

**EFFECT OF ENTREPRENEURIAL SKILLS ON THE PERFORMANCE OF SMALL  
AND MEDIUM SIZED ENTERPRISES IN CENTRAL UGANDA :A CASE STUDY  
IN LUWERO DISTRICT**

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**UGANDA CHRISTIAN  
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**DECLARATION**

I Birungi Hellen, declare that this is my original work and it has never been submitted to any Institution for any academic award.

Signature ..... *Hellen* ..... Date. *28<sup>th</sup> August 2024* .....

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**APPROVAL**

This dissertation titled 'EFFECT OF ENTERPRENEURIAL SKILLS ON THE PERFORMANCE OF SMALL AND MEDIUM SIZED ENTERPRISES IN CENTRAL UGANDA. A CASE STUDY IN LUWERO DISTRICT' has been conducted under our supervision and is ready for submission.

Sign.....*Maureen*.....  
Date.....*1st September 2024*.....

**MS. NATUHWERA MAUREEN**  
**SUPERVISOR**

## **DEDICATION**

This report is dedicated to my parents for their unwavering patience, substantial contribution, and unwavering support they offered to me during my academic journey. I owe my success to their unwavering affection and assistance.

May the omnipotent Father in heaven perpetually bestow plentiful blessings upon them!

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I would like to express my gratitude to my mother, Mrs. Birabwa Jane, and my sister, Nantongo Maureen, for their exceptional support, affection, nurturing, and words of motivation during the duration of this course. I shall forever be grateful to you in the name of Jesus.

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"To God be the Glory"

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## **ABSTRACT**

This paper examines the effect of entrepreneurship skills training on the financial performance of Small and Medium-Sized Enterprises in Luweero District, Uganda. Given the critical role that SMEs play in the process of economic development, especially employment creation and poverty reduction, this research examines the impact that specific competencies such as innovation, risk management, and communication have on growth and sustainability.

This study will adopt a mixed-method approach to ascertain the impact that training in key entrepreneurial skills will have on financial performance from March 2024 to August 2024. The study will be geographically focused on selected SMEs in Luweero District. It is expected that the findings from this study will inform entrepreneurs, policy, and scholars with practical insights into how the effectiveness and competitiveness of SMEs can be enhanced.

The literature review encompasses Innovation Theory by Schumpeter and Human Capital Theory, which addresses the underlying basis of innovation and acquired skills on which SME performances rely. Empirical studies conducted provide a platform upon which entrepreneurial training in innovation, risk management, and communication plays an integral part in financial success. The study also echoes the potential and contribution that entrepreneurship capability, including creative thinking, leadership, and teamwork, have for enhancing SME performance. This research goes on to outline areas not looked into, including defining creativity and measuring its direct impact on entrepreneurship.

A cross-sectional research design entails stratified random sampling of 80 SMEs through the collection of quantitative and qualitative data. These indicate that creative thinking and leadership are the major drivers of SME performance, as depicted by both quantitative data from structured questionnaires and qualitative data from semi-structured interviews. It is, therefore, conceivable to argue that the dissemination of entrepreneurial skills such as creative thinking and leadership increases SME performance in Luweero District, consequently contributing to regional economic development. Recommendations targeted at policymakers and business support organizations entail interventions and training programs that are intended to enhance SME performance.

# CHAPTER ONE

## INTRODUCTION

### 1.0 Introduction

This chapter provides the background of the study, states the problem, explains the aim and objectives of the research, generates research questions, indicates the scope of the study, and pinpoints the significance of the research.

### 1.1. Background of the study

According to the Global Entrepreneurship Monitor in 2005, the percentage of the population starting up and planning new businesses in Ireland increased to 9.5% from 7.7% in 2004, or almost 250,000 people in 2005. Organizational teams are formed through personal networks and relationships just like individual groupings. These relationships and the drives and motivations that will impel individuals at differing levels of the team need to be understood by the leader and others. In short, people need to be open-minded, observant, and using their emotional intelligence. Therefore, developing good, positive, and enabling relationships within the workplace will go directly to team performance and the members' potential to be at their best and associated with it. Global Entrepreneurial Monitor 2012 said that Nigeria is one of the global leaders in the world of entrepreneurship when belief in possessing necessary skills and expertise was used as an indicator.

However the rate of failures among SMEs has not declined within the past decade despite this forecast. The general direction in entrepreneurship studies has been toward establishing conceptual frameworks without studying the conditions that will enable a venture to survive. In this regard, Bosire and Nzaramba empirically demonstrated in their study that acquisition of entrepreneurial skills can enhance the self-sufficiency of novice and also experienced entrepreneurs. Coric, Katavic, and Kopecki believe that the eventual success of any entrepreneur largely depends on the capability of the entrepreneurs to create as well as exploit the essential entrepreneurial competencies with regard to commencing as well as sustaining business ventures during the first years. However, to the researcher's knowledge, such work is still absent in the Nigerian setting. Besides, the research by Undiayaunde 2015, indicated that graduates usually lack essential entrepreneurial skills and thus may lead to potential failure of their entrepreneurial ventures. This study, therefore, tries to evaluate what effects these

abilities have on SMEs' growth. Schumpeter, 1954 added that in general, the new methods of production and transportation, the processing of new products, changes in industrial organization, and the opening up of new markets are indeed vital causes of economic development. As manifest in Schumpeter's innovation theory, a successful entrepreneur is a person who has two highly valued competencies, to wit, invention or creativity and foresight.

This argument states that entrepreneurship is composed of a new product and discovery of an already existing or underserved market for the said product.

The Schumpeter theory of entrepreneurship focuses more on the profit involved by the innovators with no consideration of the aspect of organization skills and the conditions for the entrepreneurs to satisfactorily achieve the enterprise at hand. 1.1.2 Conceptual perspective The term entrepreneurship is a French word "entreprendre" coined first by military personnel in the early 16th century. The word "entreprendre" means loosely translated to mean "under take." However, the term has evolved today means the characteristics of leadership, proactive and innovation in the creation and distribution of products or services. (Schmit and Seargy, 2013). As Ying Lowrey explains, "entrepreneurial skills are a cluster of competencies that allow an individual to exploit an opportunity by creating a new venture; gathering resources, assessing and mitigating risks; devising a strategy leading a team; marketing and selling the product or service as well as managing the finances involved in running the venture"

### **1.1.3 Approach to factoring in condition and context in which something occurs.**

By the Global Entrepreneurship Monitor, 28 percent of Ugandans own or co-own a small and medium-sized enterprise.

Daniel Joloba, program manager for Enterprise Uganda, a public agency that supports SMEs, believes only a handful of these businesses survive long enough to flourish.

Most of these have remained informal and small-scale.

Remaining informal and small means one avoids paying taxes and registration fees. However, this comes at the cost of losing out on other opportunities that come from being registered, such as tendering for government contracts which would provide not only financial security but also a path toward expansion. Base on information obtained from The Guardian newspaper, year 2016. The Luweero District is located in the central

region of Uganda and is characterized by an increasing population of small- and medium-sized firms, which are at the very core of the economic development of the area. SMEs contribute to creating employment, generating income, and diversifying the local economy. Their performances are nonetheless in great disproportion, as well as influenced by a variety of factors which include entrepreneurial capabilities of the owners and managers. Business operations in Luwero District are largely selling products which are 90% similar, hence limiting the scope of choice that clients have in terms of what to consume. It is, therefore, of essence that entrepreneurs in Luwero District obtain entrepreneurial skills to ensure the success of their business ventures.

## **1.2 Problem statement**

The SMEs are of great importance in the Ugandan economic development by offering employment opportunities and reducing poverty. However, these businesses face various challenges which affect their growth. The study will investigate the relationship between owning and exploiting entrepreneurial competencies and the overall performance and success of SMEs.

Therefore, this research seeks to explore the specific entrepreneurial skills necessary for SMEs, the ways these skills are acquired and improved, as well as their direct impact on most factors associated with SME performance, including growth, innovation, profitability, sustainability, and competitiveness.

A number of conditions militate against the success of most SMEs in developing countries. Probably the most important of these is the lack of appropriate entrepreneurial skills on the part of owners and managers of such firms.

Abilities like creative problem-solving, effective interpersonal relationships, and good financial management will be necessary to navigate the details of corporate life and to help ensure organizational success. Although such skills have been considered crucial, there is a limited empirical evidence on their impact on the performances of SMEs in Uganda and precisely in Luweero District. Lack of information in this area has become a big challenge to policymakers, educators, and business development service providers who strive to design and implement effective strategies to support SMEs. Poor understanding of how diverse entrepreneurship talents affect enterprise performance could suppress efforts in enhancing SME performances. It is hoped that this research will come up with valuable conclusions regarding the relationship between increased

entrepreneurial skills and competencies among SME owners and managers, on one hand, and the realization of better business performances and sustainability, on the other. The findings give recommendations on specific ways of enhancing entrepreneurial learning, training, and policy environments to facilitate the growth and resilience of the SME sector in Luweero District.

