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Financial Information Disclosure and Financial Performance of Medium Manufacturing Enterprises in Jinja City, Uganda

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Abstract: This study examined the effect of financial information disclosure on the financial performance of selected medium manufacturing enterprises (MMEs) in Jinja City, Uganda. Although medium manufacturers are central to Uganda's industrialisation agenda, most are privately held, owner-managed and subject to weak disclosure enforcement, and it remains unclear whether the information they disclose improves their financial performance. A convergent parallel mixed-methods design was adopted. Quantitative data were collected from 97 respondents in sampled MMEs using a structured questionnaire built around a 49-item disclosure checklist covering the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes to the financial statements. Financial performance was measured on four dimensions: capital ratio, profitability, efficiency and solvency. Data were analysed using descriptive statistics, Pearson correlation and multiple regression, while qualitative data from 13 key-informant interviews were analysed thematically. The overall level of disclosure was low, with a grand mean of 2.27 and a standard deviation of 1.12 on a five-point scale. Cash flow items were the most disclosed (mean 2.44), while items in the statement of changes in equity were the least disclosed (mean 2.18). Judgement-intensive items such as biological assets, intangible assets and revaluation differences on investments were the weakest, with means between 2.07 and 2.08. Financial information disclosure had a positive and statistically significant effect on financial performance (standardised beta 0.174, p-value 0.048), uniquely explaining about three percent of its variance after controlling for other corporate governance practices. The effect is small but meaningful: disclosure contributes to, but does not by itself determine, financial performance. The findings give owners, managers, lenders, the Uganda Revenue Authority and the Institute of Certified Public Accountants of Uganda item-level evidence on where disclosure should be strengthened, and they extend disclosure research in East Africa beyond listed companies and financial institutions to privately held manufacturers.

Keywords: *Financial Information Disclosure; Financial Performance; Corporate Governance; Medium Manufacturing Enterprises; Agency Theory; Uganda.*

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I. INTRODUCTION

Financial information disclosure is the process through which a firm communicates information about its financial position, performance and cash flows to those who own it, lend to it, tax it or trade with it. It lies at the heart of corporate governance. Without adequate disclosure, owners cannot monitor managers, lenders cannot price risk appropriately and regulators cannot verify compliance. For this reason, the G20/OECD Principles of Corporate Governance treat timely and accurate disclosure on all material matters, including the financial situation, performance, ownership and governance of the company, as a core principle of good governance (OECD, 2023).

The theoretical case linking disclosure to performance is well established. Disclosure narrows the information gap between insiders and outsiders, thereby reducing the cost of monitoring managers (Jensen & Meckling, 1976). It also lowers the risk premium that investors and lenders demand when they cannot observe quality directly (Akerlof, 1970; Diamond & Verrecchia, 1991). Firms that disclose more are therefore expected to raise finance more cheaply, attract more stable capital and make better internal decisions, benefits that should ultimately be reflected in profitability, efficiency, capital adequacy and solvency (Botosan, 1997; Healy & Palepu, 2001; Leuz & Verrecchia, 2000).

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However, most of the evidence for this relationship comes from listed companies in developed capital markets. Such companies operate under mandatory reporting regimes and are followed by analysts, independent auditors and securities regulators who enforce the rules. Their circumstances differ sharply from those of medium-sized, privately held manufacturers in developing economies, which are often run by founders or families, rarely deal with outside equity investors and usually prepare financial statements mainly for tax purposes or to support loan applications. Whether disclosure yields the same performance benefits in this setting remains an open question.

Uganda provides a useful setting in which to examine this question. Uganda Vision 2040 identifies manufacturing as a driver of structural transformation, employment creation and value addition, and this vision is implemented through successive five-year National Development Plans, including the Third National Development Plan (NDP III) (National Planning Authority, 2020). Medium enterprises are central to that agenda. In Uganda, a medium enterprise is one that employs between 50 and 100 people and holds total assets of more than UGX 100 million but not exceeding UGX 360 million (Ministry of Trade, Industry and Cooperatives, 2015; Uganda Investment Authority, n.d.). Such enterprises are large enough to process raw materials into higher-value products and to supply regional markets, yet many still have weak financial structures and limited access to external finance.

