

**ENTREPRENEURIAL SKILLS AND FINANCIAL PERFORMANCE OF SMALL AND
MEDIUM ENTERPRISES IN UGANDA: A CASE STUDY
OF KABALE MUNICIPALITY**

BY

NIGHTINGALE KETIMU

18/U/GMBA/19390/PD

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DECLARATION

I, Ketimu Nightingale, hereby declare that this research report entitled “*Entrepreneurial Skills and Financial Performance of Small and Medium Enterprises: A Case Study of Kabale Municipality*” is my original work and has not been submitted to any other institution of higher learning for any academic award.

Signature..... Date.....

KETIMU NIGHTINGALE

18/U/GMBA/19390/PE

APPROVAL

This is to certify that this research report entitled “entrepreneurial skills and financial performance of small and medium enterprises in Kabale Municipality” is work done under our supervision and is now ready for submission to the Graduate school.

Signature..... Date.....

Assoc. Prof. Jacob L Oyugi

Principal Supervisor

Signature..... Date.....

Dr. Teopista Kyamanywa

Second Supervisor

DEDICATION

This report is dedicated to my family most notably my mother for both social and financial support accorded to me. I also dedicate it to other family members for having supported this endeavor.

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The journey towards producing this dissertation has received support from various individuals and institutions that cannot go unappreciated. First of all, I would like to thank God for his mercies and favor upon my life throughout the entire period of my master's studies. Through the good times and bad times, God kept his promises to me and remained ever faithful.

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LIST OF ABBREVIATIONS

CVI	:	Content Validity Index
GDP	:	Gross Domestic Product
KPMG	:	Klynveld Peat Marwick Goerdeler
MGLSD	:	Ministry of Gender Labor and Social Development
OECD	:	Organization for Economic Co-operation and Development
ROA	:	Return on Asset
ROE	:	Return on Equity
ROI	:	Return on Investment
SMEs	:	Small and medium Enterprises
SPSS	:	Statistical Package for Social Scientists
UBOS	:	Uganda Bureau of Statistics

ABSTRACT

The study examined the difference between before and after entrepreneurial skills training on financial performance of SMEs in Kabale Municipality. The specific objectives of the study were to; examine the difference between before and after Innovative skills training on financial performance of SMEs in Kabale Municipality, establish the difference between before and after Risk management skills training on financial performance of SMEs in Kabale Municipality, and establish the difference between before and after communication skills training on financial performance of SMEs in Kabale Municipality. The study used a comparative and descriptive survey design with both quantitative and qualitative approaches. The target population was SMEs of Kabale Municipality which took part in entrepreneurial skills training. The target sample size for the study was 162 respondents owning SMEs in Kabale Municipality. The study used simple random sampling technique to select respondents for structured interviews. Paired sample t-test was used to examine whether there was a significant difference between the financial performance before and after entrepreneurial skills training of SMEs in Kabale Municipality. The study found out that there was a significant difference between the financial performance before and after Innovative skills training of SMEs in Kabale Municipality (t-test value=-31.148, df=188, P-value<0.05). The findings showed that after Innovative skills training was given to SMEs, there was a significant moderate increase in financial performance. The results from the study showed that there was a significant difference between financial performance before and after Risk management skills training of SMEs in Kabale Municipality (t-test value=8.581, df=188, P-value<0.05). The findings showed that after Risk management skills training of SME operators, the financial performance of SMEs moderately increased. The findings also revealed that there was a significant difference in financial performance before and after communication skills training of SME operators in Kabale Municipality (t-test value=34.463, df=188, P-value<0.05). The findings showed that there was a moderate increase in financial performance of SMEs after communication skills training. The study suggests that more innovative skills training should be provided to SMEs specifically on how to develop products. There is need for more risk management training for SMEs since a considerable number of SMEs were found experiencing very low financial performance even after the training. More communication skills training should be provided to more SMEs in Kabale and outside the Municipality.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

The rationale of this research was to develop an understanding of the part played by entrepreneurial skills in financial performance of small and medium enterprises in Uganda. This preliminary chapter presents the research background, problem statement, research purpose, specific objectives, hypotheses of research, conceptual framework, study's significance, scope of the study, and operational definitions of terms and concepts. The background is presented under four outlooks followed by other sub sections.

1.1 Background to the study

The background of this study was presented under four outlooks. These are, conceptual, theoretical the historical, and contextual perspectives.

1.1.1 Historical Background

According to research conducted in Latin America by Tavares de Araujo (1998), the origin of a firm's financial performance in enterprising economies is dependent upon entrepreneur's creative and foresight abilities. It is of little wonder therefore that the contribution of skills of entrepreneurship on returns in finance of SMEs leads to the long-term development of the economy (Perks and Smith, 2006). In Europe, research conducted acknowledges that enterprises of the European Union are made up of 99.8% SMEs (Schmiemann, 2008). The empirical study by Oyeyinka (2013) revealed that SMEs record 85% of jobs in the United Kingdom while for a nation like Nigeria, 96% of business are SMEs. Research conducted by Ebiringa (2011) revealed that small and medium enterprises (SMEs) play an important role in development of the economies of many nations. They play a relevant role in generation of profits to stakeholders. Therefore, SMEs have a meaningful contribution in attainment of

development of the economy generally. The role contributed by SMEs leads to GDP increment, the living standards of people are improved and employment rate of citizens is increased (Perks and Smith, 2006). Due to the aforementioned contributions, ventures in the economy that yield such maximum Benefits should be embraced. It is upon this notion that the Global Entrepreneurial Monitor (2012) validated in Nigeria acknowledge in the spirit of entrepreneurship, SMEs are the leader of the world due to their contribution as compared to other sectors. Amatori (2006) also acknowledges that skills in entrepreneurship play a great role in growth and ability of medium and small-scale enterprise to break-even. Therefore, Zehra (2016) concluded that training serves to develop such competencies and knowledge revealed by the actions or performance which is uncommon in situations of various kinds certain. It is upon that revelation that Perks and Smith (2006) recommend that skills that are special are indispensable if entities are to actualize growth in their businesses that is maintainable.

1.1.2 Theoretical Background

SME's financial performance and entrepreneurship skills have a relationship which is explained by several theories such as the human capital theory developed by Becker and Schultz in 1961 cited by Becker (1993), and the innovation theory by Schumpeter (1998). However, the innovation theory by Schumpeter underpins well the connection that lies amidst entrepreneurial skills and SMEs' ability to yield finances. The theory provides that an entrepreneur is characterized with two abilities, that is to say, creative ability (innovativeness) and foresight ability. The theory further asserts that these entrepreneurial skills yield profits for innovators in SMEs.

In the above regard, Cooney (2012) highlights that entrepreneurs are existent in any system in an institution just like all other individuals that are creative. Therefore, the activities, results and efforts of an entrepreneur in working towards innovations is displayed in a different way

in each institution. In that regard therefore, the theory elucidates that the constructs of the study, that is to say, risk management skills, communication skills and innovation skills enhance abilities of entrepreneurs to do things in a different way in there push towards financial performance (Coats & Schumpeter, 2006). Also, Kylliäinen (2019) emphasizes that innovation theory creates a transformation on how nations manage risks and also deal with communication. Therefore, this study intended to use the aforementioned innovators theory in its endeavor to inaugurate the interconnection that lies between skills of entrepreneurs and SMEs' ability to increase financial returns.

1.1.3 Conceptual Background

Financial performance according to Praise (2003) refers to action of achieving goals pertaining to finance basing on perspectives of individuals making judgment. Also, Glenn (2006) illuminates that an entity's financial performance connotes all organization's effectiveness and productivity determining tools. In this particular research, financial performance is based on Berhanu and Jaleta (2012) dimensions for finance determination. These include: return on investment, profits and more others.

Additionally, SMEs' financial performance can also be determined qualitative despite the fact that it can also be quantitatively ascertained. Qualitatively, financial performance as supported by Marus (2017) can be looked upon in terms of the level of discipline, goals achievement, leadership perceptions regarding profitability in the organizational and behavior of individual in the business enterprise. Quantitatively, Waithaka and Njeru (2015) highlight that the financial performance measures that are always used include financial outcomes like: (Return On Assets, Return On Equity, Return On Investment), production (the operating expenses ratio, amount of goods sold), marketing looks upon efficiency and the number of customers (Tattichi et al, 2008). In the above regard, profits were obtained by subtracting the production's variable

cost from the overall revenue attained during a given period. Profitability in relation to financial performance of businesses looks upon achievement of financial targets as prearranged a given entity (Conceicao et al., 2014). Waithaka and Njeru (2015) argue that measures of profitability that are accepted universally due to their worth in SME's management are return on equity, profit margin, and return on assets. Therefore, the relationship between outputs is measured by three factors. In the same regard, a firm's input includes operating profit margin, return on equity and return on assets.

