

ENTREPRENEURSHIP SKILLS AND FINANCIAL PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES :A CASE OF INDUSTRIAL DIVISION MBALE CITY

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WJ22/MUC/BBA/030

**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE AWARD OF A DEGREE OF BACHELOR OF BUSINESS
ADMINISTRATION OF UGANDA CHRISTIAN UNIVERSITY**

October, 2024



**UGANDA CHRISTIAN
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DECLARATION

I OJANGOLE ANDREW declare that this research report is my original work and has never been submitted to any other university for assessment or a ward of a degree.

Signature: 

Date: 21/08/2024

OJANGOLE ANDREW

APPROVAL

I certify that this research report has been under my supervision and is ready for submission.

Signature: 

Date: 21/08/2024

MR. OMACHE HENRY

DEDICATION

I dedicate this dissertation to my beloved parents for caring and supporting and my supervisor MR. Omache Henry. for rendering his time correcting me on what to do and all my other brothers and sisters for unending love, encouragement and prayers.

ACKNOWLEDGEMENT

I gratefully acknowledge my beloved parents, brothers, sisters and friends who stood by me during this three-year course. Thank you for your support and encouragement throughout my life. I would like to express my deepest gratitude to my supervisor. Mr. Omache Henry

For her guidance and support contributed immeasurably to my career at Uganda Christian University. I would also like to express my appreciation to the rest of my fellow course mates. My time as a bachelor's student at UCU was made a lot easier by my fellow BBA students. My thanks go out to all of them. Finally, I thank all of you who had faith in me. I will do my best to fulfill your expectations.

LIST OF ABBREVIATIONS

IMP	:	Investment Monitoring Platform
UCU	:	Uganda Christian University
NDP	:	National Development Authority
SMEs	:	Small and Medium Enterprises
SPPS	:	Statistical Package for Social Scientist
UIA	:	Uganda Investment Authority

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ABSTRACT

The study sought to examine the effect of entrepreneurial skills and financial performance of SMEs in Mbale City, Industrial Division in Uganda. The study specifically focused on addressing three objectives which included; to examine the effect of management skills on the financial performance of SMEs, to examine the effect of communication skills on the financial performance of SMEs and to examine the effect of technical financial management skills on the financial performance of SMEs in Mbale City Division. The study adopted a cross sectional survey design and data was collected from a sample of 45 SMEs in Industrial Division. Both purposive sampling and simple random sampling techniques were employed. Several methods were used to collect data both primary and secondary data and they included: the self-administered questionnaires; interviews; review of primary document and secondary literature. Data was analyzed using both descriptive statistics to describe the nature of sample and regression analysis was used to establish the relationships between study variables. The study found out that entrepreneur's communication skills had a positive significant relationship with financial performance of SMEs ($r=0.557$). The study also found out that there was a positive significant relationship between entrepreneur's management skills and financial performance of SMEs ($r=0.689$) and lastly it was also found out that entrepreneur's technical financial management skills have a significant relationship with SMEs financial performance ($r=0.765$). The study therefore generated a number of conclusions that effect of management skills like following a specific business plan when implementing its activities. Effect of communication skills like mutual understanding with customers enhances cash-based transactions. Effect of technical financial management like most SMEs are well versed with accounting techniques for this study. The study therefore recommended that government must increase on educating the public masses on various management skills and increase on the funding in public universities thus creating more management course in various universities hence equipping the public with management skills. SMEs should embark on getting various models that may enhance communication skills for example having an employee who understands all the languages which will be another step in realizing more sales and revenue among SMEs. Increment on course under financial management in universities across the country with increase on the number of people with expertise in financial analysis this will help SMEs to get skilled personnel in the areas of financial management which will enhance their performance in Mbale Industrial City Division.

CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction

The study focused on establishment of Entrepreneurship Skills on financial Performance of Small and Medium Enterprises in Industrial Division in Mbale City. This chapter presents the background to the study, statement of the problem, purpose of the study, objectives of the study, research questions, scope of the study, the significance of the study and operational definition of terms and concepts.

1.1 Background of the Study

Globally, there has been an increasing fascination in understanding how entrepreneurs are operating in an emerging market context (Bruton, Ahlstrom & Obloj 2017), Entrepreneurs in emerging markets contend with formal and informal public and private institutions, which can impact the development of entrepreneurship skills (Ahmad et al. 2010). As a result, the skills that entrepreneurs in this type of context apply to lead their businesses to survival and growth may be distinct from those applied by entrepreneurs in the developed markets (Solevik 2019). Morales and Marquina (2013) argued that even entrepreneurs from developed countries like USA when compared amongst themselves may have notable differences in skills requirements.

Entrepreneurship is increasingly recognized as an important driver of economic growth, productivity, innovation and employment, and it is widely accepted as a key aspect of economic dynamism (Shane, 2005). Transforming business ideas into economic opportunities is the decisive issue of entrepreneurship (Kuratko and Hodgetts, 2008; Timmons & Spinneli, 2007). History shows that economic progress has been significantly advanced by pragmatic people who are entrepreneurial and innovative, able to exploit opportunities and willing to take risks (Hisrich, 2005). It is widely acknowledged that entrepreneurship is an important force in shaping the changes that take place in the economic environment. However, a full understanding of the relationship between entrepreneurship and development is still far from complete. Traditional analysis of economic growth and competitiveness has tended to neglect the role played by new and small firms in the economy. Pasanen (20) carried out a study on search of factors affecting SME performance the Case of Eastern Finland. The objective of the study was to identify factors affecting small and medium enterprise (SME) performance in

peripheral locations. The empirical data were primarily based on an extensive mail survey and in-depth case interviews. A survey was made to 145 successful independent SMEs in Eastern Finland operating in the manufacturing, business services and tourism sectors. In matched case studies, successful and failed cases were compared. In data analysis, both qualitative and quantitative methods were applied. Analysis of all successful SMEs revealed that they constitute a heterogeneous group with a large variety of characteristics though they also have some common characteristics.

In Africa, the role of entrepreneurship and an entrepreneurial skill in economic and social development in developing countries has often been underestimated. Over the years, however, it has become increasingly apparent that entrepreneurship indeed contributes to economic development. South Africa as one of the developing markets aims to improve the economy and create employment through entrepreneurship (Briere, Tremblay & Dau 2014). Despite efforts to invest in entrepreneurship, South Africa is challenged by a low entrepreneurial activity and high unemployment rate compared to the other sub-Saharan countries (Herrington & Kew 2015). GEM research has shown that South Africa lags behind other developing countries in promoting early-stage entrepreneurial activity. In 2008, South Africa's early-stage entrepreneurial rate was 7.8% (Herrington et al., 2008) — significantly behind the average of 13% for other middle to low-income countries.

In other developing economies like Uganda, most of business activities are in the informal sector and are termed as Small & Medium Enterprises (SME5). The informal sector in Uganda is dominated by disadvantaged groups such as women, youth and those who have retired from formal employment. The underutilization of the untapped potential in the disadvantaged group is attributed to a myriad of reasons. Two major reasons to account for the underutilization of this potential are, first, Inability to effectively use entrepreneurship skills and knowledge in business sustainability and financial management, lack of initiatives to facilitate entrepreneurship skills and knowledge among groups has become a major issue which has remained unaddressed. (Arinaitwe, 2006). Many of the SMEs in Industrial division have had problems in maintaining their businesses as many of them fall out of business before reaching their first birthday.

This study is therefore undertaken to examine the effect of entrepreneurial skills on financial performance of SMEs in Industrial Division in Mbale City.

1.2 Statement of the Problem

While the contributions of small business to development are generally acknowledged, entrepreneurs face many obstacles that limit their long-term financial performance and invariably, their development and growth. Research on small business development has shown that the rate of failure in developing countries is higher than in the developed world (Arinaitwe, 2006). Empirical evidence has shown that the life span of SMEs tends to be short, with approximately two thirds of all start-ups failing within the first five years (Ladzani and Van Vuuren, 2002). Only small percentages stay in business in the long term, with many of the survivors achieving only marginal performance (Freeman, 2000).

Many Small and Medium size enterprises in industrial division have come up with many measures to ensure that their businesses continue to survive for instance, many of the SMEs get trainings in financial management from several financial institutions around Mbale, however, most of the SMEs have failed to sustain their business operations as many of them close their businesses after a short time in operation in Industrial division. With this consideration, the researcher seeks to ascertain the effect of the entrepreneurship skills on the performance of Uganda's Small and Medium size enterprises in Industrial Division as a case study.

1.3 Objectives of the study

1.3.1 General objective

To examine the effect of entrepreneur skills on financial performance of SMEs in Industrial Division in Mbale City.

1.3.2 Specific objective

To achieve the general objective, the research was guided by the following specific objectives:

- i. To examine the effect of management skills on financial performance of SMEs in Industrial Division in Mbale City.
- ii. To determine the effect of communication skills on financial performance of SMEs in Industrial Division in Mbale City.
- iii. To establish the effect of technical financial management on financial performance of SME sin Industrial Division in Mbale City.

1.4 Research Questions

- i. What is the effect of management skills on financial performance of SMEs in Industrial Division?
- ii. How do communication skills affect financial performance of SMEs in Industrial Division?
- iii. What is the effect of technical financial Management on financial performance on the performance of SME s in Industrial Division?

1.5 Scope of the Study

The scope of the study covered the conceptual scope, geographical scope, and the time scope.

1.5.1 Conceptual scope

The study concentrated on entrepreneurship skills as an independent variable with dimensions of, management skills, communication skills and technical financial management on the other hand, the dependent variable was performance of SMEs measured by growth in sales, change in asset accumulation and employment creation.

