

# Effect of Bookkeeping on Financial Performance of Agribusiness Enterprises in Mbale City

Mabonga Eric<sup>1</sup>, Nankya Christine Kiige<sup>2</sup>, Omache Henry<sup>3</sup>,  
Maena Daniel<sup>4</sup>, and Mudde Ceper Mabberi<sup>5</sup>

<sup>1</sup>Associate Professor, Faculty of Business and Management, Kampala International University

<sup>2,3,4,5</sup>Lecturer, Faculty of Business and Management, Uganda Christian University, Mbale University College

## ABSTRACT

This study delves into the relationship between bookkeeping practices and the financial performance of agribusiness enterprises in Mbale City. A mixed-method approach was employed, combining quantitative data collected via questionnaires and qualitative insights gathered from interviews with management personnel. The findings reveal a significant correlation between robust bookkeeping practices and enhanced financial performance. Statistical analyses, including regression models and ANOVA, affirm that effective bookkeeping accounts for a substantial portion of the variance in financial performance among these enterprises. Notably, the study showcases that bookkeeping practices positively impact financial performance by nearly 30%. These results underscore the critical role of meticulous record-keeping in shaping the fiscal health and future strategies of agribusiness enterprises. The study aligns with previous research highlighting the pivotal link between accounting records, business performance, and informed decision-making. Interviews with participants further confirm the emphasis placed on comprehensive record-keeping in driving operational efficiency and strategic planning within these enterprises.

**Keywords:** Bookkeeping, Financial performance, Agribusiness, Enterprises

## INTRODUCTION

Organizational financial performance has been measured since olden times Brudan [1]. In the mid-20th century, the fiscal directors of the railways from the European Foundation for Quality Management (EFQM) established novel performance dimensions, and the functional index, which interrelated the ratio of operational costs with the income. These early concerns with evaluating organizational fiscal performance were, for the most part, openly connected to the preparation as well as control of fiscal reports Kirkpatrick, [2]. Organizational fiscal performance is a subjective measure of how well companies use their assets from their primary business approach to make profits. According to Yusuf, Onafalujo, Idowu, and Soyebbo [3], organizational financial performance is defined as the extent to which an organization's fiscal aims are being or have been accomplished. It is the procedure of evaluating the outcomes of an organization's operations and policies in financial terms. It is utilized to evaluate the organization's general fiscal health over an agreed period and can also be utilized to compare firms that are similar across the same industry or to compare sectors or industries in aggregation [4].

The evolution of cash management practices can be traced back to 1976, with the putting in place of the infrastructure for internal information systems that allowed data to be shared easily among firms. This was compelled by the high-tech advances seen at the beginning of the 1970s. After that, there were main changes in information technology, tactical direction, and focus whereas the system kept rising [5]. The aim was to improve cash management amongst corporations across nations.

[6] their study on the influence of accounting record keeping on the Performance of Small-Scale Enterprises displayed a sturdy positive correlation between accounting record keeping and the performance of small-scale enterprises in Nigeria. This indicates that accounting record-keeping affects the performance of small-scale businesses. Accounting record-keeping is vital for making decisions. Enterprise modification and records also help to increase enterprise effectiveness and output for effective business performance. It was also found that accounting record keeping enhances the likelihood of the enterprise functioning and attaining achievement and providing data to allow the control of money in the enterprise.

Research by [7] on the roles of record keeping in the existence and development of small-scale enterprises recognized that most of the small-scale enterprises do not keep records of their undertakings. To make matters worse, some respondents looked at record keeping as an activity that is time-wasting. Several of them were just operating the businesses without any concerns about finding out whether the enterprise was expanding or not. Several small-scale entrepreneurs were observed to trust that the enterprise is expanding since there is no indication of failure. On the other hand, the research restated that well-timed and correct records should be preserved by enterprises such that they can attain the aims of being put up. Whatsoever record is preserved in the head remains only for a short time and it is deceptive as it might be easily elapsed in the short retro of time. [6] also established a sturdy optimistic correlation between accounting record keeping and the performance of small-scale enterprises and henceforth concluded that accounting record keeping is vital for creating decisions that regularly have an impact on the performance of small-scale enterprises.

