

THE EFFECT OF RECORD KEEPING ON FINANCIAL PERFORMANCE OF AN ORGANIZATION. A CASE STUDY OF VIVA HARDWARE

BY

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CHAPTER ONE

1.0 Introduction

This chapter will highlight the background of the study, the statement of the problem, the purpose of the study, the research objectives, research questions, the scope of the study and the significance of the study.

1.1 Background of the Study

Globally, the most successful companies use financial records as a basis for performance (Bowen, Schoppe, & Vassa, 2009). Indeed, according to Onaolapo and Adegbite (2014), the variation in financial performance of Organizations can largely be explained by the level of accounting record keeping.

Regionally, studies indicate that in most African countries, record keeping has been embraced as a driving factor for firms' financial performance. A case in point is that of Okoli (2011) who links proper record keeping to profitability of enterprises in Africa and argues that the lack of proper record keeping makes it impossible for owners of small business to do critical assessment of their performance, and he thus calls for the maintenance of proper record keeping in enhancing their profitability and performance.

In a similar assessment conducted by Mairura (2011), the level of education, type of business ownership, number of employees, and age of business were drivers of record keeping in Nairobi, Kenya. However, Mairura (2011) failed to empirically establish the correlation between book keeping and business performance. On the other hand, using a more formal approach, Akande (2011) examined, accounting skill as a performance factor for small business in Nigeria by invoking chi-square test statistic. Results from the above study show that possession of proper accounting skills by business owners significantly improves business performance.

In Uganda, research carried out on record keeping and financial performance of enterprises in Uganda found that these enterprises are a driving force for the promotion of the country's economic development (Turyahebwa Sunday & Ssekajugo, 2013). In another study Muhindo et al. (2014), found out that poor

record keeping these enterprises is due lack of or inadequate accounting information systems which result into continuous low performance levels.

It is against this background that the researchers picked interest in carrying out a study about the effectiveness of record keeping and financial performance of an organization using a case study of Viva Hardware.

1.2 Statement of the Problem

Financial recordkeeping enables business organizations to plan properly and also check for misappropriations of resources. This manuscript expounds a study on financial record keeping as an integral part of managing development groups' business environment. Record keeping gives substantial information about the financial strength and current performance of an enterprise and therefore managers find those records useful in making decisions.

However there are factors that leads to poor record keeping on financial performance in an organization like, lack of knowledge, low level of education, inadequate trainings and limited resources, lack proper recordkeeping systems which leads to their collapse and sometimes employee incompetence to offer to their duty in an organization.

Despite having all the above studies, there is limited research on the effect of financial record keeping on financial performance of organizations in Uganda. Therefore, this study will conduct to find out the effect of financial recordkeeping on financial performance of an organization using a case study of Viva hardware.

1.3 Objectives of the study

1.3.1 Main objectives of the Study.

The main aim of this study is to examine the effect of record keeping on financial performance of Viva Hardware.

1.3.2 Research Objectives

- i) To identify the importance of keeping financial records in an organization.
- ii) To find out factors leading poor record keeping in an organization.
- iii) To suggest solutions to the challenges affecting proper record keeping in an organization.

1.4 Research Questions

- i) What is the importance of keeping financial records in an organization?
- ii) What are the factors leading poor record keeping in an organization?
- iii) What are the solutions to the challenges affecting proper record keeping in an organization?

1.5 Scope

1.5.1 Subject scope,

The study will be focused on the study of two variables namely; record keeping as the independent variable and financial performance as the dependent variable. Record keeping is responsible for the efficient and systematic control of the creation, receipt, maintaining evidence of and information about business activities

and transactions in the form of records and financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenue.

1.5.2 Geographical scope,

The study will be conducted at Viva hardware is a retail hardware store which is located in Ndeeba alongside Kibuye - Masaka road, Kampala, Uganda. This place will be easy for the researcher to gather and collect relevant information of the study.

1.6.3 Time scope

The research will be carried out in a period ranging from October 2020 to January 2021. This given period of time will be enough for the researcher to collect related data

1.7 Significances of the Study

The study will serve as an opportunity for the researcher to be exposed to in-depth knowledge about the study subject hence it will foster creation of new knowledge and awareness in the area of record keeping.

Besides, undertaking this study and compiling this study will earn the researcher the reading skills, analytical skills, presentation skills, writing skills and computer skills in the bid of accomplishing this study.

The study will provide value addition to Viva hardware by improving financial performance, gap identification as well as proposals to mitigate the gaps as regard streamlining record keeping.

Findings are anticipated by the researcher to add more knowledge on the existing body of knowledge in the subject area. The study will stimulate further research in the area.

Finally, the study will also add to the researcher's personal professional development.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter looks at the opinion of other scholars concerning the topic of the study and they can be seen below:

2.1 Importance of keeping records in an organization

Probably the most important reason behind sound record-keeping is that it allows you to learn and grow from your own business experiences. Keeping your records in check will help you understand the current situations of your business and also project future profit or losses. In addition, good record keeping will also show you where your business needs improvement or re-invention. Here a few records to keep that will prove invaluable in the future.

