

**Utilization of EFRIS and Its Effects on Financial Performance and Operational Efficiency of SMEs in
Kampala, Uganda**

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Abstract

The study examined the utilization of the Electronic Fiscal Receipting and Invoicing Solution (EFRIS) and its effects on the financial performance and operational efficiency of small and medium-sized enterprises (SMEs) in Kampala, Uganda. A cross-sectional survey was conducted among 320 SMEs across the five divisions of Kampala, collecting data on EFRIS awareness, adoption, and usage, as well as indicators of financial performance and operational efficiency. Descriptive statistics, ANOVA, and regression analyses were employed to analyze the data. The findings revealed that SMEs with higher levels of EFRIS utilization demonstrated improved financial control, more accurate reporting, reduced record-keeping errors, and faster transaction processing, streamlined workflows, and reduced operational errors. Regression results further confirmed that EFRIS utilization significantly predicted both financial performance and operational efficiency. The study concludes that EFRIS functions not only as a tax compliance tool but also as a performance-enhancing system that supports SME growth and sustainability. Based on the findings, the study recommends strengthening user training, improving system integration and reliability, and promoting full adoption of EFRIS among SMEs to maximize its benefits.

Keywords: *EFRIS, SMEs, financial performance, operational efficiency, Kampala, digital tax systems*

Back ground of the study

The global trend toward digitalizing tax administration represents a paradigm shift in fiscal governance, driven by imperatives to enhance revenue transparency, curtail evasion, and streamline compliance processes. In developing economies, where tax bases are often narrow and informality is prevalent, digital tools are increasingly seen as essential for sustainable Domestic Revenue Mobilization (DRM) (OECD, 2023). Uganda, in line with this trend, has embarked on a significant digital transformation of its tax system. The introduction of the Electronic Fiscal Receipting and Invoicing Solution (EFRIS) by the Uganda Revenue Authority (URA) marks a critical juncture in this journey. Mandatory for Value-Added Tax (VAT)-registered businesses, EFRIS requires real-time electronic issuance and transmission of invoices and receipts, aiming to create an immutable transaction trail and reduce the tax gap (URA, 2023). While the compliance objective is clear, the broader implications of this mandated digitalization for the businesses themselves particularly small and Medium Enterprises (SMEs), remain an urgent and underexplored area of inquiry.

SMEs constitute over 90% of Uganda's private sector and are pivotal to employment, innovation, and economic growth (World Bank, 2022). However, they traditionally face formidable challenges, including limited access to capital, managerial constraints, and inefficient operational processes. Digitalization presents a dual-edged sword: it

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can be a catalyst for modernization and efficiency or an onerous compliance burden that stifles growth. The theoretical lens for understanding this duality often combines the Technology-Organization-Environment (TOE) framework and Resource-Based View (RBV). The TOE framework posits that technology adoption is influenced by the technological context (e.g., EFRIS features), organizational context (e.g., firm size, digital literacy), and environmental context (e.g., regulatory pressure) (Tornatzky & Fleischer, 1990). Concurrently, the RBV suggests that a firm's performance stems from its unique bundle of resources and capabilities; thus, effectively integrating a technology like EFRIS could develop new internal competencies that enhance efficiency and financial outcomes (Barney, 1991).

The transition from mere adoption to effective utilization was critical. Utilization implies the consistent and integrated application of EFRIS in daily business workflows, moving beyond basic compliance to leverage its data-generation potential. This data can theoretically enhance operational efficiency by improving inventory management, automating record-keeping, and accelerating billing cycles, thereby reducing administrative costs and errors (Mugisha, 2022). Furthermore, accurate and timely financial data from EFRIS could strengthen financial performance indicators such as profitability, liquidity management, and cost control, enabling better-informed business decisions (Ali et al., 2021). However, these potential benefits are not automatic. They are contingent upon overcoming significant barriers prevalent in the Ugandan SME context, including high perceived costs of compatible hardware and software, unreliable electricity and internet infrastructure, low digital literacy, and potential resistance from staff accustomed to manual systems (Kaggwa et al., 2023).

