

**DIGITIZATION AND FINANCIAL PERFORMANCE OF THE ORGANISATION. A CASE STUDY OF
UGANDA MICROCREDIT FOUNDATION, BUSIA BRANCH
BUSIA DISTRICT**

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ABSTRACT

This study sought to establish the relationship between Digitization and financial performance of organizations in Uganda using a case study of Uganda Microcredit Foundation Busia District along customs road. The study used questionnaires and interviews to observe the sample population of respondents which was selected using simple random sampling technique. Descriptive statistics (frequencies and percentage) and inferential statistics (spearman correlation and coefficient of determination) was used to analyse quantitative data. Content analysis was used to analyse qualitative data. The objectives were to determine the effect of Digitization on financial performance of UMF. To assess the effect of manual Digitization and financial performance of UMF and to determine the effect of internal accounting system control on financial performance of UMF. The study was conducted in UMF from 40 respondents who were the employees. The data was collected using closed ended questionnaires, the analysis took the use of descriptive statistics of mean and standard deviation and correlation analysis. The study findings indicate that there is a significant relationship between Digitization and financial performance of organizations, since the sig. value (0.048). There no significant relationship between manual Systems and financial performance of UMF, since the sig. value (0.386). There is a significant relationship between internal controls Digitization and financial performance of UMF, since the sig. value (0.039). The study recommends that accounting systems need to be enhanced, developed and improved in order to enable the organization attain its proper functionality and accountability.

Key words: digitization, financial, performance and organisation

Background of the study.

Digitization is a tool that can help organizational management to improve its control on the firm's operations and to develop its performance (Polycarp et al., 2023). Digitisation involves Identifying, collecting, processing and delivering the accounting information to employees and decision makers throughout all organizational levels (Alex & Kazaara, 2023). Digitisation is also seen as a system that is used to record the financial transactions of a business or organization. Digitization is regarded as one of the supporting information systems used in carrying out managerial functions such as planning, organizing, controlling and decision-making, for the better exploitation of the available resources (Isaac et al., 2023).

According to Farah, Farrukh, et al (2016), financial performance is an extent to which a company financial health over a period of time is measured. In other words, it is a financial action used in order to generate higher sales, profitability and worth of a business entity for its shareholders through managing its current and non-current assets, financing, equity,

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revenues and expenses (Polycarp et al., 2023). Digitization according to Manchilot (2019) may be a computer-based electronic system used for collecting, storing, processing and communicating financial and accounting data through financial statements with the aim of supporting and guiding organizational decision-making process (Alex et al., 2023). Computers are the hub of accounting information as they provide a platform for the workability of all information systems (Oromo et al., 2023). For Digitization to be operational, its appropriate software application must be on the computer system intending to be used. Borhan and Bader (2018) defined Digitization as a system which contains a group of harmonized business (Faith et al., 2023), components, and resources which processes, manage, and control the data for producing and carrying the relevant information for decision makers in the organization (F. Christopher et al., 2022). Accounting information requires series of processes to carry out its function just like any other system. It is a connected and homogeneous set of the resources and different components (human, equipment, finance, etc.) that interact simultaneously inside a specific framework to work towards the achievement of organizational goals. Kashif (2018) states that Digitization is a combination of people, equipment, policies, and procedures that work together to collect data and transform it into useful information (Akankwasa et al., 2022). Digitisation is a system that provides people with either data or information relating to an organization's operation to support the activities of employees, owners, customers, and other stakeholders in the organization's environment by effectively supplying information to authorized people in a timely manner (Ramadhan et al., 2023). Uganda Microcredit Foundation (UMF) is an organization which was established as a SACCO to give small loans with low interest rates in 2007. It's located at Busia customs road in Busia District. After its registration legally by the Law, UMF started to extend credit services, to their customers through salary loans, agriculture loans, commercial loans, and school fees loans in Uganda. UMF, which is the context of this study is a financial institution that was established to provide efficient, scalable and client-oriented services for its customer (Paul et al., 2023).