Keeping records helps to improve and grow your business: Management consultants often say that the key to improvement is setting adequate targets, or SMART goals. In terms of record keeping it is the M, or measurable which is key. Without adequate records it would be impossible to measure where you are and to keep track of your progress Mairura, (2011). Financial information such as costs, revenues and profits should be available from your accounting system. Information on what work you've done, for who and when should be readily available from your job management system, whilst customer information could be gleaned from your Customer Relationship Management (CRM) system if you have one.

Creating a knowledge base to help your employees grow and develop: Storing information and making it available to your employees can help them grow, learn and develop Ozatambgo (2015). Simply empowering your employees by putting key information into the palm of their hands can also help them make decisions in the field quickly and accurately without having to call the office.

Keeping good records to help utilize your time more effectively: Michael Gerber, in his world-famous book 'The E-myth revisited – Why most small businesses fail and what to do about it', stresses that one of the reasons businesses fail is that the owners spend too much time on day-to-day tasks. But it's often hard to see the wood from the trees, especially when you're stuck in the trenches. Using job management software to keep a track of what jobs have been done and when can help analyse where your time is being spent, allowing you to delegate better. Turyahebwa, Sunday & Ssekajugo (2013) If you can free up your time, then that means more time to grow your business rather than wasting time on less important tasks. Analysing and monitoring your management accounts can help ensure you allocate your time to the clients that contribute most to your profits.

Financial Statements: According to Muchira, B. W. (2012), keeping accurate and up to date financial statements will help you at a time of lending applications. These finances include income statements as well as balance sheets that show assets, liabilities and the equities of your business at a specific date.

Purchases and expenses: The items you buy and sell to your customers and the costs of running your businesses. Supporting documents for both of these include invoices, email records, credit card slips, cancelled cheques, cash registrar tapes and account statements. These can help you to determine whether your business is improving, which items are selling, or what changes you may need to make. Maseko, & Manyani (2011)

Deductible expenses: At tax return time it's handy to have an assortment of receipts and documents that outline your deductible expenses. Okoli, B. E. (2011) These can be costs of travel, transportation, uniform and entertainment.

Assets: The properties that you own and use in your business. These records verify information regarding your business assets, such as when and how you acquired these assets. They will also help you to determine the annual depreciation when you sell the assets. Examples of these records include the purchase or sales invoices and real estate closing statements. Onaolapo, & Adegbite (2014)

2.2 Factors leading poor record keeping in an organization

According to Dawuda & Azeko, (2015) below stated the following factors leading to poor record keeping in the organization

Difficulty inventorying and tracking files. Keeping track of matter files in boxes is difficult. The file creation process needs to be simple. Otherwise, your records staff won't use it properly. IRM lets you print file and box labels with barcodes so everything can be labeled and tracked with a simple scan.

Inability to produce actionable reports from record software. How nice would it be to inventory all of the files related to a matter, regardless of their location? Records staff are often asked to create a pick list of files for an attorney or an executive. If an attorney wants a file to be delivered, the records staff needs to be able to print a report of all the files available. Using IRM, it is simple to generate these lists.

Lack of statistics on files. It's essential to know how many files are created, how many are checked out, and how many boxes are housing the files. You should also know how many files and boxes have been destroyed. IRM tracks the lifecycle of your files, so all of this information is captured in the system.

Inefficient records disposition. With IRM, you can track records through their life cycle from creation to destruction. It also captures records that are transferred outside of the firm. Understanding where your files have gone is as simple as running a report.

No system for managing electronic records. It's important to know where electronic records are and when they can be destroyed. Some software makes you copy each document or email and place it into their records database. With IRM, you don't have to do that. The software knows where everything lives and can manage paper and electronic files.

A cumbersome interface. Users want to be able to see the information without too many clicks, and they to be able to choose a platform that best fits their firm. It's important that the interface is customizable to meet the firm's needs. With IRM, it is.

So those are all common challenges that firms and records staff may face in their day to day operations. Many of the IRM features are going to be able to address those challenges. If you are experiencing any of these challenges in your firm, schedule a 10-minute strategy session with me. I am happy to help.

2.3 Remedies to the challenges affecting proper record keeping in an organization

According to Muhindo, Kapute , & Zhou, (2014) below asserts remedies/solutions to the challenges affecting proper record keeping an organization.

Correctly identify your business records. Correctly identifying your electronic records can be tricky in an environment where information is constantly being copied, printed, emailed and scanned. Start by developing a RIM (Resource Inventory management) policy which clearly outlines your organization's definition of an official record and apply that to all of your physical and electronic records. You will then need to set standards across your organization and work with IT and staff to apply the criteria to day-to-day business activities.

Develop and implement a records retention program. This is critical for controlling records growth and staying compliant. For a successful retention program you will need to research the relevant legal and regulatory requirement. This will determine how long you need to keep records and understand your internal retention needs.