1.5.2 Geographical Scope

The study was conducted in Industrial City Division in Mbale City. The market was found in the Eastern part of Uganda. It is one of the oldest markets found in Mbale.

1.5.3 Time Scope

The study took into account the period between 2015 and 2020, covering a period of five years. The data falling in this period was enough to fully study the relationship between entrepreneurship skills and financial performance of SMEs in Mbale.

1.6 Significance of the study

The findings of the study may be of significance to SMEs which could use them together with the recommendations in implementing decisions of on how best they could improve on their performance.

It will also help policy makers to come up with informed policies/decisions on how finances should be well managed hence formulating proper ways on improving the on the performance of SMEs.

The academicians interested in entrepreneurship skills may learn from the research and expand on it. This means that the study may serve as a basis for further research.

1.7 Justification.

The study will concentrate on entrepreneurship skills and performance of SMEs in Industrial Division in Mbale city.

Majority of SMEs in Industrial Division face limited entrepreneurship skills such as skills in communication, management among others.

Therefore, this study will be significant since its main purpose is to add to the existing body of knowledge by filling the research gap in the empirical literature as it relates to entrepreneurship skills and performance of SMEs.

1.8 Definition of the key terms

Performance. According to Ogutu (2010), performance is defined in terms of output terms such as quantified objectives or profitability.

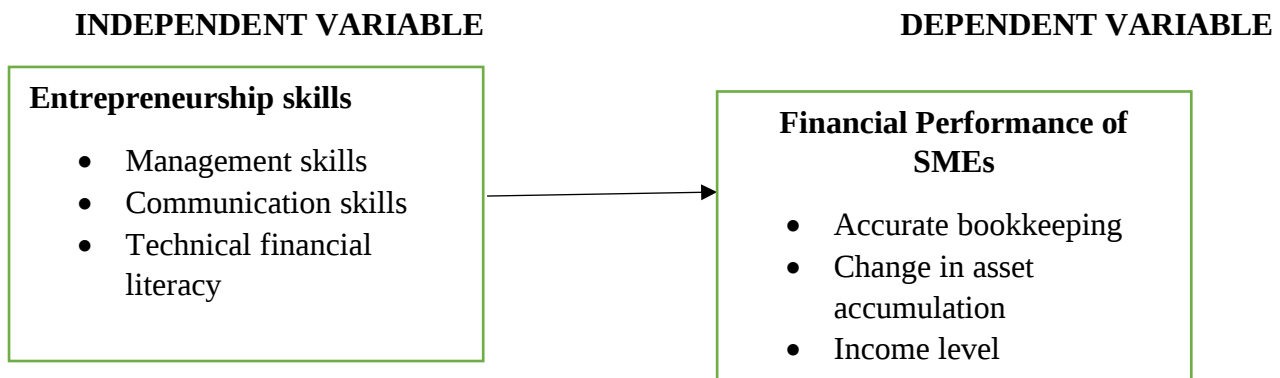
Entrepreneur: A person (male or female) who is engaged in enterprise activities. The greatest concentration of the entrepreneurs is in Informal sector (SME Policy, 2002).

Entrepreneurial Skills: Skills that complement the ability of the entrepreneur to analyze situations, opportunities and environments and assist the entrepreneur to organize, manage and assume the risks and rewards of a business or enterprise (Kuratko and Hodgetts. 2008).

Management skills of an entrepreneur refer to knowledge, skills, and/or abilities required for managing a venture (Sambas vanel al., 2009).

Technical Financial literacy has also been defined as, the combination of consumer's! Investor's understandings of financial products and concepts and their ability and confidence to appreciate financial risks and opportunities, to make informed choices, to know where to go for help, aSnd take other effective actions to improve their financial wellbeing (World Bank, 2009).

Figure 1: Conceptual Framework



Modified by the researcher, 2024

Explanation

As noted in Figure 1.1, Entrepreneurship skills influence financial performance of SMEs. The entrepreneurship skills are expected to result in change in financial performance of entrepreneurial activities including growth in sales, improvement in asset accumulation, change in income level, improvement in local employment and smooth repayment of loans acquired specifically to improve the business. In this relationship, the entrepreneurship skills have been found to have impact on growth and financial performance of the enterprise (Chou 2019; Gakure et al. 2020; Agbim, 2020).

The components under the independent variables include management skills and communication skills. The entrepreneurship skills which have effect on the growth and performance of the enterprise are conceptualized as the independent variables while entrepreneurial performance activities are dependent variable. However, besides these, one cannot ignore the role played by the Moderating variables or call them intervening factors also known as covariates like government policies and political environment in influencing performance of SMEs in Industrial Division.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents the theoretical review and explains different theories written by different scholars on the study variables. It also covers the overview of the main concepts of the study, empirical review attempts to explain the gaps identified from different studies done on similar subject and hence try to bridge those gaps. The empirical review is done in accordance to the study objectives.

2.1 Theoretical review Human Capital Theory by Schultz (2018).

The human capital theorem was proposed by Schultz in 2018 and then later developed by Becker in 2015. Schultz (2019) defined human capital as examples instead of formal definitions through this following statement “.... What we often term consumption actually constitutes an investment in human capital. Expenditures directly linked to education and income forgone with mature students pursuing school and co-workers gaining on the job-training equate to human capital examples”. Human capital is a pool of knowledge and personality qualities that promote ability to perform a given task effectively and efficiently in order to add economic value (Abouzeedan, 2020). Human capital involves educational qualifications, work experience, industry knowledge prior to starting the business, hence its relevant theory for the basis of managerial performance on SMEs. Today’s dynamic business environment requires firms to be proactive and the dominant sense is that the SME success is dependent to a large extent on owner managers and employees with higher levels of individual competence.

Resource Dependence Theory by Pfeffer and Salancik (2021).

The resource dependence theory states that resources are critical for an organization’s success, according to Pfeffer and Salancik (2016). According to Bolingtoft et al., (2023), to establish, sustain and gain comparative advantage for a new small firm, the owner manager or SME manager needs to have freely available firm resources especially human capital. Resource-dependency theory stresses the critical importance of internal resources to sustain competitive rivalry firms. The theory is applicable to SMEs since SMEs do not want to incur the high costs of acquiring external assets (human skills, machinery and business premises). This is proven

in research conducted by (Rungani, 2019) who stated that SMEs prefer to utilize internal assets for sustained operations because of lack of external assistance from financial institutions.

2.2 Review of main concepts of the study

2.2.1 Entrepreneurship Skills

Entrepreneurial Skills are the skills that complement the ability of the entrepreneur to analyze situations, opportunities and environments and assist the entrepreneur/manager to organize, manage and assume the risks and rewards of a business or enterprise (Kuratko and Hodgetts, 2008). That is, Entrepreneurship skills are particularly important to performance in emerging market economies such as Uganda. The skills may ignite more entrepreneurial opportunities and nature attractive innovative enterprises that will eventually create successful entrepreneurs. Several researchers have acknowledged the fact that skills such as management skills can be acquired. Personal qualities have a strong influence on the management skills/competencies of the entrepreneur (Baum et al., 2018; Westerberg et al., 2021, Chandler and Jansen, 2012).

According to Shane (2016), an entrepreneur can discover only those opportunities related to his/her prior knowledge. It is presumed that prior knowledge creates a “knowledge corridor~” that allows an entrepreneur to recognize certain business opportunities, but not others (Ardichvili et al., 2013). Furthermore, literature reveals that the management skills of an entrepreneur refer to knowledge, skills, and/or abilities required for managing a venture (Sambasivan et al., 2009). Another study by Hood and Young (2013) found that financial management, accounting, marketing and sales were meaningful skill areas of successful entrepreneurs. Thus, to be successful, Malecki (2015) argues that entrepreneurs must know how to integrate scientific knowledge, facts, and management techniques with contextual experience. This implies that an entrepreneur’s management skills are favorable to business performance and development (Cooper & Gimeno-Gascon, 2014; Bird, 2011). In addition, it has been acknowledged that new ventures rely on whatever knowledge resources are brought to the table by the founders (Brush et al., 2019).

Through empirical studies based on his consultancy practice, Gerber (2019) points out that small business are founded mostly by technicians, specialists, or professionals in certain fields and most of entrepreneurs perform their own technical work with high quality and efficiency.

However, seldom are management and managerial skills neglected. Similarly, several academic researchers have examined the effectiveness and support initiatives focused on providing entrepreneurs with the abilities and insight to develop their businesses (De Faoiteet al., 2013). A mixture of studies found that some key factors that may lead to the business failure were due to the lack of management skills or competencies (O'Neill and Duker, 2016; Torstar and Olson, 2013) and the other perspective concluded that management skills of entrepreneurs were conducive to business performance and growth (Bird, 2008; Cooper and Gimeno-Gascon, 1992; Black et al., 2015).

2.2.2 Financial Performance of SMEs

According to Ogutu (2010), financial performance is defined in terms of output terms such as quantified objectives or profitability. Financial Performance has been the subject of extensive and increasing empirical and conceptual investigation in the small business literature (Bidzakin, 2009). The issues that remain unresolved are the goals against which financial performance should be assessed and from whose perspective the goals should be established (Etzioni, 2008). Alasadi and Abdelrahim (2007) in their study, state that 'The most commonly adopted definition of success (good performance) is financial growth with adequate profits.' Other definitions of success (good performance) are equally applicable. For example, some entrepreneurs regard success (good financial performance) as the job satisfaction they derive from achieving desired goals. However, financial growth due to increasing profits has been widely adopted by most researchers and practitioners in business performance models (Kessy, 2009).

