DEBT FINANCING, ACCOUNTS RECORDS KEEPING AND FINANCIAL PERFORMANCE OF SME’S IN UGANDA A CASE OF REGISTERED SME’S IN MBALE

ABSTRACT

The purpose of the study was to examine the relationship among debt financing, accounts record keeping and financial performance of SMEs in Uganda. The study adopted a cross sectional and quantitative survey design. Correlation and regression designs were adopted to explain the relationships between the variables of study and the extent to which the independent variables explain the dependent variable. The study sample consisted 341 out of a population of 3,274 SME’s in Mbale district. The data was tested for reliability, analyzed using SPSS and results presented based on the study objectives.

The results from the study revealed that there is a positive and significant relationship between Debt financing, Accounts Record Keeping and Financial Performance of SMEs. The predictive power of the study variables was found to be 72.2% (Adjusted R Square = .722). This indicates that study variables combined account for 72.2% variation in Financial Performance of SME’s in Mbale district while the remaining 27.8% of predictors of Financial Performance is accounted for by other factors that are not part of this study. In addition, Debt Financing and Accounts Record Keeping were found to be better predictor of Financial Performance of SME’s. Therefore Debt Financing and Accounts Record Keeping should be highly considered by SME’s for better Financial Performance.

The study therefore recommended that SME managers, owners and senior staff members should be more actively concerned with using trade credit to facilitate growth of the business. It is recommended that in order to ensure enhanced financial performance, SME owners should be
more thoroughly concerned with preparation of financial statements, make good accountability of the funds, have the knowledge and also skills in preparing financial statements debt financing and accounts record keeping should be highly considered by SME managers, owners and senior staff members for better Financial performance of SMEs in Uganda.