Entrepreneurship according to Conceicao, Moeljadi, Rohman, and Solimun (2014) refers to the ability to apply creative and innovative problem-solving abilities by attempting to make use of chances. In the same regard, Moska (2013) refers to entrepreneurship as a course of coming up with innovative and creative thoughts, putting those thoughts together with organizational skills as well as management skills so as to pull together resources, money and people to achieve given individual and organizational objectives which include wealth generation. In support of the above notion, Tambwe (2015) presupposes that entrepreneurship is the realization, enhancement, renewal and creation of group, organizational, individual, and the manner in which society reasons, thinks, as well as acts. Assumption of the risk of creating a business by an entrepreneur is sought out through opportunities of investment which are dependent on skills of entrepreneurs and those of individuals.

Moska (2013) asserts that entrepreneurial skill connotes capacity to conglomerate both intrinsic features as well as resource possessions that lie upon abilities of individual entrepreneurs. When a period of uncertainty strikes organizations, an entrepreneur should have effective entrepreneurship skills in his possession so as to handle the period of uncertainty in a given business environment. Taking a level of an individual, Souksavanh (2014) asserts that entrepreneurship refers to a feature possessed within the minds of business men which is

instrumental in generation of jobs, establishment of new businesses and new services and products which serve to generate innovativeness and welfare improvement. Gakure, Ngugi, Waititi, and Keraro (2013) expound that entrepreneurial skills connote the kind of skills that supplement entrepreneurs to take on the risks and fruits an enterprise may provide. It involves situational analysis on the business environments and opportunities which serve to enable entrepreneurs make effective management of their enterprises.

An SME according to Oyebanji (2013) refers to any organization with asset of operation not exceeding 500000 to 2000000 Naira with employees ranging from one hundred to one hundred ninety-nine. Additionally, Oyebanji (2013) also contends that the definition of SMEs varies from a given nation to the other. He concludes that SMEs in the UK are defined as enterprises with employees not more than 250 with a turnover of more than 250000000 pounds. This study established whether entrepreneurial skills increase financial performance of SMEs.

1.1.4 Contextual Background

In Uganda, small enterprises are entities employing not more than 49 people and not less than 5 employees and have an assets total from 10,000,000 shillings but not more than 100,000,000 shillings. In the same regard, Medium Enterprises are entities with employees ranging from 50 to 100 and assets total ranging from 100,000,000 but not going beyond 360,000,000 (Uganda Investment Authority, 2020; Trindade, 2014).

SMEs in Uganda make up a pillar of a segment owned by individuals which comprise roughly 90 % of the private sector in Uganda. According to Kisaame (2002) it also makes a great contribution to the Gross Domestic product (GDP), creates jobs, enhances value addition, source of foreign investment and revenue, creates an improvement in skills of workers, and also as supported by Sarapaivanich (2003) are connected with big entities which makes SMEs an indispensable aspect in employment generation and sustainable growth and development.

Manzoor, Wei and Sahito (2021) further emphasizes that nations like Uganda have benefited from exporting SMEs products

United Nations Conference on Trade and Development (2021) acknowledges SMEs participants in Uganda who take part in entrepreneurial skills learning obtain significantly more profits and sales which are more than the average rates of survival of their entities.

Ariyo (1999) claims that the sector of SMEs goes beyond all boundaries in the sectors of distribution, marketing and production channel. Previous studies on the economy of Uganda show that SMEs are primary catalysts, key drivers and the backbone of Uganda's economic growth and development (Ihua, 2005). With an estimate of over 800,000 SMEs in rural and urban places, the sector of SME makes a great contribution to national economic development through employment generation, and income subsidization. Accordingly, the Common Wealth Secretariat (2007) asserted that 90 % of the private Ssector is comprised of SMEs which employs a population of about 1.5 million employees. According to the count of SMEs' establishments, UBOS (2011) showed that 30 percent of 458,106 business establishments were SMEs in a sector which provided jobs to more than 1,000,000 employees.

Small and medium enterprises in Kabale Municipality record low financial performance (Ayebare, 2021; Namara, 2019; Eton, Mwosi and Ogwel, 2018; Atuheire, 2014). The aforementioned decline is exhibited in terms of low profitability margin, low market share as well as low sales margin (UBOS, 2016). In regard to that notion, Uganda Government through Ministry of Gender, Labor and Social Development with a goal aimed at governing the exacerbating financial performance of SMEs in Kabale district came up with entrepreneurship skills training (MGLSD, 2013). It is therefore upon that incentive that the study looked upon financial performance of SMEs in Kabale Municipality using entrepreneurship skills as a basis. It is needless to note that, the ease and difficulty in attainment of financial performance by

entrepreneurs is embedded in ease to obtain construction permits, ease in property registry, electricity connectivity, contracts administration, cross borders trading, tax payments, and obtaining credit (Uganda Investment Authority Quarterly Report, 2020).

1.2 Statement of the problem

Financial performance of established and start-up SMEs is extremely enhanced through advancements in entrepreneurial skills (Kylliäinen, 2019; Asif, Miao Jameel, Manzoor & Hussain, 2020). Also, Manzoor, Wei and Sahito (2021) further emphasizes that such skills have enabled nations like Uganda to generate profits from exporting SMEs' products. Therefore, Uganda government through Ministry of Gender Labor and Social Development with an intention aimed at increasing financial performance of SMEs in the entire 112 Districts of Uganda came up with entrepreneurship skills training (MGLSD, 2013). In the same regard, UBOS (2016) provides that there is an increase in number of tertiary skills Institutions in Uganda due to Government's encouragement of private participation in the entrepreneurial skills training. However, despite the aforementioned government efforts, many SMEs in Kabale have not been in position to celebrate their first anniversary due to low financial performance (UBOS, 2016). Kabale Municipality Annual Reports 2016-2018 indicate that small and medium businesses in the Municipality of Kabale register low financial performance. Empirical evidence from Kabale Municipality recognizes that the low financial performance in SMEs is observed through low profitability levels (Ayebare, 2021; Namara, 2019; Eton, Mwosi and Ogwel, 2018; Atuheire, 2014). It is therefore, upon this background that this study was carried out in Kabale Municipality to establish whether there is a significant difference between before and after entrepreneurial skills training on financial performance of SMEs in Uganda.

1.3 Objectives of the study

1.3.1 General Objective

The study sought to investigate the difference between before and after entrepreneurial skills training on financial performance of SMEs in Uganda using Kabale Municipality as a case study.

1.3.2 Specific Objectives

1. To examine the difference between before and after Innovative skills training on financial performance of SMEs in Kabale Municipality.
2. To investigate the difference between before and after Risk management skills training on financial performance of SMEs in Kabale Municipality.
3. To analyze the difference between before and after communication skills training on financial performance of SMEs in Kabale Municipality.

1.4 Research Hypotheses

H₀₁: There is no significant difference between before and after Innovative skills training on financial performance of SMEs in Kabale Municipality.

H₀₂: There is no significant difference between before and after Risk management skills training on financial performance of SMEs in Kabale Municipality.

H₀₃: There is no significant difference between before and after communication skills training on financial performance of SMEs in Kabale Municipality.

1.5 Conceptual Framework

A conceptual framework according to Svinicki (2008) is generated so as to help in structuring the study through identity of variables to be measured. In that respect, the framework below is a graphical model that portrays the association between the study variables. Therefore, financial

performance represents the outcome variable while Entrepreneurial skills represent the predictor variable in the study.

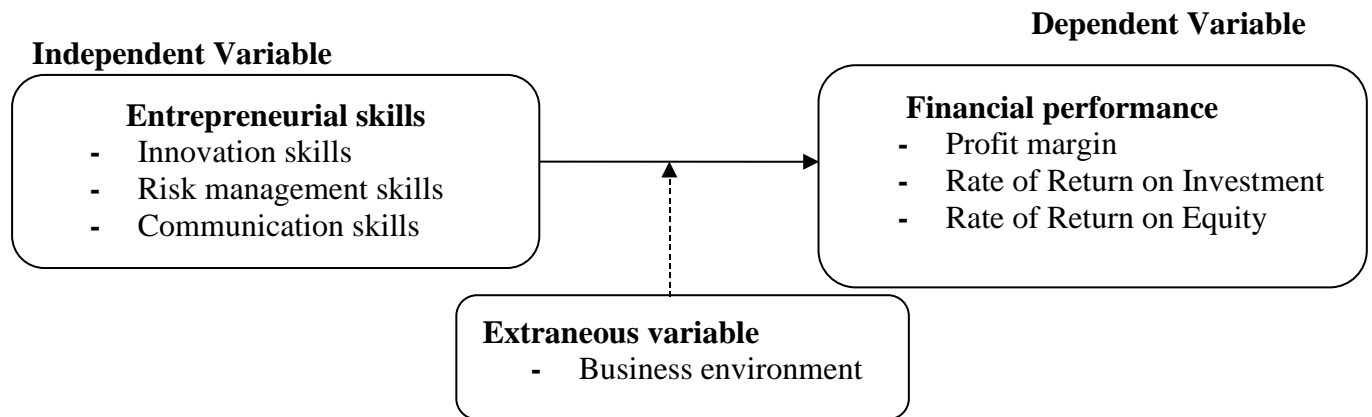


Figure 1.1: Conceptual framework

Source: Adapted from Carter and Tamayo (2017) and modified by the researcher.

