drawn randomly. A standardized questionnaire was also administered as indicated earlier. Qualitative data was also collected to know their views. Primary data collection rested solely on the detailed standardized questionnaire. Each of the sections covered detailed questions on all relevant inputs and outputs.

3.5 Data Collection Methods

Since a case study was the most strategy that was used, most of the data was collected using a structured questionnaire and interviews. This comprises of questions on the areas of computerized accounting systems and financial performance.

3.5.1 Questionnaires

The researcher used structured questionnaires as the main data collection method. This instrument was administered to respondents to solicit for information from within the organization.

3.5.2 Interviews

Direct interviews were used to elicit responses from some members of staff. This helped the researcher to get firsthand information which was used to draw conclusions on the topic under study.

3.5.3 Records Inspection

Under this method the researcher looked at the records produced at Centenary Bank using the current system in order to establish the effectiveness of computerized accounting system on financial performance.

3.6 Data Management

3.6.1 Data Processing

Data collected was processed both manually and by machine through word processor. This involves editing, summarizing and coding of the data. The researcher further edited and tabulated the collected data. Each questionnaire was ranked for consistency, accuracy, and completeness. Editing was carried out to direct any inconsistency in the collected data. The researcher reduced the data into frequencies, and percentages for ease of analysis.

3.6.2 Data Analysis

Data was analyzed using a computer programme that is Excel package.

3.7 Ethical Considerations

The information and data obtained from the respondents was treated with the utmost confidentiality. It was used for only academic purposes and not anything else.

3.8 Validity and Reliability of Instruments

Content validity index (CVI) method was used to establish the validity of all the designed questionnaires using the following formula;

$$CVI = \frac{n}{N}$$

Where n= number of items rated as relevant and

N= Total number of items in the questionnaire.

The research instrument was valid because the Content Validity Index is 0.8 which is above 0.5

Reliability of the questionnaire and interview guide was tested using the Cronbach's coefficient Alpha (α) method of internal consistency as given by the following formula;

$$\alpha = \frac{K}{K - 1} \left\{ \frac{1 - \sum_{\delta}^2 K}{\delta^2} \right\}$$

Where;

α = Alpha coefficient

δ^2 = Variance of the total test

$\sum_{\delta}^2 K$ = Sum of variances of the k questions in the instrument

K=Number of questions in the in the research instrument

The research instrument was reliable because Cronbach's coefficient Alpha (α) was 0.68 which is above 0.5

3.9 Limitations of the Study

- ❖ Financial constraint in issuing the questionnaires and making follow up, this was due to high cost of typing and printing of the analyzed data.
- ❖ Some respondents were uncooperative and always want to dodge the questionnaire.
- ❖ Difficulties in accessing the relevant information especially the documented materials, this was due to the sensitivity of the kind of information sought for.
- ❖ The sample size used for the bank would not necessarily be a true representation of the entire customer population size of the bank.
- ❖ Finally, the chosen case company, that is; Centenary Bank does not completely give the entire picture of the views of all financial institutions in Uganda since different institutions in the country have their own way of doing business and the target customer group they deal with especially the commercial banks.

CHAPTER FOUR

FINDINGS AND DATA INTERPRETATION

4.1 Introduction

This chapter gives a vivid description of the findings that were obtained from the case company. It shows graphical representations of the responses obtained from customers, staff as well as management for easily understanding of the subject matter.

4.2 Respondents' bio data

The respondent's bio data was looked at in terms of age distribution of the respondents, Level of Education and types of accounts held by customers.

4.2.1 Age distribution of the respondents

In order to establish the age group that had accepted to take part in the study, respondents were asked to state their age.

Table 1: The age Distribution of respondents

Age	Frequency(f)	Percentage (%)
24 and below	3	8.57
25-46	25	71.43
Above 46	7	20
Total	35	100

Source: Primary data-June 2016

The sample size chosen for the interview was fifty customers, out of which I got 35 responses. Out of these responses, 71.43% of total customers were between the ages of 25 and 46. 20% were above the age of 46 and the remaining 8.57% were less than 25 years of age.

4.2.2 Level of Education of Respondents

The study adopted English language, therefore, the study sought to establish respondents' level of education to determine whether the respondents had capacity to read, interpret and understand the questions administered to them perfectly and provide accurate and satisfactory responses. The study also investigated the education background of the respondents in order to find out the comfort ability and establish level of competence with which the users of the system possess, the higher the level of education of the respondent, the better his understanding and adoption to the usage of the CAS software.

Table 2: shows the Level of Education of respondents

Level of Education	Frequency	Percentage
Primary Level	0	0.00
Certificate	8	22.86
Diploma	6	17.14
Degree	14	40
Masters	7	20
Total	35	100

Source: Primary Data-June 2016

It is evident from table above that majority of the respondents are degree holders comprising 40% of the total respondents. This implies that data for the study was obtained from learned respondents who had the capacity to read, interpret and understand the questions administered to them perfectly and provide accurate and satisfactory responses.

4.2.3 Types of Accounts held by customers

Customers were also asked to state the types of accounts they hold with the bank and findings were as below;

Table 3: Table shows the accounts held by customers

S.no	Type of Account	No. of customers	Percentage (%)
1	Savings Account	21	60
2	Business Account	8	22.86
3	Current Account	4	11.43
4	Students' Account	2	5.71
	Total	35	100

Source: Primary data-June 2016

I found out that 60% of the customers held savings account, 22.86% held business account, 11.43% held current account and 5.71% of the customers had the students accounts with centenary.

4.3 Accounting Systems being used at Centenary Bank

The study sought to establish whether Centenary Bank uses computerized accounting systems in execution of its operations, this was very paramount in determining whether the bank was a relevant case study. The table below shows the response of the respondents on whether the bank uses a computerized accounting system.

Table 4: Has the bank computerized its operations?

