Bookkeeping Practices and Growth of Small and Medium Enterprises: A Case of Selected SMEs in Mbale City, Uganda

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ABSTRACT

Backgrounds: The importance of adequate financial records for SME financial and operational performance and growth cannot be overemphasized, as they are vital for several purposes, including credit access from financial institutions. Good bookkeeping also helps business owners understand their financial position, manage daily operations, and make informed business decisions.

Objectives: This study explored the effect of bookkeeping on the growth of SMEs in Mbale city, Uganda. Specifically, it examined the connection between single-entry bookkeeping routines and SME growth, and assessed the effect of double-entry bookkeeping practices on SME growth.

Methodology: The study adopted descriptive and explanatory research designs. A total of 55 SMEs in Mbale city were randomly selected, and 55 self-administered questionnaires were distributed, all of which were returned (100% response rate). Data were analyzed using regression and Spearman's correlation in SPSS.

Findings: The study findings show that the use of single-entry bookkeeping practices (p=0.099) does not significantly impact on the growth of small and medium enterprises while the use of double entry practices of bookkeeping (p=0.000 and coefficient=1.041) had positive and significant association with growth of small and medium enterprises.

Conclusions: Bookkeeping practices, particularly double-entry bookkeeping, play an important role in supporting SME growth. The study recommends that SME owners be encouraged to adopt double-entry bookkeeping as part of their routine operations to maintain accurate and reliable financial records, improve financial management, and make better decisions that support business growth.

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1. INTRODUCTION

Bookkeeping refers to the procedure of recording every financial transaction in a systematic and logical manner (Ajao et al., 2016). Bookkeeping includes identifying, summarizing, classifying, protecting, storing, communicating, retaining, and disposing of records for the purpose of preparing financial statements. Financial transactions include, among others, purchases, income, sales, and cash (payments and receipts) made by organizations or enterprises. Bookkeeping is normally carried out by bookkeepers using standard bookkeeping methods, including double-entry and single-entry systems (Maseko & Manyani, 2011). The authors also propose that accounting systems provide a source of information for SME proprietors and managers operating in any industry, which they can use to measure the financial functioning of the SME.

McCarthy (1982) states that bookkeeping helps record all business transactions and also allocates income and expenditure to the relevant income and expenditure accounts in the different

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account records. Single-entry bookkeeping can be done using bookkeeping software to speed up manual calculation (Haber, 2004). The author further states that the double-entry bookkeeping system involves recording financial information in a financial accounting system, where a financial transaction is considered to affect at least two separate account items. Modern accounting also holds that such records are made using debits and credits, which provides a system that detects errors when the sum of debits does not equal the sum of credits (Haber, 2004).

Globally, SMEs have been applauded for the substantial role they play in both developing and developed economies. K. O. Amoako et al. (2014) posit that despite their contribution to various economies, SMEs have persistently encountered many obstacles over time, which have affected their potential to thrive and to supplement the efforts of large enterprises. The authors further assert that the unsatisfactory performance among SMEs has been ascribed to several factors, notably the poor accounting and bookkeeping systems they employ. This is partly because the lack of an effectively functioning accounting and bookkeeping system affects the quality of organizational decision-making (Boame et al., 2014; Reed, 2010). Agbemava et al. (2016) posit that most SMEs do not maintain proper accounting records, hence their records are also referred to as incomplete records. SME owners have failed to appreciate the significance of a defensible bookkeeping approach, which should enable them to prepare accurate financial statements.

Small and medium enterprises are required to maintain proper records of financial data relating to all cash receipts and cash disbursements, sales and purchases of goods and services, and liabilities and assets, which form the basis for preparing financial statements (Amoako, 2013). The author further posits that financial transactions that are recorded must possess certain qualities, including objectivity, sufficiency, relevance, and reliability, so that interested groups can make informed judgments and decisions. Proper bookkeeping is important to the management of SMEs, as the absence of accurate records, which are necessary for accurate financial statements, endangers the possibility of obtaining credit facilities from financial institutions (Ademola et al., 2012). The significance of providing accurate financial information to various stakeholders, including owners, potential investors, creditors, government, and managers, which is needed to measure organizational performance, cannot be overemphasized (Amoako et al., 2021).

The Government of Uganda, in its National Development Plan IV (NDP IV), points out that many businesses in the country struggle to survive over the long term. According to the plan, businesses in Uganda operate for an average of about 4.8 years, while more than 60% fail to remain in operation beyond five years. One of the key reasons for the demise of SMEs is the absence of appropriate accounting systems and bookkeeping routines (Bowen et al., 2009; Germain, 2010). Inadequate financial records also present considerable difficulty to SMEs in accessing credit from financial institutions (Amoako, 2013). Several studies have pointed to inadequate bookkeeping as a major cause of failure for most SMEs (Aremu & Adeyemi, 2011; Butler, 2009; Germain, 2010; Ibrahim, 2015; Sibanda & Manda, 2016). These conclusions from most studies motivate the current study to explore how bookkeeping practices affect SME growth in the context of Mbale City, Uganda.