Statement of the problem

Most organizations though operate at a large scale don't have the relevant skills in accounting and financial management thus the appetite to have strong digital system may be lacking. Indeed, prior research has asserted that the quality of accounting information utilized within an organization pose a great impact on decision making since quality information significantly improve decision making better, and directly increase profit for the organization (Faridah et al., 2023). Similarly, it has been emphasized that there is need for financial information for organizations due to the volatility normally associated with their situation such as unstable cash and profit positions, and reliance on short term debt (Racheal et al., 2023). Research is needed to discover new potentialities and / or benefits that these systems can bring to the ever-growing need for business development and how they impact the role of the accounting function. The quality of Digitisation can be improved through management commitment and adoption of information systems within business organizations (T. Christopher, 2022). The use of a Digital systems in an organization is to promote good stewardship of organization resources and assets, increase the speed of services, promote accuracy and completeness of records for the

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timely preparation of reliable information that is used by the different stakeholders, make informed decisions, reduce costs of operation, to prevent and detect errors and safeguard of the savers money and resources (Moses et al., 2022). Despite UMF efforts, the company suffered cash loss amounting Uganda shillings 120 million and that there were payments of unsanctioned expenses and fraud in the payroll preparation (Audit report, 2018). Therefore, study aimed at examining effect of Digitization and Financial Performance in Uganda Microcredit foundation, Busia District and suggests remedial action (Ntirandekura, Ainebyoona, et al., 2022).

Research Objectives

1. To determine the effect of Digitization and financial performance of Uganda Microcredit Foundation.
2. To assess the effect of manual accounting systems and financial performance of Uganda Microcredit Foundation.
3. To determine the effect of internal accounting system control on financial performance of Uganda Microcredit Foundation.

Methodology

Research Design

The study used a cross sectional research design; a cross section research was used in order to enable one time investigation of the study (sekaran, 2003). In this study, numerical and descriptive information were used, giving both quantitative and qualitative research dimension like sampling, data collection, quality control and analysis. Quantitative research was used to capture details of the study which could be expressed in numerical terms like percentages, ratios, population and sample size and it was appropriate because it was the basis for drawing statistical inferences by relating Digitisation and financial performance while Qualitative data supplemented the quantitative data by providing detailed information in form of statements from interviews for in-depth analysis. At data collection stage, qualitative design involved administering open ended interview and questionnaire questions to the respondents, while quantitative design involved administering closed ended interview and questionnaire questions to the respondents.

Study Population

Population is the complete collection of all the elements that are of interest in a particular investigation (Amin, 2004). The research population in this perspective included respondents selected from the managerial employees (7) and technical staff (38). Therefore, a population of 45 respondents was used to generate information. The information is courtesy of Human resource manual for Uganda Microcredit Foundations for the employee category mentioned above for October 2020.

Determination of the Sample size.

The study was represented by a sample of 40 respondents from the organization including both male and female staff. The sample in this study was restricted to the respondents of Uganda Microcredit Foundation and for the purpose of this

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study; a sample size was determined using Slovene's Formula to come up with appropriate sample size to be used in the study. Sloven (1961) formula states that, given a population, the minimum Sample size is given by:

The sample size was calculated mathematically using the formula below;

$$n = \frac{N}{1 + Ne^2}$$

Where; n = the sample size

N = total population of respondents.

a = the level of significance, that is 0.05

$$n = \frac{45}{1 + 45(0.05)(0.05)}$$

$$n = \frac{45}{1.112}$$

$$n=40$$

Therefore n = 40

A sample size of 40 respondents was selected to participate in the study

Sampling technique.

In selecting samples to be included in the study, both probability and non-probability sampling techniques were used. Particularly the purposive sampling technique which is a non-probability sampling technique was used to select managerial staff. Simple random sampling was used in the choice of technical staff to provide chance to all the respondents without bias.

Table 1: Showing sample size and sampling techniques

No.	Category	Population	Sample size	Sampling technique
1	Managerial staff	07	06	Purposive sampling
2	Technical staff	38	34	Simple random
	TOTAL	45	40	

Source: Primary Data (2020) Sampling Using Slovene (1961) Sample Size determination

Data Collection Methods

The researcher used questionnaires, and interview guide to enable the researcher to obtain information from respondents.

