
**THE IMPACT OF ACCOUNTING INFORMATION SYSTEMS ON FINANCIAL
PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES**

A CASE STUDY: LUGAZI MUNICIPALITY

BY

MUSANA JONATHAN

REG. NO: BU/UP/2018/2889

SUPERVISOR: MR. WADAMBISHA BRIAN

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APRIL, 2022

DECLARATION

I do declare that this research project has been compiled and produced out of my personal experience and results and it has never been submitted to any institution for academic award.

Name of student

Regression number

Signature Date.....

APPROVAL

I hereby acknowledge that this research has been conducted under my supervision.

Signature:Date.....

Mr. WADAMBISHA BRIAN

DEDICATION

I dedicate this report with sincerity to my family Mr. and Mrs. MUSISI LEVSON for the tireless and immense support and effort throughout my training period, my friends, supervisor and all those who wish me good in life. May the almighty God reward you abundantly?

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P.O. Box 236, Tororo, Uganda
 Gen: +256 - 45 444 8838
 Fax: +256 - 45 4436517
 Email: info@adm.busitema.ac.ug

www.busitema.ac.ug



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LIST OF ABBREVIATIONS AND ACRONYMS

PU	:	Perceived Usefulness
PEOU	:	Perceived Ease OF Use
ATU	:	Attitude Towards Use
AIS	:	Accounting Information Systems
SME	:	Small and Medium Enterprises
GDP	:	Gross Domestic Product
TAM	:	Technology Acceptance Model
IT	:	Information Technology
OLS	:	Ordinary Least Square
ROA	:	Return On Assets
SAQ	:	Self-Administered Questionnaire

ABSTRACT

This study planned to discover the impact of accounting information system (AIS) on financial performance of small and medium enterprises in lugazi Municipality. Accounting information system was observed in three-dimensional construct consisting of perceived usefulness (PU), perceived ease of use (PEOU) and attitude towards use (ATU). Financial performance on the other hand was viewed in terms of profitability, liquidity and sales returns. The specific objectives were to determine the effect perceived usefulness, perceived ease of use and attitude towards use of AISs and role modeling on performance of SMEs in lugazi Municipality. The study was anchored on the theory which include technology acceptance model which put the emphasis on the dimensions of accounting information system. Furthermore, empirical literature reviewed scholarly studies on perceived usefulness, perceived ease of use and attitude towards use of AISs and their impact on financial performance of SMEs. The study used a combination of cross sectional, descriptive and a descriptive research design. The population of study was the all recognized owned enterprises in lugazi Municipality. This consisted of 92 respondents out of 120 target population who were the proprietors of the enterprises. The primary data was collected by use of self-administered questionnaire. A response rate of PU was realized. Data analysis was done by use of descriptive statistics such as frequencies, percentages, with the aid of SPSS and presented through tables, frequencies and percentages. The results of the study established that all three dimensions of accounting information system have a positive and significant relationship with financial performance; PU ($r=.617$, $p<.01$), PEOU ($r=.616$, $p<.01$) and ATU ($r=.696$, $p<.01$). The study therefore concluded that a change in AISs triggers a change in financial performance. Basing on the conclusion, the researcher recommends that SME owners should adopt and use AISs to enable then track financial transactions of the business for proper accountabilities. In addition, mangers of SMEs should encourage training of their workers to equip them with the knowledge of using information systems to increase productivity

CHAPTER ONE: INTRODUCTION

1.0 Introduction

This chapter presents the back ground of the study, statement of the problem, objectives of the study. The study will be aimed at finding the impact of accounting information systems on the financial performance of small-medium enterprises; it reflects a brief historical overview of financial performance under investigation and purpose of the study.

1.1 Background

Small and medium enterprises (SMEs) play a vital role in the development of the Ugandan economy. SMEs collectively constitute about 90% of private sector production and employ over 2.5 million people (*National small business survey of uganda, 2015*). These companies are spread across all sectors with 49 percent in the service sector, 33 percent in the commerce and trade, 10 percent in manufacturing and 8 percent in other fields, therefore producing over 80 percent of manufactured output and contribute about 75 percent to the gross domestic product (GDP) (Azizah, 2017). However, according to (*National small business survey of uganda, 2015*), there has poor and decreasing financial performance evidenced by the low profitability, return on assets liquidity and return on sales of the businesses, putting the current rate of performance at 60% against the acceptable national standards of 80%. Financial performance can be defined as a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues (Henry, 2020; Lengere, 2020; Mark, 2018) , it has therefore been described in various form, such as, profitability, return on Assets and return concerning the sales of any business.

The fact is that, the major factors that influence the success of a business enterprise is the establishment and application of controls by the owners and management in addition to the systematic record keeping of business transactions, which keeps the owner well- informed about the performance of the business (Osire, 2014), According to research findings, profitability is the only realistic measures of return from funds invested in the business. It is measured in terms of market share which has been gained over a given period of time (Bani & Ayassrah, 2019). Therefore, findings on financial performance ratios like profitability, return on sales and liquidity which is used in business enterprises to ascertain profit proportions on income, these profitability ratios are totally neglected by small scale businesses because of luck of technical knowhow (Effect, Accounting, Systems, The, & Of,

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