Among the most frequently used indicators are business survival, growth in employee volume and profitability (Bidzakin, 2009). A business enterprise could measure its performance using the financial and non-financial measures. The financial measures include sales revenue, profit before tax and turnover, while the non-financial measures focus on issues pertaining to customer satisfaction and customer referral rates, delivery time, waiting time and employee turnover or creation of employment (Bidzakin, 2009).

Recognizing the limitations of relying solely on either the financial or non-financial measures, owner-managers of the modern small businesses have adopted a hybrid approach using both the financial and non-financial measures (Chou, 2008). In this study enterprise financial performance will be measured in terms of sales revenue, asset accumulation, and profitability.

2.3 Actual literature review

2.3.1 Effect of Management skills and financial performance of SMEs in Uganda

Excellent management skills are of highest importance in order to lead an innovative firm to success. However, while many entrepreneurs need to acquire an excellent education and experience in their specific scientific area, they often lack business management capabilities. This constitutes a threat to their survival and is a major constraint and obstacle to their growth and development, which often prevents them from transforming the excellent scientific and technological competencies into the real economy. (Youssef Mohamed & Whaley 2012).

This is the most commonly occurring ‘internal’ factor in business failure among SMEs. Even other internal causes of business failure are often linked to poor management. Most small businesses are set up by one entrepreneur, or a small group of them, who have what they believe is a good idea for creating a product or service. Many SME owners/managers however do not always have skills and experience in areas such as business planning, financial reporting, marketing, customer relations and financial management. The company is at risk when you, as management, do not possess the appropriate knowledge and either do not recognize this lack of expertise or are not willing to ask for advice. (Desrochers and Sautet, 2008).

The European Commission (2016) argues that to support the creation and growth of SME’s, management capacity building is a key aspect. Indeed, without the necessary management skills, many viable companies with good product offers never reach their potential or might even risk being led out of business, by competition or by lack of treasury for example.

The smaller the size of the SME, the more the attitudes and managerial skills of the head of the SME are critical to ensure the success of the SME and the potential development.

Heads of SMEs’ outlook on training and management development have a determinant impact on the whole management capacity of the SME.

Regarding the openness of the head of SME towards challenging his/her daily routines and the established patters of the SME, it is noteworthy to consider that one of the main drivers for setting up one’s own venture is a drive for autonomy. This drive, often correlated with a strong personality and/or power/control issues, might be counter productive with regard to the

willingness to acquire knowledge from outside sources or the ability to acknowledge in time weak points in the functioning of the business. Some control-oriented entrepreneurs are reluctant to developing their business as they would need to employ more people and delegate tasks and thus loose some grip on their business. Those traits also influence the preferred ways in which the entrepreneur is likely to acquire knowledge, i.e. through an activist hands-on problem-solving approach and from trusted sources, not through being lectured in a classroom type of setting.

Thus, as regards the management aspects influencing the competitiveness of each SME and its future prospects, two elements are especially relevant: The financial aspects of managing treasury and profitability on the one hand, as well as an understanding of the SME's competitive position on the market and its environment on the other hand. (Timmons and Spinelli, 2010)

SME managers face delegation and lack-of-time problems when attending a training activity, since they cannot be away from the enterprise too long. Additionally, most SME managers are subject to the uncertainty of how business will develop and the resulting undesirability of enrolling for training months in advance. These difficulties result in an obvious demand for short and flexible courses. Training costs seem to be a less relevant barrier for management training in comparison to other issues such as location, duration or contents of the course.

‘To transform the economy, the Government of Uganda finalized a new five-year National Development Plan (NDP) spanning FY2019-2023 in February 2018.

The NDP's main theme was “Growth, Employment and socio-Economic Transformation for Prosperity,” marking a broadening of the country's development strategy from poverty reduction to structural transformation with the aim to raise growth and living standards and transforming Uganda over into a modern and prosperous country within thirty years. (Uganda Investment Authority Quarterly Report, 2019).

The Uganda Investment Authority (UIA) charged with the management of legal advocacy, promotion, facilitation and oversight of the Ugandan environment partnered with UNIDO implemented the Investment Monitoring Platform (IMP) and demonstrated its application 7th to 11th November 2019 at Hotel Africana, Kampala, Uganda. It isa web based interactive

database that will provide information on foreign and domestic enterprises in more than twenty countries in sub-Saharan Africa (Uganda Investment Authority Quarterly Report, 2019).

Many authors have recognized the lack of management skills as one main problem in SMEs (Winch and McDonald 2009: 49 ;) While larger firms are likely to have experienced a major change at the same point in their company history, smaller firms, either because of their newness or their slow-growth histories may not have.

The SME may easily find itself with limited indigenous management skills - not only in change management itself, but also in the new skills that will be necessary to manage the enterprise after a change has taken place (Winch and McDonald 2010: 49). The SMEs ~Vill more likely to engage in informal management practices than to adopt sophisticated planning and control techniques (Martin and Staines, 2009: 26).

One of the necessary management skills that entrepreneurs need to have a good plan. This in turn can help the entrepreneurs in business marketing and earn the trust of customers and suppliers (Batten, 2012) and thereby contribute to business success. Perelman (2011) reviewed the management style of women entrepreneurs in high technology industries, in a rapidly changing environment. These entrepreneurs were found to make decisions in an environment that is clouded by uncertainty and ambiguity, thus, good decision is largely dependent on their judgment. Perelman, (2017) found that to be successful in their businesses, decisions that they made needed to reflect the changing needs of high-tech industries. In addition, they were flexible in risk-taking, focus, personal involvement in day-to-day running of the business, creativity, energy renewal (innovation), understanding (insight) and business impulse (intuition) (Timmons and Spinelli, 2020; Hilsrich et al., 2012). All these were required to ensure good management skills.

2.3.2 Effect of Communication skills and the performance of SMEs in Uganda

Communications skills are related to Customer care skills are important in the performance of enterprises. Tsvetanka (2010) outlines ways to treat and communicate with clients. She indicates that there is need to treat the clients with the utmost respect. Clients whether they consciously do it or not, know the value of their money. And they always want to know that they are being treated with the dignity they deserve as a client. Clients expect to have undivided attention. Delivering full attention and also on top of that showing the clients that you are

attentively listening to what they are saying, you set yourself up for a repeated business and possibly referrals. Listening carefully and having all attention on the clients, absolutely flatters them. The clients will want to go back where they are treated with respect.

Then there is need to clearly state what your clients should expect from. If your clients have the wrong perception of what you can and are offering them it might be a challenge to turn them into repetitive business. This literature guided the study in establishing the customer care skills of the businesswomen.

Lack of communication skills between the supplier and the customer Lind (2018) highlights the importance of listening to the customer requirements in order to understand their expected and perceived benefit of the product.

Good communication skills are indispensable to successful business. The entrepreneur requires this to communicate his ideas to clients. The entrepreneur must always give the people something to feel, something to remember and something to do.

2.3.3 Effect of technical financial management on performance of SMEs.

The relationship between technical financial management skills and the financial performance of small and medium-sized enterprises (SMEs) has been widely researched. The general consensus is that technical financial management skills are critical to the success and sustainability of SMEs. This literature review summarizes key findings from various studies, focusing on how these skills impact financial performance.

Technical financial management skills encompass budgeting, financial planning, cash flow management, accounting, and financial reporting. According to Abor and Quartey (2010), SMEs that possess strong financial management skills tend to perform better financially. These skills enable businesses to make informed decisions, optimize resource allocation, and manage risks effectively.

Cash flow management is a critical aspect of financial management in SMEs. Poor cash flow management can lead to liquidity problems, which often result in business failure. Research by Eniola and Entebang (2015) highlights that SMEs with adequate cash flow management skills can better manage their working capital, thereby enhancing financial performance.

Financial planning and control are essential components of technical financial management. Studies by Maseko and Manyani (2011) indicate that SMEs that engage in regular financial planning and control are more likely to achieve better financial outcomes. These practices help SMEs to anticipate future financial needs and challenges, enabling them to plan accordingly.

Accurate accounting and financial reporting are vital for the financial health of SMEs. Lack of proper accounting records can lead to poor financial decision-making. A study by McMahon (2001) shows that SMEs with well-maintained accounting records and financial reports are more likely to secure external funding and improve their financial performance.

Budgeting is another key financial management practice that impacts the financial performance of SMEs. According to Van Auken (2005), SMEs that adopt formal budgeting practices tend to have better financial control and are more likely to achieve their financial objectives. This is because budgeting allows SMEs to plan their expenditures and monitor their financial performance against set targets.

The ability of SMEs to access finance is often influenced by their financial management skills. Financially literate SMEs are better positioned to present viable business cases to lenders and investors. A study by Fatoki (2011) emphasizes that SMEs with strong financial management skills are more likely to secure funding, which in turn enhances their financial performance.

Technical financial management skills have a direct impact on the profitability of SMEs. A study by Karadag (2015) found that SMEs that employ skilled financial managers and accountants tend to have higher profitability margins. This is because such skills enable businesses to optimize costs, manage debts, and make strategic investment decisions.

Financial literacy is a key component of technical financial management skills. SMEs with higher levels of financial literacy are better equipped to understand and manage their finances. Lusardi and Mitchell (2014) argue that financial literacy contributes to better financial decision-making, which ultimately leads to improved financial performance.