Proper bookkeeping is an important factor in the growth of SMEs, as its absence may expose SMEs to, among others, the risk of cash flow shortages and an inability to acquire credit from financial institutions, all of which limit their opportunities to grow as businesses and hence lead to their collapse (Aremu & Adeyemi, 2011; Ibrahim, 2015). Proper records of business transactions also help an SME carry out business evaluations properly and know how it is performing financially (Akesinro & Adetoso, 2016). The authors further assert that the purpose of proper bookkeeping in an SME is to realize efficient and effective management and also to enable tax agencies to assess business activities, which are necessary for their growth. Proper bookkeeping enables an SME to do business with financial institutions, since proper accounting records are required to access loans/credit (Amoako, 2013). According to Longenecker et al. (2006), proper bookkeeping should result in comprehensive and accurate operational results, which should then allow for quick comparison of current and previous data.

Ekwere (2005) also asserts that the milestones of any enterprise depend, to an acceptable extent, on the veracity of bookkeeping. The concept of bookkeeping is vital to any business. Proper bookkeeping helps ensure that businesses keep adequate records of revenue and expenditure, which in turn helps the business keep honest track of its business transactions (Abdul-Rahamon & Adejare,

2014). Inadequate financial records can lead to the mismanagement of cash and other resources (Dawuda & Azeko, 2015). Although the significance of proper bookkeeping is widely recognized, most SMEs cannot afford the complexities that come with a detailed accounting and bookkeeping system (Onaolapo et al., 2011). The author further states that this has led several SMEs to make single entries in their books, resulting in incomplete records. According to Akesinro and Adetoso (2016), several small-scale businesses are not aware of the need to have proper financial records in place.

As Fatoki and Van Aardt Smit (2011) put it, inadequate financial records make it difficult to differentiate between enterprise transactions and the private transactions of SME founders, especially in sole proprietorship SMEs. The authors also posit that failure to differentiate between enterprise transactions and the private transactions of SME founders leads to owners using SME assets for personal benefit. Nevertheless, although studies have established that sound accounting practices, including financial reporting and proper bookkeeping, are significant for the existence of SMEs (Isa et al., 2008), research on this subject remains inadequate, especially in Uganda, as only a few studies, including Alani (2015), have been conducted. Few Ugandan studies have explored the relationship between financial management practices and the growth of SMEs in different settings. However, little is known about how particular bookkeeping practices, especially single-entry and double-entry systems, influence the growth of SMEs in Mbale City, Uganda.

In addition, it remains unclear whether these two bookkeeping approaches have different effects on the growth of businesses operating in this area. This suggests that more research is needed to understand the role of bookkeeping in supporting SME growth within the local business environment. Furthermore, findings from studies conducted in Mukono, Kampala, and other parts of Uganda may not fully reflect the experiences of SMEs in Mbale City, as businesses differ in their operations, management practices, and working environments. To address these gaps, the present study examines how bookkeeping practices affect the growth of SMEs in Mbale City, Uganda, focusing specifically on single-entry and double-entry bookkeeping systems. The study aims to generate useful evidence that can help SME owners and managers choose appropriate bookkeeping practices, improve the management of their finances, and make better business decisions that contribute to business growth.

This study aims to examine the relationship between single-entry bookkeeping routines and the growth of SMEs in Mbale City, Uganda, and to assess the relationship between double-entry bookkeeping practices and the growth of SMEs in Mbale City, Uganda. This approach clarifies whether each system is associated with SME growth in the local context. The study tests two null hypotheses. The first states that single-entry bookkeeping practices have no significant relationship with the growth of SMEs in Mbale City, Uganda, while the second states that double-entry bookkeeping practices have no significant relationship with the growth of SMEs in Mbale City, Uganda.

2. LITERATURE REVIEW

2.1. Theoretical Review

2.1.1. Theory of the Growth of the Firm

This study is guided by Penrose's (1959) Theory of the growth of the firm, which explains that business growth depends on how effectively firms utilize their internal resources and managerial capabilities. The theory emphasizes that resources such as finance, knowledge, skills and managerial expertise contribute to growth when properly managed. The theory is relevant to this study because bookkeeping provides SMEs with financial information necessary for effective business management and decision-making. Through single-entry and double-entry bookkeeping, business owners can monitor income and expenditure, assess profitability, manage resources and make informed decisions about business expansion. Such information allows owners to see how financial resources are being used and to adjust their plans where necessary.

While single-entry bookkeeping offers a simple approach to recording transactions, double-entry bookkeeping provides more comprehensive financial information for assessing business performance. Penrose’s theory suggests that possessing resources alone does not guarantee growth; rather, growth depends on how effectively managers utilize available resources. This argument is

supported by Burvill et al. (2018), who highlight the importance of resources and managerial capabilities in firm growth, and Hafiz et al. (2022), who identify resource-based perspectives as important in explaining small-firm growth. In this sense, bookkeeping is one tool through which managers can direct resources toward growth. Therefore, the theory provides a suitable foundation for examining how single-entry and double-entry bookkeeping practices contribute to the growth of SMEs in Mbale City, Uganda.

2.1.2. Theory of Double Entry Bookkeeping

Lee et al. (2014) state that there has always been the need to better the system of bookkeeping from the single-entry system of bookkeeping that has been in use over time. These demands have given way to the evolution of the system of bookkeeping known as double entry (Pacioli, 1494). According to Abdul-Rahamon and Adejare (2014), the concept of the bookkeeping system of double entry is predicated on the concept that each business transaction holds dual impacts which are precisely across from each other. The authors also posit that, every transaction has double effects: credit and debit that always match. This dual recording is the basis on which all later records of the system are built.