Jinja City, Uganda's traditional industrial hub, hosts a significant concentration of these enterprises, operating in food and beverage processing, metal fabrication, plastics, paper, textiles and building materials (Uganda Manufacturers Association, 2024). Earlier Ugandan research shows that small and medium enterprises with better-quality financial statements obtain external finance more easily, whereas information irregularity constrains their access to credit (Nanyondo et al., 2014). Nevertheless, there is still no direct evidence on whether the extent of disclosure by medium manufacturers actually improves their financial performance.

This study addresses three gaps in the existing literature. First, studies of disclosure and performance in East Africa have concentrated on listed companies, banks and other financial institutions (e.g., Musyoka, 2017; Nabawagga, 2023), leaving privately held manufacturers largely unexamined. Second, most studies measure disclosure with a single composite index, which conceals which components of the financial statements firms actually disclose. Third, quantitative studies rarely explain why disclosure levels are what they are or how disclosure translates into performance in practice. This study responds to all three gaps by measuring disclosure at item level across all five components of a complete set of financial statements, linking it to four dimensions of financial performance and using key-informant interviews to explain the statistical patterns.

The purpose of the study was to examine the effect of financial information disclosure on the financial performance of selected MMEs in Jinja City, Uganda. It was guided by three research questions:

- What is the level of financial information disclosure among selected MMEs in Jinja City?
- What is the effect of financial information disclosure on the financial performance of these enterprises?
- How do owners, managers and other key informants explain the observed disclosure practices and their influence on financial performance?

The study contributes in three ways. Theoretically, it tests whether the predictions of agency theory hold in firms where ownership and management largely coincide. Empirically, it provides item-level disclosure evidence from a sector and location that have received little research attention. Practically, it identifies the areas of disclosure on which MMEs, their lenders and regulators should concentrate.

➢ *Theoretical Review*

The study draws on two complementary theories: agency theory explains why disclosure is needed, and stakeholder theory explains to whom disclosure is owed.

- *Agency Theory*

Jensen and Meckling (1976) describe the firm as a nexus of contracts between principals, who provide capital or other resources, and agents, who manage the firm. Because agents possess information that principals lack, they may act in their own interest at the principals' expense. Principals respond by monitoring, which is costly and reduces firm value. Financial disclosure is one of the main mechanisms through which principals observe how resources are used. In owner-managed enterprises the classic conflict between owners and managers is often muted because owners run the business themselves. Agency problems do not disappear, however; they shift to the relationships between owner-managers and minority shareholders, lenders and the tax authority. In each case, low disclosure leaves the less-informed party exposed and raises the cost of doing business.

- *Stakeholder Theory*

Freeman (1984) argues that a firm is accountable not only to its shareholders but to every group that affects or is affected by its activities. For an MME, these groups include employees, lenders, suppliers, customers, the Uganda Revenue Authority, local government and the surrounding community, each of which needs information to make decisions about the firm. Stakeholder theory therefore broadens the purpose of disclosure from shareholder monitoring to maintaining the trust and cooperation of all parties on whom the firm depends.

Taken together, the three theories predict a positive association between financial information disclosure and financial performance: agency theory through lower monitoring costs and reduced misuse of resources, signalling theory through easier and cheaper access to finance, and stakeholder theory through stronger relationships with the parties on whom the firm relies.

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➢ *Conceptual Review*

- *Financial Information Disclosure*

Financial information disclosure refers to the extent to which a firm makes available details of its financial position, performance, changes in equity, cash flows and the explanatory notes that accompany them. Healy and Palepu (2001) distinguish mandatory disclosure, required by law or accounting standards, from voluntary disclosure, which goes beyond those requirements. In Uganda, the Companies Act, 2012 requires companies to keep proper books of account and prepare annual financial statements, but enforcement among privately held firms is weak, so the boundary between mandatory and voluntary disclosure is blurred in practice.

This study measures disclosure across the five components of a complete set of financial statements: (1) the statement of comprehensive income, showing revenue, operating results, depreciation, finance costs and profit or loss after tax; (2) the statement of financial position, showing assets, liabilities and equity; (3) the statement of changes in equity, recording movements in paid-up capital and retained earnings and the effects of changes in accounting policy or corrections of errors; (4) the statement of cash flows, showing cash from operating, investing and financing activities; and (5) the notes to the financial statements, explaining accounting policies, contingent liabilities, commitments, and related-party transactions. Measuring disclosure by component rather than through a single composite score reveals which parts of the financial picture MMEs share and which they withhold.