#### **1.4 Purpose of the study**

This study seeks to establish the effect of entrepreneurial skills training on the success of Small Medium Enterprises in Luweero District.

#### **1.5 Research Objectives:**

- i) To gauge the impact of innovative skills training on the financial performance of Small Medium Enterprises in Luweero District.
- ii) To gauge the impact of risk management skills training on the financial performance of SMEs in Luweero District.
- iii) To assess the impact of communication skills training on the financial performance of SMEs in Luweero District.

#### **1.6 Research questionnaire**

- i) What is the impact of innovative skills training on the financial performance of SMEs in Luweero District?
- ii) What is the level of risk management skills training that leads to an improvement in the financial performance of SMEs in Luweero District?
- iii) To what level does communication skills training relate to improved financial performance of SMEs in Luweero District?

#### **1.6 Study scope**

##### **1.6.1 Content scope**

The study shall Majorly emphasize the impacts of entrepreneurial skills to competently undertake functions and activities of small and medium-scaled business enterprises.

##### **1.6.2 Geographical scope**

The study focuses on particular business enterprises within Luweero District, which is located in the central part within Uganda.

### **1.6.3 Time scope.**

The research will take six months starting from March 2024 to August 2024.

### **1.6.4 Significance of the study**

This research targets the improvement of entrepreneurial skills of entrepreneurs in Luweero District and increases their capacity to manage the business activities hence improving the SMEs performance.

This research will also be useful in enabling the entrepreneurs to analyze other challenges that hinder the smooth running of SMEs.

This research will equally inform the researchers and entrepreneurs who might embark on further research with regards to entrepreneurial abilities useful for the smooth running of SMEs.

### **1.7 Limitations faced while implementing the research**

This has further reduced the time, money, and human input that could be put into seeing the study through, thus limiting the scale and magnitude of the survey. As it were, these aspects delimit the level and scope of analysis.

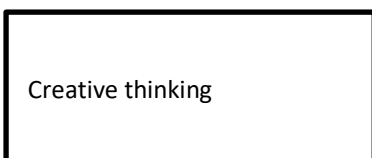
Further still, limitations in data at a micro level with respect to SMEs' performance in Luweero District, especially those touching on the entrepreneurial capabilities of the owners and managers, could inhibit the depths to which the research might be covered.

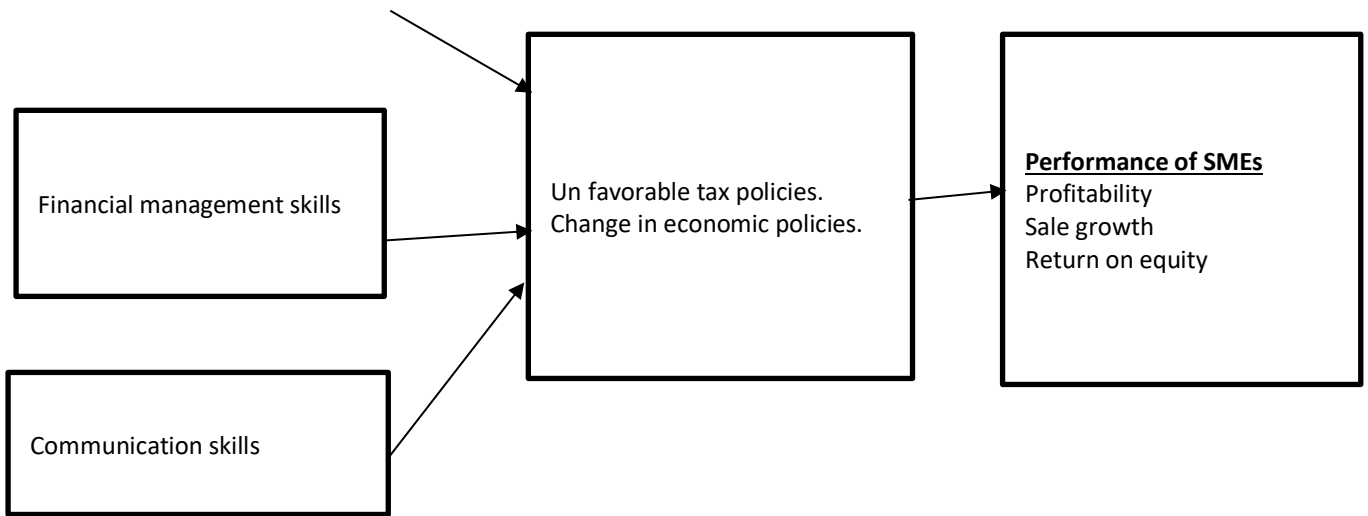
This further limited the number of SMEs available in Luweero District to the researcher for data collection purposes; therefore, comprehensive and diverse information meant for the study could not be collected.

Additionally, language and cultural barriers between the researcher and SME owners/managers in Luweero District impeded proper communication and understanding, hence the quality of data and its interpretation.

The rather poor response rates among SME owners asked for participation, added to the small samples, means that reliability of the study is compromised.

### **Conceptual framework**





**Source: adopted from MIPRA, 2018 and modifies**

The above diagram identifies the independent variables being entrepreneurial skills, which are characterized by attributes such as creative thinking, financial management skills and communicational skills, while the dependent variable was the performance of Small and Medium scale Enterprise in terms of indications such as profitability, sales growth and accountancy return on equity. However, these factors distort the operation of the system, such as changes in economic policy and unfavorable tax policies by the government.

Creativity and originality related skills

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

The paper highlighted the review of literature concerning entrepreneurial abilities, namely creative thinking, leadership skills, and teamwork, and their impacts on the performance of SMEs conducted by various authors.

#### **2.1 Overview of concepts by theories**

Like other investment theories of the business cycle, arguing that changes in investment and monetary expansion are the main driving forces behind the business fluctuations, Schumpeter's theory puts forward an innovation argument in business as the main cause of increased investment and business fluctuation.

For Schumpeter, innovation is essentially induced by the cyclical process in industrial and commercial organizations. Innovation includes introduction of new methods of production and transportation, manufacturing of new products, rearrangement of the industrial structure, exploitation of new markets and others.

#### **2.2. Entrepreneurship theories**

##### **2.2.1. Innovation theory.**

Schumpeter (1934) argues that the innovation hypothesis assumes an entrepreneur has two different capacities. Significantly, the ability to forecast and the ability to create. According to Nichter and Goldmark 2009, Schumpeter's entrepreneurship theory recognizes that profit is an incentive for innovators especially in SMEs. Pertaining to this issue, entrepreneurial characteristics of the individuals should involve opportunity realization, skill identification, prediction of the future and market intelligence. Therefore, some of the critical characteristics of an entrepreneur have to involve vision, comprehending the market as well as ability of opportunity identification. In fact, a study conducted by Coric, Katavic and Kopecki 2011 resulted in the establishment that SMEs which became successful gain more information about the business environment than those which are less successful. This particular aptitude gives the entrepreneur an

overview of the environment of business and helps in forming a big-picture view regarding the business operations.

According to Cooney 2012, every institutional system has entrepreneurs just like any other innovators. Hence, unique features of every institution depict the behaviour of an entrepreneur, along with their successes and efforts put forth for innovational proposals. The theory hence proposes that the risk management skills, communication skills, innovation skills that enhance the ability of entrepreneurs to uniquely approach the financial performance as the study proposes.

According to Stevenson, an entrepreneur must be inventive in his skills. This invention consists of the ability to think and solve problems. According to the research, the main reason for the success of entrepreneurs is their ability to visualize and invent anything around them as well as finding their way out of obstacles. Nevertheless, the skills cannot be predominant without

Faizan and Haque, 2016 add that such capital investment should directly be provided by the local government in order for entrepreneurial businesses to be supported effectively.

### **2.2.2 The Human Capital Theory**

Human Capital Theory is an approach which basically places much emphasis on the worth and significance of the people within an entity.

The concept under discussion was put forward by Schultz and Becker in 1961. According to Becker, 1993, individuals invest in themselves by improving their capabilities and understanding. As a result, when workers are trained to acquire knowledge, they can apply their learned skills and capabilities at work. This, of course is attainable through training, education, and experience and always has a direct impact on an entrepreneur's capability to find opportunities, make use of the resources available, and to manage an enterprise efficiently.