The growth of SMEs is closely linked to their financial management practices. Research by Mahmood and Hanafi (2013) shows that SMEs with strong financial management skills are more likely to experience business growth. These skills enable businesses to effectively manage their resources, leading to increased sales and profitability.

Effective risk management is a crucial aspect of financial management in SMEs. According to a study by Mutegi et al. (2015), SMEs that possess risk management skills are better able to navigate financial uncertainties, thereby enhancing their financial stability and performance.

The adoption of financial technology (FinTech) tools is increasingly being recognized as part of technical financial management skills. SMEs that leverage FinTech for financial management tend to perform better financially. A study by Purnomo and Susilowati (2020) suggests that FinTech tools can enhance financial management efficiency, leading to improved financial performance.

Education and training in financial management play a significant role in improving the financial performance of SMEs. A study by Hyder and Lussier (2016) found that SMEs that invest in financial management training for their staff tend to achieve better financial results. This is because training enhances the technical skills necessary for effective financial management.

Government support and policy also influence the financial management practices of SMEs. According to a study by Wang (2016), SMEs that receive government support in the form of financial management training and resources tend to have better financial performance. This highlights the importance of an enabling environment for SME financial management.

The literature consistently shows that technical financial management skills are critical to the financial performance of SMEs. These skills enable SMEs to manage their finances effectively, make informed decisions, and improve their overall financial health. The studies reviewed indicate that SMEs with strong financial management practices tend to achieve better financial outcomes, including higher profitability, improved cash flow, and sustained business growth.

2.4 Conclusion

According to the literature, entrepreneurship skills such as proper communication, management and financial literacy leads to good performance of SMEs. A number of studies have been done on the relationship between entrepreneurship skills and performance of SMEs as given in the literature. However, most of these studies have been general and no study has specifically considered the performance of SMEs particularly in Industrial Division. This therefore leaves a gap for more research.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

3.1 Research Design

Descriptive research design was used. Qualitative design was more preferred in this study since this research design was effectively used to obtain information concerning the current phenomena. Cooper (2016). The purpose of the descriptive survey methods was to describe “what exists” at present with respect to situational variables. This research design was useful because it allowed a comparative analysis.

3.2 Area of the study

The area of the study was at Industrial Division. Because it strategically located and the researcher can easily get access to the respondents. The area of the study refers to the anthropological or sociological research which is intended to gather and relate data on various aspects of a geographical region and its inhabitants, as natural resources, history, language, institutions, economic characteristics and field investigation into human ecology.

3.3 Study population

The target population for this study was comprised of a total of 45. These came from the different specialties of the Small and medium sized enterprise industry in Mbale Industrial city Division that is to say, entrepreneurs, employees, customers and managers. All these understand issues regarding the study the target population included respondents from Restaurants, mobile money outlets, Retail shops and Saloon outlets.

3.4 Sampling procedures

3.4.1 Sample size and Selection

The population of the study had four distinct categories. Therefore, stratified sampling was used. Thereafter, simple random sampling was used to select the final respondents from each category. Slovic's formula was used to reach the required sample size. Where: n = the required sample size, N = Total target population, e = confidence level.

$$n = \frac{N}{1 + N(e)^2}$$

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

$$= \frac{45}{1 + 45 \times 0.0025}$$

$$= \frac{45}{1 + 0.1125}$$

$$= \frac{45}{1.1125}$$

$$N = 40 \text{ respondents}$$

Table 1: Showing the selected Departments and Sample Size

Selected enterprises	Target Population	Sample size	Sampling technique
Restaurants	20	18	Purposive sampling
Mobile money outlets	10	8	Purposive sampling
Retail shops	8	7	Purposive sampling
Saloon outlets	7	7	Purposive sampling
Total	45	40	

3.4.2 Sampling techniques

The study used both probabilistic and non-probabilistic techniques. These included simple random and purposive sampling techniques,

A simple random sample is a subset of a statistical population in which each member of the subset has an equal probability of being chosen. A simple random sample is meant to be an unbiased representation of a group. Simple random sampling was used for the study because it is considered a fair way of selecting a sample from a given population since every member is given equal opportunities of being selected.

3.5 1 Data Collection Methods and Instruments

To collect a large quantity of data, the following data collection methods were used: questionnaire, face-face interviews, focus group discussions and documentary review.

3.5.1 Methods

Questionnaires:

A structured questionnaire was used to collect data in this study; questionnaires were used to collect data from market leaders and traders on issues surrounding entrepreneurship skills and performance of SMEs. Questionnaires were used because apart from being easier to administer, they are more reliable and also easier to analyze (Amin, 2016). Questionnaires are often used to collect data from large samples because they are cheap to administer, free from bias of the researcher, provide adequate time for respondents to fill them (Kothari, 2018). Using an introductory letter from the university, the researcher delivered the blank questionnaire to the selected respondents in Industrial Division and provided an appropriate time for them to complete them and then she collected them.

Interviews

Face to face interviews were held to collect data from the traders and leaders in order to collect in-depth data on entrepreneurship skills and performance of SMEs in Industrial Division. The researcher arranged to meet the respondents in these two categories and bold face to face interviews with them. During the process, a set of closed ended questions were asked and their responses were written down by the researcher. At the end of the interview process, the researcher went over what would have been captured to ensure that no useful information is left out.

3.5.2 Research instruments

Questionnaire

A 5-point Likert-scale was employed in the administration of questionnaire with scales ranging from “Strongly Agree” denoted by 1, Agree denoted by 2, Neutral denoted by 3, Disagree denoted by 4 and “Strongly Disagree” represented by 5.

Interview guide.

An interview guide was used during the data collection process and this was done where the research held face -to-face discussions with the SMEs. The interview guide contained closed ended questions which enabled the researcher to get in depth information about working capital

management and profitability. These questions were set in line with the specific objectives of this study.

3.6 Validity and Reliability of Instruments

The instruments of data collection in this study were assessed in terms of validity and reliability to ensure that dependability of the results of the study.

3.6.1 Validity of the Instrument

Kothari (2019) defines validity as a measure of the degree to which differences are found with a measuring instrument to depict the differences among the items being measured. Both the interview guide and questionnaires were designed in line with specific objectives. The researcher intended to establish the worthiness of the instruments. A pilot study was carried out to determine the validity of the questionnaire where the responses of the subjects were checked against the specific objectives. The validity of the questionnaire was enhanced after a pilot study of 10% of the respondents. Items which never met the threshold were either rewritten or dropped from the questionnaire after discussing it with the supervisor.

3.6.2 Reliability of the Instrument

Reliability refers to consistency in delivering results. According to Kothari (2007), reliability is the extent to which data collection process yields consistent results. This term means to what extent does the repeated measurement of the same object, using the same instrument, yield the same or very similar results. To ascertain reliability, the researcher pre-tested the research instrument on a reasonable number of SMEs in industrial division, who were not used in the final data collection process. After pretesting, the Cronbach's Alpha formula was used to compute the reliability coefficient which was an indicator of the level of reliability of the instrument.

3.7 Analysis of Data

Data analysis is the process of packaging the collected information in a form that can be understood by the person undertaking the research. Data collected was first cleaned and scrutinized for any missing values before actual analysis.

3.7.1 Quantitative Data

In this study, descriptive statistics was used to analyze the data. This explained and described what the data showed about the effect of entrepreneurial skills on performance of small and medium enterprises. Before analyzing the data, it was edited, coded and entered into excel worksheet, where the researcher was able to use statistical package for social Scientist (SPSS) to analyze the data. This ensured accuracy tables, graphs and measures of central tendency that were used to present the results for easier understanding and interpretation. In addition, both correlation and regression analysis were computed and common themes were captured through content analysis.

3.7.2 Qualitative Data

The qualitative data was analyzed for content and language used by thorough transcribing of recorded interviews looking out for similarities and differences to identify themes and develop categories according to the objectives. Data cleaning, editing and coding of the items in the questionnaire was employed to cross check and interpret qualitative data and generate theoretical relations for making conclusions. The interplay between the findings solicited by both quantitative and qualitative data enabled the researcher to draw conclusions and subsequently make recommendations.

3.8 Ethical Considerations

Consent

Consent involves the procedure by which an individual may choose whether or not to participate in a study. The researcher ensured that participants have a complete understanding of the purpose and methods to be used in the study, the risks involved, and the demands placed upon them as a participant. The participants were informed that they have the right to withdraw from the study at any time.

Confidentiality

The researcher explained to the respondents that information provided about this research study was kept confidential and for academic purposes only. This was ensured by not inquiring the respondents to write their names but the researcher used code numbers to describe the respondents.

Deception

Research deception involves an intentional misrepresentation of facts related to the purpose, nature, or consequences of an investigation. In this context, the researcher fully informed participants about important aspects of the study to avoid omissions and commissions as part or all of the information was not withheld.

3.9 Limitations of the Study

Most SMEs are critical about security and disbursement of information pertaining to their operations. The main limitation was in terms of accessing information that was considered classified by SMEs. The respondents were not willing to provide information pertaining their profitability. However, through the use of the introduction letter from the university and having an honest discussion on the significance of the study with the major SMEs, a harmonious environment was created and permission to assess such classified information was granted. The other factor that was anticipated is the response rate (due to loss of some questionnaires) which may affected the reliability of the study. However, in this case, more questionnaires were distributed to ensure that the appropriate sample was attained.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction

The chapter presented data presentation, analysis and interpretation of data collected with the view of answering the research questions. Data analysis and interpretation was based on the three research objectives. Below are the data presentations and analysis.