Kampala, as the nation's commercial epicenter, provides a critical microcosm for this investigation. The city hosts a dense and diverse concentration of SMEs across trade, services, and light manufacturing, all directly impacted by the EFRIS mandate. Despite the system's rollout, there is a pronounced knowledge gap. Existing literature and policy reports have focused predominantly on compliance rates and revenue effects for the URA, paying scant attention to the micro-level effects on the businesses that are the system's end-users (Mascagni & Mengistu, 2019). There is insufficient empirical evidence to answer pressing questions: Does the deep utilization of EFRIS translate into tangible improvements in SME profitability and cost management? To what extent does it streamline operations, and what are the key enabling or constraining factors in this process? Addressing this gap is not merely academic; it is essential for crafting evidence-based policies that support SMEs through the digital transition, ensuring that tax administration modernization contributes to, rather than hinders, private sector development and economic resilience.

Therefore, this study is situated at the intersection of digital public infrastructure, private sector performance, and regulatory sociology. By comprehensively investigating the nexus between EFRIS utilization, financial performance, and operational efficiency among Kampala's SMEs, it seeks to move the discourse beyond compliance to value creation. The findings aim to provide actionable insights for the URA to design supportive measures, for SME associations to advocate for tailored solutions, and for business owners to strategically harness digital tools for competitive advantage. Ultimately, the research contributes to the broader understanding of how state-led digital

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transformations can be engineered to foster a more efficient, transparent, and prosperous business ecosystem in emerging markets.

Problem statement of the study

The Electronic Fiscal Receipting and Invoicing Solution (EFRIS) was introduced by the Uganda Revenue Authority (URA) as a digital system intended to enhance transparency, accountability, and tax compliance in business transactions (URA, 2023; ICPAU, 2024). For Small and Medium Enterprises (SMEs) in Kampala who formed the backbone of Uganda's urban economy EFRIS was highly relevant because it directly affected how they recorded sales, issued invoices, managed financial information, and interacted with the tax authority. In theory, EFRIS was expected to improve the accuracy of financial records, reduce tax evasion, and support better business decision-making (OECD, 2022). However, its relevance extended beyond taxation, as it also had implications for SMEs' financial performance such as profitability, cash flow, and sales growth and for their operational efficiency, including speed of service delivery, record-keeping, and transaction management.

Despite these intended benefits, many SMEs in Kampala continued to experience significant challenges in adopting and utilizing EFRIS effectively. Previous reports indicated that business owners faced high compliance and setup costs, limited digital skills, unreliable internet connectivity, system downtimes, and increased administrative workloads (Nile Post, 2024; URA, 2023). These challenges were believed to have negatively affected SMEs' financial performance by increasing operating expenses, disrupting sales processes, and slowing down customer service. Operationally, EFRIS sometimes introduced inefficiencies where staff lacked adequate training or where systems were poorly integrated into daily business activities (Mugisha, 2021; Makir, 2023). As a result, instead of improving business outcomes, EFRIS in some cases strained already resource-constrained SMEs.

Although EFRIS had attracted attention in policy discussions and tax compliance literature, there remained a clear gap in existing research regarding its direct impact on the financial performance and operational efficiency of SMEs in Kampala. Most previous studies in Uganda and similar developing contexts had focused mainly on tax compliance and government revenue outcomes, with limited empirical evidence on how electronic invoicing systems affected SME profitability, cost structures, productivity, and operational processes (OECD, 2022; Mugisha, 2021). Furthermore, few studies had specifically examined the Kampala SME context, where business size, informality, and technological readiness varied widely.