For [8] looked at the influence of good bookkeeping practices on the monetary performance viewpoints of small and medium-scale enterprises in the Municipality of Kisii. Through using a cross-sectional study research design on a sample of 97 owners of the chosen SMEs, the research established that the main problem SMEs face in keeping records was the tiny awareness in record keeping as well as loss of some business records which aggregate to 86.6%. The study also revealed that 65% of the SMEs presented insufficient bookkeeping practices. Additionally, the research found that 64% of the fiscal performance of SMEs was failing and worsening. It was also found that most small and medium-scale enterprises utilize sole entry systems of bookkeeping trailed by those that use both sole and dual entry systems of bookkeeping. The study also recognized that the methods of bookkeeping utilized by the SMEs are physical (manual) bookkeeping, electronic bookkeeping as well as virtual bookkeeping. The research exposed that fiscal performance has an optimistic correlation with efficiency in bookkeeping.

Further, [7] emphasized that in record keeping, guidelines, schemes, processes, tasks, and employees are needed to manage the archives. According to the research, accounting records comprise records from daily dealings of the enterprise for example dealings related to receipts and payments. Archives might comprise a tilt of properties and obligations of an enterprise.

**RESEARCH METHODOLOGY**

This research implemented a cross-sectional survey design research design with a sample of 152 Agribusiness enterprises drawn from a population of 250 Agribusiness in Mbale City as per the information obtained from the Mbale City Commercial Officer for the year 2022. The statistical table of Krejcie and Morgan [9] was used to determine the sample size. The study utilized purposive and simple random techniques of sampling to choose and get respondents.

A simple random sampling technique was utilized to choose the agribusinesses in the Mbale City Industrial area to reply to the questionnaires. The simple random sample is a method of probability sampling through which the researcher comprehensively picks a subdivision of participants from a populace [10]. The study utilized this technique of sampling because every participant in this populace had an equivalent chance of being involved in the sample.

A purposive sampling technique was utilized for the qualitative portion of the research to pick possessors of the agribusiness enterprises in Mbale City for interviews [11]. looks at purposive sampling to be the one in which the investigator counts on his or her findings when selecting participants of the populace to partake in the study. The method was utilized because the respondents were well-informed and had a long understanding of matters related to the management of enterprises. The purposive sampling method was utilized as it is extremely profound henceforth providing firsthand data.

This study, therefore, utilized a mixed method of data collection. Both quantitative and qualitative data collection methods were employed. Quantitative data was gathered using the questionnaires and were filled by the agribusiness enterprises and qualitative data was obtained from key informant interviews with the topmost management staff by utilizing an interview guide.

The data was analyzed quantitatively and qualitatively; Analysis was done according to the purpose of the study. Data collected was processed and analyzed using the Statistical Package for Social Sciences (SPSS) version 20. Descriptive statistics and regression analysis were used to achieve the purpose of the study. Qualitative data was analyzed in terms of content analysis. Under content analysis, verbal data was characterized to classify data.

**RESULTS**

**Table 1: Descriptive statistics on book keeping**

	Minimum	Maximum	Mean	Std. Deviation
Relevant transactions concerning the business are always recorded	1.00	5.00	4.06	1.033
You have a clear record of all cash payments for the business	1.00	5.00	3.86	.723
All sales are recorded promptly whether on credit or cash basis	1.00	5.00	4.03	.989
Invoices of all transactions are filed and kept safely.	1.00	5.00	3.72	1.115
You prepare accounts such as income statement to know how the business performing.	1.00	5.00	3.22	1.249
Keeping of proper records helps your enterprise in framing future business plans.	1.00	5.00	3.79	1.197

Average			3.78	1.051
Valid N (listwise)	145			

**Source: Primary Data 2023**

Table 1 indicates that the average mean value is 3.78, which indicates that more than the average of the respondents agreed that bookkeeping has an effect on the financial performance of agribusiness enterprises. The average standard deviation value is 1.051, which indicates that respondents had variations in responses regarding the claim that bookkeeping has an effect on the financial performance of agribusiness enterprises.