In line with the above observation, the theory is of the view that experience must have knowledge and skills as the foundation ingredients. As explained in the above concept, this means knowledge and skill acquisition. Because through such acquisition, the entrepreneur is resourceful enough to enable him boost the financial performance of SMEs in Uganda. This is because employees become more productive when they are

involved, as experience increases employee productivity. Human Capital theory is based on the concept of the level of knowledge acquired by entrepreneurs being valuable compared to other resources used in the process of creating services and goods. Thus, through such an underlying concept, it has been believed that the achievement of financial performance, more specifically in terms of ROI, ROE, and profitability, is based on the acquisition of entrepreneurial skills. This may be achieved through training in innovative skills, risk management skills, and communication abilities.

Various research works, such as Jens, Rauch, Frese, and Rosenbusch (2011); Davidsson and Honig (2003); Chandler and Hanks (1998), applied Human Capital Theory to predict the success of an entrepreneur in SMEs.

### **2.3. Observational evidence review**

#### **2.3.1. Impact of Innovative thinking in efficient performance of SMEs**

From Schumpeter, the accent in his approach to innovation falls on new combinations, and only creativity and an ability to think can give birth to such combinations; that is why the development of creative thinking is crucial in stimulating such a process of new combinations and thereby improving the performance of the company.

Globalization in the modern economic world has made it possible for the creation of the international market, where manufacturers can easily export their products across the borders. This has given ample opportunity for buyers to access a great number of varieties of products of all types and kinds. The discussion related to defining creative thinking and the relationship between creativity and entrepreneurship is limited. According to the study by Ward, Finke, and Smith in 1995, creativity is the process of generating novel and appropriate solutions. Creativity refers to the ability to produce original or distinctive work within certain assignment limitations that are presupposed, and meaningful (Lubart, 1994). From these, it is clear that creativity refers to original and meaningful ideas. According to Schumpeter, creativity and innovation are closely related. Thus, creativity masks ideas while innovation carries out the ideas. However, Haque, Faizan, & Cockrill, 2017 countered that innovation remains one of the strategic determinants of competitiveness.

According to the investment theory of creativity by Sternberg, "creativity is a decision and follows from an investment of time and effort". It is further elaborated in the

hypothesis on the kind of. Creativity may be described by Sternberg, 1995 as an interaction of intellectual capability, knowledge, style of thinking, personality, motivation and the environment. The intellectual capabilities give the ability to recognize a sound idea from defective ones. However, an creative mind requires an entrepreneurial ability to turn ideas into successful business ventures. Through the use of innovative thought processes, an entrepreneur not only develops ideas, but critically assesses how to create and accomplish goals and success of those ideas. Thus, an entrepreneur represents a difference between innovative intelligence and traditional commercial approach. A key characteristic of entrepreneurship is the ability to discover and exploit business opportunities Shane and Venkataraman 2000. For example, it has been argued that the capability to seize venture opportunities far outweighs other factors, such as personal qualities of the entrepreneur/manager and the efficiency of the firm, in terms of leading to success in the complex, ever-changing financial and business environments of today (e.g., Puhakka 2007). An interesting source in the specific context is the strategic management book by MacMillan and McGrath, 2000, where the authors said that an ability to create and exploit new venture opportunities is the principal weapon in the strategic armory of corporate entities. This is a good starting point for the higher vision where entrepreneurship is a strategic competence across the various enterprise forms.

### **2.3.2. The Impact of Communication Competencies on Small and Medium Scale Enterprises Financial Performance**

Communication, as defined by Barret (2006), is a process through which there is a transfer of ideas to effect understanding. Similarly, different researchers perceive that communication is one of the crucial elements that enhance the development of firms due to the fact it is a social skill. Dollinger 2003 considers efficient communication as the foundation of firm entrepreneurship. In this light it focuses on the abilities of writing, speaking, and also listening. This gifting allows entrepreneurs to communicate information to customers through advertisements, language, written equipment, in addition to non-verbal tools. There are numerous techniques involved and through them the communication largely and highly affects and impacts corporate performance. PMI 2008 recognises that communication model provides stable and integrated information networks, the required ways to communicate effectively.

Rogers 1976 defines Organization as a relatively constant structure of individual men and women who collaborate to pursue organizational goals by using through division of labour and known hierarchy. To do this, men need knowledge that will enable them to make proper judgement. Hence, it is essential to provide them with the needed information that will destroy their individuality. "The behavior of individuals in organizations is consequences of different factors from the ones determining their behavior in roles outside the organizations. Most of these unique factors have something to do with the organizational structure." In other words, organizational communication is affected by the organized framework within which the communication occurs, hence the process of communication is equally affected. Therefore, the inferior communicates with a superior in a way that differs from people interacting at equal status. (Katz and Kahn, 1978)

From an open-system view, an organization is a complex entity with a network of interconnected channels of communication specifically arranged to receive, sift, and process information from the environment and feed back the output message into the environment. According to Rogers and Rogers, communication is the method through which selections are made and implemented, feedback is received, and organizational goals and processes are revised when necessary.

Andersen and Rasmussen, 2004 say, "Organizations with strong internal information networks in their sectors are more likely to achieve successful communication ". The study confirms that employees in an organization should have effective communication skills in order to facilitate the transfer of information from the internal environment to the stakeholders in the external environment of the company.

In support, Elfenbein, Hamilton, and Zenger (2008) conducted a study and measured the interpersonal communication skills-performance relationship of marketing organizations. Their study revealed that 80% of performance is related to the influence of communication. Hence, they concluded that one can increase the employees' communication skills and openness within the organization to result in increased overall organizational performance.

In addition, a study by Wanjiku and Lumwagi (2014) looked at the relationship between ways of communication and the financial performance of firms in Kenya. This study

discovered that communication skills play a very significant role in the financial performance of organizations. The findings presented agreement with Wagner, Liston, and Miller's 2011 work that having communication infrastructure without actual communication skills does not guarantee improving the financial performance of an organization. Santarelli and Vivarelli 2007 presented a paper on entrepreneurial skills and the relationship to the growth of SMEs in Nigeria. It drew data from 38 SMEs and arrived at the conclusion that business and entrepreneurial skills have a very important relevance in influencing the growth of SMEs in Nigeria. It has been established that effective communication, problem-solving, and leadership contribute significantly to the growth of small and medium-sized enterprises. Spanos, Prastacos, and Poulymenakou, 2002 also established that among the communication competencies was the ability to solve problems amicably. Thus, these are some of the crucial competencies that are necessary for the success of an enterprise. These results further agree with the ones obtained by Prahinski and Benton, 2004 where advanced competencies like conflict management and leadership were found to be vital to entrepreneurs.

Effective communication facilitates motivation in that clear instruction on how to perform a certain task, what is required, and how one may strive to achieve high performance. Work group communication is the technique through which work group members discuss frustrations or feelings of satisfaction towards job-related activities or may discuss other social aspects of their lives. Communication is, therefore, utilized in depicting moods and the realization of societal goals.

### **2.3.3. The impact of entrepreneurial management competencies on SMEs performance**

Where the public and private sectors of an economy fail to effectively facilitate each of the significant elements that lead to the success of the SMEs, that economy can be prevented from assuming its rightful place as a development driver. One such element is financing. Firms need financial capital to facilitate their growth, production, innovation, expansion, and business development Fogel, 2001. Access to debt capital is of paramount importance for the survival and growth of SMEs. The various forms that debt finance takes are loans, lines of credit, bonds, or any promise to repay borrowed money within a specific period at predefined interest rate and conditions. It

is presented as a liability on the company books, and the firm may deduct the interest payments as legitimate expenses against business income. In bankruptcy or insolvency, the debt holders have precedence over the equity holders. Debt finance has its relative advantages and disadvantages for small businesses. One of such is that it is easily accessible by a small business from a bank or other forms of financial bodies. Debt can be tailored for individual needs since it is available with a variety of terms. Because most debt falls under regular and scheduled payments of interest and principal, it is relatively easy to financially plan around it. As opposed to equity, debt does not dilute ownership in SMEs.

Risk-taking refers to the perceived probability of gaining the rewards associated with the successful outcome of a situation that must be weighed against before taking up the negative consequences of failure associated with being at risk. In contrast, the opposing situation represents lower rewards and less intense consequences than the proposed situation does. Another critical characteristic considered is a high level of risk-taking. We expect that individuals who are relatively more risk-averse will enter the worker career while individuals with higher levels of risk tolerance will enter the entrepreneur career.