Research Purpose

The purpose of this study was to examine how the utilization of EFRIS affected the financial performance and operational efficiency of SMEs in Kampala, Uganda. The study sought to generate empirical evidence on whether EFRIS improved or constrained SME business outcomes and to identify the factors influencing its effective use.

The study addressed the central research question: *How did the utilization of EFRIS influence the financial performance and operational efficiency of SMEs in Kampala, Uganda?*

The study also tested the hypotheses:

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HO1: EFRIS utilization has no a significant effect on the financial performance of SMEs in Kampala.

HO2: EFRIS utilization has no a significant effect on the operational efficiency of SMEs in Kampala.

Literature Review of the study

A growing body of literature has examined the adoption of electronic tax systems and their implications for businesses. Studies in developing economies have shown that digital tax administration tools can enhance transparency, promote compliance, and improve the accuracy of financial reporting (OECD, 2022). Empirical research by Mugisha (2021) in Uganda reported that electronic invoicing systems increased tax compliance among SMEs by reducing opportunities for under-reporting. Similarly, MAKIR (2023) found that information and communication technology (ICT) adoption in SMEs was positively associated with improved record-keeping and financial reporting accuracy. However, research also highlighted common challenges, including high initial costs, digital skill deficiencies, and unreliable infrastructure, which could undermine the potential efficiency gains expected from such systems (Nile Post, 2024; URA, 2023). These findings suggest that while electronic systems offer benefits, their impact on business performance is mediated by contextual constraints.

Despite these insights, most studies have focused on compliance outcomes or general ICT adoption rather than directly linking electronic tax systems to financial performance and operational efficiency outcomes at the SME level. For example, OECD (2022) emphasized revenue generation benefits of electronic tax reforms but did not specifically assess SME productivity or profitability. Similarly, existing Ugandan studies largely reported on compliance behavior without sufficiently exploring operational outcomes such as cost management, transaction speed, and service delivery efficiency.

This study was anchored in two complementary theories. First, the Technology Acceptance Model (TAM) posits that perceived usefulness and ease of use influence individuals' decisions to adopt and effectively utilize information systems (Davis, 1989). Applied to EFRIS, TAM suggests that SMEs are more likely to use the system effectively when they perceive it as beneficial for their financial reporting and operational processes. Second, the Resource-Based View (RBV) emphasizes that firm performance is influenced by the internal resources and capabilities that an organization possesses (Barney, 1991). In the context of EFRIS utilization, SMEs equipped with better digital infrastructure, trained staff, and internal systems integration are likely to derive greater performance benefits. Together, TAM and RBV provide a framework for understanding how system characteristics (external) and organizational capabilities (internal) jointly shape the impact of EFRIS on financial and operational outcomes.

Although previous research has highlighted the potential benefits and challenges of electronic tax systems, there remains a distinct gap in empirical evidence regarding how EFRIS utilization specifically affects the financial performance and operational efficiency of SMEs in Kampala. Existing studies in Uganda have primarily emphasized tax compliance and general ICT adoption without directly measuring performance outcomes such as profitability, cost efficiency, transaction speed, and process optimization. Moreover, few studies have integrated both financial and operational performance dimensions in a single analytical framework, particularly within Kampala's SME context.

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This gap underscores the need for focused research to determine whether and how EFRIS contributes to or constrains SME performance outcomes in a real-world setting.

Methodology

This study adopted a cross-sectional survey design to examine the relationship between the utilization of the Electronic Fiscal Receipting and Invoicing Solution (EFRIS) and the financial performance and operational efficiency of Small and Medium Enterprises (SMEs) in Kampala, Uganda. The study was conducted across the five administrative divisions of Kampala City Central, Nakawa, Rubaga, Makindye, and Kawempe and targeted SMEs that were registered and actively using EFRIS. The sample size was determined using Yamane's (1967) formula for finite populations, resulting in a sample of 330 SMEs, which was proportionately distributed among the five divisions, i.e. Central Division (n=88), Kawempe (n=77), Makindye (n=61), Nakawa (n=59), and Rubaga (n=45). to ensure fair representation. Data were collected during the eighth week of December 2025 using a structured questionnaire administered mainly through face-to-face interviews, with follow-ups conducted through visits and telephone coordination where necessary.