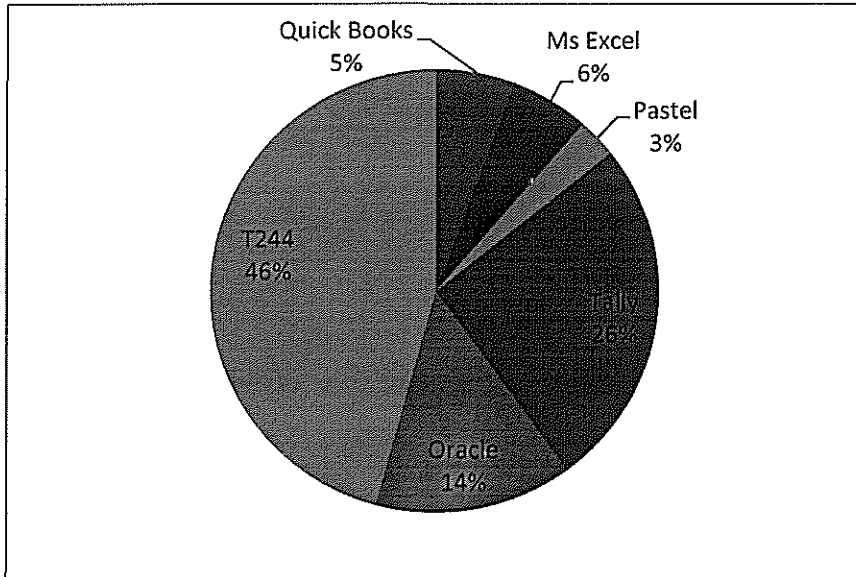
Response	Frequency	percentage
Yes	31	88.57
No	0.00	0.00
Both	3	8.57
Not Sure	1	2.86
Total	35	100

Source: Primary Data-June 2016

The findings in table reveal that 88.57% of the respondents said yes that the bank has computerized its operations, 8.57% said the bank uses both computerized accounting and manual systems, no respondent said that the bank doesn't use computerized accounting, while 2.86% of the respondents was sure of what accounting systems the bank uses exactly. This implies that the bank was a relevant case study with regards to the topic under study.

4.4 Accounting systems used at the bank

Figure 2: Showing the responses on the computerized accounting system used in the bank



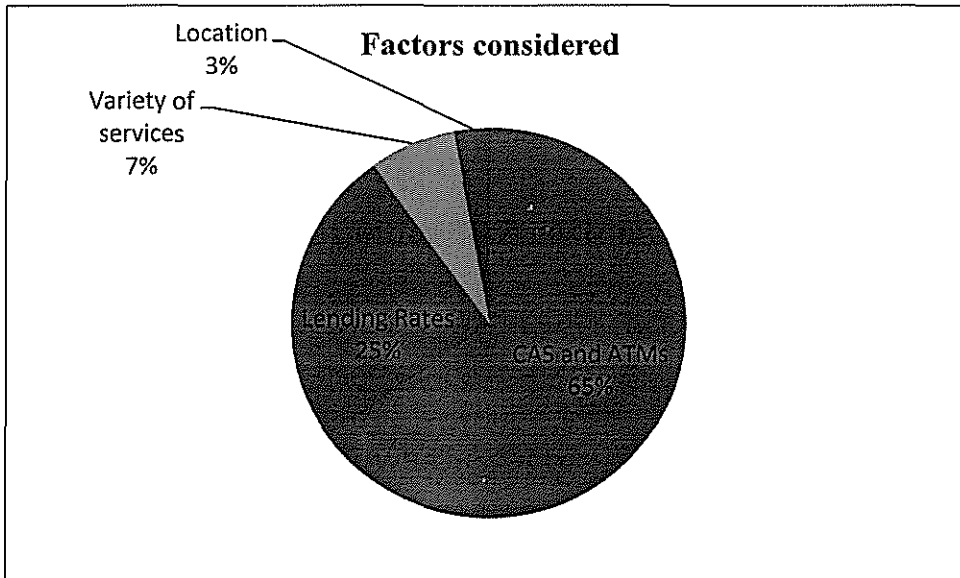
Source: Primary Data-June 2016

According to the figure above 46% of the respondents said that T24 was the most commonly used computerized accounting system in the bank, 26% said tally, 14% said oracles 5% said QuickBooks, 6% said Microsoft Excel 3% of the respondents argued that pastel is also used. However much some employees agreed that the bank uses the above stated computerized accounting packages, interview with the managers and some employees in the bank revealed that the bank uses only two computerized accounting packages, these are T24 and oracles.

4.5 Findings on what influences customer choice of bank

When customers were asked about factors they consider before selecting a bank to bank with, their responses varied as discussed below;

Figure 3: Pie chart shows the factors considered before choosing the bank to bank with



Source: primary data-June 2016

When customers at the bank were asked about one important factor they would consider before choosing a bank to bank with, 65% of the customers from the bank said they would rather consider the most efficient customer service delivery through the use of computerized banking system and use of ATM machines than withdrawing from the counter unlike for case of bulk withdrawals. 25% were of the view that low minimum deposit rate compelled them to save with the bank. 7% chose variety of services such as; provision of loans to accounts holders and microfinance services as a reason for saving with the bank. The other 3%, most of them were within the working age group chose centenary mainly because the bank is situated within the central business district of Kampala having several branches making it easy to access services whenever needed. None of the customers sampled chose a bank using manual system

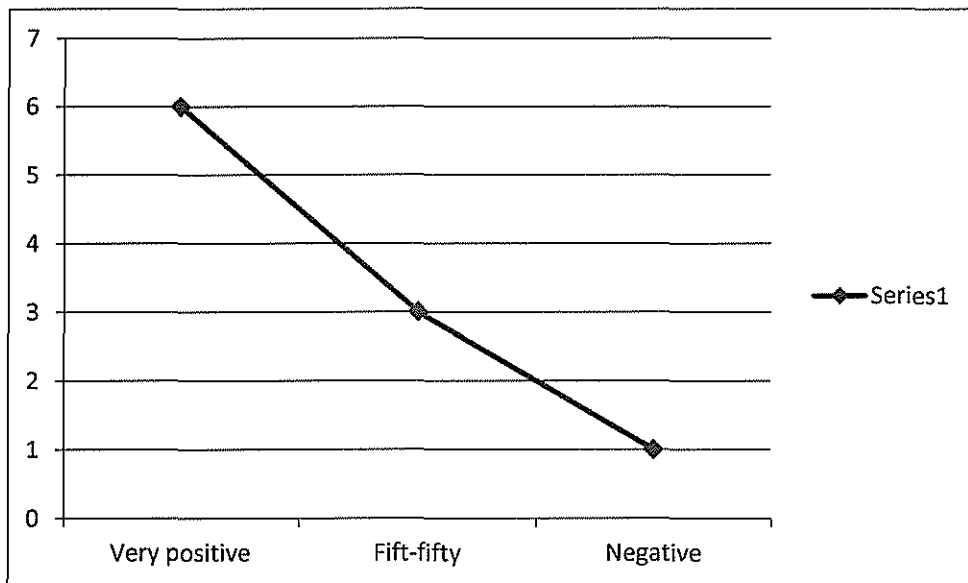
as a factor that would influence their choice of banking with the bank. Besides the use of computerized banking system, customers overwhelmingly selected low amount required for initial deposits, lending rates or low interest rate as an influential factor in making their decisions as to which bank to save or not to save with.