Risk is fundamental to entrepreneurship. An entrepreneur risk may involve not only a possible loss of invested financial capitals but also a damage of one's reputation and prestige, among others. This is because it is, in effect, bound to run across fast speeds of alteration and high magnitudes of risk and uncertainty. Thus, they must be willing to bear and handle these risks and uncertainties. Entrepreneurs have this willingness to take up risks, but they do not venture into such matters without very thorough and elaborate risk assessment. They apply all the available tactics to keep the odds favorable for them. They invite others to incur inherent financial and business risks. The partners and investors risk their capitals and reputations as well. At times, the creditors together with consumers who pay in advance and suppliers who give credit also participate in it (Miner).

Other researchers still place the inclusion of risk-taking or tolerance in the present pool of literature on entrepreneurship as a characteristic of entrepreneurs, despite its not having been established empirically yet: Baron and Shane, 2004; Bolton and

Thompson, 2003; Deakins and Freel, 2003; Kuratko and Hodgetts, 2001; Megginson, Byrd and Megginson, 2003. Contrarily, however, the works of Miner and Raju, 2004; Xu and Reuf, 2004 have challenged the extent to which risk-taking propensity represents a definitional characteristic of entrepreneurship.

They had surmised that entrepreneurs are not only less willing to take risks but in some cases even more risk-avoiding than other managers and permanent employees. Hisrich and Peters 2002, observed that no concrete evidence has been put forward to establish a cause-and-effect relationship between risk and entrepreneurs. The authors also established that the propensity to take risks is not one of the significant traits that form the basis of research into entrepreneurial financial abilities. Stewart and Roth 2001, and Deamer and Earle 2004, are of the view that there is a need for clear and factual information on entrepreneurial risk tolerance in light of the conflicting views cited above.

Other ways of addressing this problem are reviewed as well, and concluding, three aspects of the risk concept are touched upon: the Risk as a deviation from the norm; Risk as a potential loss and financial ruin; and Risk as a potential opportunity. Besides, the authors provide an overview of the literature with regard to the definition and measurement of risk in other fields than economics, such as finance, strategy, and entrepreneurship in order to underpin the concepts in an entrepreneurial setting.

#### **2.4. Entrepreneurial skills**

Indeed, the real underlying reason why entrepreneurial skills are the drivers of firm performance is the increasing attention that researchers and practitioners accord to SMEs in the vibrant and highly competitive environment they exist in in central Uganda. Entrepreneurial skills, which include innovative thinking, communication, and financial management, form the basis for the capacity of any small and medium-scale enterprise to innovate, expand, and develop a competitive advantage. This conceptual framework tries to explicate the interaction of these entrepreneurial capabilities with the performance outcomes of small and medium-sized enterprises.

### **2.4.1. Innovative Cognition**

Creative thinking involves the generation of new and original ideas and solutions. It indicates creative thinking, innovative idea generation, and the application of unorthodox procedures in problem-solving. In SMEs, creative thinking is expressed in various forms, including new products or services, improvement of operations and business processes, and elaboration of original marketing strategies. Imaginative thinking further supports innovation to develop new products and services which satisfy the unexploited needs of customers or even tap new markets. New product or service introduction can individualize the SME from competitors, enabling them to command premium prices and thereby enhancing their competitive advantage and, hopefully, profitability. More importantly, advanced levels of products and services may be able to attract new customers and retain old customers, leading to greater sales and revenue growth.

Following Amabile's componential theory of creativity, 1983 intrinsic motivation, domain-relevant skills, and knowledge of creativity-relevant processes are all necessary to ensure creative thinking is promoted. As Amabile further underlines, it is these components that produce innovative ideas in an entrepreneurial context as well.

Peter Drucker (1985) insists that innovation is the specific instrument of entrepreneurship. Innovation as a system he continues to say, means that modification has to be searched for in a conscious and organized way, looking at the possible gains they will bring on. Other scholars such as J.P. Guilford (1967), Michael Kirton (1976), and Mark Runco (2004) have also expressed various views on creative thinking.

### **2.4.2. Ability in financial management skills**

Entrepreneurs should therefore possess the necessary skills in financial management to manage their resources efficiently, create expansion plans, and ensure that their respective businesses remain profitable.

#### **Financial Management**

Effective financial management is a strategic process that an entity plans, organizes, controls, and monitors financial resources to accomplish the organization's objectives.

Gavin Cassar, 2009, states that proper financial reporting, planning, and cash flow management play a very important role in small firms to enhance entrepreneurial

performance. Mark Griffiths and Jill Kickul, in their research study entitled "Incorporating Financial Literacy into the Entrepreneurship Curriculum" (2005), discuss financial literacy in relation to entrepreneurship. They claimed that an entrepreneur should know everything about financial concepts and instruments for well-informed decision-making and effective management of his or her enterprise. Howard Van Auken, on the other hand, conducted research focused on small business financial management and pointed out financial problems faced by entrepreneurs in conducting their business. He recommends that the provision of financial education and training would enhance the financial management capability of entrepreneurs.

#### **2.4.3. Effective communication skills**

Effective communication skills will help an entrepreneur to articulate his vision, establish relations, and manage the business.

The concept of communication has been defined by various authors like Kivimaki et al. (2000), Dickinson, Bellack, and Gold (2007) and Dollinger (2008). Kivimaki et al. (2000) cite that people's view is transmitted in order to give significance to them. Dickinson, Bellack, and Gold (2007) mention that to transmit the information from sender to receiver is a social skill. He also emphasizes that communication is one of the crucial elements for the growth of organizations. Therefore, several researchers have studied the associations between communication competencies as well as financial outcomes of organizations. These scholars include Dollinger 2003, Elfenbein, Hamilton, and Zenger 2008, and Wanjiku and Lumwagi 2014.

#### **2.5. Gap in research**

There are different research articles on entrepreneurial skills in Uganda. An empirical study done by Kato 2016, shows the gap in entrepreneurial skills amongst entrepreneurs at Katwe, which was one of the contributing reasons to the variation in performance. Further, investigations conducted by Kakuru (2000), Kibuuka (2013), Kisuze (2003), and Kivumbi (2013) in Uganda also emphasized entrepreneurial skills as one of the driving forces in promoting self-reliance for growth in existing and new businesses and within different contexts. However, no single one of these studies has investigated differences in financial performance before and after training in entrepreneurial skills. This review points to a gap in understanding how entrepreneurial skill training affects

financial performance, especially in SMEs in Luweero District. The study seeks to bridge the identified literature gap.

## CHAPTER THREE

### METHODOLOGY

#### 3.0 Introduction

This chapter presents the methodological approach used in the study of the influence of entrepreneurial skills on SMEs' performance in the Luweero District. The study shall adopt a mixed-method approach, combining both qualitative and quantitative methods in data collection and analysis. This covers research design, target population, sample design, methods of data collection, data analysis, and a model to be used in obtaining comprehensive and optimal information about the research problem. 3.1. Research design.

The study adopted a cross-sectional research design, and thus data was collected from a sample population of SMEs in Luweero District at one single point in time. The architecture has thus facilitated an analysis of the correlations between entrepreneurial capabilities and performance of SMEs while simultaneously allowing the investigation of underlying factors that influence such correlations.

This is a comparative and descriptive survey model study; hence, it embraces both quantitative and qualitative methods. This study proposes the use of a descriptive research design since Saunders et al. note that a descriptive research design is one immediate way of ascertaining opinions and ideas on a particular topic. Descriptive research methods have sought to accomplish the task of describing the prevailing situation concerning the variable under consideration.

Along this line, Kothari, 2004 added more credence to the fact that a descriptive design makes use of a large number of people and representative of the true characteristics of the entire population through the selection of unbiased sample. This therefore means the use of interview guides and questionnaires.

Besides, if the population from where the sample was retrieved is taken into consideration, then findings can be generalized (Saunders, Lewis, & Thornhill, 2007). Therefore, measurable as well as non-measurable data will be employed in determining correlation between the variables. The numerical findings are used to back up the non-

numerical data that are collected by the help of an interview guide (Guest, Bunce & Johnson, 2006).

### **3.2. Scope of research**

The setting of the case was done in Luweero District, which happens to fall within the central region of Uganda. The reason Luweero District had to be targeted in the study is because of its complicated SME setting comprised of agriculture, manufacture, retail, and service sectors. This presents a good setting where entrepreneurial capabilities can be developed and tested in relation to SMEs' performance.

### **3.3 Sampled population**

The entire study encompassed a total of 80 SMEs operating in Luweero District.

A stratified random sampling technique was used to select these SMEs. The sampling frame was obtained from the Uganda National Bureau of Statistics-UBOS and Uganda Small Scale Industries Association-USIA. The economy of Luweero District consists of several sectors, which include, among others, agriculture, industry, retail, and services. The aforementioned industries will engage in different activities with SMEs and have them be the backbone of the local economy, one highly contributory to employment and economic growth.