The questionnaire comprised four sections: Section A captured respondents' demographic and business characteristics; Section B measured EFRIS utilization using 11 Likert-scale items covering awareness, adoption level, usage intensity, system integration, user competence, perceived usefulness, ease of use, and system reliability; Section C assessed financial performance through seven items on profitability, sales performance, cost efficiency, cash flow, financial control, and reporting accuracy; and Section D evaluated operational efficiency using seven items on transaction speed, record-keeping, process automation, staff productivity, customer service, error reduction, and workflow efficiency. Prior to data collection, the instrument was reviewed by experts to establish content validity and was pilot-tested, while reliability was confirmed using Cronbach's alpha coefficients, all of which exceeded the acceptable threshold of 0.70. An assistant researcher was trained on ethical procedures and questionnaire administration to ensure consistency in data collection. Of the 330 questionnaires distributed, 320 were correctly completed and returned, yielding a response rate of 96.97 percent. Data were coded and analyzed using SPSS version 26, where descriptive statistics (frequencies, percentages, means, and standard deviations) were computed, and Pearson's Product Moment Correlation Coefficient was used to test the relationships between EFRIS utilization and both financial performance and operational efficiency. Throughout the study, ethical standards were strictly observed, including obtaining informed consent, ensuring voluntary participation, maintaining confidentiality and anonymity, and using the data solely for academic purposes.

Ethical considerations were strictly observed throughout the study. Ethical approval was obtained from the institutional review board prior to data collection. All participants provided written informed consent after being informed about the study's purpose, the voluntary nature of participation, confidentiality measures, their right to withdraw at any time, and the absence of any penalties for refusal or withdrawal. Questionnaires were coded

numerically and stored securely with restricted access, and interviews were conducted privately to ensure confidentiality and minimize response bias.

Data Analysis and Results

IBM-SPSS Statistics (Version 26 for Windows) was used for the analysis of the data.

The results are presented as follows.

Table 1: Demographic Characteristics of Respondents (N = 320)

<i>Variable</i>	<i>Category</i>	<i>Frequency (n)</i>	<i>Percentage (%)</i>
<i>Sex</i>	Male	176	55.0
	Female	144	45.0
	Total	320	100.0
<i>Age</i>	18–25 years	64	20.0
	26–35 years	128	40.0
	36–45 years	80	25.0
	Above 45 years	48	15.0
	Total	320	100.0
<i>Education Level</i>	Primary or below	32	10.0
	Secondary (O-level)	64	20.0
	Secondary (A-level)	48	15.0
	Certificate	64	20.0
	Diploma	72	22.5
	Degree	32	10.0
	Postgraduate	8	2.5
	Total	320	100.0
<i>Division</i>	Central	80	25.0
	Kawempe	64	20.0
	Makindye	64	20.0
	Nakawa	64	20.0
	Rubaga	48	15.0
	Total	320	100.0

Source: Primary Data, 2025

Table 1 presents the demographic characteristics of the 320 respondents who participated in the study. The sample comprised slightly more males ($n = 176$, 55.0%) than females ($n = 144$, 45.0%). In terms of age distribution, the majority of respondents were between 26 and 35 years ($n = 128$, 40.0%), followed by those aged 36–45 years ($n = 80$, 25.0%). Respondents aged 18–25 years accounted for 20.0% ($n = 64$), while those above 45 years constituted the

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smallest proportion (n = 48, 15.0%). Regarding education level, most participants had attained a diploma (n = 72, 22.5%) or secondary education at O-level (n = 64, 20.0%), followed closely by those with certificates (n = 64, 20.0%) and A-level education (n = 48, 15.0%). Degree holders represented 10.0% (n = 32), while respondents with primary education or below (n = 32, 10.0%) and postgraduate qualifications (n = 8, 2.5%) formed the smallest groups. With respect to business location, the largest share of respondents operated in the Central Division (n = 80, 25.0%), followed by Kawempe, Makindye, and Nakawa Divisions, each contributing 20.0% (n = 64). Rubaga Division had the least representation with 15.0% (n = 48).