As a result, when the accounting period ends, the accounts need to agree, in that total of the credits and the total of the debits should balance. System of double entry bookkeeping is devised in such a manner that in making a debit entry for a given transaction, facts of the equivalent credit entry are given as well. To assess the dominion of record keeping on the continuity of the very small enterprises, it is significant to factor in the acclaim of the theory of double entry which affirms that all business exchanges should be duly entered to reflect their double effect. The theory is thus used here to explain how complete records can support the continuity of small enterprises.

2.2. Empirical Review

Several studies have appraised the role of bookkeeping routines in SMEs performance and growth of SMEs across different contexts. Evidence from these studies generally highlights the importance of maintaining proper bookkeeping records to support improved business performance and growth. For example, Owusu et al. (2015) investigated the impact of practices of bookkeeping on the functioning of Ghana SMEs. Their findings showed that appropriate practices of bookkeeping contribute positively to SME performance. Similarly, Julius et al. (2026) did a study on “effect of financial management practices on performance of SMEs. A case study of Kampala Central Business District.” using mixed methods cross-sectional research. The findings indicated financial management practices including financial record keeping had a positive relationship with SME functioning ($r=0.67$, $p<0.01$).

Mutua et al. (2015) investigated the effect of bookkeeping practices of SMEs in Chuka Town, Kenya, on firm growth. The study findings indicated that majority of SMEs do not keep proper accounting books, and that bookkeeping practices have an association with business growth. Sibanda and Manda (2016) investigated the indicators of accounting practices that contribute to SMEs failure in South Africa. The study with a sample of 40 SMEs, showed that majority SMEs do not maintain proper books of accounts which has negative effect on their growth and performance. Chelimo and Sopia (2014) as well investigated on how bookkeeping routines affect the SME growth, Kenya. Sampling 72 respondents, the study results indicated that bookkeeping practices had positive association with SMEs growth.

K. W. Peacock (2008) in his study on “Natural resources and sustainable development”, investigated the causes and effects of failure of one thousand proprietary companies in South Australia. The study findings indicated that, 4.6 percent of companies that did not succeed had deficient accounting records or non at all. Based on his findings, the conclusion by the author was that accounting records or statement insignificantly effect the failure or success of proprietary companies. The study recommended more research be done on causes and effects of lack of success of enterprises. Peacock’s study is relevant here because it tested whether record quality affects firm survival. Its finding is limited to proprietary companies in South Australia.

In a separate study done in Southern Australia, on failure of companies, R. W. Peacock (2008) reviewed reports of bankruptcy of 418 businesses that were unincorporated for a period of four years. The findings showed that about half of the businesses considered were using the system of single-

entry bookkeeping, 0.328 were using taxation and bank records, while only 0.021 applied the double entry system of bookkeeping. Overall, these figures show that the double-entry system was the least applied among the businesses reviewed, while single-entry bookkeeping was the most common. The study proposed for further studies to be carried out on double entry bookkeeping recording system in companies. These results are relevant to this study because it compares the same two bookkeeping systems.

Ntim et al. (2014) investigated accounting practices and control systems of small and medium size entities. The study results showed that, SMEs do not maintain all the required books of original entry. However, this finding differs from the results reported by R. W. Peacock (2008), whose study found that only 2.1% of the participants were using the double entry bookkeeping system. The study therefore, proposed further studies to examine the effects of different bookkeeping systems on SMEs growth. Yasin and Enock (2025) as well did a study on financial record keeping and performance of SME in organizations. A case of Kawempe Division, Kampala city. The study findings revealed a positive relationship between financial record keeping and SME performance ($r=0.756$, $p<0.001$).

2.3. Conceptual Review

2.3.1. Bookkeeping Practices

Bookkeeping refers to the process of recording, organizing and maintaining a business's financial transactions, including sales, purchases, income, expenditure, assets and liabilities. It provides essential financial information that helps SME owners monitor business activities, assess financial performance and make informed decisions (Adela et al., 2024). For SMEs, proper bookkeeping is particularly important because it promotes accountability, controls expenditure, monitors cash flows and helps determine business profitability. It also provides financial records that may be required when seeking loans or other forms of external financing. In this way, bookkeeping serves as the basis for the financial information that SMEs need in order to operate and grow. This study examines bookkeeping practices in terms of single-entry and double-entry bookkeeping.

2.3.2. Single-entry and Double-entry Bookkeeping

Single-entry bookkeeping involves recording each financial transaction once, usually in simple records such as cashbooks, sales books and expenditure books. It is commonly used by small businesses because it is affordable, simple to maintain and requires limited accounting knowledge. This makes it a practical starting point for small businesses. It helps business owners monitor daily sales, purchases, cash receipts and expenses, thereby supporting routine financial management. However, its limited coverage of financial transactions makes it difficult to establish the complete financial position of a business or prepare comprehensive financial statements. In contrast, double-entry bookkeeping records every transaction in at least two accounts, with corresponding debit and credit entries, based on the accounting equation: Assets = Liabilities + Capital.