Findings reveal that the majority of the respondents strongly agreed that relevant transactions concerning the business are always recorded. This is shown by a mean value of 4.06. Nonetheless, a standard deviation value of 1.033 under the same test revealed varied responses from the respondents interviewed. This implies that relevant transactions concerning the business are always recorded by agribusiness enterprises since the majority of the respondents agreed with the claim. To support the above findings, one of the respondents interviewed stated that;

*“All transactions in our business are always recorded”, another informant stated that “we keep records in order to know how the business is performing. It was generally observed that agribusiness enterprises do keep records of their transactions.*

From Table 1, it can be revealed that agribusiness enterprises have a clear record of all cash payments for the business. This is revealed by a mean value of 3.86, though a standard deviation of 0.723 under the same test revealed diverse responses from the respondents.

From the survey, as reflected in Table 1, it can be revealed that the majority of the respondents strongly agreed that all sales are recorded promptly whether on a credit or cash basis. This is revealed by a mean value of 4.03, though a significant standard deviation of 0.989 under the same test shows a variation in replies generated. To support the above findings, one of the respondents interviewed stated that;

*“We always keep proper records of all the goods sold on cash and credit” if you don’t have records the fine for taxes.*

From Table 1, most of the respondents agreed that Invoices of all transactions are filed and kept safely. This is shown by a mean of 3.72. Nevertheless, a standard deviation of 1.115 suggests a variation in the replies made by the respondents.

From Table 1, it can be revealed that agribusiness enterprises prepare accounts such as income statements to know how the business is performing. This is revealed by a mean value of 3.22. However, the standard deviation of 1.249 under the same test shows varied responses from the respondents interviewed. This implies that agribusiness enterprises prepare accounts such as income statements to know how the business is performing since most of the respondents were in line with the claim.

Findings further reveal that the majority of the respondents agreed that keeping proper records helps their enterprise in framing future business plans. This is shown by a mean value of 3.79. Nonetheless, a standard deviation value of 1.197 under the same test revealed varied responses from the respondents interviewed. This implies that the keeping of proper records helps agribusiness enterprises in framing future business plans since the majority of the respondents were in agreement with the claim.

**Table 2: Descriptive Statistics on Bookkeeping**

	Minimum	Maximum	Mean	Std. Deviation
Relevant transactions concerning the business are always recorded	1.00	5.00	4.06	1.033
You have a clear record of all cash payments for the business	1.00	5.00	3.86	.723
All sales are recorded promptly whether on credit or cash basis	1.00	5.00	4.03	.989
Invoices of all transactions are filed and kept safely.	1.00	5.00	3.72	1.115
You prepare accounts such as income statement to know how the business performing.	1.00	5.00	3.22	1.249
Keeping of proper records helps your enterprise in framing future business plans.	1.00	5.00	3.79	1.197
Average			3.78	1.051
Valid N (listwise)	145			

Table 2 indicates that the average mean value is 3.78, which indicates that more than the average of the participants agreed that bookkeeping affects the fiscal performance of agribusiness enterprises. The average standard deviation value is 1.051, which indicates that respondents had variations in responses regarding the claim that bookkeeping has an effect on the financial performance of agribusiness enterprises.

Findings from 2 reveal that the majority of the respondents strongly agreed that relevant transactions concerning the business are always recorded. This is shown via a mean figure of 4.06. Nonetheless, a standard deviation figure of 1.033 under the same question displayed diverse answers from the participants questioned. This implies that relevant transactions concerning the business are always recorded by agribusiness enterprises since the majority of the respondents agreed with the claim. To support the above findings, some of the respondents interviewed stated that;

*“All transactions in my business such as cash received, cash paid, number of items purchased and number of items sold are always recorded in the ledger books for proper record purposes”*

*“In my business, I take a record of all the transactions that take place like the list of items bought, items sold, and list of debtors and creditors. In this way, I am able to monitor the performance of my business closely”*

*“For me, I always make sure that every transaction in my business is recorded such that I am able to have the clear picture of how my business is performing”*

From Table 2 it can be revealed that agribusiness enterprises have a clear record of all cash payments for the business. This is displayed via a mean figure of 3.86, though a standard deviation figure of 0.723 on the same question displayed diverse answers from the partakers.