4.1 Demographic characteristics of the Respondents

In this study, this section was to reveal the background characteristic of respondents and profile of respondents based on their gender, level of education, age and years of experience.

4.1.1 Gender of the respondents

The preceding table presents the data, analysis and interpretation of the results collected from the - field about the gender of respondents in Mbale Industrial City Division

Table 2: Showing the Gender of Respondents

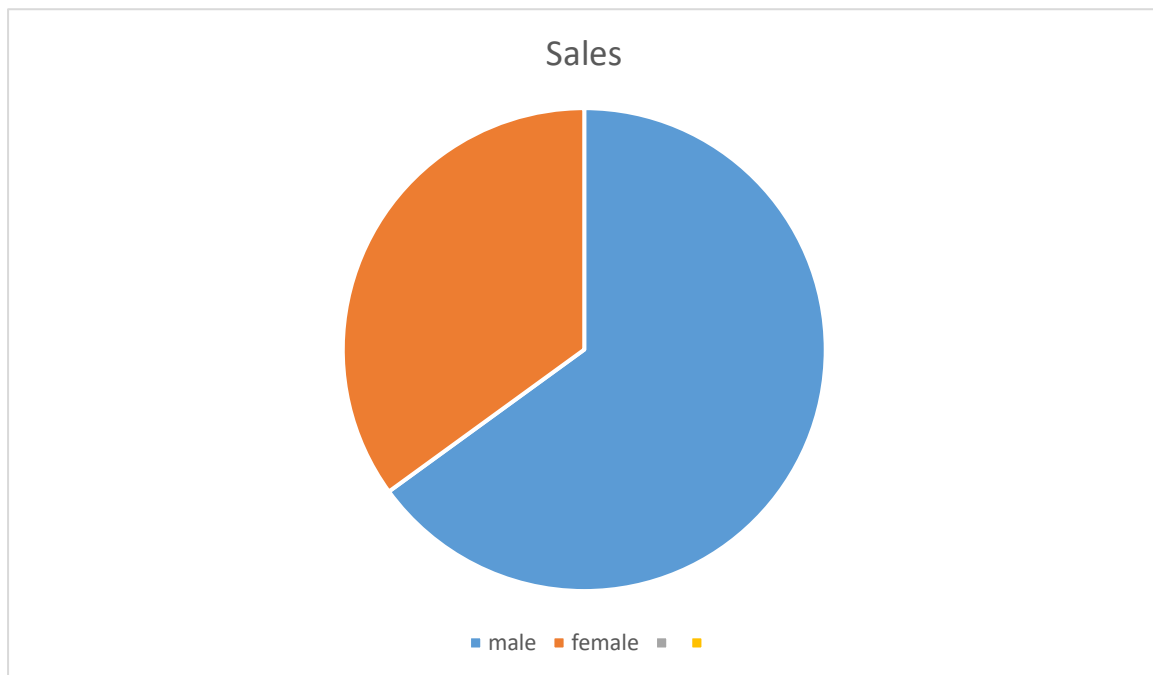
Gender		Frequency	Percent	Valid percent	Cumulative percent
Valid	male	26	65.0	65.0	65.0
	Female	14	35.0	35.0	100.0
	Total	40	100.0	100.0	

Source: Primary Data 2024

The above table shows results concerning gender of respondents in Mbale Industrial City Division and it was depicted that majority of the respondents in this sample were Male with a frequency of 26 and a percentage of (65.0%) as compared Female respondents who had a frequency of 14 and a percentage of (35.0%), hence implying that there was a gender gap since majority of entrepreneurs in Mbale Industrial City Division were Male and furthermore, it

implies that males in this Industrial city division are the most aggressive and innovative persons with most of the business ventures.

Figure 2: A pie chart showing the percentages of male and female respondents in Mbale Industrial City Division.



The above figure is a pie chart depicting results concerning gender of respondents in Mbale Industrial City Division were majority of the respondents in this sample were Male with a percentage of (65.00%) as compared to Female respondents who had a percentage of (35.00%), hence implying that there was a gender gap since majority of entrepreneurs in Mbale Industrial City Division were Male and furthermore, it implies that males in this Industrial city division are the most aggressive and innovative persons with most of the business ventures.

4.1.2 Age of respondents of Mbale Industrial City Division The following table shows the results concerning the age of respondents (entrepreneurs) in Mbale Industrial City Division operating differing business ventures.

Table 3: Showing the age of respondents in Mbale Industrial City

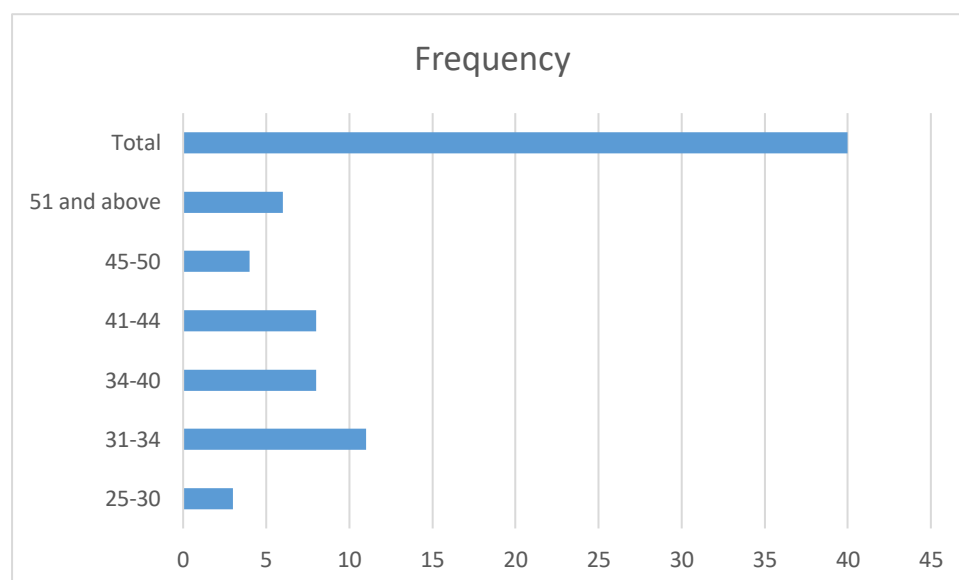
	Age range	Frequency	Percent	Valid percent	Cumulative percent
Valid	25-30	3	7.5	7.5	7.5
	31-34	11	27.5	27.5	35.0
	34-40	8	20.0	20.0	55.0
	41-44	8	20.0	20.0	75.0
	45-50	4	10.0	10.0	85.0
	51 and above	6	15.0	15.0	100.0
	Total	40	100.0	100.0	

Source: Primary Data, 2024

Results in the above table shows that majority ~ respondents in this sample were between the range of 31-34 years of age (27.5%), this implied that majority of respondents in this sample were in their middle adulthood and it is at this age where innovativeness and creativity is depicted resulting into development of diverse and new business ideas, these were followed by those in the range of 35-40 years of age constituting a percentage of (20%), similarly those who were in the age range of 41-44 had similar results of (20%) (15%) were in the age bracket of 51 and above, those in the range of 45-50 had a percentage of (10%) and only (7.5%) of respondents were in the range 25- 30. This implied that since majority of the respondents were in the range of 31-40, they had the capacity and ability to be creative and come up with new ideas for coming up with various businesses in the Industrial city division. Furthermore, the results indicate that at this age most of the respondents had completed studies and possessed the necessary communication skills, creativity skills and financial management skills attained

from school which aided them to come up with wonderful and exciting business ideas in the Industrial city division.

Figure 3: A bar graph showing the age range of respondents in Mbale Industrial City Division.



Results in the above figure show that majority of respondents in this sample were between the range of 31-34 years of age and had a frequency of (11), this implied that majority of respondents in this sample were in their middle adulthood and it is at this age where innovativeness and creativity is depicted resulting into development of diverse and new business ideas, these were followed by those in the range of 35-40 years of age constituting a frequency of (8), similarly those who were in the age range of 41-44 had similar results of (8) (6) were in the age bracket of 51 and above, those in the range of 45-50 had a frequency of (4) and only the frequency of (3) were respondents in the range 25-. 30. This implied that since majority of the respondents lied in the range of 31-40, they had the capacity and ability to be creative and come up with new ideas for coming up with various businesses in the Industrial city division. However due to other factors like change in the economic policies, inflation, political unrest, climate changes, poor technology a few entrepreneurs rich the age range of 51 and above while operating their business as depicted in the figure above (15%) 51 and above.

4.1.3 Level of education of respondents of Mbale Industrial City Division

The following table shows the results concerning the level of education of respondents (entrepreneurs) in Mbale Industrial City Division operating differing business ventures.