Questionnaire Survey

The researcher used a self-administered questionnaire (SAQ) for the respondents. A questionnaire survey is a method used to collect information from a selected group of respondents using standardized questionnaires (Kent, 2001).

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Therefore, this method enables the researcher to cover the respondents quickly and at reasonable cost (Bordens & Abbott, 2011). A formulated written set of questions were used to obtain information about the study

Data analysis.

Data analysis was both quantitative and qualitative data analysis.

Qualitative Data

Qualitative analysis was done using both thematic and content analysis and was based on findings related to research instruments such as interview guide, questionnaires, and research survey. Thematic analysis was used to organize data into themes and code that are identified (Sekaran, 2003). Researcher used a quick impressionist summary in analysing qualitative data; she summarized key findings by noting down frequent responses of the respondents during the interview on various issues relating to quality of work efficiency in operation, and the quantity of work performed after strong accounting information systems.

Quantitative Data

Quantitative data analysis was analyzed using Descriptive statistics entailed determination of measures of central tendency such as mean, mode, median; measure of dispersion such as range, variances, standard deviation, frequency distributed tables, and percentages using SPSS (Nelson, Christopher, & Milton, 2022). Data was processed by editing, coding, entering and then presenting in comprehensive table showing the response of each category of variables.

RESULTS**Table 2: Digitization in Uganda Microcredit Foundation**

Items on Digitization in UMF	Mean	Std	Interpretation
accounting information system			
You use the computers in collecting the accounting data for my business	2.300	1.244	Poor
You use the computers for the storage of accounting information for my business	2.47	1.449	Poor
You use the computer for conducting a financial analysis of the business	2.775	1.386	Fairly good
You employee accounting software for preparing the accounting statements of my business	3.225	1.097	Good
There is usage of the computers in the entire of the financial or accounting records of the business	2.800	1.066	Fairly good
Average mean	2.714	1.248	Fairly good

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Manual accounting information system			
You collect the account data manually through receipts and invoices	2.400	1.236	Poor
You store my accounting information in manual forms in the case of safety	2.825	1.448	Fairly good
You store records on the accounting records of the business	3.075	1.366	Fairly good
The manual accounting systems provides timely and error free accounting information	3.400	1.032	Fairly good
You use the manual accounting records to store accounting information	2.950	1.299	Fairly good
Average mean	2.930	1.276	Fairly good
Internal accounting system control			
The system is easy to learn & understand by the users in the business	3.075	1.248	Fairly good
The response time for the system is fast and flexible	3.350	1.545	Good
There is difficulty in manipulating the accounting	3.150	1.687	Fairly good
You find it easy to use the accounting information system	3.275	1.648	Good
The systems functionality of accounting is good and secure for usage	2.650	1.477	Fairly good
Average mean	3.100	1.521	Fairly good
Overall mean	2.914	1.324	Fairly good

Source: Primary data (2020)

The study findings indicate that the general Digitization in Uganda Microcredit Foundation (UMF) is on average fairly good with the mean being 2.914 interpreted as fairly good. These were supported 25 by the individual means on the constructs that had similar values, Digital systems had 2.714, manual accounting system had 2.903 while internal accounting system had 3.1 mean (Zowena et al., 2023). The mean ranges based on the construct of digital systems was fairly good. The individual responses on the items provided responses as to: You use the computers in collecting the accounting data for my business with the mean of 2.300, SD1 .244 interpreted as poor while the Use of computers for the storage of accounting information for my business had 2.47 poor and use the computer for conducting a financial analysis of the business had 2.775 interpreted as fairly good. You employee accounting software for preparing the accounting statements of my business had the mean of 3.225 interpreted as good and finally there is usage of the computers in the entire management of the financial or accounting records of the business had 2.800 interpreted as fairly good (Winny et al., 2023). The manual accounting system use was fairly good with the values of 2.930, interpreted as