### **3.4 Sample size and statistical sampling techniques**

#### **3.4.1 Sample size**

In estimating the sample size, the formula was then used by considering a number of SMEs that are in Luweero district and the required degree of confidence and tolerance of error. A simple random sampling method was then used to select the final respondents. The Slovenian formula was used to determine the sample size required:

$$n = N / (1 + Ne^2)$$

Where: - n = the required sample size, N = Total target population, e = confidence level.

$$n = \frac{100}{\quad}$$

$$1+(100) (0.05)^2$$

$$n = 100$$

$$\frac{\quad}{1+(100) (0.05) (0.05)}$$

$$n = 100$$

$$\frac{\quad}{1+(100) (0.0025)}$$

$$n = 100$$

$$\frac{\quad}{1+0.25}$$

$$n = 100$$

$$\frac{\quad}{1.25}$$

$$n = 80 \text{ respondents}$$

A process of selecting a sample -a part which is representative of a larger population- to study or analyze.

For the present study, a stratified random sampling method shall be employed to ensure that SMEs from all industries are properly represented in Luweero District. The stratification may take the form of industries such as agriculture, manufacturing, retailing, and services. SMEs for study have been randomly selected from every stratum so that the sample remains very diversified and representative.

### **3.5 Data gathering method**

Both quantitative and qualitative methods were used to obtain data from the sample.

#### **3.5.1 Questionnaire**

A carefully designed questionnaire was administered to a sample of SME owners or managers.

This questionnaires used in this study contained both closed-ended and Likert-scale questions. This will be able to establish quantitative data on some of the variables, for example, types of entrepreneurial talent, financial performance indicators, growth indicators and challenges encountered. Besides, Mugenda, 1999 acknowledged that questionnaires are cost-effective in terms of money and time. Surveys provided quick observations and facilitated the quantifying these by the researcher. 3.5.2 Interviews

Discussion is one form of communication where two or more persons exchange any form of information. It hence means that there had been an engagement between two parties at some point in time. Once the quantitative data from the questionnaire is complete, a pool of SME owners or managers undergo semi-structured interviews. The interviews gave a trialed look into the depth and complexity of entrepreneurial talent, how such entrepreneurial talent is implemented at enterprise level, and its positive perceived impact on SME performance. The researcher uses interviews because they give room for additional data by probing and capturing of facial expressions by the participants. Most importantly, they also gave an opportunity for the 26 persons who participated in this research to review issues that though less important could be central to the study.

### **3.6 Data of data collection**

#### **3.6.1 Questionnaire**

For quantitative data, the research adaptations used a questionnaire to obtain information in this study from a sample of 80 SMEs. The above three objectives realized in chapter one through the use of primary data. The collection of primary data adopted by the researcher was based on a semi-structured questionnaire. A questionnaire is an instrument operating within pre-defined alternatives. It is a systematic and standardized research instrument in the collection of information.

## CHAPTER FOUR

### ANALYSIS, PRESENTATION, AND INTERPRETATION OF FINDINGS

#### 4.0 Introduction

The main aim of the study was to evaluate the impact of entrepreneurial skills on the performance of small and medium-sized firms (SMEs) in Luweero, both before to and after their involvement in entrepreneurial skills training. This chapter offers a thorough review of the analysis, presentation, and interpretation of the findings derived from the study. The presentation begins by discussing the rate at which participants responded. It then presents the findings related to the characteristics of the participants. Finally, it closes by discussing the results of a paired sample t-test that directly addresses the study's objectives.

#### 4.1 The rate of response acquisition.

The response rate is calculated by dividing the number of questionnaires that were returned by the total number of questionnaires that were distributed, and expressing it as a percentage. The researcher's objective was to incorporate a sample size of 80 respondents in this examination. The response rate results are shown in Table 4.1.

**Table 4.1 presents the rate at which answers were received.**

**Table 4.1 displays the pace at which responses were received.**

<b>Category</b>	<b>Target No of Respondents</b>	<b>Realized No of Respondents</b>	<b>Percentage of response (%)</b>
SMEs respondents	80	80	100%

Data source: Original data, 2020

The data presented in Table 4.1 indicate that 80 data collecting instruments were provided to participants for the study. Remarkably, all 80 instruments were completed and returned, resulting in a perfect response rate of 100% (Groves, Fowler, Couper, Lepkowski, Singer & Tourangeau, 2009).

## 4.2 Respondents' Demographic Characteristics

This section provides an overview of the demographic attributes of the participants from Luweero District who took part in the study. The demographic information provided encompass gender, organizational tenure, department affiliation, industry sector, legal status, and personnel count. The results for each demographic characteristic are outlined in the subsequent sections.

### 4.2.1 Respondents' Gender

This study involved participants of both sexes who were small and medium-sized enterprise (SME) operators in Luweero District. The outcomes are presented in Table 4.2.

**Table 4.2 displays the gender distribution of the responses.**

	<b>Frequency</b>	<b>Percentage</b>
Female	50	62.5
Male	30	37.5
<b>Total</b>	<b>80</b>	<b>100.0</b>

**Data source: Primary data from the year 2020**

The data shown in Table 4.2 reveals that a significant proportion of the participants (62.5%) were male, whereas females accounted for 37.5% of the respondents. The findings indicate that the study included participants from both genders, although there was a greater proportion of male participants. Men have a greater representation in business management within the research environment compared to women.

### 4.2.2 SMEs' Lifespan

The study investigated the length of time that small and medium-sized enterprises (SMEs) in Luweero District had been in operation. The results are displayed in Table 4.3.

Table 4.3 displays the length of time that small and medium-sized enterprises (SMEs) have been in operation.

Rate of occurrence or repetition of an event or phenomenon.

**Table 4.3: Duration of SMEs' Existence**

	<b>Frequency</b>	<b>Percentage</b>
1-2 years	10	12.5%
3-5 years	23	28.8 %
6-10 years	25	31.2 %
11-15 years	12	15%
16 years and above	10	12.5 %
<b>Total</b>	<b>80</b>	<b>100.0</b>

**Data source: Original data, 2020**

The results suggest that the largest proportion of small and medium-sized enterprises (SMEs), specifically 31.2%, had been active for a period of 6 to 10 years. This was followed by 28.8% of SMEs that had been operating for 3 to 5 years. Additionally, 15% of SMEs had been in existence for a duration of 11 to 15 years. A minority, comprising 12.5%, had been engaged in business for a duration of either 1 to 2 years or over 16 years. The findings indicate that the majority of small and medium-sized enterprises (SMEs) in Luweero District had been in operation for a period of 6 to 10 years. This timeframe was deemed appropriate for the study to assess any alterations in financial performance that occurred before and after the implementation of entrepreneurial skills training. The data suggests that the extended operation of several SMEs may be associated with a decrease in their financial performance before receiving entrepreneurial training, emphasizing the significance of such training for maintaining business success.

#### **4.2.3 Sector in which the small and medium-sized enterprises (SMEs) are engaged**

The researcher performed an inquiry to ascertain the specific sectors in which the small and medium-sized enterprises (SMEs) in Luweero District were engaged. The results are displayed in Table 4.4.

Table 4.4 displays the specific industry in which the small and medium-sized enterprises (SMEs) are engaged.

**Table 4.4: Industry in which the SMEs Operate**

<b>Industry</b>	<b>Frequency</b>	<b>Percentage</b>
Manufacturing (Furniture, Hides & Skins, Bakery)	4	5%
Service (Transport, Hotel & Private Schools)	40	50%
Trade (Petty Traders)	36	45%
<b>Total</b>	<b>80</b>	<b>100.0%</b>

**Source:** Primary data, 2020

The study results indicate that half of the SMEs (50%) were involved in the service sector, including transport, hotels, and private schools. This was closely followed by 45% operating in trade as petty traders, while only 5% were engaged in manufacturing activities such as furniture, hides & skins, and bakeries. This suggests that the majority of SMEs in Luweero District are involved in petty trading, which may explain their initially low financial performance before receiving entrepreneurial training, as petty traders often have limited business management skills.

#### **4.2.4 Categories of SMEs**

The study also sought to establish the categories of the SMEs which were surveyed by the researcher in Luweero District. The findings are shown in table 4.5.