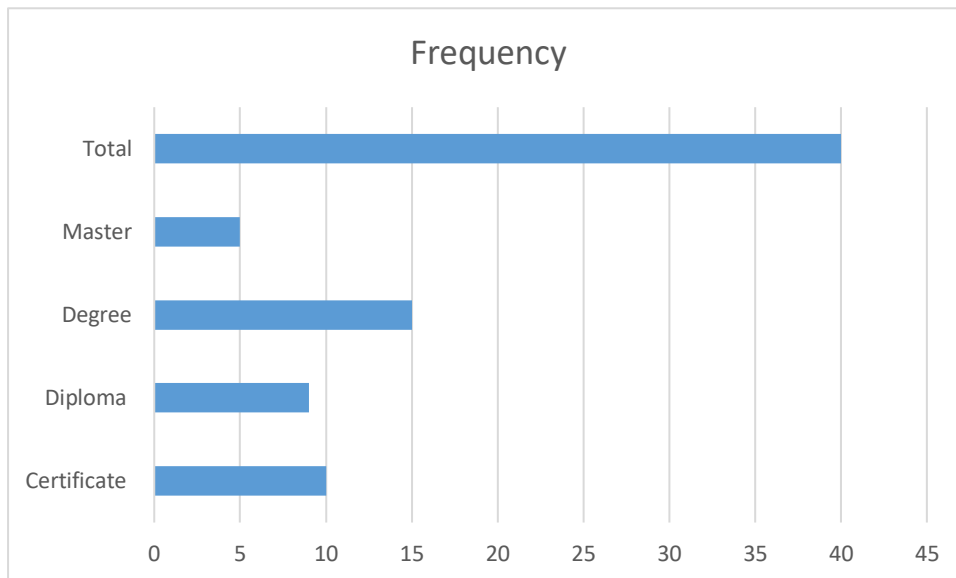
Table 4: A table showing the Level of Education of respondents.

	Level of education	Frequency	Percent	Valid percent	Cumulative Percent
Valid	Certificate	10	25.0	25.0	25.0
	Diploma	9	22.5	22.5	47.5
	Degree	15	37.5	37.5	85.0
	Master	5	15.0	15.0	100.0
	Total	40	100.0	100.0	

Source: Primary Data, 2024

With respect to the level of education in Table 4; the study further showed that degree holders (37.5%) dominated the study, these were followed by Certificate (25.0%) and these were followed by Diploma holders (22.5%), and finally Master's degree holders were (15%). This implied that respondents were able and capable of reading and writing and also possessed the necessary knowledge concerning the topic under study.

Figure 4: A bar graph showing the level of education of respondents.



With respect to the level of education in Figure 3: the study showed that degree holders with a frequency of (15) dominated the study, these were followed by Certificate (10) and these were then followed by Diploma holders (9), and finally Master's degree holders were (6). This implied that respondents were able and capable of reading and writing and also possessed the necessary knowledge concerning the topic understudy.

4.1.4 Level of experience of respondents in Mbale Industrial City Division

The following table shows the results concerning the level of experience of respondents (entrepreneurs) in Mbale Industrial City Division operating differing business ventures.

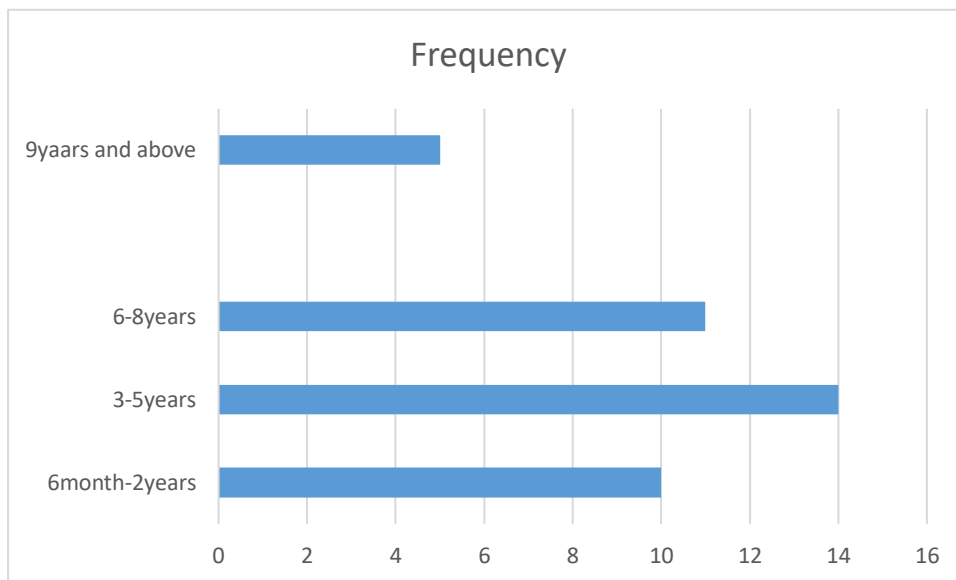
Table 5: showing the level of experience in business.

	Level of experience	Frequency	Percent	Valid percent	Cumulative percent
Valid	6month-2years	10	25.0	25.0	25.0
	3-5years	14	35.0	35.0	60.0
	6-8years	11	27.5	27.5	87.5
	9yaars and above	5	12.5	12.5	100.0
	Total	40	100.0	100.0	

Source: Primary Data, 2024

With respect to the number of years spent in business, results in Table 5 indicated that majority of entrepreneurs in Mbale Industrial City Division had stayed in business for 3-5 years had a percentage of (35.0%), (27%) had worked for 6-8 years, (25%) had worked for 6 months - 2years only 12% had worked for 9years and above, hence implying that the entrepreneurs in Mbale Industrial City Division have enough working experience thus possessed the full knowledge about the topic under investigation

Figure 5: A bar graph showing the level of working experience of respondents.



Regarding to. the number of years spent in business by respondents, results in the above figure showed indicated that majority of entrepreneurs in Mbale Industrial City Division had stayed in the business for 3-5 years had a frequency of (14) (11) had worked for 6-8 years, (10) had worked for 6 months-2years only (5) had worked for 9years and above, hence implying that the entrepreneurs in Mbale Industrial City Division have enough working experience thus possessed the full knowledge about the topic under investigation though few of them push up with their businesses up to a level of 9 and above years.

4.2 Effect of management skills on financial performance

The objective one was to examine the effect of management skills on financial performance of SMEs in Industrial Division in Mbale City. Data on this objective was collected analyzed and presented in table 4.5 as below;

Table 6: How management skills affect the performance of SMEs in industrial division Mbale City

Management skills	SA	A	N	D	SD	Mean	Std D	Comments
The business follows a specific plan to implement its plan	26.7	60%	6.7%	6.7%	0%	1.93	1.10	Very low
The customers of the business are treated at the higher esteem	16.7	66.7	0%	3.3%	3.3%	2.10	0.76	low
Appropriate decisions have helped SMEs competitiveness	26.7	50%	13.3	6.7%	3.3%	2.10	1.08	High
Management capacity building has enabled the SMEs to continue existing	13.3	53.3	10%	0%	3.3%	2.47	1.06	High
Refresher courses in management have enabled the business	23.3	36.7	16.7	0%	3,3%	2.42	1.25	moderate
Average mean						2.206	5.25	

Source: field data (2024)

60% of the respondents agreed that the businesses follow a specific business plan to implement its activities, 26.7% of the respondents also strongly agreed with the statement, 6.7% of the respondents were neutral and disagreed with the claim respectively. The findings from the study imply that SMEs in Mbale employ good management skills like have a business plan and this enhances its performance in terms of achieving targets

66.7% of the respondents agreed that the customers are treated with high esteem, 16.7% of the respondents also strongly agreed with the statement, 10% of the respondents were neutral

about the claim and 3.3% of the respondents disagreed and strongly disagreed with the claim. The findings from the study imply that customer care employed by SMEs enhance their financial performance

50% of the respondents agreed that appropriate decisions have helped SMEs competitiveness, 26.7% of the respondents also strongly agreed with the claim, 13.3% of

the respondents were neutral, 6.7% of the respondents disagreed with the claim and 3.3% of the respondents strongly disagreed with the claim. The findings from the study imply that appropriate decisions enhance SMEs competitiveness and competition yields efficiency and quality output.

53.3% of the respondents agreed that management capacity building has helped SMEs to continue existing, 13.3% of the respondents also strongly agreed with the statement, 20% of the respondents disagreed with the statement, 10% of the respondents were neutral about the claim and 3.3% of the respondents strongly disagreed with the statement. The findings from the study imply that management capacity building improves on the skills of the employees and thus enhance existence of SMEs.

36.7% of the respondents agreed that refresher courses in management have enabled the business to improve, 23.3% of the respondents also strongly agreed with the statement, 20% of the respondents disagreed with the claim, 16.7% of the respondents were neutral about the claim and 3.3% of the respondents strongly disagreed with the claim. The findings from the study imply that refresher courses in management enable the employees of SMEs to be efficient in their tasks and this improves the operation of the enterprise

Table shows a regression relationship between management skills and financial performance of SMEs (performance measured in terms of increase in equity in business)

These are in support of interview remarks from one of the respondents who said that;

‘Our businesses appreciate the role of management skills in enhancing our financial performance of our businesses.’

Table 7: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.689a	.054	.041	780

a. Predictors: (Constant), Financial performance.

This is completely not known to our study. It should be management skills

Source: field data (2024)

The findings from the study show that there is a significant relationship between management skills and financial performance of SMEs. ($R=0.689$) shows a positive relation between management skills measured in terms of business following a business plan in implementation and increase in equity in business. Management skills positively affect financial performance of SMEs.

4.3 Effect of communication skills on financial performance of SMEs

The objective one was to examine the effect of communication skills on financial performance of SMEs in Industrial Division in Mbale City. Data on this objective was collected analyzed and presented in table 4.7 as below;

Table 8: shows the effect of communication skills on financial performance of SMEs.

