

**The Role of Financial Reports on Performance of Small and Medium Enterprises  
The Case of Hardware Wholesale Firms in Moshi Municipality**

**By**

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The study was centred on assessing the role of financial reports for enhancing the performance of small and medium enterprises in Moshi Municipality: A case of hardware firms. Specifically, it examined the user perception on the uses of financial report in small and medium enterprises and the benefits of the uses of financial report in small and medium enterprises. Lastly, it determined the challenges which face small and Medium Enterprises (SMEs) in using financial reports. In this study, a cross-sectional research design was applied on the basis that the design is widely used in descriptive studies and data can be collected using different methods at one point of time. Data were collected from small and medium enterprises in Moshi Municipal by using key informant interview and documentary review. Data analysis was done using descriptive analysis. The findings revealed that 73% of the respondents said that they were aware of the uses of financial reports while 27% of the respondents said that they were not aware of the uses of financial reports in SMEs. In addition to that, the findings showed benefits of financial reports to the small and medium enterprises which are cash flow, intangible asset, growth ratio, business activities, liability, and revenue collection, reduce time of management and make activities easy. With regard to challenges facing SMEs on the uses of financial reporting, the findings identified challenges such as inadequate accounting books and records, poor record keeping, non-recruitment of qualified personnel, low access to information, improper bankable business plans and inadequate knowledge of financial reports. In accordance with the challenges facing SMEs on the uses of financial reporting the study concludes that financial reports lead to success on any business and recommends business owners should hire qualified personnel with accounting experience and skills who can prepare required financial reports that will facilitate business growth rather than depending on government support.