Further, it is revealed that most participants strongly agreed that all sales are recorded promptly whether on a credit or cash basis. This is indicated via a mean figure of 4.03, though a significant standard deviation figure of 0.989 on the same question shows a variation in replies generated. To support the above findings, some of the respondents interviewed stated that;

*“I always keep proper records of all the goods sold on cash and credit in my businesses. This has helped me to easily track the performance of my businesses and I am also able to track the debtors”*  
*“...I take records of every item that is sold whether of cash or credit and this makes it easy for me to know my debtors and do prompt follow up to recover the money of items sold on credit”*  
*“I usually make sure that the information of all the items sold in my business is recorded. In this way, I can take a close look at how my business is performing”*

Most of the respondents agreed that Invoices of all transactions are filed and kept safely. This is shown via the mean figure of 3.72. Nevertheless, a standard deviation of 1.115 submits a variant in the replies made by the participants.

Table 2 still, reveals that agribusiness enterprises prepare accounts such as income statements to know how the business is performing. This is displayed through a mean figure of 3.22. However, the standard deviation figure of 1.249 on the same assentation shows diverse replies from the partakers questioned. This implies that agribusiness enterprises prepare accounts such as income statements to know how the business is performing since most of the respondents were in line with the claim. Further, the majority of the respondents agreed that keeping proper records helps their enterprise in framing future business plans. This is shown through a mean figure of 3.79. Nonetheless, the standard deviation figure of 1.197 on the same question displayed diverse replies from the participants quizzed. This implies that the keeping of proper records helps agribusiness enterprises in framing future business plans since the majority of the respondents agreed with the claim.

**Table 3: Regression Model Summary for Bookkeeping and Financial Performance**

Model Summary					
Model	R	R Square	Adjusted R Square	R	Std. Error of the Estimate
1	.299 <sup>a</sup>	.090	.083		.47043

a. Predictors: (Constant), Book Keeping

Table 3 indicates that bookkeeping accounts significantly for variation in financial performance ( $r^2=0.090$ ). This means that holding other factors constant, bookkeeping explains 9% of the variations in the financial performance of agribusiness enterprises in Mbale City.

**Table 4: ANOVA for Bookkeeping and Financial Performance**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.113	1	3.113	14.065	.000 <sup>b</sup>
	Residual	31.646	143	.221		
	Total	34.759	144			

a. Dependent Variable: Financial Performance  
b. Predictors: (Constant), Book Keeping

Table 4 indicates the summary ANOVA and F statistic which reveals the value of  $F=14.065$  is significant at a 0.000 confidence level. The value of F is large enough to conclude that bookkeeping is a major factor influencing the financial performance of agribusiness enterprises in Mbale City.

**Table 5: Regression Coefficients for Bookkeeping and Financial Performance**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.614	.199		13.156	.000
	Book Keeping	.224	.060	.299	3.750	.000

a. Dependent Variable: Financial Performance

Source: Primary Data 2023

Table 5 revealed that bookkeeping significantly predicts financial performance (Beta=0.224, p=.000). This means that bookkeeping predicts the financial performance of agribusiness enterprises in Mbale City by about 22.4%. this result suggests that

**DISCUSSION**

Findings indicated that the level of bookkeeping was found to be high at a mean value of 3.78. The Regression Model Summary indicates that bookkeeping accounts significantly for variation in financial performance ( $r^2=0.090$ ). This means that holding other factors constant, bookkeeping explains 9% of the variations in the financial performance of agribusiness enterprises in Mbale City. The ANOVA reveals the value of  $F=14.065$  is significant at a 0.000 confidence level. The value of F is large enough to conclude that bookkeeping is a major factor influencing the financial performance of agribusiness enterprises in Mbale City. In addition, The Regression coefficients indicated that bookkeeping was a strong predictor of financial performance (Beta=0.299, p=.000). This means that bookkeeping increases the financial performance of agribusiness enterprises in Mbale City by 29.9%. The above findings seem to be in agreement with [6] who found that there is a strong positive correlation between accounting record keeping and the performance of small-scale enterprises. The above findings are also in line with [7] who assert that accounting records include entries from day-to-day transactions of business for instance transactions with respect to receipts and expenditures. The above findings are also in agreement with [12] who established that through properly kept books a person can at any time ascertain what amounts he owes and to whom, what profit he has made or what loss he has sustained for any given period and how the profit and loss has risen, and the amount of his capital or deficiency. Further [12] established that the keeping of proper records helps the trader in framing future business plans and policies. In support of the above findings, some of the participants interviewed asserted that;