Communication skills	SA	A	N	D	SD	Mean	Std.D	Comments
The relationship with the customers has made business transaction easy	43.3%	50%	3.3%	3.3%	0%	1.67	0.56	Low
Customers are responsive in paying the debts they owe		56.7%	6.7%	6.7%	0%	1.90	0.87	High
There is close contact with our customers	26.7%	56.7%	6.7%	10%	0%	2.00	1.06	High
Customers normally take goods only on cash basis	13.3%	33.3%	26.7%	16.7%	10%	2.77	1.16	Moderate
Average mean						2.085	4.71	

Source: field data (2024)

50% of the respondents agreed that the relationship with the customers has made business transaction easy, 43.3% of the respondents also strongly agreed with the claim, 30% of the respondents were neutral and disagreed with the statement respectively. The findings from the study imply that good relationship with the customers enhance mutual understanding between the employers of SMEs and customers

56.7% of the respondents agreed that customers are responsive in paying the debts they owe, 30% of the respondents strongly agreed with the statement. 6.7% of the respondents were neutral and disagreed with the statement respectively. The findings imply the mutual understanding between the enterprise and the customers enhance the clearing of credit advanced to customers and this makes the SMEs to continue existing.

56.7% of the respondents agreed that there is close contact with the customers, 26.7% of the respondents also strongly agreed with the claim, 10% of the respondents disagreed

with the claim and 6.7% of the respondents were neutral about the claim. The findings imply that there is a mutual understanding between SMEs and their customers.

33.3% of the respondents agreed that customers normally take goods only on cash basis, 26.7% of the respondents were neutral about the claim, 16.7 % of the respondents strongly disagreed with the claim, 13.3% of the respondents strongly agreed with the statement and 10% of the respondents strongly disagreed with the statement. The findings from the study imply that was based transaction tend to enhance survival of SMEs.

Table 4.8 shows a regression relationship between communication skills and financial performance of SME.

The above results were corroborated by the respondent who had this to say;

“Communication have been of great value to our businesses. Customers have been attracted to our businesses since we have focused on enhancing our communication skills which has increased our profits and high volume of sales thus enhancing the financial performance in our businesses.”

Table 9: Model Summary

Mode	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.557[1	.428	.496	.738

a. Predictors: (Constant). Financial performance.

Source: field data (2024).

The finding from the regression analysis shows that there is a moderate positive relationship between communication skills and financial performance of SMEs. An (R=0.557) gives us evidence of a significant relationship between close contact with business customers and increase in equity in business.

4.4 Technical financial management on financial performance of SMEs in Mbale City.

The objective one was to examine technical financial management on financial performance of SMEs in Industrial Division in Mbale City. Data on this objective was collected analyzed and presented in table 4.9 as below;

Table 10: shows how technical financial management affect financial performances in SMEs

Technical financial management	SA	A	N	D	SD	Mean	Std. D	Comment
SMEs are well versed with accounting techniques	26.7%	53.3%	3.3%	16.7%	0%	2.10	0.76	low
Management of SMEs have formal I training in book keeping and accounting	26.7%	53.3%	10%	3.3%	6.7%	2.10	1.08	low
SMEs have hired qualified people in giving financial advice	26.7%	0%	0%	6.7%	6.7%	2.17	1.16	High
Management has the necessary skills to undertake the preparation of the financial statements	23.3%	0%	3.3%	26.7%	6.7%	2.53	1.10	High
Accounting software have made our work easy	16.7%	30%	0%	0%	13.3%	2.63	2.10	moderate
Average mean						2.306	6.2	

Source: field data (2024)

53.3% of the respondents agreed that the SMEs are well versed with accounting techniques. 26.7% of the respondents also strongly agreed with the statement, 16.7% of the respondents disagreed with the claim and 3.3% of the respondents were neutral about the claim. The findings from the study imply that being well versed with the accounting techniques enhances the performance of SMEs.

53.3% of the respondents agreed that management of SMEs have formal training in book keeping and accounting, 26.7% of the respondents also strongly agreed with the claim, 10% of the respondents were neutral about the statement and 6.7% of the respondents of the respondents disagreed with the statement, 3.3% of the respondents were neutral about the claim. The findings from the study imply that formal training in book keeping helps the business have good financial records and this enhances the performance of SMEs in industrial division Mbale City.

50% of the respondents agreed that SMEs have hired qualified personnel to help in giving financial advice, 26.7% of the respondents also strongly agreed with the statement, 10% of the respondents were neutral about the statement and 6.7% of the respondents disagreed and strongly disagreed with the claim respectively. The findings from the study imply that attaining financial success, SMEs employ experts in financial analysis.

40% of the respondents agreed that management has the necessary skills to undertake the preparation of financial statements, 23.3% of the respondents strongly agreed with the claim, 26.7% of the respondents disagreed with the statement, 6.7% of the respondents strongly disagreed with the claim and 3.3% of the respondents were neutral about the claim. The findings from the study imply SMEs are able to know how to prepare financial statements.

30% of the respondents agreed that accounting software have made the work easy, 20% of the respondents were neutral and disagreed with the statement respectively, 16.7% of the respondents strongly agreed with the claim and 13.3% of the respondents strongly disagreed with the claim. The findings from the study show that accounting information systems have enhanced performance of SMEs in preparing financial reports.

The above statements were supported by the respondent who had this to say;

“I believe that having strong technical financial management skills plays a critical role in improving the financial performance of SMEs. In my experience, businesses that invest in developing these skills tend to experience better profitability, sustainability, and overall success in the market place.”

Table 11:Model Summary shows a regression result for technical financial management and financial performance of SMEs.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.765 ^a	.870	.0737	.762

a. Predictors: (Constant), financial performance.

Source: field data (2024)

The finding from regression analysis shows that there is strong positive relationship between technical financial management and financial performance of SMEs. ($R=0.765$) gives us evidence that is a strong positive correlation between technical financial management in terms of hiring qualified personnel in financial advice and increase in equity in business.

4.5 Financial performance

Table 12: shows the financial performance of SMEs in industrial division Mbale City

Financial performance	SA	A	N	D	SD	Mean	Std D	Comment
There is increase in equity of the business	26.7%	66.7%	3.3%	3.3%	0%	1.87	0.9	Low
There has been an increase on return on assets	6.7%	70%	13.3%	6.7%	3.3%	2.30	1.016	Low
The firm has a good investment policy	26.7%	0	26.7%	13.3%	3.3%	2.37	1.031	High
The firm's net profit margin is above average	26.7%	33.3%	0	16.7%	0	2.37	1.031	High
Average mean						2.2275	3.978	

Source: field data (2024)

The findings from that bale show that 66.7% of the respondents agreed that there is an increase in equity in the business, 26.7% of the respondents also strongly agreed with the claim. 3.3% of the respondents were neutral and disagreed with the statement respectively. The findings from the study show that SMEs experience increment in equity in industrial division Mbale City and this shows there is sound financial performance among SMEs in Mbale City.

70% of the respondents agreed that there is an increase on the return on assets, 13.3% of the respondents were neutral about the statement, 6.7% of the respondents strongly agreed and disagreed with the statement respectively and 3.3% of the respondents strongly disagreed with the claim. The findings from the study sow assets owned by SMEs experience returns and tis enhances the liquidity within SMEs.

30% of the respondents agreed that the firm has a good investment policy, 26.7% of the respondents strongly agreed and were neutral with the claim respectively. 13.3% of the respondents disagreed with the statement and only 3.3% of the respondents strongly disagreed with the claim. The findings imply good investment policy reduces risk encountered in business.

33.3% of the respondents agreed that net margin profit of the enterprise is above average

, 26.7% of the respondents also strongly agreed with the claim, 20% of the respondents were neutral about the claim, 16.7% of the respondents disagreed with the claim and

3.3% of the respondents strongly disagreed with the claim. The findings from the study show that the SMEs in industrial division in Mbale City are financially stable since their net margin profits are above average.

CHAPTER FIVE

SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the summary of the findings, conclusions, recommendations and area of further studies.

5.1 Summary of the findings

5.1.1 What is the effect of management skills on financial performance of SMEs

60% of the respondents agreed that the businesses follow a specific business plan to implement its activities, findings from the study imply that SMEs in Mbale employ good management skills like have a business plan and this enhances its performance in terms of achieving targets. 66.7% of the respondents agreed that the customers are treated with high esteem, findings from the study imply that customer care employed by SMEs enhance their financial performance. 50% of the respondents agreed that appropriate decisions have helped SMEs competitiveness, findings from the study imply that appropriate decisions enhance SMEs competitiveness and competition yields efficiency and quality output. 53.3% of the respondents agreed that management capacity building has helped SMEs to continue existing, findings from the study imply that management capacity building improves on the skills of the employees and thus enhance existence of SMEs. 36.7% of the respondents agreed that refresher courses in management have enabled the business to improve-findings from the study imply that refresher courses in management enable the employees of SMEs to be efficient in their tasks and this improves the operation of the enterprise.

The findings from the study show that there is a significant relationship between management skills and financial performance of SMEs. ($R=0.689$) shows a positive correlation between management skills measured in terms of business following a business plan in implementation and increase in equity in business. Management skills positively affect financial performance of SMEs.

5.1.2 What is the effect of communication skills on the financial performance of SMEs

50% of the respondents agreed that the relationship with the customers has made business transaction easy, findings from the study imply that good relationship with the customers enhance mutual understanding between the employers of SMEs and customers. 56.7% of the respondents agreed that customers are responsive in paying the debts they owe-findings imply the mutual understanding between

the enterprise and the customers enhance the clearing of credit advanced to customers and this makes the SMEs to continue existing, 56.7% of the respondents agreed that there is close contact with the customers, findings imply that there is a mutual understanding between SMEs and their customers.

33.3% of the respondents agreed that customers normally take goods only on cash basis,

26.7% of the respondents were neutral about the claim findings from the study imply that cash-based transactions tend to enhance survival of SMEs.