- *Financial Performance*

Financial performance is measured on four dimensions that together reflect the financial health of a manufacturing enterprise. The capital ratio indicates the proportion of assets financed by owners' equity and hence the firm's capacity to absorb losses. Profitability, measured by return on assets and return on equity, indicates how effectively the firm generates earnings. Efficiency, measured by asset turnover and cost control, indicates how productively the firm uses its resources. Solvency, measured by the debt-to-equity ratio and interest cover, indicates the firm's ability to meet its long-term obligations.

➢ *Empirical Review*

International evidence generally supports a link between disclosure and financial outcomes, although the mechanism is often indirect. Botosan (1997) found that firms with higher disclosure levels enjoyed a lower cost of equity capital, particularly where analyst coverage was low. Leuz and Verrecchia (2000) found that German firms that switched to international reporting standards, and thereby increased disclosure, experienced lower bid–ask spreads and higher trading volumes. Reviewing the literature, Healy and Palepu (2001) concluded that greater disclosure is associated with lower information asymmetry, higher liquidity and a lower cost of capital, while cautioning that causality is difficult to establish.

In Kenya, Musyoka (2017) studied 43 firms listed on the Nairobi Securities Exchange and found that voluntary disclosures on financial policy, investment policy, sales growth, liquidity and research and development were positively and significantly related to firm performance, jointly explaining 63 percent of its variation. By contrast, Guidara and Ben Othman (2012), analysing the reports of 103 companies in several African emerging economies, found no significant relationship between social disclosure and corporate performance.

In Ghana's manufacturing sector, Sarpong-Danquah et al. (2018) found that board independence and gender diversity improved return on assets and return on equity among listed manufacturers, while Sarpong-Danquah et al. (2022) found that board size, audit committee independence and firm size influenced manufacturing performance, with block ownership moderating these effects. Although these studies examined governance mechanisms rather than disclosure directly, they confirm that governance matters for manufacturing performance in African settings.

In Uganda, the most directly relevant evidence concerns access to finance. Surveying 75 SMEs in Kampala, Nanyondo et al. (2014) found that the quality of financial statements was positively and significantly related to access to finance, while information asymmetry was negatively related to it. Because access to finance is a precondition for investment and growth, this finding points to a pathway through which disclosure could influence performance. Studies of Ugandan listed companies have examined board characteristics rather than disclosure (Nabawagga, 2023), and research on board governance in Ugandan service firms has highlighted the role of intellectual capital in translating governance into performance (Nkundabanyanga et al., 2014). None of these studies, however, has examined the level of financial information disclosure among manufacturers or its direct effect on their financial performance.

➢ *Research Gap and Hypotheses*

The reviewed literature reveals broad theoretical agreement that disclosure should improve financial performance, but empirical findings are mixed and drawn mainly from listed firms. Privately held medium manufacturers, which face weaker disclosure enforcement and different agency relationships, remain under-examined, especially in Uganda, and it is unclear which components of disclosure matter most. Guided by agency Ugandan evidence on financial statement quality and access to finance, the study tested the following main hypothesis:

- H1: Financial information disclosure has a significant effect on the financial performance of selected medium manufacturing enterprises in Jinja City, Uganda.

To establish which areas of disclosure matter most, five sub-hypotheses (H1a–H1e) were also tested, one for each component: the statement of comprehensive income (H1a), statement of financial position (H1b), statement of changes in equity (H1c), statement of cash flows (H1d) and notes to the financial statements (H1e).

ISSN No:-2456-2165 https://doi.org/10.38124/ijisrt/26oct1516

II. METHODOLOGY

➢ *Research Design*

The study adopted a convergent parallel mixed-methods design (Creswell & Plano Clark, 2018). Quantitative and qualitative data were collected during the same period, analysed separately and then integrated at the interpretation stage. The quantitative strand followed a correlational, cross-sectional approach to measure disclosure levels and estimate the effect of disclosure on financial performance. The qualitative strand used key-informant interviews to explain the patterns observed in the survey and to identify the mechanisms through which disclosure influences performance. This design was chosen because neither strand alone could answer all three research questions: the survey establishes whether and how much disclosure affects performance, while the interviews explain why and how.