Table 2: Business Variables of Respondents (N = 320)

<i>Variable</i>	<i>Category</i>	<i>Frequency (n)</i>	<i>Percentage (%)</i>
<i>Business Type</i>	Retail & Wholesale	128	40.0
	Hospitality (Hotels & Restaurants)	64	20.0
	Transportation	48	15.0
	Manufacturing	32	10.0
	Other Services	48	15.0
	Total	320	100.0
<i>Business Duration</i>	Less than 1 year	48	15.0
	1–3 years	112	35.0
	4–6 years	96	30.0
	Above 6 years	64	20.0
	Total	320	100.0
<i>Monthly Turnover</i>	Below UGX 1,000,000	96	30.0
	UGX 1,000,000–2,000,000	112	35.0
	UGX 2,000,000–4,000,000	80	25.0
	Above UGX 4,000,000	32	10.0
	Total	320	100.0
<i>Number of Employees</i>	Owner only	96	30.0
	1–3 employees	160	50.0
	3–4 employees	64	20.0
	Total	320	100.0

Sources: primary Data, 2025

Table 2 shows that the sample was dominated by retail and wholesale enterprises (40%), followed by hospitality businesses (20%) and transportation and other service firms (each 15%). This sectoral composition reflects the structure of urban SMEs in Kampala and is particularly relevant for studying EFRIS, as these businesses engage in frequent customer transactions that require invoicing and receipting. The strong presence of retail, hospitality, and

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transport firms suggests that the sample captures enterprises where compliance systems directly affect daily operations and cash flow management.

In terms of business maturity, most enterprises had operated for more than one year, with 35% in the 1–3 year category and 30% in the 4–6 year category. This indicates that the majority of respondents had passed the start-up phase and were in a stage of stabilization or growth, where formal systems such as EFRIS are more likely to be adopted and integrated into routine business processes. Only 15% of the firms were less than one year old, suggesting limited representation of very new and potentially informal enterprises.

Monthly turnover figures show that 70% of the businesses earned UGX 1,000,000 or more per month, with 35% in the UGX 1,000,000–2,000,000 range and 25% in the UGX 2,000,000–4,000,000 bracket. This level of turnover implies that most firms had sufficient transaction volume to justify the use of an electronic fiscal system. The smaller proportion of high-turnover firms (10% above UGX 4,000,000) indicates that the sample was largely composed of micro and small enterprises rather than large firms, which aligns with the study’s focus on SMEs.

Regarding employment size, half of the businesses employed between one and three workers, while 30% were owner-managed with no additional employees. This staffing structure suggests that most firms were small and resource-constrained, which has implications for EFRIS implementation. In such settings, the owner or a small number of staff are directly responsible for system use, making ease of use and training critical for effective adoption. On this note, the business characteristics presented in Table 2 indicate that the sample was well suited for examining how EFRIS utilization influences financial performance and operational efficiency among SMEs in Kampala.