The finding from the regression analysis shows that there is a moderate positive relationship between communication skills and financial performance of SMEs. An ($R=0.557$) gives us evidence of a significant relationship between close contact with business customers and increase in equity in business.

5.1.3 What is the effect of technical financial management on the financial performance of SMEs

53.3% of the respondents agreed that the SMEs are well versed with accounting techniques, findings from the study imply that being well versed with the accounting techniques enhances the performance of SMEs. 53.3% of the respondents agreed that management of SMEs have formal training in book keeping and accounting, findings from the study imply that formal training in book keeping helps the business have good financial records and this enhances the performance of SMEs in industrial division Mbale City. 50% of the respondents agreed that SMEs have hired a qualified personnel to help in giving financial advice, findings from the study imply that attaining financial success, SMEs employ experts in financial analysis. 40% of the respondents agreed that management has the necessary skills to undertake the preparation of financial statement findings from the study imply SMEs are able to know how to prepare financial statements. 30% of the respondents agreed that accounting software have made the work easy, findings from the study show that accounting information systems have enhanced performance of SMEs in preparing financial reports.

The finding from regression analysis shows that there is strong positive relationship between technical financial management and financial performance of SMEs. ($R=0.765$) gives us evidence that is a strong positive correlation between technical financial Management in terms of hiring qualified personnel in financial advice and increase in equity in business.

5.1.4 Financial performance of SMEs in industrial division Mbale City

66.7% of the respondents agreed that there is an increase in equity in the business-findings from the study show that SMEs experience increment in equity in industrial division Mbale City and this shows there is sound financial performance among SMEs in Mbale City. 70% of the respondents agreed that

there is an increase on the return on assets, findings from the study show assets owned by SMEs experience returns and this enhances the liquidity within SMEs. 30% of the respondents agreed that the firm has a good investment policy, findings imply good investment policy reduces risk encountered in business. 33.3% of the respondents agreed that net margin profit of the enterprise is above average, findings from the study show that the SMEs in industrial division in Mbale City are financially stable since their net margin profits are above average.

The finding from regression analysis shows that there is a strong positive relationship between technical financial management and financial performance of SMEs. ($R=0.765$) gives us evidence that is a strong positive correlation between technical financial management in terms of hiring qualified personnel in financial advice and increase in equity in business.

5.2 Conclusions

5.2.1 Effect of management skills on financial performance of SMEs

SMEs follow a specific business plan when implementing its activities, customers are treated with high esteem and enhances the relationship of the business and customer. Management capacity building enhances the skills of the employees in SMEs and refresher courses enable the employees to be efficient when carrying tasks.

5.2.2 Effect of communication skills on financial performance of SMEs

Mutual understanding with customers enhances cash-based transactions. Close contact with the customers enables credit to be cleared at the right time and thus increases equity with the business.

5.2.3 Effect of technical financial management on financial performance of SMEs

Most of the SMEs are well versed with accounting techniques, they also undertake their employees in formal book keeping training and also employ an expert in financial analysis. Financial accounting systems have made accounting easy and this has improved the financial performance of SMEs because of reduced errors in preparing the financial statements.

5.2.4 Financial performance of SMEs in industrial division Mbale City.

SMEs in industrial division in Mbale City experience increment on equity and returns on various assets. Good investment policy reduces risks in the business and most of the SMEs are financially stable since their net margin profits are above average.

5.3 Recommendations

5.3.1 Effect of management skills on financial performance of SMEs

The government must increase on educating the public masses on various management skills and increase on the funding in public universities thus creating more management courses in various universities. This will enable the public be equipped with management skills in business and hence leading to the growth of SMEs country wide.

5.3.2 Effect of communication skills on the financial performance of SMEs

SMEs should embark on getting various models that may enhance communication skills for example having an employee who understands all the languages. This will be another step in realizing more sales and revenue among SMEs.

5.3.3 Technical financial management and financial performance of SMEs

Increment on courses under financial management in universities across the country will increase on the number of people with expertise in financial analysis and this will help SMEs to get skilled personnel in the area of financial management which will enhance their performance in industrial division Mbale City.

5.4 Area of further studies

The study' suggests the following area of study;

An analysis of entrepreneurship theory practice

A comparison of methods and sources for obtaining estimates of new venture performance.

Is entrepreneurial competency and business success relationship contingent upon business environment.

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Appendix i: Questionnaire

Dear Respondent,

My name is OJANGOLE ANDREW, a student of Bachelors of Business Administration at Uganda Christian University. I am conducting a study on “Entrepreneurship Skills and the Performance of Small and Medium Enterprises in Eastern Uganda: A Case Study of Small and Medium Enterprises in Mbale Industrial City Division.” You have been selected to participate in this study by answering the following questions. Please tick the most appropriate response or elaborate where necessary. The information obtained from you shall be kept confidential and used for academic purposes only. You are also free to withdraw from participating at any time.

Thank you in advance for your participation.

Section A: Respondents’ Demographic Information

1. Gender Male []

Female []

2. Age 25-30 []

31 – 34 []

35 – 40 []

45-50 []

50 and above []

4. Education levels Masters’ degree []

Bachelor’s degree []

Diploma []

If other, please specify.....

5. Level of experience in business 6month-2 []
years
3 – 5 years []
6 – 8 years []

Section B: Effect of Management skills on the SME performance in Mbale Industrial City Division

Please tick the most appropriate option in the ranking of the questions; Use the following Likert scale to rate your answers:

1 – Strongly Agree (SA)

2 – Agree (A)

3 – Not Sure (NS)

4 – Disagree (D)

5 – Strongly Disagree (SD)

No.	Statements	Rankings				
		1	2	3	4	5
1	The business follows a specific business plan to implement its plans.					
2	The customers of the business are treated with high esteem.					
3	Appropriate decisions have helped SMEs competitiveness.					
4	Management capacity building has enabled the SMEs to continues existing.					
5	Refresher courses in management have enabled the business improve its operations					

Section C: Effect of communication skills on financial performance of SMEs Mbale Industrial City Division.

Please tick the most appropriate option in the ranking of the questions; Use the following Likert scale to rate your answers:

- 1 – Strongly Agree (SA)
- 2 – Agree (A)
- 3 – Not Sure (NS)
- 4 – Disagree (D)
- 5 – Strongly Disagree (SD)

No	Statements	Rankings				
		1	2	3	4	5
1	The relationship with our customers has business transactions easy.					
2	Customers are responsive in paying the debts they owe.					
3	There is close contact with our customers.					
4	Customers normally take goods only on cash basis.					

Section D: Effect of technical financial management on financial performance of SMEs in Mbale Industrial City Division.

Please tick the most appropriate option in the ranking of the questions; Use the following Likert scale to rate your answers:

- 1 – Strongly Agree (SA)

2 – Agree (A)

3 – Not Sure (NS)

4 – Disagree (D), 5 – Strongly Disagree (SD)

No	Statements	Rankings				
		1	2	3	4	5
1	SMEs are well versed with accounting techniques.					
2	Does management of SMEs have formal training in the book keeping and accounting?					
3	SMEs have hired qualified people to help in giving financial advice.					
4	Management has the necessary skills to undertake the preparation of financial statement.					
5	Accounting software have made our work easy.					

Section E: Financial performance in Mbale Industrial City Division

Please tick the most appropriate option in the ranking of the questions; Use the following Likert scale to rate your answers:

1 – Strongly Agree (SA)

2 – Agree (A)

3 – Not Sure (NS)

4 – Disagree (D)

5 – Strongly Disagree (SD)

No	Statements	Rankings				
		1	2	3	4	5
1	There is increase in equity of the business.					
2	There has been an increase on return on assets.					
3	The firm has a good investment policy.					
4	The firm's net profit margin is above average.					

Thank you very much for your time

APPENDIX II: INTERVIEW GUIDE

1. Does your business keep books of accounting? If yes, has this had any effect on your finances as a business?
2. Do your customers respond to your calls in case of any credit? Has it had any effect on your business growth?
3. Do you as the proprietor of this business have any accounting knowledge?
4. Does your business employ qualified staff to help in financial issues? If yes, has it had any impact on the business' financial performance?
5. Do you as an entrepreneur have any skills on how you organize your business activities. say a business plan?
6. Can you please give me your overall view on how you think entrepreneurship skills can affect financial performance?
7. Does management/owner have formal training in business management? How has it had any impact on your financial performance?

APPENDIX III: RESEARCH INTRODUCTORY LETTER



UGANDA CHRISTIAN UNIVERSITY, MBALE UNIVERSITY COLLEGE.

A Centre of Excellence in the Heart of Africa

BUSINESS DEPARTMENT

TOWN CLERK
To INDUSTRIAL CITY
DIVISION MBALE

Dear Sir/Madam,

Re: Academic Research

Christian greetings!

We are honored to introduce to you Mr. Mrs./Miss. OTAROONE ANDREW
Of Registration Number; KJA22/MUC/B.BA1030 pursuing a Masters'
Degree/Postgraduate Diploma / Bachelor's Degree

BACHELOR'S DEGREE IN BUSINESS ADMINISTRATION

He/ she is required to carry out an academic research on the topic

EFFECT OF ENTREPRENEURSHIP SKILLS ON FINANCIAL
PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES

and thereafter produce a well bound hard cover research report (MAROON) in color for undergraduate and three (BLACK) copies for Postgraduate students as a University requirement for the award of a degree/diploma in the academic discipline that he / she is pursuing.

We shall be grateful for the help you may offer to him or her accordingly.

Thank you.

Yours faithfully,


HEAD OF DEPARTMENT BUSINESS UCU-MUC
Henry Omache Ogachi