Use RIM software. Regulatory Inventory management (RIM) software solutions are a great way to effectively manage both your paper and electronic records keeping. RIM software systems can: i) alert staff when records have reached the end of their retention period, ii) enable easy and fast retrieval of records, iii) organize all records for ease of use and provide secure access to all records.

Plan for long-term retention requirements. Every organization generates records that need to be retained for long periods of time in order to meet legal and operational requirements. This can lead to challenges in finding secure and cost-effective methods for storing this information for the duration of its retention period. Electronic records in particular can be challenging as they are at the mercy of changing technologies.

Providing comprehensive reports for regulators or audits. Reporting provides decision-makers with visibility into the access, actions, and history of all records and documents within an organization. Reporting capabilities become more important during an audit, when organizations must show regulatory agencies that they are compliant with record retention requirements. Without the right tools, this process can be lengthy and put additional strain on resources. Records managers can leverage the reporting power of records management software to easily provide the necessary audit reports.

Timely and accurate retrieval, transfer, and destruction of records. Records managers can overcome this challenge by automating this process with records management software, enabling users to: Perform federated searches to successfully retrieve all records, regardless of media type, including associated digital and physical records. Easily search and locate relevant documents and records based on metadata. Set up workflow notifications to alert users that still have checked-out records in their possession or have pending disposition approvals, ensuring greater user accountability.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

In this chapter, the researcher gives brief information on the methods used when collecting data. It includes research design, Area sampling, sample size, description of population, data gathering methods and data analysis and presentation.

3.1 The Research Design

The study will use a cross sectional design research design which will allow the use of both qualitative and quantitative methods, where qualitative will determine wordy response and quantitative will determine the frequency distribution of responses will be used as an interpretive technique.

3.2 Study Population

The study population will consist of 100 people involving top accountants and auditors for all departments, cashiers and supporting staff.

3.3 Sample Size and Sampling Techniques

These included the sample of respondents and the department to which they belong.

Total sample size of 20 respondents will be selected from all departments of the organization and the sample will be collected using simple random and purposive sampling techniques. This will be done systematically to get information from the selected population.

Table 1 showing the sample size

Respondents	Population	Sample size
Top managers	30	5
Casual workers	70	15
Total	100	20

Source: primary data

3.4 Sources of Data

The sources of data will mainly be primary and secondary sources.

Primary sources of data mainly refer to the firsthand information that is to say, data in its original format. Primary data can be got through interview, questionnaire, document review, observation, to mention but a few.

Secondary source of data mainly refers to already processed data which can be inform of journals, text books, internet, to mention but a few.

3.5 Data collection instruments.

The primary data will be collected through interviews conducted with a selected number of employees and management staff.

The secondary data will be got from hand books and Organizational record of the establishment.

3.5.1 Interview.

Interviewing will be one of the techniques that will be employed in this research. It will be used because the information will be directly got from the managers and other employees who will have the ability to respond to the required questions. This particular method is chosen because in a scenario when the respondent lacks reading skills to answer a questionnaire, this method gives a reliable result; it is also useful for better interpretation of complex topics. However, this method is limiting since the interviewer can affect the data if he/she is not consistent, on the other hand, it is very time consuming.

3.5.2 Questionnaires.

A questionnaire is a research instrument that consists of questions and other prompts for the purpose of gathering information from respondents. The researcher will prepare a series of questions to be printed and given to willing managers and other employees in the accounts department of Viva Hardware. This method is chosen because the responses are gathered in a standardized way, so questionnaires are more objective, certainly more so than interviews, on the other hand, it is relatively quick to collect information using a questionnaire since potentially information can be collected from a large portion of a group. However, questionnaires, like many evaluation methods occur after the event, so participants may forget important issues, questionnaires are standardized so it is not possible to explain any points in the questions that participants might misinterpret and lastly, open-ended questions can generate large amounts of data that can take a long time to process and analyze.

3.6 Data Analysis Methods and presentation

3.6.1 Data Analysis Methods

The data will be compiled, collected by the researcher, sorted and coded to obtain the required quality, accuracy, completeness and consistence. Data will be processed using word, micro soft excel, power point in analyzing frequency tables. Data will be analyzed by references to the available literature in order to compare and contrast different options that were made by different authors and managers. This study will be focused to identify gaps in the existing literature upon which recommendations.

3.6.2 Data Presentation

Data will be presented using percentages, frequency and tables

3.7 Limitations of the Study

This will look at the things that make the work of the researcher hard hence leading to failure of meeting the research objectives and questions.

Some respondents thought that the information given will leak to competitors hence not giving information to their fullest. They withheld the information due to much suspicion.

Financial constraints, this is in form of cash which is always a scarce resource and since I did not have financial support from other people, therefore I have to finance myself. This will delay my research yet cash needed to be available always for the smooth running of the research as everything needs money to be carried out like typing, printing, going to the field to collect data, buying of the tools to use hence reducing my potential to finish my research in time due to in adequate cash.

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