Double-entry bookkeeping provides a more comprehensive system through journals, ledgers, trial balances and financial statements, supporting financial accountability, error detection and informed decision-making. Adela et al. (2024) found that effective bookkeeping positively influences SME performance, while Katisme (2015) established that improvements in accounting practices were associated with better SME performance in Mukono, Uganda. Similarly, Zikehemura (2016) found a positive relationship between financial record-keeping and SME performance, particularly in terms of turnover, liquidity and asset growth. In this study, single-entry bookkeeping will be assessed through cashbooks, sales and purchases records, and income and expenditure records, while double-entry bookkeeping will be assessed through journals, ledgers, debit and credit entries, trial balances, financial statements and account reconciliation.

2.3.3. Growth of Small and Medium Enterprises

SME growth refers to the expansion of business activities and improvement in the size and financial position of an enterprise over time. Hafiz et al. (2022) emphasize the importance of effective resource management and organizational capabilities in explaining small-firm growth. In this study, SME growth is the dependent variable and will be measured using five indicators: sales growth, reflected in increased revenue; profit growth, reflected in improved net earnings; asset growth,

indicated by an increase in business-owned resources; employment growth, measured by an increase in the number of workers; and market expansion, reflected in an increase in customers, business outlets and geographical coverage. These indicators will help establish the extent to which single-entry and double-entry bookkeeping practices are associated with the growth of selected SMEs in Mbale City, Uganda.

2.4. Development of Research Hypotheses

The study hypotheses are guided by the theoretical perspectives and empirical findings reviewed in the preceding sections. They focus on the relationship between the two bookkeeping practices and SME growth.

2.4.1. Single-entry Bookkeeping and SME Growth

Single-entry bookkeeping helps SME owners keep track of daily sales, purchases, income and expenditure, making it easier to monitor cash flows and manage business operations. Adela et al. (2024) found that bookkeeping practices significantly improve SME performance in Ghana. Similarly, Kisakye (2024) observed that poor financial record-keeping among Ugandan SMEs creates challenges in business management and operational control. Zikehemura (2016) also established a positive relationship between financial record-keeping and SME performance in Uganda. Such records give owners a simple daily view of the business. These findings suggest that maintaining basic financial records can improve financial management and support business growth. Based on this evidence, the study proposes the following hypothesis:

H01: Single entry bookkeeping practices have no significant relationship with SMEs growth, in Mbale city, Uganda.

2.4.2. Double-entry Bookkeeping and SME Growth

Double-entry bookkeeping provides SMEs with more detailed financial information, helping business owners understand their financial position, monitor profitability and make informed business decisions. Katisme (2015) found that improvements in maintaining sales and purchases ledgers were associated with better SME performance in Mukono Central Division, Uganda. Similarly, Zikehemura (2016) established that proper financial record-keeping positively relates to SME performance, particularly in terms of turnover, liquidity and asset growth. Adela et al. (2024) further demonstrated that effective bookkeeping practices contribute to improved SME performance. These findings suggest that maintaining comprehensive accounting records can strengthen financial management and create opportunities for business expansion. Therefore, the study proposes the following hypothesis:

H02: Double entry bookkeeping practices do not have a significant effect on the growth of SMEs in Mbale city, Uganda.

2.5. Conceptual Framework

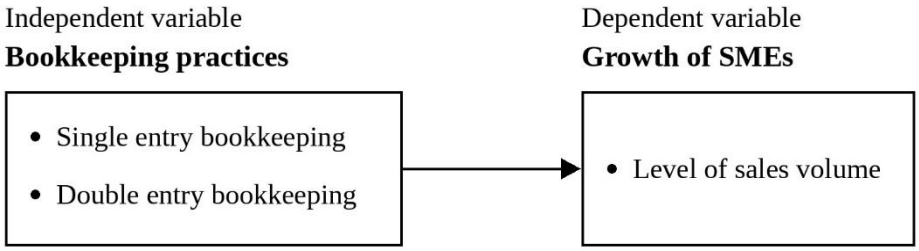


Figure 1. Conceptual Framework

The conceptual framework in figure 1 shows how bookkeeping practices relate to the growth of SMEs. Bookkeeping practices the independent variable, are represented by single entry and double entry systems, while SME growth, the dependent variable is measured using sales volume. The framework suggests that the way businesses maintain their financial records may be linked to their growth. Keeping proper financial records helps business owners monitor income and expenses, plan

their finances and make informed decisions. The framework is intended to guide the examination of the relationship between single-entry bookkeeping, double-entry bookkeeping and SME growth among the selected businesses in Mbale City, Uganda. The framework therefore provides a basis for examining how different bookkeeping practices are associated with SME growth.

3. METHOD

The study adopted explanatory and descriptive research designs in determining the relationship between bookkeeping practices and growth of SMEs. Explanatory and descriptive research designs were deemed more fitting since the study planned to inquire on the connection between bookkeeping routines and the growth of selected SMEs found in Mbale city, Uganda. This study was anchored by theory of the growth of the firm and the theory of double entry bookkeeping. The study used primary data collected from SMEs. These designs allow the study to describe the bookkeeping practices of the SMEs and to explain how those practices relate to their growth.

Data were collected from business owners or managers who were knowledgeable about their enterprises' bookkeeping practices and operations. The study targeted a total of 120 SMEs of which 55 SMEs were randomly sampled to give each SME an equal chance of selection. The sample size of 55 SMEs was determined using Yamane's (1967) formula at a 10% margin of error. The sampling frame was obtained from the Mbale City commercial office, which provided a list of eligible SMEs operating within the study area. The list helped to limit the selection to eligible SMEs operating in Mbale City.