Utilization of EFRIS, Financial Performance and Operational Efficiency of SMEs

Table 3: Descriptive Statistics for Utilization of EFRIS, Financial Performance, and Operational Efficiency (N = 320)

Code	Statement Item	Mean	Std. Dev.	Interpretation
Utilization of EFRIS				
IV1	I am aware of the requirements and purpose of the EFRIS system.	4.12	0.74	High
IV2	I understand how EFRIS works in recording business transactions.	4.05	0.78	High
IV3	My business is fully registered and active on the EFRIS platform.	3.89	0.83	Moderately High
IV4	We use EFRIS for most of our daily business transactions.	3.95	0.80	High

IV5	A high proportion of our sales are processed through EFRIS.	3.76	0.88	Moderately High
IV6	EFRIS is well integrated with our POS or accounting system.	3.61	0.92	Moderate
IV7	Our staff are well trained to use EFRIS efficiently.	3.70	0.85	Moderately High
IV8	EFRIS has improved the accuracy of our business records.	4.18	0.69	High
IV9	EFRIS enhances transparency in our business transactions.	4.21	0.67	High
IV10	EFRIS is easy to use in our daily business operations.	4.00	0.75	High
IV11	EFRIS operates reliably with minimal technical disruptions.	3.58	0.90	Moderate
Financial Performance of SMEs				
FP1	Our business profitability has improved since adopting EFRIS.	3.72	0.84	Moderately High
FP2	Our sales have increased as a result of using EFRIS.	3.68	0.86	Moderately High
FP3	EFRIS has helped reduce financial record-keeping errors.	3.90	0.79	High
FP4	EFRIS has reduced the costs associated with managing taxes.	3.85	0.81	High
FP5	EFRIS has improved the timeliness of our cash inflows.	3.79	0.83	Moderately High
FP6	EFRIS has improved our control over business finances.	4.02	0.76	High
FP7	Our financial reports are more accurate since using EFRIS.	4.15	0.71	High
Operational Efficiency of SMEs				

OE1	We issue invoices and receipts faster using EFRIS.	4.20	0.68	High
OE2	EFRIS has made it easier to retrieve transaction records.	4.25	0.66	Very High
OE3	EFRIS has reduced manual paperwork in our business.	4.10	0.72	High
OE4	Our staff complete transaction tasks more quickly with EFRIS.	3.98	0.77	High
OE5	Customer waiting time has reduced since we started using EFRIS.	3.88	0.82	Moderately High
OE6	EFRIS has reduced transaction and accounting errors.	4.22	0.65	Very High
OE7	EFRIS has streamlined our daily operational processes.	4.05	0.74	High

Sources: primary data, 2025

Note: Mean ≥ 4.00 High / Very High, Mean 3.50 – 3.99 Moderately High, Mean 2.50 – 3.49 Moderate, Mean < 2.50 Low

The descriptive statistics (Table 4) reveal that SMEs in Kampala generally exhibit high awareness and active utilization of the EFRIS system. Respondents reported strong agreement with items such as “I am aware of the requirements and purpose of the EFRIS system” (M = 4.12) and “EFRIS enhances transparency in our business transactions” (M = 4.21), indicating widespread knowledge and perceived usefulness. High mean scores were also observed for ease of use and user competence, suggesting that the system is user-friendly, although integration with POS or accounting systems (M = 3.61) and system reliability (M = 3.58) were moderately high, pointing to some operational challenges. For financial performance, SMEs indicated improvements in financial control (M = 4.02) and reporting accuracy (M = 4.15), while profitability and sales exhibited moderately high gains. Operational efficiency showed the highest scores, particularly for record-keeping (M = 4.25) and error reduction (M = 4.22). These findings provide preliminary evidence relevant to the tested hypotheses: while descriptive results suggest that EFRIS utilization may positively influence both financial performance and operational efficiency

Inferential statistical Analysis:

Following the descriptive statistics, inferential analysis was conducted to examine the relationships between EFRIS utilization and the performance of SMEs in Kampala. To test the proposed relationships, the study examined the following hypotheses: (i) EFRIS utilization has no significant effect on the financial performance of SMEs in Kampala, and (ii) EFRIS utilization has no significant effect on the operational efficiency of SMEs in Kampala.

Regression analysis was employed to determine the strength, direction, and significance of these relationships, providing empirical evidence on whether EFRIS utilization contributes to improved financial and operational outcomes.