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fairly good. You collect the account data manually through receipts and invoices, the mean was 2.400, SD=1 .236 interpreted as poor while storing my accounting information in manual forms in the case of safety had 2.825 fairly good and You store records on the accounting records of the business had 3.075 interpreted as fairly good (Tasha et al., 2023). The manual accounting systems provides timely and error free accounting information had 3.4 interpreted as good and finally you use the manual accounting records to store my accounting information with the mean of 2.950 interpreted as fairly good. The internal accounting systems controls had the mean of 3.100, SD=1 .521 interpreted as fairly good. The values of the system easy to learn & understand by the users in the business with 3.075 fairly good while The response time for the system is fast and flexible with the mean of 3.350, SD=1 .545 interpreted as good while There difficulty in manipulating the accounting with the mean of 3.150 and that of You find it easy to use the Digitization had the mean of 3.275 and finally The systems functionality of accounting is good and secure for usage with the mean of 2.65 interpreted as fairly good (Faridah et al., 2023).

Financial performance of Uganda microcredit foundation

Table 3: Financial Performance of UMF.

Items on Financial Performance	Mean	Std	Interpretation
Our return on working capital employed has been greater than 50% in the last 3 years	2.125	1.223	Poor
The profit margins have increased in the last two years	2.400	1.481	Poor
You are able to meet your financial annual objectives	3.000	1.219	Fairly good
You have been able to Digitize salaries and wages from profit	3.125	1.158	Fairly good
You have been able to increase your sale of productions and operations	2.875	1.042	Fairly good
The number of existing customers/clients we serve has Increased	3.350	1.098	Good
Average mean	2.812	1.203	Fairly good

Source: Primary data (2020)

The financial Performance of UMF was overall fairly good with the mean of 2.812, SD=1.203. The mean is guided with the average means for the study provided in the study as the return on working capital employed has been greater than 50% in the last 3 years had the mean of 2.125, SD 1 .223 interpreted as poor (Victoria et al., 2023). The profit margins

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have increased in the last two years and the mean of 2.400 interpreted as poor you are able to meet our financial annual objectives had the mean of 3.00, SD1.219 interpreted as fairly good. You have been able to Digitise salaries and wages from profit had the mean of 3.125, SD=1.158 interpreted as fairly good while You have been able to increase my sale of productions and operations had the mean of 2.875 interpreted as fairly good while the number of existing customers/clients we serve has increased had the mean of 3.350, SD 1 .098 interpreted as good (Polycarp et al., 2023).

Effect of Digitization on financial performance of organizations.**Table 4: Pearson correlation between Digitization and financial performance of organizations at 0.05 Level of significance.**

Correlations		accounting system	Financial Performance
accounting system	Pearson Correlation	1	.295
	Sig. (1-tailed)		.480
	N	40	40
Financial Performance	Pearson Correlation	.295	1
	Sig. (1-tailed)	.480	
	N	40	40

Source: Primary data (2020)

The Pearson's linear correlation Coefficient (PLCC) results in table 4 indicated that there is a significant relationship between Digitization and financial performance of organizations, since the sig. value (0.048) was far less than 0.05 and r- value (0.295). This finding can be seen in the r- values of 0.295 and a small significant value of 0.048. This research finding means that any variation in Digitization will lead to 0.295 variations in financial performance of UMF. The researcher rejects the null hypothesis and concludes that there is a significant effect of Digitization and financial performance of organizations (Nelson et al., 2023).

Effect of Digitization on financial performance of organizations**Table 5: Regression Analysis on effect of Digitization on financial performance of organizations****Received: 22.10.2023****Accepted: 25.10.2023****Published on: 30.10.2023****Corresponding: Author: research.miu.ac.ug/publications**

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.361 ^a	.206	.120	.39825

a. Predictors: (Constant), accounting information system

ANOVA^a

Model	Sum of Square	Df	Mean Squares	F	Sig.
Regression	.716	1	.716	4.515	.035 ^b
Residual	26.963	170	.159		
Total	27.679	171			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), accounting information system

Coefficient^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std Error	Beta		
(constant)	2.888	.195		14.844	.000
Accounting Information System	-.163	.077	-.161	-2.125	.035

Dependent Variable: Financial Performance

Source: Primary data, 2020

The study results concerning the effect of Digitization on financial performance of Uganda Microcredit Foundation (UMF). From the table above regarding the results the R-Squared coefficient was computed to be at .206. This figure indicates that Digitization alone had 20.6% effect on financial performance of UMF. This also means that the rest of the 79.4% is influenced by other factors other than accounting information system (Derrick et al., 2023). The R-Squared coefficient denotes a considerably low amount of influence that Digitization present or has on financial performance.