The framework above as supported by Carter and Tamayo (2017) portrays that entrepreneurial skills are a grouping of risk management skills, innovation skills and communication skills. SME’s financial performance accrues from the multiple skills possessed by an entrepreneur who establishes, manages and runs the business. Firm financial performance will be measured based on return on investment, return on equity, and profit margin (Atuheire, 2014). The independent variable for this study is entrepreneurial skills and the dependent variable is financial performance (Carter & Tamayo, 2017). The business environment which was the extraneous variable was constantly held by accurately modifying the tools for the study.

1.6 Significance of the study

Research findings from this undertaking will offer preliminary evidence-based information for policy and research in future at both international as well as national level.

Observations from this research will enable entities involved in entrepreneurial skills training to devise methods for provision of relevant skills for entrepreneurs to step up their financial performance.

This research may benefit SMEs in the way that they would be able to enhance their skills related to communication, innovation and risk management skills.

This research may be embraced by people involved in making policies for SMEs to boost performance regarding profitability in Uganda.

1.7 Scope of the study

1.7.1 Geographical Scope

This research was carried out in Kabale Municipality because this area includes peri-urban and rural localities that have several SMEs that are managed by entrepreneurs. The Municipality is situated somewhat 408 kilometers from the city of Kampala and has an area surface total of 47 square kilometers (UBOS, 2016).

1.7.2 Time Scope

This research used Secondary data which was within a range of a span of 10 years and below. This therefore implies that important data between years 2010 to 2020 was utilized. Nevertheless, literature from older publications was also employed as a result of its relevance especially in the elucidation of theories and models. The aforementioned span was regarded adequate for obtaining data pertaining to entrepreneurial skills and performance related to finances in SMEs around Kabale Municipality.

1.7.3 Content Scope

This research's emphasis was related to issues pertaining to entrepreneurial skills and performance relate to finances of SMEs in the Municipality of Kabale. More specifically, this research was limited to examining differences between before and after Innovative skills, Risk management skills, as well communication skills on performance regarding finances of SMEs in the Municipality of Kabale.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

Theories are presented and discussed in this chapter. The aforesaid theories are relevant for entrepreneurial skills and financial performance of SMEs. It also presents research objectives related empirical review accruing from previous studies.

2.1 Theories of entrepreneurship

2.1.1 The innovation theory

According to Schumpeter (1934), the innovation theory provides that an entrepreneur is characterized with two abilities. Notably, the ability to foresee and ability to create. According to Nichter and Goldmark (2009) the theory of entrepreneurship propounded by Schumpeter acknowledges that innovators in SMEs should focus more on profit. In that regard, the features of people involved in entrepreneurship must involve; and opportunities identification abilities, foresightedness and ability to know the market. In support of the aforementioned, research conducted by Coric, Katavic and Kopecki (2011) illuminate that SMEs that push for success must obtain Business situation related information. Therefore, innovative skills grant individuals involved in business a summary of the climate of the business which serves in formulation of a bigger picture of activities in the business.

Cooney (2012) highlights that entrepreneurs are existent in any system in an institution just like all other individuals that are creative. Therefore, the activities, results and efforts of an entrepreneur in working towards innovations is displayed in a different way in each institution. In that regard therefore, the theory elucidates that the constructs of the study, that is to say, risk management skills, communication skills and innovation skills enhance abilities of

entrepreneurs to do things in a different way in their push towards financial performance (Coats & Schumpeter, 2006).

2.1.2 The Human Capital Theory

The aforementioned theory was proposed by Schultz and Becker in 1961. According to Becker (1993) human beings make an investment in themselves when they advance in skills and knowledge. Therefore, training employees to acquire knowledge helps them to make better usage of attained abilities and skills within the work force and this can only be achieved through training.

In that regard, the theory assumes that knowledge and skills are vital building blocks of experience. The aforesaid notion implies that the attainment of skills and knowledge enable entrepreneurs to be more resourceful which is the reason stepping up financial performance of SMEs in Uganda; this is so because the engagement of employees yields experience for them making them more productive. The basis of Human Capital theory stands on the notion that magnitude of learning made by entrepreneurs is of value compared to other resources used in services and goods production. Therefore, the constructs of financial performance, specifically, ROI, ROE, and profitability are hypothesized to be achieved when learning in entrepreneurial skills takes place. This could be through innovation skills training, risk management skills training as well as communication skills learning

It is of little wonder therefore that many studies have embraced the Human Capital Theory to elucidate behaviors of entrepreneurs that are outstanding. Researchers (Jens, Rauch, Frese, and Rosenbusch, 2011; Davidsson and Honig, 2003; Chandler and Hanks, 1998) have predicted the success of entrepreneurs operating in SMEs with the aid of the Human Capital Theory.

2.2 Key Concepts

2.2.1 Innovation skills

According to Neely and Hii (1998) innovation is economically achieved in situations where transactions concerning new systems, devices, products or processes are encountered. Therefore, innovation refers to the ability to utilize new ideas whose origin arises from the core of ideas with one of its features being change. In that regard, in periods of uncertainty entities turn out to have greater flexibility after continually reinventing their model of business (Grant, 2005).

Additionally, the fruits of innovation are attained through facilities that are technological, employee training as well as through supporting the management team involved in innovation. The importance of innovativeness is portrayed in literature through multiple definitions. Research provides that innovation refers to the generation of thoughts and putting thoughts into practice (Robert & Tucker, 2008). In the same regard, European Commission (1995) presupposed that innovation connotes enlarging and renewing all sorts of services and products as well as making improvements in related markets; it also connotes creation of new distribution channels, and new production methods; it also involves introducing management changes and the employee conditions of work.

Innovation according to the Innovation Union refers to the alterations geared towards improvement in conception, development, production and accessibility to new services, products and industrial processes. In regard to the above definitions, innovation connotes the course of making improvements, furnishings and changes in services and products so as to make them appealing for final consumers (Grant, 2005). It includes creating an expansion on aptitudes of workers to enable them make alterations in products' demand and taste. In the

above regard, the Oslo manual splits innovation into four forms, that's to say, process, product, marketing, and organizational innovation (OECD, 2005).

Innovation in product terms refers to improvements in the service/ product or equipment making it more effective in the market. Therefore, process innovation involves implementing newly promising distribution and manufacturing processes, or invention of better first-hand services in the community. Besides the above, organizational innovation is also a form of innovativeness that transforms, categorizes, directs, empowers workers, develop careers, and recompense the job done with benefits and pay (Ottenbacher & Gnoth, 2005). Therefore, Neely and Hii (1998) argue that it yields effectiveness in utilization of both human resources and ideas.

2.2.2 Risk management skills

Alquier and Lagasse (2006) acknowledge that managing risk is of great concern to all entities more especially those that lie under SMEs. Such entities experience sensitivity to risks in businesses as well as face competition amongst themselves. Therefore, Ntlhane (1995) argues that management of risks is a major goal that managers or entrepreneurs should look upon so as to recognize uncertainties that lie in future by making plans to handle risks and ensure elimination of the negative implications they inflict on entrepreneurial activities.

According to Alquier and Lagasse (2006), managing risks is an aspect of business whose practice is not standardized from one organization to the other. The problem that is critical is being in position to identify potential risk. Also, making valid resource transfers for risks is looked upon as a skill that differentiates a given risk manager from the other. In the same repute, management of risks can be observed by looking at how organizations make active selection on the form of risk levels that are conducive for a given organization to counteract.

Therefore, returns that are uncertain for the future prompt entities to indulge in business projects whose focal point is on making a sacrifice of present-day resources.

Managing risk is important when making demonstrations on the attainment of organizational goals and making enhancements in performance, most notably in safety and health of humans, regulating compliance and security, public acceptance, protection of the environment, quality of product, management of projects, operations efficiency, reputation and governance. Therefore, the obligation of managers or entrepreneurs is to have processes in their entities that look upon planning strategically in all aspects of their businesses as well as have capacity to change processes in management. Therefore, it is perfectly arguable to assert that it is necessary for organizations to comprehend where risks emanate from so as to ensure perfect risk management (Triantis, 2000).

2.2.3 Communication skills

Communication has been defined by several scholars (Kivimäki et al., 2000; Dickinson, Bellack, and Gold, 2007; Dollinger, 2008). According to Kivimäki et al. (2000) Communication refers to the processes of transmitting views of people so as to make them meaningful. In the same respect, Dickinson, Bellack, and Gold (2007) argue that it is a social skill and transferring information from sender to the receiver. He further urges that communication is an indispensable aspect for development of enterprises. Therefore, relationships pertaining to skills of communication and financial performance of the firm have been studied by several scholars (Dollinger, 2003; Elfenbein, Hamilton, and Zenger, 2008; Wanjiku and Lumwagi, 2014).