Survey questionnaire with both open ended and closed ended questions was drafted using a 5 likert scale extending from strongly disagree (1) to strongly agree (5) to avail information on the connection between bookkeeping routines and SMEs' growth, a case of selected SMEs from Mbale city, Uganda. The survey questionnaires were distributed to 55 respondents, of which 55 responses were returned, demonstrating a rate of response of 100%. This means that all sampled SMEs are represented in the analysis. Data was analyzed using inferential analysis techniques through SPSS (correlation and ordinal regression) Data collection was conducted in 2025.

4. RESULTS AND DISCUSSION

4.1. Research Results

4.1.1. Ordinal Regression

Table 1. Model Fitting Information

Model	-2 Log Likelihood	Chi-Square	Df	Sig.
Intercept Only	256.787			
Final	228.538	28.249	2	.000
Link function: Logit				

Source: Study data, 2025

The model fitting information indicates how well the model fits the data. The model fitting information in table 1 above is statistically significant, meaning that the model fits the data very well.

Table 2. Goodness-of-Fit

	Chi-Square	df	Sig.
Pearson	247.823	268	.807
Deviance	161.689	268	1.000
Link function: Logit.			

Source: Study data, 2025

The Pearson Chi-Square (X^2 = 247.823, p=0.807) and Deviance chi-square (X^2 = 161.869, p=1.000) results in table 2 above are both statistically insignificant (p>0.05). This indicates that the model fits the data adequately and provides an acceptable representation of the observed outcomes.

Table 3. Pseudo R-Square

Cox and Snell	.277
Nagelkerke	.280
McFadden	.072
Link function: Logit.	

Source: Data from the Study, 2025

From table 3, Pseudo R-square reveals 0.280 Nagelkerke value, insinuating that 28% of variations in level of sales volume are as a result of single and double entry systems of bookkeeping. These findings mean that 28% change in the level of sales volume are linked to single and double entry systems of bookkeeping. The McFadden Pseudo R-square 0.072 suggests that the model improves slightly over the null model, meaning that the selected independent variables explain only a small part of the factors influencing the dependent variable.

Table 4. Test of Parallel Lines

Model	-2 Log Likelihood	Chi-Square	df	Sig.
Null Hypothesis	228.538			
General	224.303[b]	4.235[c]	18	1.000

The null hypothesis states that the location parameters (slope coefficients) are the same across response categories.

a. Link function: Logit.

b. The log-likelihood value cannot be further increased after maximum number of step-halving.

c. The Chi-Square statistic is computed based on the log-likelihood value of the last iteration of the general model. Validity of the test is uncertain.

Source: Study data, 2025

The parallel lines test presented in table 4 was conducted to determine if the study met the assumptions of proportional odds. Specifically, the test examined the null hypothesis that the odds associated with each predictor variable remain unchanging over the different limits of the response variable. As shown in table 4, the test yielded a non-significant result (p=1.000). This reveals that the odds for single entry and double entry practices remain consistent over the different levels of sales volume. Therefore, the assumptions of proportional odds were satisfied and there was no evidence of violation of this assumption in the study.

Table 5. Parameter Estimates

		Estimate	Std. Error	Wald	df	Sig.	95% Confidence Interval	
							Lower Bound	Upper Bound
Threshold	[lsv = 3.00]	-3.028	1.488	4.139	1	.042	-5.944	-.111
	[lsv = 3.17]	-1.638	1.359	1.453	1	.228	-4.301	1.025
	[lsv = 3.33]	-.469	1.327	.125	1	.724	-3.069	2.131
	[lsv = 3.50]	.107	1.324	.006	1	.936	-2.489	2.702
	[lsv = 3.67]	.667	1.328	.252	1	.616	-1.937	3.271
	[lsv = 3.83]	1.096	1.334	.675	1	.411	-1.519	3.712
	[lsv = 4.00]	2.072	1.350	2.353	1	.125	-.575	4.718
	[lsv = 4.17]	3.024	1.365	4.908	1	.027	.349	5.700

		Estimate	Std. Error	Wald	df	Sig.	95% Confidence Interval	
							Lower Bound	Upper Bound
	[lsv = 4.33]	3.598	1.377	6.825	1	.009	.899	6.298
	[lsv = 4.50]	5.057	1.458	12.031	1	.001	2.199	7.914
Location	Se	-.750	.455	2.726	1	.099	-1.641	.140
	De	1.041	.206	25.512	1	.000	.637	1.445

Link function: Logit.

Source: Study data, 2025

H01: Single entry bookkeeping practices have no significant connection with SMEs growth in Mbale city, Uganda.

Results in table 5 disclose that single entry bookkeeping practices (p=0.099) has statistically non-significant connection with growth of SMEs (measured as level of sales volume) in the city of Mbale, Uganda. The results indicate that single entry bookkeeping practices with a coefficient of -0.750, was an insignificant negative predictor of growth of SMEs. Based on the projections, the findings as well show that, incrementally, per unit rise in single entry bookkeeping practice, there is anticipated decrease of 0.750 in the natural logarithm of the odds of higher growth level (level of sales volume). The negative sign shows the direction of the estimate, but it is not statistically significant.