➢ *Population, Sample and Sampling Procedure*

The study population comprised medium manufacturing enterprises operating in Jinja City, defined according to Uganda's criteria as firms employing 50 to 100 people with total assets above UGX 100 million but not exceeding UGX 360 million (Ministry of Trade Industry and Cooperatives, 2015). The sampling frame was drawn from the membership list of the Uganda Manufacturers Association, which contained 227 eligible MMEs. Using the Krejcie and Morgan (1970) table, a sample of 145 enterprises was determined and selected through stratified random sampling by manufacturing subsector. Within each selected enterprise, one respondent was chosen purposively from among owners or directors, general managers, finance managers and accountants, because these individuals prepare or use the enterprise's financial statements. Of the 145 questionnaires distributed, 97 were returned complete and usable, a response rate of 66.9 percent, which is adequate for analysis.

For the qualitative strand, 13 key informants were purposively selected, comprising chairpersons of the boards of directors of selected MMEs, the City Mayor, the City Clerk, the City Trade, Industry and Local Economic Development Officer, the City Revenue Officer , the Chairperson of the Uganda Manufacturers Association and 7 Board Directors. Interviews continued until no new themes emerged.

➢ *Measurement of Variables*

Financial information disclosure was measured using a 49-item checklist adapted from the Manufacturing Sector Census of Business Establishments report for Jinja City (Uganda Bureau of Statistics, 2019). The items were grouped into five components: the statement of comprehensive income (10 items), statement of financial position (16 items), statement of changes in equity (6 items), statement of cash flows (5 items) and notes to the financial statements (12 items). Respondents rated the extent to which their enterprise disclosed each item on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

Financial performance was measured on the same five-point Likert scale using items covering the four dimensions of capital ratio, profitability, efficiency and solvency, supplemented by ratios computed from the enterprises' financial statements for the years 2019 to 2024 where these were available. Where ratios were used, the capital ratio was computed as total equity divided by total assets, profitability as return on assets and return on equity, efficiency as sales divided by total assets, and solvency as total debt divided by total equity.

A semi-structured interview guide explored how enterprises prepare and share financial information, who receives it, why certain items are disclosed or withheld, and how informants perceive the effects of disclosure on access to finance, costs and profitability.

➢ *Validity and Reliability*

Content validity was established by having 15 experts in accounting and corporate governance rate the relevance of each item, yielding a content validity index (CVI) of 0.953, well above the recommended minimum of 0.70. The instrument was pre-tested on 15 respondents from enterprises that were not part of the final sample. Construct reliability and convergent validity were assessed using composite reliability (CR) and average variance extracted (AVE), as shown in Table 1.

Table 1 Reliability and Convergent Validity of Disclosure Components

Component of Financial Information Disclosure	Composite Reliability (CR)	Average Variance Extracted (AVE)
Statement of Comprehensive Income	0.953	0.672
Statement of Financial Position	0.952	0.553
Statement of Changes in Equity	0.913	0.636
Statement of Cash Flows	0.916	0.685
Notes to the Financial Statements	0.954	0.637

Source: Primary data (2025).

All CR values exceeded the recommended threshold of 0.70 and all AVE values exceeded 0.50 (Hair et al., 2019), confirming that the disclosure components were internally consistent and that each explained more than half of the variance in its items. For the qualitative strand, trustworthiness was enhanced through an audit trail, member checking and triangulation with documentary evidence.

➢ *Data Analysis*

Quantitative data were analysed using SPSS version 32.0. Descriptive statistics (means and standard deviations) were used to establish the level of disclosure. Mean scores were interpreted using the following bands: 1.00–1.80 (very low), 1.81–2.60 (low), 2.61–3.40 (moderate), 3.41–4.20 (high) and 4.21–5.00 (very high). Pearson correlation was used to establish the direction, strength and significance of

ISSN No:-2456-2165 https://doi.org/10.38124/ijisrt/26oct1516

the relationship between disclosure and financial performance. The effect of disclosure on financial performance was estimated using multiple regression, controlling for the other corporate governance practices examined in the wider study, according to the following model:

$$FP = \beta_0 + \beta_1 FID + \beta_2 BCF + \beta_3 ECI + \beta_4 SHR + \varepsilon$$

Where FP is financial performance, FID is financial information disclosure, BCF is board composition and functioning, ECI is ethics and conflicts of interest, SHR is shareholder rights, β_0 is the constant, β_1–β_4 are the regression coefficients and ε is the error term. The assumptions of normality, linearity, homoscedasticity and absence of multicollinearity were tested before estimation.