2.3 Empirical review

2.3.1 Innovation and financial Performance of SMEs

Hult, Hurley and Knight (2004) assert that financial performance of businesses is greatly connected with the organisations' potential to attain growth and profits so as to enable it attain its generic and predetermined strategic goals. Miller (1998) therefore expounds that the effects of the relationship between actions undertaken in line with the forces of competitiveness enable organizations to make adaptations to the environment externally which serves to integrate usefulness and competence. He further acknowledged that an organization's performance in line with innovation lies on the strength that exist externally in the business surrounding. Therefore, SMEs emerge as one of the most viable businesses in markets that are emerging because they grant relevance to activities of innovation which serve to enhance their character within the marketing environment. In support, Gunday, Ulusoy, Kilic and Alpkan (2011) highlight that the major reason for innovation is the need for entities to enhance their performance as well as generate an increment in profits.

Research conducted in Ghana by Asiedu (2016) contends that the low level of innovation has been an outcome of multiple challenges which limit the strength and abilities of SMEs to be more innovative.

Innovation in marketing terms refers to the processes of improving markets as well as the attention given to markets that are selected. In that regard, the main goal of marketing innovation is generation of big product design changes, improving packaging, promotion as well as placement. It is upon that notion that Van de Ven (1986) emphasize that innovation fundamentally looks upon an entities ability to identify and apply their chances in creation of new services and products. Therefore, OECD (2005) acknowledges that the organizations' view regarding expansion with aid of innovations yields enhancements in employees'

competencies as well as improvements in salaries and wages. In that perspective, the impact of innovations on growth and performance of entities are different due to differences in market share, sales, efficiency and output.

Similarly, Odoom et al. (2017) highlight that foreign firms often out compete local businesses because the SMEs that are part of them lack adequate resources to battle out with such foreign entities. One of the noble advantages of SMEs is found in their formation processes which are easy and simple to manage in regard to their technology and capital. Sulemana (2014) also supports that their utilities and management are not hard to address as those of big organizations. Abor and Quartey (2010) provide that due to the aforesaid features, the section of small businesses is among the leading forms of businesses by constituting 92% of entities within Ghana.

According to Cooney (2012) innovative skill training is pointed out as one of the most important requirements of an entrepreneur because it was found out to be significantly and positively affecting financial performance of SMEs. The entrepreneurs should therefore be innovators that strive to do things better and differently. This is also supported by a study by Freel (2005) that sought to examine the pattern of innovation and skills in small firms. This study was done on a sample of 1345 SMEs of North Britain and found out that there is an association between skills pertaining to innovation with processes in manufacturing businesses.

2.3.2 Risk management and financial performance of SMES

Matthews and Scott (1995) assert that SMEs lack a clear view of the proceedings entailed in risks of business. Therefore, their remedies to counteract business risks lacks systems that have appropriate structures, systems, and standards. It is therefore upon that notion entities that are entirely devoid of knowledge and expertise in the operation of SMEs suffer huge risks in business (Henschel, 2008).

There are basically two challenges in the assessment of business risks which are pressures emanating from time and inaccessibility to appropriate guide (OHara et al, 2005). He therefore recommended that with accessibility to suitable guide, SMEs are liable to have improvement and efficiency can improve ri in assessment of risks.

Additionally, owners of SMEs as well as those managing them are aware of risks which they always direct actions geared towards controlling losses. This is common in projects such as those in the field of quality assurance, fire, security, health, and safety (Ntlhane, 1995). He further adds that programmes aimed at controlling losses administered by managers or the entrepreneurs together with their other roles and responsibilities which yield higher likelihood of mishandling because appropriate time necessary for issues regarding risk handling is spent on other functions other than on the risk related function. Due to the absence of channels for identifying risks, SMEs are exposed to risk despite their resources regarding finances that are limited.

According to research conducted by Ntlhane (1995) he provided that action is taken on risks in SMEs only when they surface. He further asserts that the potential of SMEs is only measured basing on the limited undertakings in addressing risks. Therefore, measures geared towards control are undertaken to address risk despite the fact that they are not automatic and not highly effective. He also expounded that actions of entrepreneurs are geared towards risk avoidance instead of coming up with methods of controlling risks. Ntlhane (1995) acknowledges that risk avoidance has an implication of putting a barrier on business economic success because every business enterprise is capable of expanding and thriving in situations where entrepreneurs are capable of capturing opportunities for businesses with higher risks. Therefore, businesses face challenges in their attempts to manage risks. This is attributed to inappropriate infrastructure, lack of technical knowledge as well as absence of skills related to cognition which makes it

hard to initiate changes and developments in technology (Janney & Dess, 2006). In the same regard Turpin (2002) acknowledges that the greatest percentage of businesses lack certified strategies for risk management and this is attributable to communication problems which arise when employees have been delegated authority to manage risk. Further findings highlight that enhancing competitiveness with changes in demands of customers and use of improper approaches as a result of lack of records about the market situation. Observations from previous research also acknowledge that SMEs attitudes in relation to assessment of risk has a significant difference from those of large businesses. Practices for risk management within small businesses have a relation with owners and managers attitudes and beliefs.

Optimization of risks by SMEs is not dependent on techniques that are special in nature. They therefore make business resolutions with regard to their business performing state. According to Sparrow (1999) although some businesses may involve in some aspects of risk evaluation and identification, some SME managers and owners sometimes ignore certain risks. Nevertheless, large businesses tend to hire a manager in charge of management of risks.

PwC (2000) assert that big corporations sometimes name selected business unit employees for managing risks as well as involve in evaluating and identifying risk. KPMG (2000) established that about 77 per cent of big corporations are engaging in establishment of a straight combination of risk control into the organization's master plan. Fischer (1999) highlights that big corporation make investment for their systems responsible for risk aversion of about 250.000 Euro but not less than 50.000 Euro.

Macheke (2012) carried out an empirical study on Risk management training, entrepreneurial skills as well as SMEs Needs to train in an entity that manufactures plastics in South Africa. The findings established that there was a relationship which was positively significant between management of organizational risk and business training on interpersonal skills on how SMEs

were performing financially. After, owners of SMEs were trained in business risk management which resulted into a significant improvement in the financial performance. It was concluded that firms should develop relational skills if they are to prosper in their financial performance because relationships in business are very critical for their success.

2.3.3 Communication skills and financial performance of SMEs

Barret (2006) asserts that communication is a process which involves transfer of views so as to derive perfect meaning.

In the same regard, other scholars refer to communication as necessary for business growth because it is a social skill (Hergie, 2007). Dollinger (2003) further asserts that the bedrock for business entrepreneurship is the skill to communicate. It therefore looks upon skills such as writing, speaking, and listening. This skill therefore passes over information from entrepreneurs to their customers with the aid of adverts, words, reports, and body language. Communication has an effect on business performance in ways that looks upon some practices being used. PMI (2008) acknowledges that the communication model emphasizes regular and networks of information which are excellent so as to sure success of communication

According to Andersen and Rasmussen (2004) sectors that have information networks which are excellent within an organization ensure communication success. The study further ascertains that organizational workers should possess communication skills so as to enable the flow of information from internal environment to the stakeholders within the external environment of the firm.

Elfenbein, Hamilton, and Zenger (2008) carried out an investigation on the relationship of interpersonal communication skills and performance of marketing organization an ascertained that communication skills affect performance by 80%. It was therefore concluded that the

performance of an organization can be improved through development of communication capacity of workers through opening up communication flow within the organization.

In addition, Wanjiku and Lumwagi (2014) also conducted research on relationships existing between communication strategies on how organizations were financially performing in Kenya. In this study it was ascertained that communication skills play a very central role in financially performing entities. These findings were similar to those of Wagner, Liston, and Miller (2011) who established that just the presence of communication infrastructure without communication skills would not guarantee increase in financial performance of an organization. The study was also done by Santarelli and Vivarelli (2007) on entrepreneurial skills and SMEs growth within Nigeria. The study collected data on 38 SMEs and revealed that business and entrepreneurship skills influence SME's growth significant within Nigeria. It further ascertained that communication skills, problem solving and leadership skills play a major contribution to the growth of SMEs. Spanos, Prastacos, and Poulymenakou (2002) also in their study ascertained communication skills was ability to solve problems and they are very vital skills for the success of the firm. This is also in continuum with findings of Prahinski and Benton (2004) which revealed that sophisticated skills like conflict management and leadership were important for entrepreneurs.

Also, a study conducted in Nigeria by Mohammed and Obeleagu-nzelibe (2014) looked at training in entrepreneurship skills and SME's profitability. The findings from 250 respondents revealed that skills training in entrepreneurship training, particularly in keeping of records and communication skills training established that a positive significant relationship existed amongst skills training and profitability in business firm within Nigeria.