The above findings point to the conclusion that single entry bookkeeping has negative insignificant relationship with growth of SMEs proxied as level of sales volume. Consequently, the study does not provide sufficient evidence to reject the null hypothesis "single entry bookkeeping practices have a non-significant relationship with SMEs' growth in Mbale city, Uganda". These findings agree with Abor and Quartey (2010) whose findings indicated that SMEs in South Africa and Ghana often face challenges with financial management practices, and single-entry bookkeeping, which is simpler but less reliable, did not show a significant positive impact on business growth. This agreement supports the present finding.

These findings are also consistent with Maseko and Manyani (2011) who examined the accounting routines of SMEs in Zimbabwe and found that single-entry bookkeeping was common among smaller enterprises. However, the findings suggested that it had little to no significant relationship with business growth, mainly due to its limited capacity to provide comprehensive financial information required for growth decision making. This study results however, do not corroborate with other empirical results including Gunathilaka and Ediriweera (2022) who in their study "the nexus between bookkeeping and financial performance of the small and medium enterprises in Sri Lanka" confirmed a significant positive relationship between single entry bookkeeping practices and firm financial performance and growth.

The findings as well are not consistent with Sibanda and Manda (2016) who in their findings on "symptoms of accounting routines that contribute to failures of small business in South Africa" indicated that SMEs that fail to keep proper records of their transactions, as a result, have significant impact on their growth and performance. The differences in these findings could be due to variations in the business environments, accounting knowledge of business owners, the accuracy of financial records and how financial information is used in making business decisions. For some small businesses with simple operations, single-entry bookkeeping may be adequate for keeping track of daily transactions. However, it may not provide sufficient financial information for businesses seeking to expand their operations. The differences may also arise from the ways in which previous studies measured SME growth and financial performance.

In line with Penrose's (1959) theory of the growth of the firm, the findings suggest that keeping financial records does not automatically lead to business growth. What matters is how business owners use the available financial information and other resources to make decisions and identify opportunities for expansion. Although single-entry bookkeeping provides basic financial information, its contribution to business growth largely depends on the owner's ability to understand

and apply the information effectively. Other factors, such as access to finance, market demand, competition, managerial skills and business experience, may also influence sales growth.

These findings should be interpreted with some caution because the study measured SME growth using sales volume alone, which may not capture other important aspects of business growth, such as profitability, asset accumulation, employment and market expansion. Furthermore, the cross-sectional research design makes it difficult to establish whether bookkeeping practices directly cause changes in business growth. Future studies could use a longitudinal approach and include additional measures of SME growth to provide a more comprehensive understanding of the relationship. They could also investigate how financial literacy, accounting skills and access to finance influence the relationship between single-entry bookkeeping and SME growth.

H02: Double entry bookkeeping practices have no significant impact on the growth of SMEs in Mbale city, Uganda.

Findings from table 5 disclose that double entry bookkeeping practices (p=0.000) have statistically significant connection with growth of SMEs (measured as level of sales volume) in the city of Mbale, Uganda. The findings indicate that double entry bookkeeping practices with a coefficient of 1.041 is a positive significant forecaster of growth. Based on forecasts, the results further indicate that for every unit rise in double entry bookkeeping practices, there is an anticipated rise of 1.041 in the natural logarithm of the odds of being in a higher level of growth (level of sales volume). The positive sign shows that higher use of double entry practices goes with higher levels of sales volume.

The above findings point to the conclusion that double entry practices of bookkeeping have positive significant connection with SMEs growth proxied as level of sales volume. Consequently, the study provide sufficient evidence to reject the null hypothesis that "double entry bookkeeping practices do not have a significant effect on the growth of SMEs in Mbale city, Uganda". The findings are in line with Kazaara (2026) who found that financial record keeping positively and significantly predicted SMEs growth. Similarly, Ademola et al. (2012) observed that double-entry bookkeeping improved financial planning and control among Nigerian SMEs. They further noted that maintaining proper accounting records helped businesses prepare reliable financial statements and improve their chances of accessing external financing.

This suggests that keeping comprehensive financial records can help SMEs manage their finances better, build confidence among lenders and investors, and create opportunities for business expansion. However, these findings differ from those of Madurapperuma (2016), who found that although double-entry bookkeeping improved the quality of financial records among SMEs in Nairobi, it did not significantly contribute to business growth. Brijlal et al. (2014) reported similar findings among South African SMEs, where double-entry bookkeeping had no significant relationship with business growth. These contrasting results show that the evidence on this relationship is not uniform across studies.

These differences could be due to variations in business environments, financial resources, management skills and how business owners use accounting information. In some cases, keeping proper financial records may not be enough to promote growth, especially when businesses face challenges such as limited access to finance, high operating costs, stiff competition and inadequate market opportunities. Such conditions can limit the benefits of accurate records even when the records are well kept. In these cases, the use that owners make of the records matters as much as the records themselves.

The findings can also be understood in light of Penrose's (1959) theory of the growth of the firm, which explains that business growth depends not simply on the resources a firm possesses but also on how effectively those resources are managed and utilized. In this regard, double-entry bookkeeping provides SMEs with useful financial information that can guide resource management, investment decisions and business expansion. However, the benefits depend on whether business owners understand and make practical use of the information generated. Other factors, such as access to credit, entrepreneurial skills, market demand, management experience and competition, may also contribute to SME growth. The finding therefore supports the view that records are most valuable when managers use them.