**Table 4.5: Categories of the SMEs**

	<b>Frequency</b>	<b>Percentage</b>
Small scale enterprises	35	43.5%
Medium enterprises	25	31.3%
Sole proprietorship	10	12.5%
Family business	10	12.5%
<b>Total</b>	<b>80</b>	<b>100</b>

**Data source: Original data, 2020**

The results show that service industries comprised 50% of the SMEs, including transportation, hospitality, and private educational institutions. Trading comes second by 45% of the participants as small-scale retailers, while only 5% were involved in manufacturing industries such as furniture, hides and skins, and bakeries. The findings show that most of the SMEs in Luweero District are small traders, which could be the reason for their poor performance before entrepreneurship training. This is so because generally, small traders are not very enterprising.

4.2.4 Classification of Small and Medium Enterprises

This study also tried to establish the categories of the small and medium-sized firms that were surveyed by the researcher in Luweero District. The findings are presented in table 4.5.

**Table 4.5 shows the classification of Small and Medium Enterprises-SMEs.**

**Table 4.6: Size of Employees employed by SMEs**

	<b>Frequency</b>	<b>Percentage</b>
1-20 employees	76	95
21-40 employees	4	5
<b>Total</b>	<b>80</b>	<b>100.0</b>

**Data source: Original data, 2020**

The study findings indicated that the majority of small and medium-sized enterprises (SMEs) in Luweero District had a workforce ranging from 1 to 20 people, while a minority of SMEs (5%) had a workforce ranging from 21 to 40 employees. These findings indicate that most small and medium-sized enterprises (SMEs) had a limited number of employees, perhaps because of their small business size and limited financial resources. This factor may have had a role in their comparatively inferior financial performance.

**4.3 The disparity in financial performance pre and post Innovative skills training of SMEs.**

This subsection offers the researcher's results on the financial performance of small and medium enterprises (SMEs) in Luweero District, both before and after obtaining innovative skills training. The researcher assessed the financial performance of SME operators in the district by providing them with creative skills training. This evaluation aimed to identify whether there was a discernible difference in their financial performance before and after the training. The outcomes are presented in Table 4.7.

Table 4.7 presents the results of the financial performance analysis conducted before and after the implementation of innovative skills training for small and medium enterprises (SMEs) in Luweero District.

**Table 4.7: Findings on financial performance before and after Innovative skills training of SMEs in Luweero District.**

<b>Financial performance</b>	<b>Very low</b>	<b>Low</b>	<b>Moderate</b>
	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
Before training	24.9	61.4	13.8
After Training	1.6	0	98.4

Data source: Original data, 2020

The study examined the financial performance of small and medium-sized enterprises (SMEs) in Luweero District prior to the owners undergoing innovative skills training. The results indicated that a significant proportion of participants (61.4%) expressed agreement with their subpar financial performance before undergoing the course. This implies that the insufficient proficiency and understanding of innovation among small and medium-sized enterprise (SME) operators would have played a role in their unfavorable financial results.

Upon evaluating the financial performance of small and medium-sized enterprises (SMEs) after undergoing innovative skills training, the findings, presented in Table 4.8, demonstrate a noteworthy enhancement. Specifically, 98.4% of participants reported a substantial rise in their financial performance. Consequently, the training equipped the SME operators with essential innovation abilities, resulting in increased sales and improved financial outcomes.

In addition, interviews uncovered that small and medium-sized enterprise (SME) owners had training in marketing innovation, enabling them to successfully promote their products. This factor is likely to have played a role in the observed enhancement of financial performance. According to one participant, B11, mentioned.

*“The SME owners have received training in marketing innovation, which encompasses the processes of researching, developing, and implementing innovative methods and technologies to enhance the efficacy and efficiency of a business's marketing strategy. This innovation conferred a competitive edge in the marketplace by augmenting brand recognition and market dominance”.*

*“The interview results also indicated that small and medium-sized enterprise (SME) owners were instructed to perceive innovation as a chance for growth rather than a risk, which could have played a role in the modest enhancement of their financial performance”.*

*“SMEs underwent training in integrative innovation, with a specific emphasis on perceiving innovation as a chance for growth rather than a risk. They were instructed to approach problems in a comprehensive manner, taking into account the entire organization or business rather than dealing with issues in separate parts. The training stressed the significance of being versatile and adaptable, including the ability to transition to a different business when the current one encounters difficulties”.*

Table 4.8 presents the results of a paired sample t-test investigating the impact of financial performance and innovative skills training on small and medium enterprises (SMEs) in Luwero District. Statistical analysis: Paired Samples Test for Innovation Skills

**Table 4.8 Paired sample t-test examining The effects of financial performance and Innovative skills training of SMEs in Luwero District. Table: Paired Samples Test for Innovation Skills**

Pair	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference	t	df	Sig. (2-tailed)
				Lower	Upper		
<b>1</b>	1.889	0.834	0.061	1.769	2.009	31.148	188

**Table: Paired Samples Statistics for Innovation Skills**

Pair	Mean Difference (After - Before)	Std. Deviation	Std. Error Mean	95% Confidence Interval	Lower	Upper
<b>1</b>	1.889	0.834	0.061	1.769	2.009	

**Source:** Primary data, 2020

**Data source: Original data, 2020**

The results of the matched sample test, as shown in Table 4.8, indicate a substantial difference in the financial performance of small and medium companies (SMEs) in Luweero District. This difference is observed both before and after the introduction of innovative skills training. The t-test produced a result of -31.148, with 188 degrees of freedom (df) and a P-value less than 0.05. Specifically, the P-value was 0.000, which is lower than the threshold of 0.05. Consequently, the null hypothesis is refuted and the alternative hypothesis is embraced. The alternative hypothesis suggests that there is a significant difference in financial performance before and after the introduction of the innovative skills training.

The findings suggest that the financial performance of small and medium-sized firms (SMEs) had a notable and moderate enhancement following the training. This is corroborated by a mean difference of 1.889. The results suggest that the development

of innovative skills and knowledge by SME owners had a substantial impact on increasing their sales, which is likely the underlying cause of the observed improvement in their financial performance.

This study investigates the influence of financial success on the delivery of risk management skills training for small and medium enterprises (SMEs) in Luweero District.

The study aimed to determine the discrepancy in financial performance among small and medium enterprises (SMEs) in Luweero District before and after receiving risk management skills training. As part of the investigation, participants were asked to share their perspectives on the financial performance of small and medium-sized firm (SME) operators in the district, both prior to and during the training. The results are concisely displayed in Table 4.9.

Table 4.9 displays the findings of a study carried out in Luweero District, which examined the financial performance of small and medium enterprises (SMEs) following their participation in risk management skills training.

**Table 4.9: Findings on financial performance on Risk management skills training of SMEs in Luweero District**

<b>Financial performance</b>	<b>Very low</b>	<b>Low</b>	<b>Moderate</b>
	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
Before training	11.6	70.9	17.5
After Training	22.8	2.6	74.6

**Data source: Primary data from 2020**

The objective of the study was to evaluate the financial performance of small and medium-sized enterprises (SMEs) in Luweero District prior to their participation in risk management skills training. The results indicated that the financial performance was poor before the training, as confirmed by 70.9% of the participants who agreed with this evaluation. Before undergoing risk management training, it can be inferred that small and medium-sized enterprise (SME) owners encountered various risks that probably had an adverse effect on their financial performance.

The study also assessed the financial performance of SMEs following the provision of risk management skills training. The findings demonstrated a moderate enhancement in financial performance; with a noteworthy proportion of participants (74.6%) expressing strong agreement regarding the positive influence of the training. The results indicate that after receiving training in risk management, small and medium-sized enterprise (SME) owners in Luweero District faced fewer risks in their business operations. This, in turn, likely contributed to an improvement in their financial performance. As an illustration, the training encompassed financial risk management, enabling them to comprehend the risks they should steer clear of, such as restricting credit extension due to their limited capital. In addition, small and medium-sized enterprise (SME) operators underwent technical risk management training, which helped them effectively manage risks, leading to moderate improvements in financial performance.

*“Insights from interviews with important sources of information emphasized that small and medium-sized enterprise (SME) owners received training to develop confidence in confronting and surmounting business obstacles. This training likely played a role in the observed moderate growth of their businesses. The owners were instructed by experts on how to cultivate confidence in meeting specific requirements, even with the limitations imposed by current technology. They received training in innovative techniques to optimize business workflows and methodologies, resulting in increased efficiency in their respective businesses”.*

**Table 4.10 presents the results of a paired sample t-test that investigated the difference in financial performance before and after Risk management skills training for Small and Medium Enterprises (SMEs) in Luwero District. The table is titled “Paired Samples Test”.**

Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference	t	df	Sig. (2-tailed)
			Lower	Upper		
0.937	1.500	0.109	0.721	1.152	8.581	188

**Table: Paired Samples Statistics**

Pair	Mean Difference (After - Before)	Std. Deviation	Std. Error Mean	95% Confidence Interval	Lower	Upper
1	0.937	1.500	0.109	0.721	1.152	

**Data source: Original data, 2020**

The study evaluated if there was a substantial disparity in the financial performance of small and medium enterprises (SMEs) in Luweero District before and after they underwent risk management skills training, employing a paired sample t-test. The findings demonstrated a notable disparity in financial performance, as evidenced by a t-test value of 8.581, a degrees of freedom (df) of 188, and a P-value of less than 0.05. The P-value was 0.000, which is less than the 0.05 threshold. This result leads to the rejection of the null hypothesis and supports the alternative hypothesis that there is a substantial difference in financial performance before and after the training.