4.6 The impacts of computerized accounting Systems on the banking industry

4.6.1 Findings on Staff at Centenary Rural Development Bank

The response here is depicted in a form of a graph as shown below:

Figure 4: Line graph: Shows the staff response on the impacts of computerized accounting



Source: Primary data out of the 10 respondents interviewed-June 2016

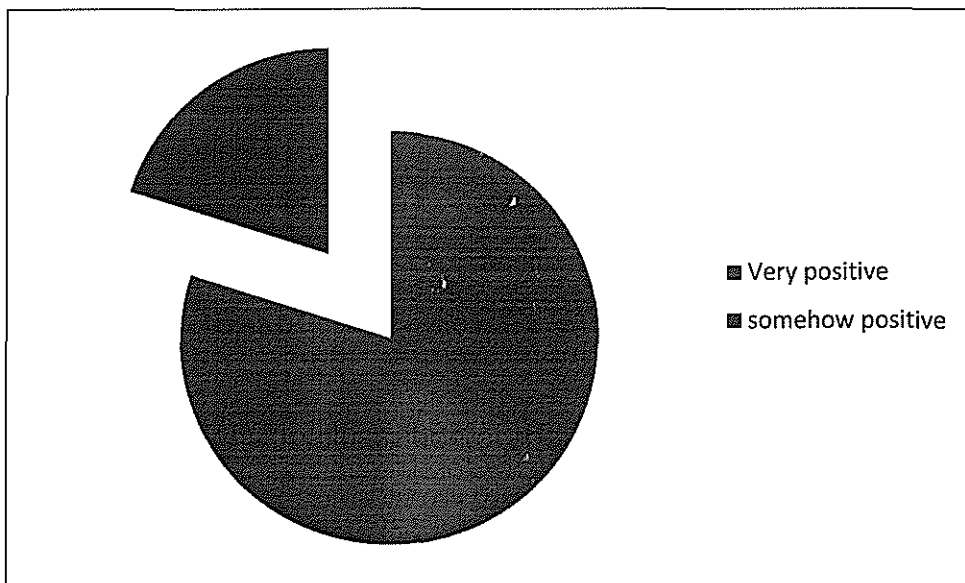
From the 10 members of staff interviewed, I had a positive response of 100% participation. Six (6) out of the ten (10) said they have realized a very tremendous change in their daily working activities as it has positively improved since the introduction of the computerized accounting system. Three (3) said comparably, they do not see much difference thus, comparing the traditional or the manual banking

system previously in place while the remaining one (1) said no improvement at all and is probably because of lack of computer literacy since the aforementioned staff was not well versed to basics in computing.

4.6.2 Findings on Customer satisfaction.

The chart below is an illustration of the study findings.

Figure 5: Customer Response



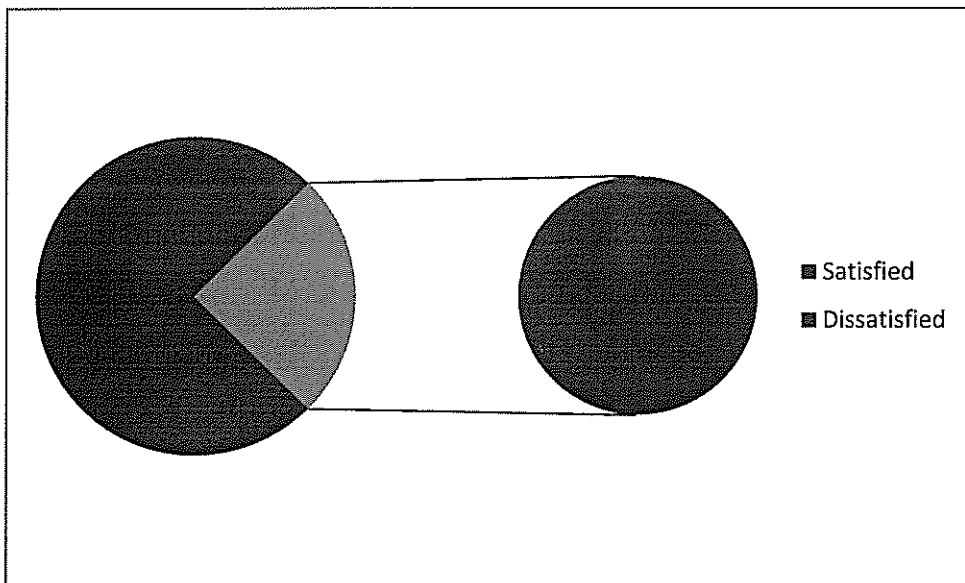
Source: Primary Data-June 2016

Out of the thirty-five (35) responses I obtained, twenty-eight (28) indicated that they currently enjoy banking with Centenary Bank Limited because of the use of the computerized accounting system. They said this has reduced the time they spend in the banking hall, processing of loans have also been quick, not to talk of deposits and withdrawals as well as opening of accounts. Seven (7) customers were of the view that there is an improvement but not as much as they expected but after interviewing the two groups, I found out that a number of similar and diverse views were expressed, which needed review. It was established from 80% of the total responses received from customers that, they were very appreciative of the services delivered to them in areas such as accuracy in opening and presentation of customer accounts balances as well as

bank statements, while 20% of the remaining responses obtained from the customers view the system as somehow positive or accurate. Thus it can be inferred from the above illustration that most customers banking with Centenary had no problem with the way and manner at which banking transactions were being operated which then implied that accuracy does not necessarily depend on whether the operating system in use is manual banking system or computerized banking system.