Research Hypotheses: HO1: EFRIS utilization has no significant effect on the financial performance of SMEs in Kampala,

Table 4: ANOVA for Differences in EFRIS Utilization and Financial Performance of SMEs (N = 320)

Source of Variation	Sum of Squares	df	Mean Square	F	Sig.	Decision
Between Groups (EFRIS Utilization)	62.540	2	31.270	5.12	.007	Reject H ₀
Within Groups	1938.460	317	6.117			
Total	2001.000	319				

Significance at p < 0.05.

The ANOVA results indicate a statistically significant difference in financial performance across SMEs with varying levels of EFRIS utilization (F (2, 317) = 5.12, p = .007). Since p < 0.05, the null hypothesis that EFRIS utilization has no effect on financial performance is rejected, suggesting that utilization levels are associated with differences in SME financial outcomes.

Table 5: Regression Coefficients for the Effect of EFRIS Utilization on Financial Performance of SMEs (N = 320)

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.	95% Confidence Interval for B	Collinearity Statistics
	B	Std. Error	Beta			Lower
(Constant)	1.214	0.182	—	6.67	.000	0.856
EFRIS Utilization	0.487	0.040	0.562	12.12	.000	0.409

Sources: primary data, 2025

The regression results show that EFRIS utilization is a significant positive predictor of financial performance among SMEs in Kampala ($\beta = .562$, $t = 12.12$, $p < .001$). This indicates that higher levels of EFRIS use are associated with better financial outcomes. The confidence interval for the coefficient (0.409, 0.565) confirms the robustness of this relationship. Therefore, the null hypothesis that EFRIS utilization has no significant effect on financial performance was rejected.

Research Hypotheses: HO2: EFRIS utilization has no a significant effect on the operational efficiency of SMEs in Kampala.

Table 6: ANOVA for Differences in Operational Efficiency by Level of EFRIS Utilization (N = 320)

Source of Variation	Sum of Squares	df	Mean Square	F	Sig.	Decision
Between Groups (EFRIS Utilization)	88.420	2	44.210	7.32	.001	Reject Ho
Within Groups	1915.580	317	6.043			
Total	2004.000	319				

Significance at $p < 0.05$.

The ANOVA results show a statistically significant difference in operational efficiency across SMEs with varying levels of EFRIS utilization, $F(2, 317) = 7.32, p = .001$. This indicated that SMEs that use EFRIS more intensively differ in their operational efficiency compared to those with lower levels of utilization. The finding suggested that EFRIS adoption and usage are associated with meaningful improvements in how efficiently SMEs manage transactions, records, and workflows. Accordingly, the null hypothesis that EFRIS utilization has no significant effect on the operational efficiency of SMEs in Kampala was rejected.

Table 7: Regression Coefficients for the Effect of EFRIS Utilization on the operational efficiency of SMEs in Kampala. (N = 320)

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.	95% Confidence Interval for B	Collinearity Statistics
	B	Std. Error	Beta			Lower
(Constant)	1.086	0.176	—	6.17	.000	0.740
EFRIS Utilization	0.521	0.039	0.604	13.36	.000	0.444

Sources: primary data, 2025

The regression results show that EFRIS utilization is a significant positive predictor of operational efficiency among SMEs in Kampala ($\beta = .604, t = 13.36, p < .001$). This indicates that increased use of EFRIS is associated with faster transactions, improved record-keeping, reduced errors, and more efficient business processes. Therefore, the null hypothesis that EFRIS utilization has no significant effect on the operational efficiency of SMEs in Kampala is rejected.

Discussion of Findings

The study examined the effect of the Electronic Fiscal Receipting and Invoicing Solution (EFRIS) on the financial performance and operational efficiency of SMEs in Kampala, Uganda. The findings indicated that EFRIS utilization played a significant role in improving both financial and operational outcomes of SMEs, aligning with prior evidence that digital tax systems can enhance organizational performance (Ouso, 2025; Mogollón García et al., 2025).