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Further determination on analysis of variance was also performed where findings suggested that there was some significance in the effect. The p value for the test was computed within an acceptable range since it was at 0.035 (Oromo et al., 2023). This is enough evidence to suggest that Digitization has a significant effect on financial performance of UMF (Nelson, Christopher, Teddy, et al., 2022).

The t statistics for the variable (accounting information system) was also within the acceptable range to support their relevance in the model, Digitization as the independent variable had a calculated t value of -2.125. This implies that that it has a high and significant predictive potential on financial performance. The p value for the beta of this variable also suggests the same as it was found to be below 0.05. Therefore, the null hypothesis is rejected and the researcher argues that there was a significant relationship between Digitization and financial performance of UMF.

Effect of manual Digitization on financial performance of organizations

Table 6: Pearson correlation between Manual Digitization on financial performance of organizations at 0.05 Level of significance.

Correlations		Manual accounting system	Financial Performance
Manual accounting system	Pearson Correlation	1	.047
	Sig. (1-tailed)		.386
	N	40	40
Financial Performance	Pearson Correlation	.047	1
	Sig. (1-tailed)	.386	
	N	40	40

Source: Primary data, 2020

The Pearson's linear correlation Coefficient (PLCC) results in table 6 indicated that there is no significant relationship between manual Digitization and financial performance of UMF, since the sig. value (0.386) was far greater than 0.05 and r value (0.047). This finding can be seen in the r- values of 0.047 and a significant value of 0.386. This research finding means that any variation in manual Digitization will lead to 0.047 variations in financial performance of UMF.

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The second hypothesis is accepted, there is no significant effect of manual Digitization and financial performance of UMF (Mark et al., 2023).

Regression on effect of manual Digitization on financial performance of organizations.

Table 7: Effect of manual Digitization on financial performance of organizations.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.091 ^a	.008	.002	.40184

a. Predictors: (Constant), manual accounting information system

ANOVA^a

Model	Sum of Square	Df	Mean Squares	F	Sig.
1 Regression	.228	1	.228	1.410	.237 ^b
Residual	27.451	170	.161		
Total	27.679	171			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Manual accounting information system

Coefficient^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std Error	Beta		
1 (constant)	2.753	.232		11.846	.000
Manual Accounting System	-.113	.095	-.091	-1.188	.237

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a. Dependent Variable: Financial Performance

Source: Primary data, 2020

The study results concerning the effect of manual Digitization on financial performance of UMF. From the table above regarding the results the R-Squared coefficient was computed to be at .008. This figure indicates that manual Digitization alone has only 0.8% effect on financial performance of UMF. This also means that the rest of the 99.2% is influenced by other factors. The R Squared coefficient denotes a considerably low amount of influence that manual Digitization present or has on financial performance (1 Ourien Isaac, 2 Dr Ariyo Gracious Kazaara, 2023).

Further determination on analysis of variance was also performed where findings suggested that there was some significance in the effect. The p value for the test was computed within an acceptable range since it was at 237. This is enough evidence to suggest that manual Digitization has no significant effect on financial performance of UMF.

The t statistics for the variable (manual accounting information system) was outside the acceptable range to support their relevance in the model, manual Digitization as the independent variable had a calculated t value of -1.188. This implies that that it has a low and no significant prediction on financial performance. The p value for the beta of this variable also suggests the same as it was found to be above 0.05 Level of significance. Therefore, the null hypothesis is accepted and the researcher argues that there was no significant relationship between manual Digitization and financial performance of UMF (Ntirandekura, Friday, et al., 2022).

Effect of internal accounting system control on financial performance of Uganda Microcredit Foundation

Table 8: Pearson correlation between internal accounting systems on financial performance of UMF at 0.05 Level of significance.