2.4 Research gap

A multitude of research undertakings have been accomplished on entrepreneurial skills in Uganda. To begin with, an empirical study conducted by Kato (2016) identified lack of entrepreneurial skills among entrepreneurs in Katwe that led to performance gaps. Additionally, generic entrepreneurship empirical studies in Uganda conducted by (Kakuru, 2000; Kibuuka, 2013; Kisuze, 2003; Kivumbi, 2013), emphasized that when business men develop entrepreneurial skills, they use such skills as a basis to improve self-reliance of established and startups enterprises in any given setting. However, these studies are silent about the differences that exist in financial performance before and after entrepreneurial skills training. From the above review, the desire to particularly find out the differences in financial performance before and after entrepreneurial skills training in SMEs specifically within Kabale Municipality created gaps for further undertakings in research filled by this study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the study methodology that outlines the strategies that was followed in conducting the research study. It therefore focuses on the following: research design, population and sample selection, research instruments, pilot testing, data collection and data analysis.

3.2 Research Design

This research used a comparative and descriptive survey design with quantitative and qualitative approaches (Cooper and Schindler, 2003). This research embraced a descriptive research design as supported by Saunders, Lewis, and Thornhill (2007) who proclaimed that a descriptive design offers a clear way to understand the perceptions and thoughts pertaining to the problem with ease. In the same regard, Kothari (2004) further supported that a design that is descriptive uses so many people, and portrays characteristics of the population by selecting a sample that is not biased. It also involves using the interview guide and questionnaires. Also, basing on the population from which the sample is erected, results can be generalized (Saunders, Lewis, & Thornhill, 2007). Descriptive design is not fixed; therefore, it gives chance for looking upon various features of the problem being studied (Kothari, 2004). In the same regard, the study embraced an approach of mixed research (Creswell, 2009). Therefore, quantifiable and non-quantifiable data were used to establish the relatedness between variables. A guide for Interviews was embraced to collect qualitative data for purposes of supporting quantitative findings (Guest, Bunce & Johnson, 2006).

3.3 Area of the study

This research was carried out in Kabale Municipality because this area includes peri-urban and rural localities that have several SMEs that are managed by entrepreneurs. Kabale Municipality is geographically found within the District of Kabale. It's therefore within the sub-region of Kigezi. It is also perfectly reasonable to assert that Kabale Municipality is found southwest of the capital city of Uganda called Kampala, It is approximately 420 kilometers by road.

3.4 Population

The targeted respondents included the whole set of people onto which conclusions would specifically be made by the researcher. Therefore, the population that was targeted consisted of SMEs of Kabale Municipality which constituted 280 firms according to Kabale Municipality SME's Register cited by Atuheire (2014). The respondents included owners and employees of SMEs.

3.5 Sample Size and Sampling Techniques

The researcher selected an appropriate and more manageable number of people to take part in the research. This was based on a notion that a sample is a representation of the population which is reachable. According to Kerlinger (1975) the central features involved in ascertaining the size is to come across a good-sized sample easy to manage. Similarly, Mugenda and Mugenda (2008) illuminated that 70% rate of response is perfect. the size of the sample computed was 162 respondents which was selected using Krejcie & Morgan (1970) formula:

$$n = [z^2 * p * (1 - p) / e^2] / [1 + (z^2 * p * (1 - p) / (e^2 * N))]$$

Where: z = 1.96 for level of confidence (α) of 95%, p = proportion (decimal expression), N = size of population, e = error margin

$$z = 1.96, p = 0.5, N = 280, e = 0.05$$

$$n = [1.962 * 0.5 * (1 - 0.5) / 0.052] / [1 + (1.962 * 0.5 * (1 - 0.5) / (0.052 * 280))]$$

$$n = 384.16 / 2.372 = 161.956$$

$$n \approx 162$$

3.5 Sampling Technique

The researcher used a technique of stratified sampling to divide the population into different stratum of manufacturing and retail enterprises. Thereafter, participants in this research were chosen using simple random sampling techniques. The method was preferred because entities that were to be included in the sample were to be granted equal chance (Neuman, 2000).

3.6 Data Collection Methods

Data was extracted from the sample quantitatively as well as qualitatively as follows.

3.6.1 Questionnaire Survey

The study used a survey questionnaire so as to practically, collect huge amounts of information from a huge sample size within a specified time period and in a way that is relatively cheap. Closed ended questionnaires were embraced as supported by Amin (2005) who acknowledged that they offer responses which are unambiguous making it easy to evaluate. Additionally, Mugenda and Mugenda (1999) also acknowledged that using questionnaires is cheap in regard to monetary and time resources. Observations yielded by questionnaires were quick making it easy for the researcher to quantify them with the aid of SPSS.

3.6.2 Interviews

Interviews connote the mode of communication form which embraces individual to individual information flow. This therefore implies that at a given point in time, interaction is between two people. In this particular study, interviews were embraced to obtain ideas and get in depth data for the study (Creswell, 2003). The researcher employed interviews due to their ability to grant opportunities geared towards probing to derive more data, as well as ability to capture expressions made with interviewees faces (Creswell, 2003). Additionally, they offer chance to

the people involved in the study to reconsider items that are given less emphasis yet they may be indispensable for the study.

3.7 Data collection instruments

The interview guide and questionnaires were the instruments for data collection which were key in this research as below illustrated.

3.7.1 Questionnaire

A questionnaire is one which operates within alternatives that are thoroughly defined. It involves distribution of questions which are written down onto which answers provided by participants are recorded. Questionnaires were preferred due to the notion that the dimensions employed by the researcher were not observable. Most notable were the views of people responding, moods, perceptions and their opinions. Ezeani (2005) in support highlighted that questionnaires should be used where a lot of data is to be collected on a bigger sample in a span that is short.

3.7.2 Interview Guide

An interview guide was used by the researcher while conducting interviews. The interview guide was arranged in accordance with the indicators and variables which were clearly portrayed within the conceptual framework. Additionally, unstructured enquiries that populated the interview guide were tailored to each of the aforesaid variables. Using the interview guide, the researcher had an opportunity to ask follow up questions for further elucidation (Amin, 2005). 12 Respondents provided responses that were open ended which maintained the notion provided by Guest, Bunce & Johnson (2006) who asserted that not more than 12 respondents should be approached when using a method of interviews in qualitative research.

3.8 Validity and Reliability of Data

3.8.1 Validity

According to Kothari (2004), Data validity refers to the ability of research instruments to elicit the desired response from the target population. The questionnaire was given to the supervisor to seek their opinion about the adequacy and representativeness of the instruments to ensure that it covers all the variables being measured to remove invalid items on the instrument.

Validity tests was conducted for content and criteria to test well how the tool used is representative and captures relationships between the variables as well as a concept measure (Saunders et al, 2003).

Therefore, the validity of the instrument quantitatively was established using the Content Validity Index (CVI). This involved the expert scoring of the relevance of the questions in the instrument in relation to the study variables. To establish validity qualitatively, the instruments was given to the experts (supervisor) to evaluate the relevance of each item in the instrument to the objectives and rate each item on the scale of very relevant (4), quite relevant (3), somewhat relevant (2), and not relevant (1).

Index (CVI) was computed using the formula below:

$$CVI = (Number\ of\ relevant\ items) / (Total\ number\ of\ items) \times 100 = 14/19 = 73.7\%$$

The instruments yielded a CVI of 73.7% which is above 0.7.

3.8.2 Reliability

According to Cohen, Manion and Morrison (2007) consistency and stability of the tool is what reliability implies. Therefore, reliability looks upon the degree at which the different items in the tool are reflected with no form of biasness. In qualitative terms, the tool was checked if it was reliable by carrying out a pilot study to make sure the tools were dependable, consistent, and able to generate information that would fully fit the study purpose. Data obtained from a

pilot test was analyzed to establish whether it was reliable. In quantitative terms, reliability was calculated with emphasis on the Cronbach's Alpha. After testing, the values obtained were above 0.7. In that regard, reliability of items run in the tool were confirmed (Bill, 2011). The formula below was applied to test reliability of the instruments:

$$\alpha = \frac{N \cdot r - \bar{r}}{1 + (N - 1) \cdot r - \bar{r}}$$

N represents the items number,

r-bar portrays the average correlation derived from integrating items.

The results from the Cronbach Alpha test are presented in table 3.1.

Table 3. 1: Reliability Statistics

Variable	No. of items	Cronbach Alpha
Innovation skills	3	0.646
Risk management skills	3	0.82
Communication skills	3	0.7
Financial performance	3	0.889
Average	12	3.055

Source: Primary Data

Table 3.1 portrays variables: Innovation skills, Risk management skills, Communication skills and performance pertaining to finances; the number of questions and the alpha score. In order to obtain reliability, the average score was obtained divided by the number of variables where $(0.646 + 0.82 + 0.7 + 0.889/4 = \mathbf{0.76})$. According to Bill (2011) the coefficient of Cronbach Alpha above 0.7 is an indicator of reliable instrument.

3.9 Data collection procedure

The researcher sought approval from the graduate school to ensure that the ethical guidelines are followed throughout the data collection process. At the onset of data collection, the researcher also sought permission from the area local chairperson.

Data collection was done in two phases; a pilot study and a main study. Pilot study was conducted to detect weakness in design and instrumentation and to provide accurate data for selection of a sample and improve the study design prior to performance of a full-scale research project.