Nevertheless, the findings should be interpreted with some caution. The study measured SME growth using sales volume alone, which may not fully capture other important aspects of growth, such as profitability, asset accumulation, employment and market expansion. Additionally, the cross-sectional nature of the study limits the ability to establish whether double-entry bookkeeping directly leads to business growth. Future studies could adopt a longitudinal approach and consider several measures of SME growth to gain a clearer understanding of this relationship. They could also examine how financial literacy, access to finance and managerial skills influence the contribution of double-entry bookkeeping to SME growth.

4.1.2. Nonparametric Correlations

Table 6. Correlation Analysis

			Lsv	se	de
Spearman's rho	lsv	Correlation Coefficient	1.000	.017	.469**
		Sig. (2-tailed)	.	.873	.000
		N	55	55	55
	se	Correlation Coefficient	.017	1.000	.389**
		Sig. (2-tailed)	.873	.	.000
		N	55	55	55
	de	Correlation Coefficient	.469**	.389**	1.000
		Sig. (2-tailed)	.000	.000	.
		N	55	55	55

**. Correlation significant at 0.01 level (2-tailed).

Source: Data of the study, 2025

Results portrayed in table 6 above convey a coefficient of correlation of 0.017 and p-value of 0.873 for single entry bookkeeping practices. This implies a positive weak and statistically insignificant correlation between single entry practices of bookkeeping and SMEs' growth proxied as level of sales volume. These findings are consistent with Mwangi and Kimani (2017) who in their study discussed various financial management practices in SMEs and found that the use of single-entry bookkeeping does not significantly correlate with business growth, leading to the conclusion that its impact is statistically insignificant. These findings however disagree with Malauri et al. (2021) whose study findings on the connection between single-entry bookkeeping and SMEs' growth in Tanzania revealed a weak yet statistically significant association between practices of bookkeeping and business expansion.

The correlation showed an almost negligible relationship between single entry bookkeeping and SME growth (r=0.017). However, the regression results indicated a negative relationship, suggesting that greater reliance on this system may limit SME growth. Both results are statistically insignificant, so the direction of the estimates should not be overstated. This could be because the limited financial records in single entry bookkeeping make effective planning and informed business decisions more difficult. Single entry records mainly show daily transactions and do not give owners a full view of assets, liabilities and profitability. This limits the information available to guide expansion.

Results in table 6 further show a coefficient of correlation 0.469 and p-value 0.000 for double entry bookkeeping practices. This implies positive moderate, statistically significant correlation between double entry practices of bookkeeping and SME growth proxied as level of sales volume. The findings are in line with Gyamera et al. (2023), who found a significant positive relationship between double-entry bookkeeping and SME growth. Their study showed that businesses using double-entry bookkeeping generally enjoyed better financial stability and growth. This pattern suggests that more complete records are associated with higher sales among the SMEs studied.

However, the findings differ from those of Adela et al. (2024), who found no significant relationship between double-entry bookkeeping and SME growth. These differences may be due to variations in business environments, management skills, financial resources and how business owners use accounting information. Although double-entry bookkeeping provides reliable financial information, it may not contribute much to business growth if owners lack the skills to understand

and use the information effectively. Similarly, challenges such as limited access to finance, high operating costs and stiff competition may prevent businesses from growing even when proper accounting systems are in place.

The findings can also be understood in light of Penrose's (1959) theory of the growth of the firm, which explains that business growth depends on how well firms manage and utilize their available resources. In this regard, double-entry bookkeeping provides SMEs with financial information that can help them manage resources, make investment decisions and identify opportunities for expansion. However, simply keeping proper financial records does not guarantee business growth; what matters is how business owners use the information to guide their decisions. Other factors, such as access to credit, market demand, entrepreneurial skills and competition, may also play an important role in determining SME growth.

Despite these findings, some limitations should be considered. Since the study focused on selected SMEs in Mbale City, the findings may not necessarily reflect the experiences of SMEs in other parts of Uganda. Additionally, measuring growth using sales volume alone may not provide a complete picture of business growth, as other aspects such as profitability, asset accumulation, employment and market expansion may also be important. The cross-sectional nature of the study also limits the ability to establish whether double-entry bookkeeping directly leads to business growth.

Future studies could follow SMEs over a longer period, include businesses from other parts of Uganda and use different measures of growth. It would also be useful to examine how financial literacy, management skills and access to finance influence the contribution of double-entry bookkeeping to SME growth. A longer follow-up period would show whether the relationship changes as SMEs mature. Including other measures such as profitability, assets and employment would give a fuller picture of growth. Studies in other regions would also test whether the results hold in different business settings.

The study findings contribute to the understanding of how different bookkeeping practices are associated with SME growth, particularly in the context of businesses operating in Mbale city, Uganda. The findings show that single entry bookkeeping has a very weak and insignificant relationship with SME growth, while double entry bookkeeping has a moderate and significant positive relationship with sales growth. This suggests that the way businesses keep their financial records can make a difference in how effectively they manage their finances and make business decisions. The study therefore adds to existing knowledge by showing that double entry bookkeeping has a stronger relationship with SME growth than single entry bookkeeping. In practical terms, the findings highlight the need for SME owners to improve their record keeping practices, adopt more comprehensive bookkeeping systems and develop the skills needed to use financial information when planning, monitoring business performance and making decisions.