The results indicated that following risk management skills training, there was a modest enhancement in the financial performance of SME operators, with an average improvement of 0.937. These findings indicate that the training provided to SME owners improved their ability to handle business risks, which could lead to a decrease in losses and contribute to the observed enhancement in financial performance.

#### **4.5 The impact of training in financial performance and communication skills on small and medium-sized enterprises (SMEs) in Luweero District.**

This study sought to establish the difference in financial performance about SMEs in Luweero District before and after training in communication skills. The respondents were asked to comment on the comparative financial performance of the owners of small and medium-sized firms, SMEs before and after the training in communication skills. The response of participants was rated on a three-point scale, which ranged from 1 standing for "Very Low" through 2 representing "Low" to 3 meaning "Moderate." Results are shown in Table 4.11.

**Table 4.11 presents the results of a study conducted in Luweero District, examining the financial performance of small and medium enterprises (SMEs) before and after they received communication skills training.**

<b>Financial performance</b>	<b>Very low</b>	<b>Low</b>	<b>Moderate</b>
	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
Before training	14.8	69.3	15.9
After Training	1.1	0	98.9

**Source: Primary data, 2020**

The study analyzed the financial performance of SMEs in Luweero District before they got communication skills training. The findings, as shown in Table 4.11, indicated that the majority of respondents (69.3%) felt that the financial performance of SMEs was low prior to the training. This shows that SME owners in Luweero District had deficient communication skills before the training, which may have led to client loss and ultimately contributed to poor financial performance.

The study studied the financial performance of SMEs following communication skills training. The results revealed a moderate improvement in financial performance, with a great majority of respondents (98.9%) accepting this opinion. This shows that the communication skills training helped SME owners better manage client contacts, which likely raised sales and contributed to the observed improvement in financial performance. The training emphasized skills for effective communication, such as active listening, empathy, emotional control, and meeting consumer requirements.

Key informant interviews also noted that communication skills training encouraged SME owners to create closer ties with their consumers, which may have led to the moderate financial increase.

*“Communication skills training improved on the ability to build better rapport with customers whereby, SMEs operators learnt that customers desire nothing other than to be understood by the business operators and they always wish to feel like they are being heard and listened to both on phone and face-to-face. Business operators were educated to never upload stress feelings and external circumstance shouldn’t rule out on how they communicate with customers” (B16).*

**Table 4.12: Paired sample t-test evaluating The effects of financial performance before and communication skills training of SMEs in Luweero District Table:**

**Paired Samples Test for Communication Skills**

Pair	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference	t	df	Sig. (2-tailed)
				Lower	Upper		
1	1.873	0.747	0.054	1.766	1.980	34.463	188

**Table: Paired Samples Statistics for Communication Skills**

Pair	Mean Difference (After - Before)	Std. Deviation	Std. Error Mean	95% Confidence Interval	Lower	Upper
1	1.873	0.747	0.054	1.766	1.980	

**Source:** Primary data, 2020

The study employed a paired sample t-test to ascertain the presence of a statistically significant disparity in the financial performance of small and medium enterprises (SMEs) in Luweero District before and after undergoing communication skills training.

The findings revealed a substantial disparity, with a t-test statistic of 34.463, 188 degrees of freedom (df), and a P-value below 0.05. The P-value was 0.000, which is less than the significance level of 0.05. Therefore, the null hypothesis is rejected, and the alternative hypothesis is supported, indicating a substantial difference in financial performance before and after the training.

The results indicated a moderate improvement in financial performance following the communication skills training, with an average difference of 1.873. These findings indicate that the training enhanced the capacity of SME owners to effectively communicate with their clients, resulting in higher sales and more customer involvement. This, in turn, presumably played a role in the observed moderate enhancement in financial performance.

#### **4.6 Evaluation of the company's financial performance**

The study also sought to ascertain the comprehensive financial performance of Small and Medium Enterprises (SMEs) in Luweero District. In order to accomplish this, the researcher assessed crucial financial indicators, such as the return on investment (ROI), return on equity (ROE), and profits earned by the businesses, both before to and following the training in entrepreneurial skills. The findings of this evaluation are condensed in Table 4.13.

**Table 4.13 presents the comprehensive financial performance of small and medium-sized enterprises (SMEs) both before and after undergoing training.**

<b>Financial performance</b>	<b>Before training</b>	<b>After training</b>	<b>Difference</b>	
		<b>(Mean UGX)</b>	<b>(Mean UGX)</b>	<b>(increase/Decrease)</b>
Rate of return on investment (ROI)	on	7,130,212.77	14,285,904.26	Increased
Rate of return on equity (ROE)	on	6,002,579.79	11,306,648.94	Increased
Profit Margin		2,125,564.52	4,138,172.04	Increased

**Data source: Original data, 2020**

Table 4.13 presents the comprehensive financial performance of small and medium-sized enterprises (SMEs) in Luweero District both prior to and following the implementation of entrepreneurial skills training.

The results suggest a notable rise in the Rate of Return on Investment (ROI) after the training. Before the training, the average return on investment (ROI) for small and medium enterprises (SMEs) was UGX 7,130,212.77. After the training, the ROI increased to UGX 14,285,904.26, indicating a significant growth of 100.4%. These findings indicate that the training program, which specifically targeted innovation, communication, and risk management, had a beneficial effect on the return on investment (ROI) of the small and medium-sized enterprises (SMEs).

The study also showed an increase in the Rate of Return on Equity (ROE) following the training. Prior to the training, the mean Return on Equity (ROE) was UGX 6,002,579.79, which subsequently rose to UGX 11,306,648.94, indicating an 88.4% improvement. The increase in growth indicates that the training provided valuable skills to SME owners, enabling them to enhance their strategies in innovation, communication, and risk management, resulting in a higher Return on Equity (ROE).

The study revealed significant expansion in profit margins subsequent to the entrepreneurial skills training. At first, the mean profit margin for each small and medium-sized enterprise (SME) was UGX 2,125,564.52. Following the training, the amount increased almost twofold to UGX 4,138,172.04, indicating a 94.7% growth. This implies that the abilities obtained allowed small and medium-sized enterprise owners to more effectively retain clients and increase sales, leading to enhanced profit margins.

## CHAPTER FIVE

### SUMMARY, DISCUSSIONS, CONCLUSIONS, RECOMMENDATIONS, AND AREAS OF FURTHER STUDY

#### 5.0 Overview

This chapter provides a succinct summary and examination of the findings. The beginning section presents a brief summary of the discoveries, followed by a discussion that aligns with the findings outlined in chapter four.

#### 5.1 Summary of Findings

Results indicated that there was a significant difference in the financial performance of SMEs in Luweero District before and after innovative skills training. The study witnessed considerable and average rates of improvement in financial performance after the training. These t-test findings ensured the null hypothesis was rejected to approve the alternative hypothesis. Results indicated that the training program indeed enhanced innovative capacities and skills of small and medium-sized firm owners; this enhancement probably led to increased sales, thus leading to a moderate improvement of financial performance.

#### **The study explores the impacts of financial performance and risk management skills training on SMEs in Luweero District.**

The findings showed that there is a difference in the financial performance before and after the introduction of Risk management skills training for SMEs in Luweero District. In the results, it is indicated that small and medium-sized firm financial performance has increased fairly upon the training. The results of the paired sample t-test were showing the rejection of the null hypothesis in favor of the alternative hypothesis. It was determined that a significant proportion of SME owners were better at managing corporate risks after they had received the risk management training. This, therefore, is bound to have caused them to incur fewer losses and thus improved their financial performance slightly.

## **How Financial Performance Influences Communication Skills Training of SMEs in Luweero District.**

Therefore, the results from the paired sample t-test were significant, hence bringing forth evidence of the difference between SME financial performances before and after the communication skills training in Luweero District. Indeed, the study observed that SME performances had considerably improved after the training. These observations gave way to the rejection of the null hypothesis in favor of the alternative hypothesis. SME owners in Luweero reported that after the communication skills training, their interaction with clients improved, hence increasing sales and customers. Consequently, this may have fairly contributed to an increase in financial performance. 5.2 Analysis and interpretation of results.