3.10 Data analysis

Throughout the analysis, Data was analyzed basing on research hypotheses. Completed questionnaires were edited for completeness and consistency. The process of data analysis involved several stages namely; data coding, data cleaning and analysis. Quantitative data got from the questionnaires was computed into frequency counts and percentage. Data was sorted using the Statistical Package for Social Scientists (SPSS) method. The researcher adopted bivariate analysis techniques in analyzing data. Bivariate analysis is the simplest form of quantitative (statistical) analysis. In addition to frequency distribution, tables, mean, standard deviation and other measures of central tendency were used in data analysis. Additionally, paired sample t-test was used to examine whether there was a significant difference in financial performance before and after entrepreneurial skills training.

3.11 Ethical consideration

The researcher sought authorization to undertake inquiries. In due consideration of research ethics, respondents were to remain anonymous, information given whilst in the inquiries was to remain confidential. The researcher had a discussion with respondents on issues pertaining to accessibility to the findings the inquiry would yield. In the aforesaid regard, research ethics

were maintained as per Gray's (2004) necessary requirements for research ethical code maintenance which commands researchers to seek permission.

Additionally, in due consideration of the ethos of research, the researcher had to present an introductory letter from graduate school to participants and authorities so as to clear all ambiguities when seeking to obtain data from them during the sessions for collecting data.

Also, when in Kabale Municipality, the researcher had to seek permission to obtain information from the masses operating SMEs in the Municipality of Kabale. All information of masses operating SMEs was held confidential by allocating codes to those who participated rather than taking note of the names they held.

3.12 Anticipated problems/ limitations

The researcher anticipated a number of challenges which included the following:

The organizations policy relating to confidentiality constrained a few respondents from answering the questionnaire since it was observed to be against rules of their enterprises to air out organizational related facts to strangers. However, the researcher was emphatic on Anonymity and confidentiality to solve the aforesaid issue.

The lockdown due to COVID 19 pandemic was also a gallant limitation befallen by the researcher. This was attributed to the fact that movement was banned and most of the MSEs were prohibited from operating. Nevertheless, the study was adjusted to make a perfect fit for data to be collected when the quarantine period was lifted. Strict adherence to standard operating procedures gave confidence to respondents to offer information required without fear.

Limited response to inquiries and other incidences which involved participants proceeding on with their own businesses before completing the questionnaire was anticipated. However, the aforesaid challenge was handled by building an egalitarian relationship with the respondents.

CHAPTER FOUR

ANALYSIS, PRESENTATION, AND INTERPRETATION OF FINDINGS

4.0 Introduction

The overall purpose of the study was to investigate whether there is a difference in financial performance of SMEs in Kabale before and after entrepreneurial skills training. The chapter highlights data analysis, presentation and interpretation of the study findings. The chapter first presents the response rate, followed with the findings on respondents' demographics, and lastly the findings on paired sample t-test to provide answers to the specific objectives of the study.

4.1 Response rate

The response rate looks at the returned questionnaires divided by the number of issued questionnaires and expressed as a percentage. In this study, the researcher targeted a sample size of 162 respondents. The results from the response rate are presented in table 4.1.

Table 4.1: Response rate

Category	Target No of Respondents	Realized No of Respondents	Percentage of response (%)
SMEs respondents	162	189	117%

Source: Primary data, 2020

The results presented in Table 4.1 above indicate that 162 data collection instruments were targeted to be answered by respondents in the study and 189 filled research instruments were returned which represented a response rate of 117%. Therefore, the target number of respondents exceeded by 27. A response rate beyond 100% is regarded one that has a likelihood of representing the population and thereby accurately reflecting results that would have been

derived from the entire population (Groves, Fowler, Couper, Lepkowski, Singer & Tourangeau, 2009).

4.2 Demographic characteristics of respondents

This segment presents the respondents from Kabale Municipality who contributed in the study characteristics of demography. The characteristics on demographic for variables presented in this subsection include; Gender, length of operation of the organization, department of operation of the respondents, industry of the business, legal status of the organization, and the number of employees employed in each organization. The findings are presented in subsequent sections below;

4.2.1 Gender of respondents

This research involved participants of both gender statuses who were operators of SMEs in Kabale Municipality. The outcomes are portrayed in table 4.2.

Table 4.2: Gender of respondents

	Frequency	Percentage
Female	81	42.9
Male	108	57.1
Total	189	100.0

Source: Primary data, 2020

The outcomes portrayed in table 4.2 above show that most participants (57.1%) were males compared to their female counterparts who were represented by 42.9%. The study findings indicate that respondents of both gender statuses were represented in the study. The implication of the findings is that males dominated in the study. The male's dominancy in the study is an

indication that they have a lot of business management skills compared with their female counterparts.

4.2.2 Period of existence of the SMEs

This research looked upon the existence period of SMEs in Kabale Municipality. The results are reflected within table 4.3.

Table 4.3: Period of existence of SMEs

	Frequency	Percentage
1-2 years	4	2.1
3-5 years	14	7.4
6-10 years	88	46.6
11-15 years	42	22.2
16 years and above	41	21.7
Total	189	100.0

Source: Primary data, 2020

The findings portray that majority of the SMEs (46.6%) had existed for 6 to 10 years, followed by 22.2% which had existed for a period between 11 and 15 years, while a few (2.1%) existed for 1 to 2 years in operation. The findings may imply that most of the SMEs in Kabale Municipality have been in operating for a span around 6 and 10 years which was a considerable period for the study to examine whether there was a difference in financial performance in Kabale Municipality before and after entrepreneurial skills training. The findings also indicate that since most of the SMEs have been functioning for many years which probably could be the reason why their financial performance had declined before the owners were provided with training.

4.2.3 Industry in which the SMEs operate.

The researcher made an investigation to establish the industry in which the SMEs in Kabale Municipality were operating. The results are portrayed in table 4.4.

Table 4.4: Industry in which the SMEs operates

	Frequency	Percentage
Manufacturing (Furniture, hides & Skins, Bakery)	4	2.1
Service (Transport, hotel & private schools)	90	47.6
Trade (Petty Traders)	95	50.3
Total	189	100.0

Source: Primary data, 2020

The study outcomes show that majority of the SMEs (50.3%) were operating in trade (petty traders), followed by 47.6% which were operating in service (Transport, hotel & private school) and only a small proportion of the SMEs(2.1%) were operating in the manufacturing (Furniture, Hides & Skins, Bakery). The implication is that most of the SMEs in Kabale Municipality are under petty traders and this could be the reason why their financial performance before they were given training was very low since petty traders possess little skills in managing business.

4.2.4 Categories of SMEs

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

Table 4.5: Categories of the SMEs

	Frequency	Percentage
Small scale enterprises	97	51.6
Medium enterprises	43	22.9
Sole proprietorship	31	16.5
Family business	17	9.0
Total	188	100

Source: Primary data, 2020

The evidence from the above findings revealed that multitude of the SMEs (51.6%) were small scale enterprises, followed by (22.9%) were medium enterprises, followed by (16.5%) were sole proprietors and only a few SMEs (6.9%) were family businesses. The small-scale enterprises dominated the study maybe because they don't require a lot of startup capital as compared to medium scale enterprises and sole proprietorship and it could be the reason why the financial performance was low before they were given entrepreneurial skills training.

4.2.5 Employee size of the SMEs

The study further made an investigation to establish the size of employees employed by SMEs in Kabale Municipality. The results are detailed in table 4.6.

Table 4.6: Size of Employees employed by SMEs

	Frequency	Percentage
1-20 employees	184	97.9
21-40 employees	4	2.1
Total	188	100.0

Source: Primary data, 2020

The results from the study revealed that majority of the SMEs (97.9%) in Kabale Municipality employ between 1 and 20 employees while the least SMEs (2.1%) employ between 21 and 40 employees. The findings imply that most of the SMEs were employing a small number of workers maybe because they are operating on a small scale as a result of limited capital and hence low financial performance.

4.3 The difference between financial performance before and after Innovative skills training of SMEs.

In this sub-section, the researcher presents findings on the financial performance before and after Innovative skills training of SMEs in Kabale Municipality. The SME operators were provided with Innovative skills training in Kabale Municipality and this prompted the researcher to track the financial performance before and after innovative skills training was provided to assess whether there was a difference. The findings are presented in table 4.7.

Table 4.7: Findings on financial performance before and after Innovative skills training of SMEs in Kabale Municipality.

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

Source: Primary data, 2020

The study made an investigation to establish the financial performance of SMEs before the owners were provided with Innovative skills training in Kabale Municipality. The findings revealed that majority of the respondents agreed that the financial performance before innovative skills training was low (61.4%). The implication of the findings is that before SME

operators were provided with Innovative skills training, they had no innovation skills and knowledge and maybe this could be the reason why their financial performance was low.

The study assessed the financial performance of the SMEs after the owners were provided with Innovative skills training in Kabale Municipality. It is evident from table 4.8 above that the financial performance of SMEs moderately increased (98.4%) after the owners were provided with Innovative skills training in Kabale Municipality. The findings imply that after the SMEs operators were provided with the training, they gained more knowledge on innovation which boosted their sales thus could be the justification for the moderate increase in financial performance.