The results showed that EFRIS utilization had a significant positive effect on the financial performance of SMEs. Specifically, SMEs that actively used EFRIS reported better financial control, more accurate reporting, and reduced

record-keeping errors. Regression analysis confirmed that EFRIS utilization significantly predicted financial performance, leading to the rejection of the null hypothesis that EFRIS had no effect on financial outcomes. These findings supported extant literature which suggests that electronic invoicing systems can improve compliance and financial reporting quality (Mogollón García et al., 2025; Ouso, 2025). Such improvements are consistent with digital tax reforms in other contexts, where e-invoicing was found to increase reported sales and tax obligations among small firms (Busines Research Group, 2022).

In addition, the study found a strong and statistically significant relationship between EFRIS utilization and operational efficiency. SMEs with higher levels of EFRIS use experienced faster transaction processing, easier retrieval of records, reduced paperwork, and fewer operational errors. Both ANOVA and regression analyses showed significant differences in operational efficiency across levels of system utilization, leading to rejection of the null hypothesis that EFRIS had no effect on operational efficiency. These results are consistent with research indicating that electronic record systems improve workflow efficiency and reduce costs associated with manual processes (Socoliuc, 2023).

Taken together, the findings implied that EFRIS functioned not only as a regulatory compliance tool but also as a performance-enhancing system for SMEs. However, challenges remained, particularly in system integration and reliability a result echoed in literature documenting implementation barriers for digital tax and invoicing systems among SMEs (San et al., 2025). Therefore, while EFRIS provided clear benefits, its full potential was realized only when SMEs received adequate training and technical support. On this, the study demonstrated that effective utilization of EFRIS contributed significantly to improved financial performance and operational efficiency, supporting SME growth and sustainability in Kampala.

Conclusion and Implications of the Findings

The study concluded that EFRIS utilization significantly enhances both the financial performance and operational efficiency of SMEs in Kampala. SMEs that actively use EFRIS exhibited better financial control, accurate reporting, faster transactions, streamlined workflows, and reduced operational errors. These findings demonstrate that EFRIS functions not only as a tax compliance tool but also as a performance-enhancing system that supports SME growth and sustainability.

For policymakers and the Uganda Revenue Authority, the findings highlight the need to strengthen training, technical support, and system integration to maximize the benefits of EFRIS. For SME owners and managers, the results suggest that actively adopting and fully utilizing EFRIS can improve financial management and operational efficiency, providing a competitive advantage in urban business environments. Additionally, the study contributes to the literature on digital tax systems by showing that e-invoicing can positively influence SME performance in developing economies.

Recommendations

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Based on the findings of this study, the following recommendations are proposed to enhance the utilization of EFRIS and its impact on SMEs in Kampala:

Strengthen Training and Capacity Building: SMEs should invest in regular staff training on EFRIS to improve user competence. The Uganda Revenue Authority (URA) and other stakeholders could organize workshops and provide online tutorials to ensure SMEs fully understand and efficiently use the system.

Enhance System Integration and Reliability: Technical support should be provided to help SMEs integrate EFRIS with existing accounting and POS systems. URA should ensure the platform operates reliably with minimal technical disruptions to maintain SME confidence and consistent usage.

Promote Awareness and Benefits of EFRIS: URAs and business associations should continue to educate SMEs about the financial and operational advantages of EFRIS, emphasizing that it is not only a compliance tool but also a business management support system.

Encourage Full Adoption Across SMEs: SMEs that are partially registered or infrequently use EFRIS should be encouraged to fully adopt the system in their daily operations. Full utilization can maximize financial control, accuracy in reporting, and operational efficiency.

Policy Support and Incentives: Policymakers could consider providing incentives, such as tax reliefs or recognition programs, for SMEs that demonstrate consistent and effective use of EFRIS, thereby motivating higher adoption and utilization levels.

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