4.2. Discussion

The results show that single-entry bookkeeping has a very weak positive but statistically insignificant relationship with SME growth ($r = 0.017$, $p = 0.873$). This suggests that simply keeping basic financial records may not be enough to improve sales among SMEs. This finding agrees with Mwangi and Kimani (2017) but differs from Malauri et al. (2021), who found a significant relationship between financial record-keeping and business development. This shows that basic records alone did not translate into higher sales in this sample.

On the other hand, double-entry bookkeeping has a moderate positive and statistically significant relationship with SME growth ($r = 0.469$, $p < 0.001$), suggesting that businesses using this system tend to record better sales performance. This is consistent with Gyamera et al. (2023) but contradicts Adela et al. (2024), who found no significant relationship. These differences could be explained by variations in business owners' financial knowledge, management skills and ability to use accounting information when making decisions. The findings also support Penrose's (1959) theory of the growth of the firm, which emphasizes the importance of effectively managing available resources. Overall, the results suggest that double-entry bookkeeping provides more useful financial information for planning, controlling expenditure and monitoring business performance, making it more strongly associated with SME growth than single-entry bookkeeping.

5. CONCLUSION

In conclusion, the findings of this study suggest that the use of single-entry bookkeeping practices does not significantly impact the growth of small and medium enterprises (SMEs). This lack of a meaningful relationship highlights the potential limitations of single-entry systems in providing the necessary financial insights for driving growth. On the other hand, the study reveals a significant positive connection between double entry bookkeeping practices and SMEs growth, indicating that more robust and systematic accounting practices are linked to better financial management and organizational growth. These results emphasize the importance of adopting double entry bookkeeping systems for SMEs seeking sustainable growth and improved financial decision-making.

The study recommends that government agencies, business associations and organizations supporting SMEs should offer practical bookkeeping training to help business owners and employees understand and manage double-entry accounting systems. SMEs with limited accounting knowledge should also be encouraged to seek assistance from professional accountants and financial advisors. In addition, government and financial institutions should consider providing affordable accounting services, grants and other forms of support to make it easier for SMEs to adopt proper bookkeeping systems. Business owners should also develop the habit of regularly reviewing their financial records to keep track of sales, expenses and profits, identify financial challenges early and make better decisions that support business growth.

The study focused on only 55 SMEs in Mbale city, meaning that the findings may not fully represent the experience of SMEs in other parts of Uganda. Future research could therefore involve more SMEs from different regions of the country to establish whether the relationship between bookkeeping practices and business growth is similar across different business settings. A wider sample would also make the results easier to generalize to the broader SME sector in Uganda. A comparison across regions and business types would show whether the effect of double entry bookkeeping holds in other settings.

Ethical standards were maintained throughout the study, and all respondents were informed about the purpose of the study before participating. Their participation was voluntary, and they were assured that their responses would remain confidential and be used only for academic purposes. The study did not receive funding from any external organization, and the authors declare no conflict of interest in relation to the research or its publication. The data used in the study can be obtained from the corresponding authors upon reasonable request. These measures protected the rights of the respondents and the integrity of the study.

The authors were involved in all stages of the research, including developing the study, designing the methodology, collecting and analyzing data, interpreting the findings and preparing the manuscript. AI tools were used to improve the language and readability of the manuscript, but the author reviewed the work and takes full responsibility for its final content. Finally the author appreciates the staff of the commercial office of Mbale city and the SME owners and managers in Mbale city who willingly participated in the study and shared the information that made the research possible. This statement shows the roles of the authors and the support received.

Conflict of Interest Statement

The authors declare that there is no conflict of interest regarding the publication of this paper. No commercial office, business association, or financial institution had any role in the design of the study, the analysis of data, the interpretation of findings, or the decision to publish.

Author Contributions

O.I.P.: Conceptualization, Methodology, Investigation, Data Curation, Formal Analysis, Software, Visualization, Writing – Original Draft.
B.B.D.E.: Validation, Methodology, Project Administration, Writing – Review & Editing.

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Informed consent was obtained from all participants. Before data collection, respondents were informed of the purpose of the study and of the voluntary nature of their participation, and were assured that their responses would remain confidential and be used only for academic purposes.

Ethical Approval

The study was conducted in accordance with the ethical standards described in the article: voluntary participation, informed consent, confidentiality of responses, and use of the data solely for academic purposes. Formal ethical clearance for research involving human participants was obtained from the relevant institutional ethics committee prior to data collection.

Data Availability

The aggregate data underlying Tables 1–6 are presented within the article, and the anonymized response matrix may be requested from the corresponding author [O.I.P.] on reasonable request.

Declaration of Generative AI and AI-assisted Technologies

Generative AI and AI-assisted technologies were used in a limited capacity during the preparation of this manuscript. Claude (Anthropic) was utilized for language editing and clarity improvement. All outputs generated with the assistance of the tool were critically reviewed and revised by the authors to verify factual accuracy, confirm consistency with the statistical output reported in the tables, and ensure conformity with academic writing standards. The authors assume full responsibility for the integrity and content of this manuscript.

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