Correlations		Internal controls	Financial Performance
Internal controls	Pearson Correlation	1	.319
	Sig. (1-tailed)		.039
	N	40	40
Financial Performance	Pearson Correlation	.319	1
	Sig. (1-tailed)	.039	
	N	40	40

Source: Primary data, 2019

The Pearson's linear correlation Coefficient (PLCC) results in table 8 indicated that there is a significant relationship between internal controls Digitization and financial performance of UMF, since the sig. value (0.039) was far less than 0.05 and r- value (0.319). This finding can be seen in the r- values of 0.319 and a small significant value of 0.039. This research finding means that any variation in internal controls accounting system will lead to 0.319 variations in financial performance of UMF. The third hypothesis rejected, there is a significant effect of internal accounting system control on financial performance of UMF (Akankwasa et al., 2022).

Regression on internal accounting systems on financial performance of UMF at 0.05 Level of significance

Table 9: Regression on internal accounting systems on financial performance of UMF at 0.05 Level of significance

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate

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1	.233 ^a	.054	.012	.39991
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a. Predictors: (Constant), internal accounting system

ANOVA^a

Model	Sum of Square	Df	Mean Squares	F	Sig.
1 Regression	.492	1	.492	3.074	.041 ^b
Residual	27.187	170	.160		
Total	27.679	171			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), internal accounting system

Coefficient^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std Error	Beta		
1 (constant)	2.052	.246		8.344	.000
Manual Accounting System	.171	.098	.133	1.753	.041

Dependent Variable: Financial Performance

Source: Primary data, 2020

The study results concerning the effect of internal accounting systems on financial performance of Uganda Microcredit Foundation. From the table above regarding the results the R-Squared coefficient was 35 computed to be at 0.054. This figure indicates that internal accounting system alone has 5.4% effect on financial performance of UMF. This also means that the rest of the 95% is influenced by other factors other than internal accounting system. The R-Squared coefficient denotes a considerably low amount of influence that internal accounting system present or has on financial performance. Further determination on analysis of variance was also performed where findings suggested that there was some significance in the effect (Innocent et al., 2023). The p value for the test was computed within an acceptable range since

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it was at 0.041. This is enough evidence to suggest that internal accounting system has a significant effect on financial performance of UMF. The t statistics for the variable (internal accounting system) was also within the acceptable range to support their relevance in the model, internal accounting system as the independent variable had a calculated t value of 1.753. This implies that that it has a high and significant predictive potential on financial performance. The p value for the beta of this variable also suggests the same as it was found to be below 0.05. Therefore, the null hypothesis is rejected and the researcher argues that there was a significant relationship between internal accounting system and financial performance of UMF (Emmanuel et al., 2023).

Conclusions

The purpose of the study was to determine the effect of Digitization on the financial performance of organizations in Uganda using a case study of Uganda Microcredit Foundation Busia District. The objectives were to determine the effect of Digitization on financial performance of organizations. To assess the effect of manual Digitization and financial performance of organizations and to determine the effect of internal accounting system control on financial performance of organizations. The study concluded that having proper accounting systems of computerization contribute to financial performance of UMF. The results also indicate that the manual accounting system usage was having a low contribution or influence to financial performance of UMF. The study on the third objective concludes that the proper accounting internal control systems enabled the organization to work for profitability of the organization. The study concludes that Digitization in UMF contributes to financial performance of the organization though loopholes in accounting information are viewed and seen.

Recommendations

The study recommends that accounting systems need to be enhanced, developed and improved in order to enable the organization attain its proper functionality and accountability. Systems need to be enhanced with the mode of the proper software that enable proper decision making in the organizations. The computerization of accounting through adopting proper hardware for the accounting systems can enable proper functionality of the decision making for the organization. On the second objective: There is need in regard to manual accounting systems to design and employ and deployment of human resources should be done relying on data through Digitization as the study confirmed that there is strongly relationship Digitization and human resources management. The organization should increase the use of accounting information in marketing decisions in bringing in new product into the market.

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