4.7 Level of satisfaction

Figure 6: Shows level of satisfaction

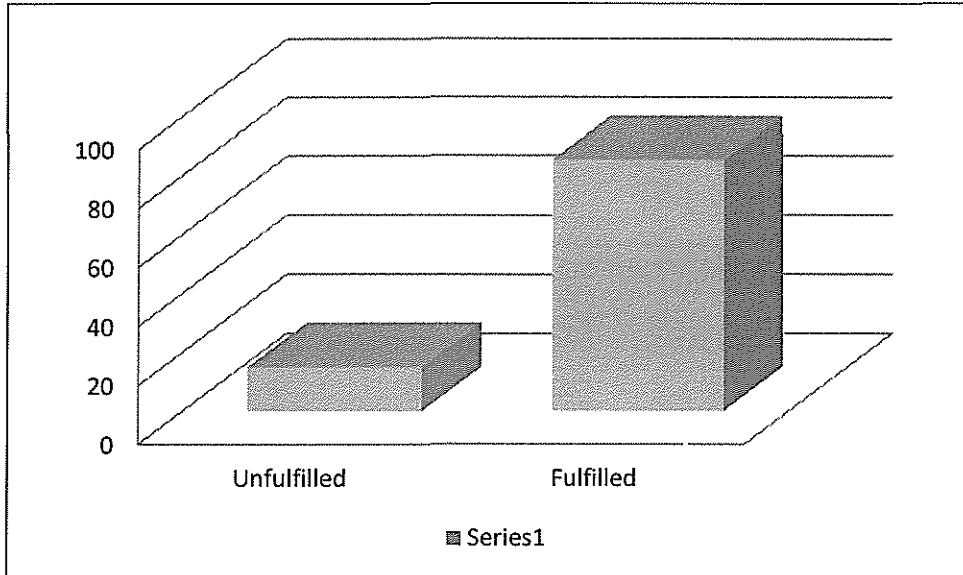


Source: Primary Data-June 2016

About customer satisfaction, 75% of the customers said they were satisfied while the remaining 25% were dissatisfied with the overall performance. Thus from this findings it can be concluded that most customers saw the bank as a bank operating in a faster and quicker banking services due to the computerized banking system.

4.8 Findings on the Bank's Performance

Figure 7: Shows the bank's performance

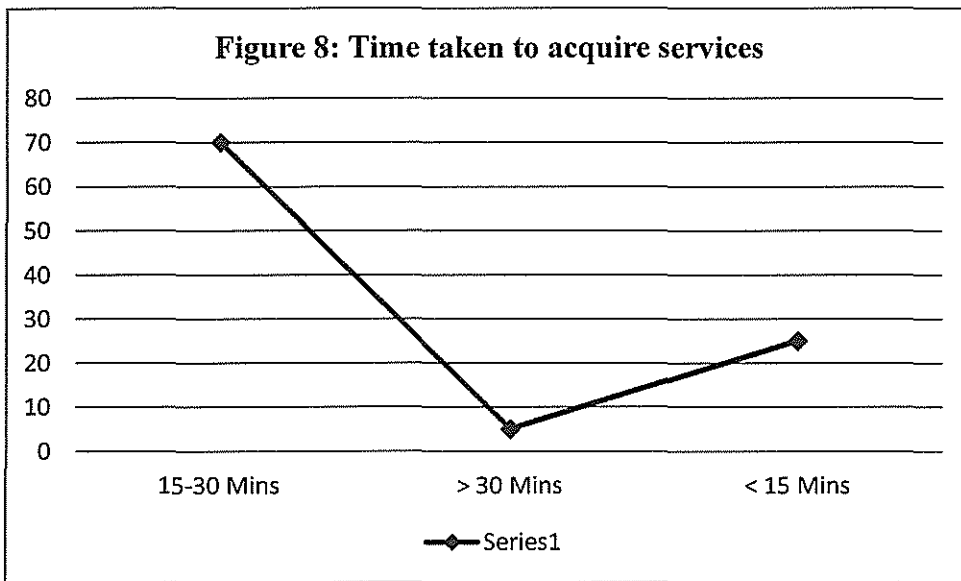


Source: Primary Data-June 2016

Thirty (30) customers were interviewed to source their knowledge about the bank's performance, out of which 15% of the thirty had their say about the bank's performance in the areas such as cash deposits and withdrawals, loan acquisition and issuance of bank statements unfulfilled while the remaining 85% thought their expectations had been fulfilled.

The fifteen percent (15%) out of the total customers whose anticipations were unmet by the bank, a little over 60% gave time wasting in long queues within the banking hall as the most pressing factor affecting the bank negatively. Some customers, about five percent (5%) of them cited poor customer handling by the staff or believe such staff was unqualified.

4.8.1 Figure 8: Time taken to acquire services

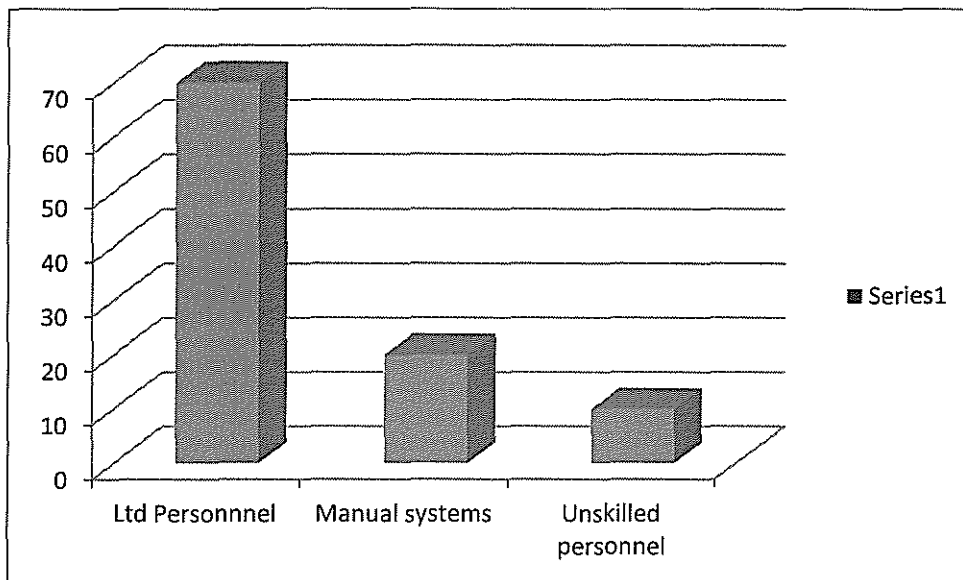


Source: Primary Data-June 2016

When the customers were asked about the number of minutes it takes them to make deposits and withdrawals from the bank, 70% of the sample size said it took them about 15 to 30 minutes for them to be attended to most especially when lining up for the services is required. 5% of the customers said it took them more than 30 minutes. While the remaining twenty five percent (25%) said it took them less than 15 minutes for the services to be delivered to them and this was when computerized system was used for example the ATM machine. When the customers were asked why it took a longer time for the bank to deliver these services to them, the following responses were given in a charted form below:

4.8.2 Findings on the factors affecting the performance of the bank

Figure 9: Factors affecting the bank's overall performance (%)



Source: Primary Data-June 2016

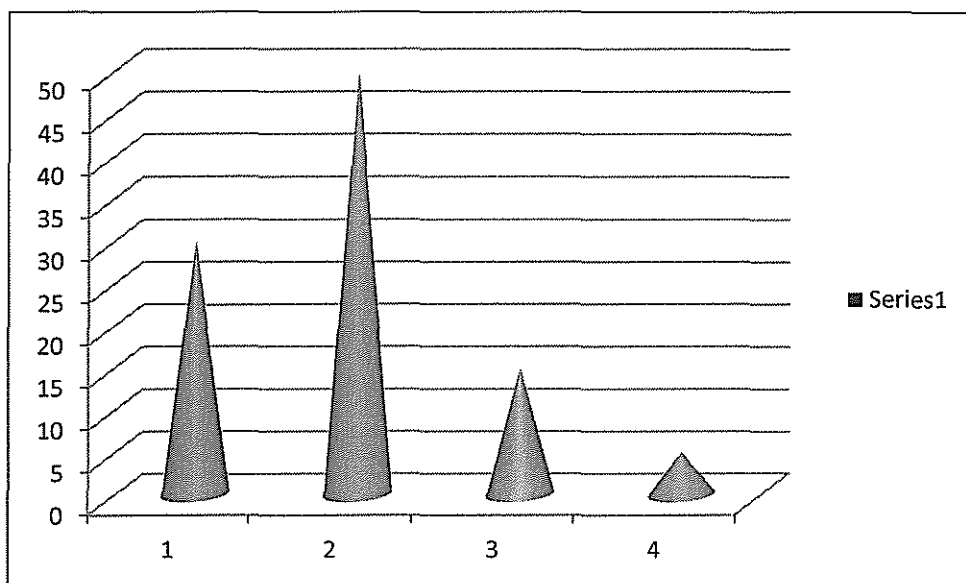
The chart above denotes 70% of the sample size indicated that the delay in the bank's performance is due to limited personnel. 20% attributed the delay to manual system.

The remaining 10% said they believe is lack of very skilled personnel at the bank and is probably because of lack of prior knowledge in computers coupled with lack of in-service training that is making the staff perform below expectation. This analysis brings on a lot of interesting analogies. In short, most of the customers at the bank had their hopes concerning the bank's operations and service delivery met. Others were also not happy due to the time they waste at the banking hall. The quantity and quality of staff at the bank were also questioned by some of the customers. This analysis indicates that the essential factor affecting the bank's performance in the areas of efficiency and customer satisfaction can be considered, as the fact that Centenary has been operating on mainly computerized system though it uses a manual banking system for some of the transactions and areas where it's applicable. So for customer satisfaction as well as

their expectations to be met, the bank should rather rely on the computerized banking system and other technological banking system or services.

4.9 Problems with computerized accounting

Fig10. The chart below shows problems that were identified.



Source: Primary Data-June 2016

Here, 50% of the sample size chosen which in one way or the other was not happy about the waiting time in queues. 30% also stressed on the bureaucracy that manual banking system brings, of which 15% of the customers were dissatisfied with the ineffective service delivery associated with the manual banking system. The remaining 5% were not happy about the customer relations. In all, none of the customers interviewed gave any better comment on banks using manual system that then shows the level of frustration customers go through when banking with such banks.

The results that were obtained from the bank concerning computerized banking system reveals countless number of interesting analogies about the perception the staff as well as customers have on banks using automated banking system. This positive customers and staff perception or response about banks operating in computerized system shows how technology has taken the center stage of every aspect of the banking industry and

the entirety of the business world. The findings showed that there is a direct and positive relation between customer satisfaction, bank efficiency, time effectiveness and computerized banking or accounting systems.

The analysis here shows how subtle bank customers have become in terms of innovative banking technology that can succor their engagement and facilitate the bank service delivery to them.

When members of staff were asked about the effects of computerized accounting, I found out that, the use of this system of banking has benefited the bank immensely in all sections of its activities. The following were some of the benefits reaped so far by the bank:

The research as told by members of staff found out that since the use of this system in the bank, accounting reports needed by the various branch managers such as reconciliation of financial statements are quickly generated. Data processing and analysis at the bank are faster, accurate and timely which meets management need for decision-making.

The speed at which accounting and other banking transactions are done with a computerized accounting system at Centenary Rural Development Bank Limited because of the use of this system is amazing, retrieving information such as balance sheets, income statement are made easy. Problems related to balance sheet and income statement are easily identified and solved instantly.

The research also found out that there has been a significant improvement in the overall financial performance of the bank as a result of computerization of the accounting system. Computerized accounting system has helped the bank in various ways such as easing the highly cumbersome auditing procedure and also there is better access to required information as at when it is needed. Information about cheque numbers, payments, and other transactions are easily accessed which help to reduce auditing time considerably.

According to the bank, it is easy to perform accounting functions using computerized accounting systems. Ledger posting and the principle of double entry are done easily and accurately when it is done through computerized accounting system.

Members of staff also discussed some the negative impacts computerized accounting has. Some of the cited negative impacts include the following below;

Access to high-powered computers is very difficult and comparatively high cost of purchasing such computers has made computers very much unaffordable. Nowadays, even though desktop or laptop can be purchased for a price between \$500 and \$1000 it is still being considered as an expensive product by the bank. Also the price for basic accounting packages or software nowadays starts at around \$150 or less, but can ultimately increase to around \$1000 for multi-user packages or software that are normally required by banks. Also most banks usually wants software written purposely for them, the cost involve in here could be thousands of Dollars depending on the type of package required by the bank

There is limited number of available technological expertise needed to repair and maintain the computers time-to-time and even when there are such experts there is also high cost of hiring. The costing for this has been a very huge headache for both management and policy implementers in the bank.

There is also a high cost of re-training the highly skilled staff in order to effectively use the system, the cost involve here is so huge that most banks in Uganda including Centenary finds it very difficult to add that to their balance sheet.

One of the most challenges experienced by the bank in the use of computerized accounting system was the cost of implementing and designing the system. The whole process of computerization at the early beginning rests on the proper designing of the system as well as getting the right components for the setup. The cost involve in getting the best software designers are very high which most banks in Uganda are reluctant in getting into it.

We normally say time is money, although one of the most known benefits of computerized accounting system is time saving but it could also be time taken away

from the bank's main activity of making money or sales. The time involved in installation and network problems that specifically puts business to a standstill was a worry to the bank.