From the interviews, it was established that SMEs owners were trained in marketing innovation and this help them in Market they products, thus could be the reason for moderate financial performance. The respondent B11 added that;

“The owners of SMEs have been trained in marketing innovation which involved research development and implementation of new practices and technology that increases the effectiveness and efficiency of a business marketing strategy. This innovation provided a competitive advantage in the market place by increasing brand awareness and market share” (B11).

The findings from the interviews also revealed that SME owners were trained on how to treat innovation as an opportunity not a threat and this could also be the reason for moderate financial performance. Respondent B14 intimated that:

"SMEs were trained on Integrative innovation more particularly on how to treat innovation as an opportunity not a threat. They were told to deal with problems as a whole organization/business rather than in separate sections. They were trained how to be more flexible and have the ability to change in certain situations for example, switching business when other businesses fail” (B14).

Table 4.8 Paired sample t-test examining the difference between financial performance before and after Innovative skills training of SMEs in Kabale Municipality.

	Paired Differences						t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error	95% Confidence Interval of the Difference					
				Lower	Upper				
Pair 1	Innovation Skills after training - Innovation Skills before training	1.889	0.834	0.061	1.769	2.009	31.148	188	0.000

Source: Primary data, 2020

The paired sample test results in table 4.8 show that there was a significant difference between the financial performance before and after Innovative skills training of SMEs in Kabale Municipality (t-test value=-31.148, df=188, P-value<0.05). The P-value (0.000) of the paired sample test was less than 0.05 thus leading to the rejection of the null hypothesis in support of the alternative hypothesis which stated that there is a significant difference between the financial performance before and after Innovative skills training of SMEs in Kabale Municipality. The findings show that after Innovative skills training was given to SMEs, there was a significant moderate increase in financial performance as indicated by a mean difference of 1.889. This implies that after the provision of Innovative skills training to SME owners, their innovation skills and knowledge increased which resulted into growth in sales, thus this could maybe the reason for the moderate increase in the financial performance.

4.4 The difference between financial performance before and after Risk management skills training of SMEs in Kabale Municipality

The study sought to find out the difference between financial performance before and after Risk management skills training of SMEs in Kabale Municipality. During the study investigation, the respondents were asked to give their views in regards to the financial performance before and after Risk management skills training of SME operators in Kabale Municipality. The findings are presented in table 4.9.

Table 4.9: Findings on financial performance before and after Risk management skills training of SMEs in Kabale Municipality

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

Source: Primary data, 2020

The study sought to establish the financial performance of SMEs before Risk management skills training in Kabale Municipality. The study found out that there was a low financial performance of SMEs before Risk management skills training was conducted among the SME owners in Kabale Municipality as agreed by 70.9% of the respondents who participated in the survey. The implication is that before SME owners were trained on Risk management their SMEs were encountering numerous risks which in one way or another could have affected the financial performance.

The study also sought to establish the financial performance of SMEs after Risk management skills training in Kabale Municipality. The evidence from the study indicate that there was a moderate improvement in financial performance of SMEs after Risk management skills

training in Kabale Municipality as indicated by a bigger proportion of respondents who strongly agreed (74.6%). The study findings imply that after Risk management skills training was provided to SME owners in Kabale Municipality, they stopped encountering much risk in the management of their businesses which perhaps could have prompted an increase on their financial performance of SMEs. For instance, training involved financial risks training which helped them to understand the risks to avoid, for instance, credit giving whereby SMES operators learnt how to deal with creditors, as well as minimizing credit giving due to the fact that their businesses are small with less capital. SMEs operators were also given technical risk training and this helped them how to manage their risks hence moderate financial performance.

The results from key informant interviews also highlighted that SME owners were trained to be confident in facing business challenges and how to overcome them and this could be the reason for the moderate business growth. The respondent B13 added that;

“The business owners were trained by experts on how to be confident in that particular requirement which is achievable given the constraint of existing technology. They were trained in new ways to enhance business workflows and methodologies as well as improve efficiency in their businesses” (B13).

Table 4.10: Paired sample t-test examining the difference between financial performance before and after Risk management skills training of SMEs in Kabale Municipality

Municipality

	Paired Differences				t	df	Sig. (2-tailed)	
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower				Upper
Pair 1 Risk Management Skills after training - Risk Management Skills before training	.937	1.500	0.109	0.721	1.152	8.581188	0.000	

Source: Primary data, 2020

The study examined whether there existed a significant difference between financial performance before and after Risk management skills training of SMEs in Kabale Municipality using paired sample t-test. The results from the study show that there was a significant difference between financial performance before and after Risk management skills training of SMEs in Kabale Municipality (t-test value=8.581, df=188, P-value<0.05). The P-value (0.000) of the paired sample test was less than the 0.05 level of significance and this results into the rejection of the null hypothesis in support of the alternative hypothesis which stated that there is a significant difference between financial performance before and after Risk management skills training of SMEs in Kabale Municipality. The findings show that after Risk management skills training of SME operators, the financial performance of SMEs moderately increased by an average of 0.937. This means that after training of SME owners in risk management, majority learned how to manage their business risks very well and this possibly stopped them

from encountering many losses, thus could be the reason why their financial performance moderately increased.

4.5 The difference between financial performance before and after communication skills training of SMEs in Kabale Municipality

The study also sought to find out the difference between financial performance before and after communication skills training of SMEs in Kabale Municipality. The respondents were told to give their perceptions on how the financial performance was before and after the communication skills training of SME owners in Kabale Municipality. Their responses were measured on a three-point scale ranging from 1- Very low, 2 - Low, and 3 – moderate. The findings are presented in table 4.11.

Table 4.11: Findings on financial performance before and after communication skills training of SMEs in Kabale Municipality

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

Source: Primary data, 2020

The study assessed the financial performance before communication skills training of SMEs in Kabale Municipality. The findings in table 4.11 above reveal that the highest proportion of respondents (69.3%) supported that the financial performance of SMEs was low before communication skills training was conducted among the operators. The implication is that before communication skills training, the SME owners in Kabale Municipality had poor communication skills, consequently leading to loss of customers and this maybe could be the reason for the decline in financial performance of SMEs.

In addition, the study sought to investigate the financial performance after communication skills training of SME owners in Kabale Municipality. The evidence from the study indicate that after communication skills training of SME owners, resulted into a moderate increase in financial performance of SMEs in Kabale Municipality since majority of the respondents (98.9%) supported the argument. The implication of the findings is that after SME owners were trained in communication skills, learnt how to handle customers and this raised their sales and this possibly could be the reason for the moderate improvement in the financial performance. Through communication skills training, the SME owners were taught to be interactive with their customers which involved both speaking and listening and being empathetic to the emotions and opinions of their customers as well as how to control their emotions and considering the needs of their clients.

From the key informant interviews, it was established that communication skill training helped the owners of SMEs to build rapport and could be the justification for moderate financial growth. Respondent B16 contended that;

“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 trained to never upload stress emotions and external condition shouldn't rule out on how they communicate with customers” (B16).

Table 4.12: Paired sample t-test examining the difference between financial performance before and after communication skills training of SMEs in Kabale Municipality

	Paired Differences				t	df	Sig. (2-tailed)	
	Mean	Std. Deviation	Std. Error	95% Confidence Interval of the Difference				
				Lower				Upper
Pair 1 Communication Skills after training - Communication Skills before training	1.873	.747	.054	1.766	1.980	34.463188	.000	

Source: Primary data, 2020

The study employed a paired sample t-test to examine whether there existed a significant difference between financial performance before and after communication skills training of SMEs in Kabale Municipality. The findings revealed that there was a significant difference in financial performance before and after communication skills training of SME operators in Kabale Municipality (t-test value=34.463, df=188, P-value<0.05). The results led to the rejection of the null hypothesis in support of the alternative hypothesis which stated that there is a significant difference between financial performance before and after communication skills training of SMEs in Kabale Municipality since the P-value (0.000) was less than 0.05 level of significance. The findings show that there was a moderate increase in financial performance of SMEs after communication skills training of SME operators in Kabale Municipality as indicated by a mean difference of 1.873. The findings imply that after communication skills training was provided to SME owners in Kabale, the relationship with their clients increased and this increased on the number of sales and customers and maybe could be the reason for the moderate increase in financial performance.

4.6 Firm financial performance assessment

The study further sought to establish the overall financial performance of SMEs in Kabale Municipality. The researcher assessed the overall financial performance of SMEs by telling the respondents to indicate the rate of return on investment (ROI), Rate of return on equity (ROE) and profits made by the enterprise before and after entrepreneurial skills training. The findings are presented in table 4.13.