### **5.2 Financial Performance and Innovative Skills Training Effects on Small and Medium-Sized Enterprises (SMEs)**

The study acknowledged that there was a difference in financial performance before and during the introduction of Innovative skills training for Small and Medium Enterprises SMEs in Luweero District.

The results implied that their financial performance had significantly changed after the instruction, though generally mild. In fact, the findings support Cooney's study 2012, which found that training SMEs in innovative skills led to a positive and significant impact on their financial performance. This investigates the effect of the training on risk management skills on the financial performances of small and medium enterprises in Luweero District.

The study found there is a significant difference in financial performance before and after the introduction of Risk management skills training for SMEs in Luweero District.

The findings have shown that there was a significant improvement in the financial performance of SMEs after the training. The findings confirm the results in South Africa by Macheke, 2012, which show a positive and significant association between Risk management training and SMEs financial performance. Macheke reported that the business risk management training of SMEs showed considerable increase in their financial performances, findings that are consistent with those of this study. This study,

therefore, seeks to determine the effect of communication skills training on the financial performances of Small and Medium Enterprises in Luweero District.

From the findings, the difference in the level of financial performance before and after receiving training in communication skills is different among Small and Medium Enterprises in Luweero District.

The increase in financial performance after receiving training in communication skills was considerable and statistically significant. These findings are therefore supported by Mohammed and Obeleagu-Nzelibe, 2014 - training regarding entrepreneurial skills is positively correlated with the increased profitability of Nigeria's SMEs. 5.3 Summary

This study evaluates the impact of financial performance and creative skills training on SMEs' performance.

The findings show that modern skill training significantly contributes to the financial performance of SMEs in Luweero District, despite some challenges. Therefore, all SMEs should regularly be provided with new skill training in an attempt to enhance their financial performances.

The aim of the present study is to examine how financial performance and risk management skills training can influence the performance of Small and Medium Companies in Luweero District.

These findings therefore, mean that where risk management skill training is appropriately utilized, the financial performance of SMEs in Luweero District greatly improves. A reasonable proportion of SMEs, however still realised poor financial performance even when the training of risk management skills was implemented. It is thus suggested that stakeholders continue training owners of SMEs in Luweero District with skills pertaining to the management of risks.

This study investigates the impact of financial performance and communication skills training on SMEs in Luweero District.

The study observed that training in communication skills considerably impacted SMEs' financial performances in Luweero District.

A considerable number of small and medium-sized firm owners improved in communicating with their customers, thus an improvement in financial performance.

The study therefore recommends that stakeholders continue to give more communication skills training to an increasing number of SMEs, even those outside of Luweero District. To summarize, the study identified that these entrepreneurial skills make a difference when it comes to enhancing the financial performance of SMEs in Uganda and, therefore, cannot be taken lightly. It has been proved through research that there is a significant boost in profitability when the right entrepreneurial skills, such as efficiency in communication, creativity, and risk management, are revealed. To develop and enhance these entrepreneurial skills is, therefore, very important for owners and employees in pursuing financial prosperity.

### **5.3 Recommendations**

The report recommends that SMEs apply the innovative skills training they have undergone in developing and bringing into the market new products. It is expected that their performance will increase by such a step. In addition, there should be more complete high-level skills training provision, which must be channeled towards increasing innovative product ability.

On-site Risk management training tailored for SMEs is also recommended since, despite the training, many SMEs still registered below-average financial performance. More SMEs in and outside Luweero District should be targeted for financial performance betterment by the communication skills training.

### **5.4 Areas of Further Research**

This study, therefore, recommended that similar research be undertaken in Luweero District but with the addition of other entrepreneurial traits of managerial and business skills. The study further recommends that more research is done in regions where SMEs received the same kind of training for comparison. It would have been better understood what happened to the financial outcome prior to and after the training.

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## QUESTIONNAIRE

Dear respondent, I am Birungi Hellen Reg NO. S21B05/113 a student of Uganda Christian University pursuing Bachelors' degree in Business Administration conducting a research on the **EFFECT OF ENTREPRENEURIAL SKILLS ON THE PERFORMANCE OF SMALL AND MEDIUM SIZED ENTERPRISES IN CENTRAL UGANDA. A CASE STUDY IN LUWERO DISTRICT.** We thus kindly request you to share your experience and knowledge in this study. The information you share will be kept with utmost confidentiality and only used for study purposes. You are hereby requested to spare some time and respond to the questions below.

### SECTION A; Background characteristics of the respondents

#### 1.) Gender of the respondents

Male

Female

#### 2) Age of the respondents

Not more than 18yrs  19- 25 years  26-25 years

36-45 years  above 45 year

#### 3. Education level of the respondents

Primary

Secondary

Tertiary

University

Others (please specify) .....

#### 4. Form of business organization (please tick one)

Sole proprietorship

Partnership Private

limited company

Cooperative society

Joint venture

Others (please specify) .....

**4) How long has this business been operating?**

.....

The effect of creative thinking on the effective performance of SMEs.

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Our company encourages employees to think creatively.					
We have brainstorming sessions to generate new ideas.					
Employees are given the freedom to explore unconventional solutions to problems.					
Creative thinking is valued as an important skill in our company.					
Management supports the implementation of innovative ideas.					
We regularly challenge the status quo to improve our processes.					
Creative thinking has led to new product or service offerings in our SME.					
Our SME has experienced growth in revenue over the past year.					
We have been able to increase our market share due to innovative products/services.					
Employee productivity has improved due to creative problem-solving approaches.					
Customer satisfaction has increased due to the creative strategies we have implemented.					

The effect of communication skills on the performance of SMEs

<b>Statement</b>	1	2	3	4	5
Our company values effective communication as a key skill.					
Employees are encouraged to communicate openly and clearly.					
Our leadership regularly provides clear and concise information to all employees.					
Effective communication is practiced during team meetings and discussions.					
We have mechanisms in place to ensure that feedback is communicated effectively.					
Communication training programs are provided to employees.					
Effective communication has contributed to resolving conflicts in our SME.					
Effective communication has improved employee productivity.					
We have experienced growth in customer satisfaction due to effective communication.					
Our SME's performance has improved due to better internal communication.					
Clear communication has led to better decision-making in our SME.					
Communication skills have led to better relationships with clients.					
Effective communication has contributed to our SME's market positioning.					

The effect of entrepreneurial financial management skills on the performance of small and medium-sized enterprises (SMEs)

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Our company values strong financial management skills as critical to success.					
The leadership in our SME has good financial planning and budgeting skills.					
We regularly monitor cash flow to ensure financial stability.					
Our SME utilizes financial statements (e.g., income statements, balance sheets) to make informed decisions.					
Financial risk management practices are well-implemented in our SME.					
We have a clear strategy for managing debt and financial obligations.					
Our SME regularly seeks financial advice or consultancy when needed.					
Strong financial management has contributed to the profitability of our SME.					
We have experienced growth in revenue due to effective financial management.					
Financial management skills have improved our SME's ability to control costs.					

## Appendencies



### SCHOOL OF BUSINESS

19<sup>th</sup> Aug, 2024

TO WHOM IT MAY CONCERN

Name: **BIRUNGI HELLEN**

Reg. No S21B05/113

A bachelor's student who is seeking permission from your office to collect data for her dissertation titled

**The effect of entrepreneurial skills on the performance of small and medium enterprises in central Uganda. A case study of Luweero district**

We shall be grateful if you could render assistance to her in collecting the necessary data for her dissertation

The Uganda Christian University School of Business thanks you in advance

.....  
Mukisa Simon Peter  
Research coordinator

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Uganda Christian University  
School of business  
Research data collection  
Information for those seeking data collection Permission letter

Name BIRUGU HELLEN Registration No. S21005/113

Program B.B.A

Topic

THE EFFECT OF ENTREPRENEURIAL SKILLS ON THE PERFORMANCE  
OF SMALL AND MEDIUM SIZED ENTERPRISES IN CENTRAL  
UGANDA A CASE STUDY IN LUWERO DISTRICT

Agency from which you're seeking permission to collect data

SMEs IN LUWERO DISTRICT

Addressee .....

Full address of addressee

This is to certify that the student named above is currently under my supervision. The student has satisfactorily completed the research proposal and developed the necessary tools for data collection. Therefore, I recommend that the student be issued a permission-seeking letter to proceed with data collection.

Signed [Signature]  
Academic supervisor