4.10 Findings on Internal Control and Security System (ICSS) at Centenary Bank

It was realized during the research that since the introduction and use of computerized accounting system in the bank, the profit margin has increased considerably which is a good sign that there is some sort of other benefits that are being realized by the bank internally apart from the external ones being brought in by customers. A typical example is in the year 2014 there was an increase of about 43% in net income (NT) during those years and an increase of about 31% in net profit before tax in the same years. This benefit did not just come about, as the interview that was conducted revealed that there were a number of security controls in place that help prevent an unauthorized outflow of funds. The following security features are currently in use by the bank.

Password

A password is a *sequence of characters (letters, numbers, and symbols) used as a secret key for accessing a computer system or network. Passwords are used also for authentication, validation, and verification in electronic commerce.*

This requires a staff or an official of the bank to key in some characters known to the staff concern alone for official purposes only. This code has been put in place by the bank to check the authentication of anybody who enters the computerized accounting system at a particular period of time and for what transactions or activities that went on during that period.

A very important aspect of this section of the security features is that the system automatically prompts the staff to change their password from time to time basically annually. This helps in curbing any maneuvering within the organization for the purposes of wrongdoing such as fraud and other forms of financial malpractices.

PIN (Personal Identification Number)

Short form for *Personal Identification Number*, PIN is a set of personal numbers used to prove positive identification. Often used with automated bank teller machines, telephone calling cards, and accessing Wireless networks. The PIN is a four code number that uniquely identifies the account holder and it's for use by customers, when a wrong PIN is entered, access is denied. As defined by dictionary.com, a PIN is a sequence of numbers used as a secret key for accessing a computer system or network.

Segregation of duties

It's a control policy according to which no person should be given responsibility for more than one related function. This for example means that, the persons responsible for receiving cash who are normally called tellers or cashiers at the bank should not also be responsible for micro finance activities. It also serves as a method and procedures instituted within the bank to check all activities that are being performed by the various departments within the set up by the departmental heads. By so doing, this helps management to know where exactly the problem is coming from and the person responsible for it. This separation of duties aided by the use of accounting software has helped a lot in reducing fraud as well as concealment of financial malpractices in the bank.

CHAPTER FIVE

DISCUSSIONS, CONCLUSIONS, RECOMMENDATIONS AND SUGGETIONS FOR FURTHER RESEARCHERS

5.1 Introduction

This chapter covers the discussion, conclusions and recommendations of the study based on the findings analyzed in chapter four. The purpose of this study was to establish the significance of computerized accounting systems to financial performance in financial institutions and discussions, conclusions and recommendations were drawn according to research objectives.

5.2 Discussion of the findings

Having completed the study, presented the data and analyzed the findings, this chapter reviews the outcomes of the study in line with the research objectives and variables.

5.2.1 The nature of the computerized accounting systems being used at Centenary Rural Development Bank

From figure 2, the findings reveal that all the respondents who returned questionnaires agreed that the bank had computerized its operations. This clearly showed that the researcher would get right information on computerized accounting systems since the respondents had knowledge about this variable. This finding confirms what (Weber, 2010) said that every company applies accounting because it is generally accepted that companies have to reveal certain financial and management information to economic users and of course because accounting is an indispensable tool in business decision-making process. In addition, computerized accounting systems being used at Centenary Bank according to the figure 2 , majority of the respondents said that T24 was the most commonly used computerized accounting system in the bank, followed by tally, oracles, QuickBooks, Microsoft Excel and lastly pastel.

5.2.2 Benefits of using computerized accounting systems

As it is seen from chapter four, the findings reveal that computerized accounting system has reduced the time involved for the bank in processing their financial statements and related documents. Thus the bank is able to generate the required information by the click of button to report on time. Reporting on time enables the bank to indirectly save any fines that may be attracted by late reporting.

From chapter four it was noted that with the use of Computerized Accounting Systems the bank is able to generate and present better reports to their shareholders. This finding was in line with (Baren, 2010) who said that unlike the manual accounting systems, the CAS is able to reduce errors, eliminate duplicate work as well, and consolidate monthly financial statements into an annual report. Moreover stakeholders perceived report of computerized banks as more reliable than non-computerized banks. Therefore stakeholders are able to rely on the reports of this bank

It was revealed by the findings that a record keeping is one of the most important aspects used in the bank. This is because records serve as a source for future reference. Moreover, records kept serve as point for comparison between the past and the present. With a Computerized Accounting System, accounting data can be stored for a longer period without any loss in the data stored. This data stored could also be retrieved just by a click.

Findings show that errors were a common phenomenon in the manual accounting system (MAS). These errors ranged from casting errors (under cast and overcast), typographical errors, omission, error of principle, illegible hand writing among others. These errors posed a great deal of problems mathematically on financial statements. The advent of CAS has greatly reduced these errors which might have led to losses and wrong computation of revenue and expenses. It is for these reasons that the respondents who use CAS attributed a higher proportion of their benefits to the use of CAS.

5.2.3 Problems computerized accounting system has on financial Performance

Findings on chapter four showed that majority of the respondents argued that high installation and maintenance costs, lack of enough technical expertise to use and maintain the system and system break down causing unreliability were the main problem affecting the computerized system in processing financial statements. Security Vulnerabilities and susceptibility to computer virus attacks were also other problems cited.

The findings were in line with Linan Wang and Jinxin He (2011) who emphasized that the security of the computerized accounting system is very important. But, if the hardware system fails then the software system can also fail. Unexpected power outages, congestion, damage memory, computer viruses and hacker can cause a network failure thus causing computerized accounting system failure. More so, the system operator's lack of computer knowledge can lead to the collapse and loss of accounting data.

5.2.4 Solutions put in place to combat the problems of using Computerized Accounting System

It was revealed that as Centenary Bank has become increasingly dependent on Computerized Accounting Systems in the execution of their operations, they face the risk of their systems being compromised; solutions being used to revert these risks were:

Use of passwords that requires a staff or an official of the bank to key in some characters known to the staff concern alone for official purposes only. This code has been put in place by the bank to check the authentication of anybody who enters the computerized accounting system at a particular period of time and for what transactions or activities that went on during that period.

A very important aspect of this section of the security features is that the system automatically prompts the staff to change their password from time to time basically annually. This helps in curbing any maneuvering within the organization for the

purposes of wrongdoing such as fraud and other forms of financial malpractices. Use of PIN to safeguard customers from unauthorized access and activity on their accounts, the bank has also adopted segregation of duties; it's a control policy according to which no person should be given responsibility for more than one related function.