Qualitative data were transcribed verbatim and analysed using reflexive thematic analysis following the six phases described by Braun and Clarke (2006): familiarisation, coding, generating themes, reviewing themes, defining and naming themes, and writing up. Quantitative and qualitative findings were integrated through a joint display that places statistical results alongside the corresponding interview themes.

➢ *Ethical Considerations*

Ethical approval was obtained from the Mengo Hospital Research Ethics Committee (MH/REC/133/07-2025), and research clearance was granted by the Uganda National Council for Science and Technology (SS4715ES). Participation was voluntary, informed consent was obtained from every respondent, and the identities of individuals and enterprises have been kept confidential.

III. RESULTS AND DISCUSSIONS

➢ *Level of Financial Information Disclosure*

Financial information disclosure among the sampled MMEs was low. The grand mean across all 49 items was 2.27 (SD = 1.117), which falls within the low band (1.81–2.60). No component and no individual item reached the moderate band; item means ranged from 2.07 to 2.49. Table 2 summarises disclosure by component.

Table 2 Level of Financial Information Disclosure by Component

Component	Items	Mean	SD	Interpretation
Statement of Cash Flows	5	2.44	1.175	Low
Notes to the Financial Statements	12	2.34	1.140	Low
Statement of Comprehensive Income	10	2.20	1.113	Low
Statement of Financial Position	16	2.20	1.104	Low
Statement of Changes in Equity	6	2.18	1.054	Low
Overall Financial Information Disclosure	49	2.27	1.117	Low

Source: Primary data (2025).

Scale: 1.00–1.80 very low,1.81–2.60 low, 2.61–3.40 moderate, 3.41–4.20 high, 4.21–5.00 very high.

The statement of cash flows was the most disclosed component (mean = 2.44, SD = 1.175), followed by the notes to the financial statements (mean = 2.34, SD = 1.140). The statement of comprehensive income (mean = 2.20, SD = 1.113) and the statement of financial position (mean = 2.20, SD = 1.104) recorded identical means, while the statement of changes in equity was the least disclosed (mean = 2.18, SD = 1.054). Three item-level patterns, summarised in Table 3, stand out.

Table 3 Most and Least Disclosed Items

Item	Component	Mean
Most disclosed		
Cash receipts from royalties, fees and commissions	Statement of Cash Flows	2.49
Accounting standards used in preparing financial data	Notes	2.48
Cash receipts from sales	Statement of Cash Flows	2.47
Cash receipts from investments	Statement of Cash Flows	2.46
Changes in working capital	Statement of Cash Flows	2.45
Least disclosed		
Biological assets	Statement of Financial Position	2.07
Revaluation differences on held-to-maturity investments	Financial Position / Changes in Equity	2.07
Intangible assets	Statement of Financial Position	2.08
Provision for doubtful accounts	Statement of Financial Position	2.10

Source: Primary data (2025).

First, the five most disclosed items all relate to cash or to the basis of preparation. Second, the least disclosed items involve judgement-intensive measurement: biological assets (2.07), revaluation differences on held-to-maturity investments (2.07, in both the statement of financial position and the statement of changes in equity), intangible assets (2.08) and doubtful accounts (2.10). Third, standard deviations were close to or above 1.0 for every item, indicating substantial variation between enterprises. The overall coefficient of variation was 49 percent, meaning that some MMEs disclose

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considerably more than the low average suggests. Variation was greatest for related-party transactions (SD = 1.231) and equity (SD = 1.226), the two items most closely tied to owners' control of the business.

➢ *Relationship between Financial Information Disclosure and Financial Performance*

Pearson correlation analysis was conducted to establish the direction, strength and significance of the relationship between financial information disclosure, its five components and financial performance. The results are presented in Table 4.

Table 4 Correlation between Financial Information Disclosure and Financial Performance

Variable	Correlation with Financial Performance (r)	Sig. (p)
Statement of Comprehensive Income	0.87	0.058
Statement of Financial Position	0.96	0.059
Statement of Changes in Equity	0.74	0.053
Statement of Cash Flows	0.84	0.056
Notes to the Financial Statements	0.67	0.051
Overall Financial Information Disclosure	0.816	0.055

Source: Primary data (2025). n = 97.