*“All transactions in our business are always recorded”.*

*“We always keep proper records of all the goods sold on cash and credit”. Records for our transactions help us to know what has transpired in the business to plan better...*

**CONCLUSION**

This research underscores the pivotal role of bookkeeping in influencing the financial performance of agribusiness enterprises in Mbale City. Robust bookkeeping practices not only contribute significantly to improved financial performance but also aid in framing future business plans and policies. The findings resonate with previous studies, reinforcing the notion that meticulous accounting records are fundamental

in ascertaining financial status, enhancing decision-making, and shaping the trajectory of enterprises. The study advocates for a continued emphasis on fostering and maintaining effective bookkeeping practices as a cornerstone for sustainable growth and informed decision-making within agribusiness enterprises. Irrespective of the nature, computerized or manual, it remains imperative to observe appropriate bookkeeping. It has been statistically proven by many studies including this study that bookkeeping significantly affects financial performance positively.

## References

1. Brudan, A., *Rediscovering performance management: systems, learning and integration*, Emerald Group Publishing Limited, 2020, 14 (1), 109-123.
2. Kirkpatrick, G., *The corporate governance lessons from the financial crisis*. OECD Journal: Financial Market Trends, 2009, (1), 61-87.
3. Yusuf, B., Onafalujo, A., Idowu, K., & Soyebó, Y., *Capital structure and profitability of quoted firms: The Nigerian perspective (2000-2011)*. In *Proceedings of International Academic Conferences*. International Institute of Social and Economic Sciences, (5) 2014, 17-22.
4. Alnajjar, M. M., *Impact of Accounting Information System on Organizational Performance: A Study of Small and Mid-Sized Enterprises in UAE*. *Global Review of Accounting and Finance*, 8. (2), September 2017 Issue, 20 – 38
5. Venkatraman, N., Short, J.E., *Evolution from ASAP to Value Link in the Supplies Marketplace*. *Sloan Management Review*, 2002, 2(1), 7–21.
6. Abdul-Rahamon, O.A. & Adejare, A.T., *The Analysis of the Influence of Book-keeping on the Performance of the Small-Scale Enterprises*. *Worldwide Journal of Academic Study in Business and Social Sciences*, 2018, 4 (1), 1-17.
7. Ademola, G. O., Samuel, O. J. & Ifedolapo, O. (2018). *The Roles of Book Keeping in the Existence and Development of Small-Scale Enterprises in Ijumu Local Government, Kogi State*. *International Journal of Administration and Business Study*, 2018, 12(13), 54-66.
8. Okwena, K.D., Okioma, T., Onsongó, E.N., *An assessment of the effect of proper bookkeeping practices on the financial performance; perspectives from small and medium scale business enterprises in Kisii municipality, Kisii University College, Kenya*, 2017.
9. Krejcie, R.V., & Morgan, D.W., *Determining Sample Size for Research Activities*. *Educational and Psychological Measurement*, 1970.
10. Mugenda O.M., Mugenda A.G., *Research Methods. Quantitative and qualitative Approaches*. Nairobi, Acts Press 1999.
11. Palys, T., *Purposive sampling*. In L. M. Given (Ed.) *The Sage Encyclopedia of Qualitative Research Methods*, Sage: Los Angeles, 2008 (8) 697-8.
12. Williams, J.R., Susan, F., Haila, M.S., Bettriel, J.V., Carcello, M., *Financial and Managerial Accounting*. Mc Graw-Hill Irwin- New York, 2018.