5.2.5 Factors affecting the financial performance of the bank

Findings showed that financial performance is affected by the accounting system in place, i.e. whether computerized or manual accounting system, level of expertise of the users among other factors. This analysis brings on a lot of interesting analogies. In short, most of the customers at the bank had their hopes concerning the bank's operations and service delivery met. Others were also not happy due to the time they waste at the banking hall. The quantity and quality of staff at the bank were also questioned by some of the customers. This analysis indicates that the essential factor affecting the bank's performance in the areas of efficiency and customer satisfaction can be considered, as the fact that Centenary has been operating on mainly computerized system though it uses a manual banking system for some of the transactions and areas where it's applicable. So for customer satisfaction as well as their expectations to be met, the bank should rather rely on the computerized banking system and other technological banking system or services.

5.2.6 Relationship between computerized accounting and financial performance

A computerized accounting system involves the computerization of accounting information systems which is established in order to facilitate decision making. These are associated with a numbers of benefits like speed of carrying out routine transactions, timeliness, quick analysis, accuracy and reporting. Effective and efficient information flow enhances managerial decision-making, thereby increasing the firm's ability to achieve corporate and business strategy objectives (Manson, McCartney, Sherer, 2001). This in turn, may increase the prospects of the firm's financial performance. This can be evaluated by the procedures, accounting records and tools used.

5.4 Conclusion

From the foregoing and the observations made during the field interview process, I can emphatically state that financial institutions that are still using manual accounting system as a means of delivering services to their customers have not been up to date in some situations such as how fast these services are conveyed to their customers or the appropriate quarters. This computerization is used at almost every commercial bank in Uganda and it has gradually been extended to other sectors of banking and money transfer such Mobile Money. The aim was to uplift the standard of service delivery in order to compete effectively and also for satisfying customer needs hence improving on their financial performance. Ugandan financial institutions operating on computerized accounting system offer an improved service delivery, efficient and faster services to their customers which makes them highly competitive within the industry. It might probably be this competitive advantage that is urging the banks on as against its competitors in the banking industry who do not operate or offer the aforementioned services and this has accounted for the introduction of automated and mobile banking systems by most banks in the country. Government of Uganda has assisted most Rural Institutions to migrate to the computerized system, the aim is to make all of them get into the system within the shortest possible of time. The use of computerized accounting system in banks has its own challenges just like the inception of any other programme or project at the any instance, problems such as installation cost, unstable power supply, computer failure, lack of expertise were expected. Nonetheless, the benefits that can be derived from the use of computerized accounting system as stated earlier in this report far overshadow its disadvantages. All the commercial banks in Uganda are computerized, some of which had been computerized for almost over twenty years. At this venture, I can say there is an urgent need for all the financial institutions in this country to migrate to the use of computerized accounting system.

5.5 Recommendations

The research gave a number of indications upon which the following suggestions or recommendations are presented to the industry players, Commercial Banks in Uganda precisely.

Even though generally computerized accounting system reduces cost such as labor, stationary, auditing and other related expenses, there were no such records being kept by the bank and I think the government through a directive from the Bank of Uganda (BoU)-Uganda's central bank should be clear on this so as to enable management in the various banks to document such records.

I highly recommended that a more thorough cost benefit analysis be undertaken before other financial institution notably, saving associations can computerize their operations in order to be aware of the benefit beforehand. This will help them to know whether it will be profitable to go into it or maintain the existing manual banking system.

There is a very lengthy time involve in the design and installation of computerized accounting system especially during the trial period and the best way to reduce such unnecessary time is to test the programme in phases rather than waiting until the whole installation system is finished before it is being tested.

There should also be standby computers and other related facilities as well as other software backups that can be used in times of an urgent need for such replacement.

It is also recommended that financial institutions hire highly trained experts in the field of information technology to manage any unforeseen contingencies that can disrupt the smooth flow of the banking activities. Such future eventualities can be frequent power failure, which can create software problems.

It is my deepest hope that the above recommendation be given the needed attention it deserves in order to help the smooth operation of the banking activities in the country.

5.6 Areas for Further Study

I strongly suggest the following for future researchers who might be interested to research along this path:

There should be some findings about the extent to which rural financial institutions in Uganda are linked to the Inter banking payment system amongst both the rural and the commercial banks at large.

Other studies can focus on how the emergence of Internet and mobile banking in the country is helping the customers and also what the government is doing to help in the area of electronic payment system.

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ATTACHMENTS

APPENDIX ONE: QUESTIONNAIRE

Dear respondents;

I am Owange James a student of Kampala International University pursuing a Bachelor degree of Business Computing. I am carrying out a research on computerized accounting and the financial performance of financial institutions in Uganda. You have been selected to participate in the study. The questionnaire seeks to obtain information on the above very important topic and you are kindly requested to answer the questions by filling in the spaces with the alternative provided or by providing answers of your choice where necessary. Be informed that the information provided therein is strictly for academic purpose and will be treated with utmost confidentiality.

SECTION A: BACKGROUND INFORMATION

1. What is your name? (Optional).....

Gender: Female

Male

2. **Education level:**

Primary level

Certificate

Diploma

Degree

Masters

Others (please specify).....

3. What is your age group?

Please tick where appropriate.

- i) Less than 26 year ii) Between 26 years and 45 years
iii) Above 46 years

4. What category of account does your account fall?

Please tick as below:

- i) Private ii) Business

5. What type of accounts do you maintain with the bank?

- i) Savings Account ii) Current Account

Others, (please specify).....

6. At what time or month was your account opened (optional)?

.....

SECTION B: ACCOUNTING SYSTEM AT CENTENARY RURAL

DEVELOPMENT BANK

7. Is the bank's accounting systems computerized?

- i) Yes ii) No iii) Both
iv) Not sure

8. If yes, what computerized accounting packages are used in this firm?

1. Tally 4. QuickBooks

2. Sage

5. Flow centric

3. Syspro

Pastel

6. Others, specify.....

SECTION C: BENEFITS OF COMPUTERIZED ACCOUNTING SYSTEM

8. In your view, do you think computerization of the accounting system has benefits to the firm?

i) Yes

ii) No

iii) Not sure

9. Do you think computerized accounting has an impact on banks performance?

I) Yes

II) No

III) Not sure

If yes, you are requested to tick any one option for the statements below

1-Strongly Agree, 2-Agree, 3-Neutral, 4-Disagree, 5-Strongly Disagree

Statements	1	2	3	4	5
There is improved and efficient service delivery to customers					
Processing of monthly salaries, cash deposits, withdrawals, and issuing of bank statements at centenary is efficient					
There is accuracy in preparation and presentation of account balances and bank statements					

SECTION D: RELATIONSHIP BETWEEN COMPUTERIZED ACCOUNTING, CUSTOMER SATISFACTION AND BANKS PERFORMANCE

10. What degree of satisfaction do you attach to Centenary service delivery?

A). Extremely satisfied

B). Satisfied

C). Somehow satisfied

D). Dissatisfied

E). Extremely dissatisfied

12. How long did it take to get your request in the areas of cash deposits and withdrawals services delivered by the bank?