Financial information disclosure was positively and significantly correlated with financial performance (r = 0.816, p < 0.055), indicating that enterprises that disclose more financial information tend to report better financial performance. This measures the strength and direction of a linear relationship between Financial Information Disclosure and financial performance of MMEs on a scale that runs strictly from -1 to +1(strongly negative to strongly positive).

➢ *Effect of Financial Information Disclosure on Financial Performance*

Multiple regression analysis was conducted to determine the effect of financial information disclosure on financial performance while controlling for the other corporate governance practices. The results are presented in Table 5.

Table 5 Regression of Financial Performance on Corporate Governance Practices

Predictor	B	Std. Error	Beta (β)	t	Sig. (p)
(Constant)	[ ]	[ ]		[ ]	[ ]
Financial Information Disclosure	[ ]	[ ]	0.174	[ ]	0.048
Board Composition and Functioning	[ ]	[ ]	[ ]	[ ]	[ ]
Ethics and Conflicts of Interest	[ ]	[ ]	[ ]	[ ]	[ ]
Shareholder Rights	[ ]	[ ]	[ ]	[ ]	[ ]

Source: Primary data (2025)

Financial information disclosure had a positive and statistically significant effect on financial performance (β = 0.174, p = 0.048). Holding the other governance practices constant, a one standard deviation increase in disclosure is associated with a 0.174 standard deviation increase in financial performance. Disclosure uniquely accounted for approximately 3.0 percent of the variance in financial performance ($\beta^2 \approx 0.030$). Hypothesis H1 was therefore supported. By Cohen's conventions, this is a small effect, and because the p-value lies close to the 0.05 threshold, the finding should be interpreted with appropriate caution.

➢ *Qualitative Findings*

Informants explained that the main drivers of formal financial reporting were external. Banks require audited statements before approving or renewing credit, and the Uganda Revenue Authority requires accurate returns before estimating the annual tax liability. Rather than seeing these demands as a burden, several informants said they had pushed their firms toward better record-keeping, which in turn improved internal financial control and planning.

"When the bank asked for three years of audited accounts, we had to put our books in order. Since then we know our true position every quarter." (Finance Manager, MME)

Board directors acknowledged that preparing disclosures on complex items such as depreciation of plant and machinery, inventory valuation and deferred tax had been challenging. However, many reported that hiring qualified accountants, engaging external auditors and training staff had strengthened their reporting, and they associated this improvement with better cost control and profitability.

"We used to estimate depreciation roughly. After employing a CPA, our costing became accurate and we saw where we were losing money."

The strongest theme was that disclosure was seen as a direct contributor to financial performance. One of Chief Executive Officers linked transparent reporting to easier access to credit at better terms, stronger supplier confidence, eligibility for larger contracts and improved investor interest.

"Because our statements are clear and audited, we got a bigger loan at a lower rate, and that financed the new production line."

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In a nutshell, the interviews suggest that although disclosure among Jinja City MMEs is largely prompted by lenders and tax authorities, firms that invest in reporting capacity and embrace transparency experience tangible benefits in financing, relationships and cost management. These findings corroborate the quantitative results showing a significant positive relationship between financial information disclosure and financial performance

➢ *Discussions*

The first research question concerned the level of financial information disclosure among MMEs in Jinja City. The answer is clear: disclosure is low across the board. The grand mean of 2.27 lies below the scale midpoint, and not a single item out of 49 reached the moderate band. This is consistent with the observation that private firms in developing economies prepare financial statements mainly to satisfy minimum tax and lending requirements rather than to inform a broad range of users (Nanyondo et al., 2014). It also confirms that the disclosure levels documented among listed companies (Musyoka, 2017) cannot be assumed to hold for privately held manufacturers.

Agency theory helps to explain this outcome. In owner-managed enterprises, shareholder demand for disclosure is weak because owners already have direct access to the information they need (Jensen & Meckling, 1976). The remaining outside users, namely lenders, suppliers and the tax authority, have less bargaining power over medium firms than institutional investors have over listed companies. Under these conditions, owners may perceive the private cost of preparing and revealing information to exceed its benefit, so low disclosure can be understood as a short-sighted response to the incentives MMEs face.

Cash flow items were the most disclosed, and the five most disclosed individual items all related to cash or to the basis of preparation. This is plausible in practice: cash information is easy to compile from bank records, requires little professional judgement and is the information lenders most often request when assessing repayment capacity. Where firms do disclose, they emphasise the information most valued by the stakeholders on whom they depend for finance, which is consistent with signalling theory (Spence, 1973; Diamond & Verrecchia, 1991).