.....

13. What do you think has been the rationale behind such time interval?

.....
.....

14. What is the one most important factor you would consider before choosing a bank to save with?

- A). Quality and efficiency of operations
- B). Efficient customer services
- C). Varieties of Services provided by the bank
- D). Manual Banking System
- E). Computerized Accounting System and ATM machines
- F). Deposits and Lending rates
- G). Location of the Bank

Others (specify).....

APPENDIX TWO: INTERVIEW GUIDE

Interview guide for research proposal for Centenary Rural Development Bank,
Kyaliwajjala Branch

1. What is your name Sir/Madam?
2. What is your department?
3. What position do you hold in this company?
4. Does your company use computerized accounting system?
5. If yes, what are the benefits you have derived from using the computerized system?
6. What are the costs associated with using these computerized system?
7. What is the relationship between computerized accounting and financial performance?
8. What are some of the strategies for improving financial performance?

APPENDIX THREE:
PRODUCTS & SERVICES

Centenary Bank among other services offers the following products and services:

- Savings Account
- Current Account
- Fixed Deposit
- Students' Savings Account
- Microfinance Savings
- Salary Loans
- Business Loans
- Bank Overdraft
- Salary Advance
- Microfinance Loans
- Auto Loans
- Clearing Financing
- Funeral Loans
- Mobile banking
- Western Union Money Transfer

APPENDIX FOUR: BUDGET

ITEM	UNIT COST	TOTAL COST
Typing and printing	200 per page	50,000
Binding	8000 per copy x 3	24,000
Transport		50,000
Communication		10,000
Data collection		100,000
Meals		30,000
Stationery	20,000	20,000
Miscellaneous	40,000	40,000
Grand Total		324,000

APPENDIX FIVE: TIME FRAMEWORK

ACTIVITY	TIME SCHEDULE				
	FEBRUARY	MARCH	APRIL	MAY	JUNE
Preparation of a proposal					
Visiting the Library					
Preparation and approval of proposal					
Organization of the Questionnaire					
Data Collection					
Processing, analysis of data, and report writing					
DURATION	Four Weeks	Four Weeks	Four Weeks	Four Weeks	Four Weeks

APPENDIX SIX: CURRICULUM VITAE

Curriculum vitae-OWANGE JAMES		
Surname:	Owange	
Other Names:	James	
Sex:	Male	
Nationality:	Ugandan	
Date of Birth:	August-22-1993	
Religion:	Christian	
Marital Status:	Single	
Contact Phone:	+256(0)773077445	
Alternate Phone:	+256(0) 758430051	
Email:	gjhems7@gmail.com	
Current Physical Address:	Kampala, Uganda	
OBJECTIVES		
<ul style="list-style-type: none"> ❖ To work in a professional I institution that shall enhance my career. ❖ To obtain a challenging position in a high organizational environment where my resourceful experience and academic skills will add value to organizational operations. 		
SKILLS AND ABILITIES		
<ul style="list-style-type: none"> ❖ I am a confident, hardworking, honest, dependable and self-motivated person who is technically proficient, adaptable, flexible and able to work independently and as part of a team with minimum supervision. ❖ A strategic thinker capable of carrying critical assignments. ❖ Self-motivated person with fully developed mobilization, data collection, and analytical skills to tackle tasks head-on, in order to find suitable solutions. ❖ Very good communication and interpersonal skills. 		
EDUCATION BACKGROUND		
Year	Institution	Award
2013–2016	Kampala International University	Bachelor Degree in Business Computing
2011 – 2012	Teso College Aloet	Uganda Advanced Certificate of Education
2007 – 2010	Serere Township S.S	Uganda Certificate Of Education
2000 – 2006	Kongoto Primary school	Primary Leaving Result slip

RESPONSIBILITIES HELD	
Position:	Intern (May to August,2015) and attached to the Accounts Office
Organization:	Serere District Local Government
Station:	Serere District
<i>Duties performed:</i>	
<ul style="list-style-type: none"> • Posting to the cashbook • Writing and filing payment vouchers • Writing ledgers • URA e-tax payment • Posting to the abstract of expenditure • Preparing Salaries for Various months with the help of the Salaries officer Serere District Local Government • Attending to clients • Preparing Various books of accounts for General Audit 	
Position:	Sales personnel and supervisor
Organization:	Yodus Investments Serere
Station:	Serere, Soroti
<i>Duties performed:</i>	
<ul style="list-style-type: none"> • Sales • General Supervision 	
LEADERSHIP CAPABILITIES	
2011 - 2012 Wild life Delegate-Teso College Aloet, responsible of ensuring club publicity and co-ordination with other wildlife clubs and relevant institutions	
RELEVANT SKILLS	
<ul style="list-style-type: none"> • Excellent communication skills. • Good interpersonal skills. • Good managerial skills. • Motivation skills. • Team player and leadership skills. • Project planning skills. • Analytical skills 	
COMPUTER SKILLS	
Package	RATING
Microsoft Word	Very good
Microsoft Access	Good
Microsoft Excel	Very good
Note pad	Good
Epidata	Good
Etc	

LANGUAGE PROFICIENCY
<ul style="list-style-type: none"> • Excellent spoken and written English • Excellent spoken and written Ateso • Fair spoken Luganda
LIKES
<ul style="list-style-type: none"> • Reading Novels, Newspapers, Magazines • Listening to music • Watching movies , News, football, documentaries • Travelling to new places
REFREES
<ol style="list-style-type: none"> 1. Edyegu Charles – 0772672786 Salaries Officer, Serere District Local Gov't 2. Areke James Stephen-0702093119 Senior Economist, Health Service Commission 3. Stephen Fashoto-0758875183 Lecturer and Director ICT, Kampala International University 4. Mugume Tom-0703295599 Lecturer and Head of Department BBA, Kampala International University