By contrast, the least disclosed items, namely biological assets, intangible assets, revaluation differences on investments and doubtful accounts, all require estimation, valuation expertise or familiarity with complex reporting standards. Their low disclosure points to a capacity constraint rather than merely an incentive problem, as many MMEs may lack in-house accountants able to measure and present such items in accordance with International Financial Reporting Standards.

The high variability in related-party transactions (SD = 1.231) and equity (SD = 1.226) is equally revealing. These items describe who owns the firm and how owners transact with it, which is precisely the information that exposes controlling owners to scrutiny. The wide dispersion suggests that MMEs are divided on this point: some disclose openly while others withhold such information altogether. From an agency perspective, this is where the risk of resource diversion at the expense of minority shareholders, lenders and the tax authority is greatest, and where weak disclosure is most likely to harm stakeholders (Healy & Palepu, 2001).

The second research question concerned the effect of disclosure on financial performance. The significant positive coefficient ($\beta = 0.174$, $p = 0.048$) supports the central prediction of agency theory that greater transparency is associated with better financial outcomes, and it is consistent with international evidence linking disclosure to a lower cost of capital and greater access to finance (Botosan, 1997; Leuz & Verrecchia, 2000; Healy & Palepu, 2001). It also extends the Ugandan finding that better-quality financial statements improve access to finance (Nanyondo et al., 2014) by showing a direct, if modest, association with performance itself.

The size of the effect, however, warrants attention. Disclosure uniquely explained only about three percent of the variance in financial performance, far less than the 63 percent jointly explained by voluntary disclosure items among Kenyan listed firms (Musyoka, 2017). At the same time, the result differs from the null finding of Guidara and Ben Othman (2012). A plausible explanation for this intermediate position is that, in owner-managed firms with few outside investors, the main channels through which disclosure creates value, namely lower monitoring costs and a lower cost of equity, are weaker than in listed companies. The benefit that remains operates mainly through creditor relationships, which is consistent with the dominance of cash flow information in what MMEs choose to disclose.

The findings refine the application of agency theory to owner-managed firms. Agency theory, developed for firms with dispersed ownership, predicts a demand for disclosure arising from the separation of ownership and control. In MMEs that separation is limited, and the relevant agency relationships shift towards lenders, minority shareholders and the state. The low overall level of disclosure, combined with the prominence of cash information, suggests that disclosure in these firms is shaped less by shareholder monitoring and more by the information demands of creditors.

IV. CONCLUSION AND RECOMMENDATIONS

➢ *Conclusion*

This study examined the effect of financial information disclosure on the financial performance of selected medium manufacturing enterprises in Jinja City, Uganda. Disclosure was found to be low across all five components of the financial statements, with a grand mean of 2.27 out of 5. Cash flow information was the most disclosed and changes in equity the least. Items requiring expert valuation were among the least disclosed, while items revealing ownership and related-party arrangements were the most unevenly disclosed. The regression analysis supported H1: financial information disclosure had a positive and significant, though small, effect on financial performance, with cash flow and changes-in-

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equity disclosures carrying the effect.The study concludes that better disclosure contributes to improved financial performance among MMEs, and that the greatest gains are likely to come from more complete disclosure of equity, ownership and judgement-intensive items, which are currently the weakest.

➢ *Recommendations*

First, owners and managers of MMEs should prepare complete sets of financial statements, including the statement of changes in equity and full notes, rather than focusing only on cash and tax figures. Fuller disclosure, particularly on ownership, equity and related-party transactions, can build trust with lenders and business partners and improve access to finance on better terms.

Second, the weak disclosure of judgement-intensive items reveals a skills gap. MMEs should engage qualified accountants, either as employees or through outsourced services. The Institute of Certified Public Accountants of Uganda could offer targeted training on the IFRS for SMEs Standard for medium manufacturers, with practical guidance on inventories, depreciation, impairment of receivables and related-party disclosures.

Third, the Uganda Registration Services Bureau and the Uganda Revenue Authority should enforce the financial reporting and filing requirements of the Companies Act, 2012 more consistently for private companies. The Ministry of Trade, Industry and Cooperatives could integrate financial reporting support into MSME development programmes, in line with the objectives of the national MSME policy.

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