Table 4.13: The overall financial performance of SMEs before and after training

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

Source: Primary data, 2020

Table 4.13 presents the overall financial performance of SMEs before and after entrepreneurial skills training in Kabale Municipality. In terms of Rate of return on investment (ROI), the study revealed that there was an increase in the ROI of SMEs in Kabale Municipality after entrepreneurial skills training. The study shows that before training, the average ROI of SMEs was UGX 7,130,212.77 and after training it increased to UGX 14,285,904.26 showing a percentage of increase of 100.4%. The findings imply that after skills training on innovation, communication, and risk management, the SMEs improved on ROI.

Regarding Rate of return on equity (ROE), the study found out that there was growth in ROE after entrepreneurial skills training in Kabale Municipality. The findings show that before

training, the average ROE was UGX 6,002,579.79 and after it increased to UGX 11,306,648.94 giving a percentage of increase of 88.4%. The implication is that after training on innovation, communication, and risk management, the SME owners gained more skills on innovation, communication, and risk management which could be the reason for increased ROE.

In terms of profit margin, the study established that there was a tremendous growth in profit margin after entrepreneurial skills training in Kabale Municipality. The study indicates that before training, the average profit margin of each SME was UGX 2,125,564.52 and after training it grew up to an average UGX of 4,138,172.04 showing the percentage of increase of 94.7%. The implication is that after the SME owners gained skills on innovation, communication, and risk management, they were in position to retain more customers and increase sales which could be the reason for an improvement in profit margin.

CHAPTER FIVE

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

5.0 Introduction

This chapter presents the summary and discussion of findings. The first section presents the summary of findings and the discussion follows. The summary and discussion of findings are developed in line with the findings in chapter four.

5.1 Summary of findings

5.1.1 The difference between financial performance before and after Innovative skills training of SMEs

The paired sample t-test results revealed a significant difference between the financial performance before and after Innovative skills training of SMEs in Kabale Municipality. The study findings indicated that after Innovative skills training, there was a significant moderate increase in financial performance. The t-test results led to the rejection of the null hypothesis in support of the alternative hypothesis. The outcomes from the study meant that after the provision of Innovative skills training to SME owners, their innovation skills and knowledge increased which resulted into growth in sales, thus this could maybe the reason for the moderate increase in the financial performance.

5.1.2 The difference between financial performance before and after Risk management skills training of SMEs in Kabale Municipality

The study found out a significant difference between financial performance before and after Risk management skills training of SMEs in Kabale Municipality. It was evident from the study that after Risk management skills training of SME owners, the financial performance of SMEs moderately increased. The paired sample t-test results led to the rejection of the null hypothesis

in support of the alternative. The implication of the findings was that after training of SME owners in risk management, majority learned how to manage their business risks very well and this possibly stopped them from encountering many losses, thus could be the reason why their financial performance moderately increased.

5.1.3 The difference between financial performance before and after communication skills training of SMEs in Kabale Municipality

The paired sample t-test findings revealed a significant difference between financial performance before and after communication skills training of SMEs in Kabale Municipality. The findings showed that after communication skills training of SME operators in Kabale Municipality, there was a moderate increase in financial performance of SMEs. The findings from the paired sample t-test resulted into the rejection of the null hypothesis in support of the alternative. The implication of the findings is that after communication skills training was provided to SME owners in Kabale, the relationship with their clients increased and this increased on the number of sales and customers, thus this could possibly be the reason for the moderate increase in financial performance.

5.2 Discussion of findings

5.2.1 The difference between financial performance before and after Innovative skills training of SMEs

The study found out a significant difference between the financial performance before and after Innovative skills training of SMEs in Kabale Municipality. The findings showed that after Innovative skills training, there was a significant moderate increase in financial performance of SMEs in Kabale Municipality. The findings are consistent with that of Cooney(2012) who highlighted that innovative skills training significantly and positively improved the financial performance of SMEs.

The study found out a significant difference between financial performance before and after Risk management skills training of SMEs in Kabale Municipality. The findings showed that after Risk management skills training of SME owners, the financial performance of SMEs moderately increased.

5.2.2 The difference between financial performance before and after Risk management skills training of SMEs in Kabale Municipality

The findings are in agreement with that of Macheke (2012) in South Africa who found out a positive significant relationship between Risk management training and financial performance of SMEs. Macheke (2012) noted in his study that after the SME owners were trained in business risk management resulted into a significant improvement in the financial performance and this is consistent with the findings in the current study.

5.2.3 The difference between financial performance before and after communication skills training of SMEs in Kabale Municipality

The findings revealed a significant difference between financial performance before and after communication skills training of SMEs in Kabale Municipality. The findings showed that after communication skills training of SME operators in Kabale Municipality, there was a significant moderate increase in financial performance of SMEs. The findings are in line with Mohammed and Obeleagu-nzelibe (2014) who found out that Entrepreneurial skills training given to SMEs significantly improved on the profitability of SMEs in Nigeria.

5.3 Conclusions

5.3.1 The difference between financial performance before and after Innovative skills training of SMEs

From the study, it was learnt that innovative skills training played a significant in enhancing financial performance of SMEs in Kabale amidst some challenges. Therefore, the study concludes that innovative skills training should not be underrated but continuously conducted among all the SMEs since this would help to improve more on the financial performance.

5.3.2 The difference between financial performance before and after Risk management skills training of SMEs in Kabale Municipality

The study concludes that Risk management skills training plays a fundamental role in financial performance of SMEs in Kabale Municipality when it is conducted in an effective manner. Risk management skills training increasingly plays a significant role in enhancing financial performance despite some challenges. The researcher noted that after training, a significant proportion of SMEs were still reporting very low financial performance. Thus, the concerned stakeholders should continue providing Risk management skills training to SME owners in Kabale Municipality.

5.3.3 The difference between financial performance before and after communication skills training of SMEs in Kabale Municipality

Lastly, the study concludes that communication skills training contributes tremendously towards the financial performance of SMEs in Kabale Municipality. From the study, many of the SME owners had improved on their ways of communication with their customers which eventually improved on the financial performance of SMEs. The study urges the concerned stakeholders to continue providing communication skills training to more SMEs in consideration of those ones outside Kabale Municipality.

Generally, the study concludes that the contribution of entrepreneurial skills towards financial performance of SMEs in Uganda should not be underrated. The aforementioned findings have indicated that there is a strong contribution of entrepreneurship skills towards increment in the organization's profitability. This therefore implies that to achieve financial success, communication skills, Innovative skills, and risk management skills amongst owners and employees of these SMEs need to be improved.

5.4 Recommendations

The study recommends that since Innovative skills training plays a vital role in financial performance, the SMEs are recommended to use the adopted skills to develop new products in the market since this will improve on their performance.

The study suggests that more innovative skills training should be provided to SMEs specifically on how to develop products.

There is need for more risk management training for SMEs since a considerable number of SMEs were found experiencing very low financial performance even after the training.

Communication skills training plays a very important role in enhancing financial performance of SMEs; therefore, the study suggests that, more communication skills training should be provided to more SMEs in Kabale and outside the Municipality.

5.5 Areas for further research

A similar study should be carried out in Kabale Municipality basing on other entrepreneurial skills like managerial and business skills. In addition, there is need for further studies in other districts where similar trainings were provided to SMEs to get their view on the financial performance before and after skills training.

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APPENDICES

APPENDIX 1: SURVEY QUESTIONNAIRE

Dear respondent,

The researcher is a student pursuing a Master of Business Administration at Kyambogo University. The study is on entrepreneurial skills and financial performance of SMEs in Uganda, a case of Kabale Municipality. You have been identified as a respondent, and I therefore request you to kindly spare a few minutes of your busy schedule to fill this questionnaire. This study is purely for academic purposes. Your honest answer and sincere responses are highly appreciated and shall be treated with outmost confidentiality.

Should you require any additional information or wish to receive the findings for the study, please contact me on the following contacts:

Tel: 0784091508

Email: nketimu@yahoo.com

SECTION A

DEMOGRAPHIC FEATURES (Please tick the most appropriate answer)

a) Gender

1 () Female

2 () Male

b) How long has this organization existed?

1 () 1- 2 Years

2 () 3-5 Years

3 () 6 – 10 Years

4 () 11 – 15 Years

5 () 16 and above

c) In which industry does your business operate in?

1. () Manufacturing (Furniture, hides & Skins, Bakery)
2. () Service (Transport, hotel & private school)
3. () Trade (petty traders).

d) What is the category of your company?

1. () Small scale enterprises
2. () Medium enterprises
3. () Sole proprietorship
4. () Family Business

e) What is the size of your company?

1. () 1-20 employees
2. () 21-40 employees

SECTION B: INNOVATION SKILLS

How would you rate financial performance before and after innovation skills training? Use a scale of 1-5 where 1- Very low 2 - Low, 3 – moderate (**Tick (√) in the appropriate box**).

Financial performance	1	2	3
Before training			
After Training			

SECTION C: COMMUNICATION SKILLS

How would you rate financial performance before and after communication skills training?

Use a scale of 1-5 where 1- Very low 2 - Low, 3 – moderate. (Tick (√) in the appropriate box)

Financial performance	1	2	3
Before training			
After Training			

SECTION D: RISK MANAGEMENT SKILLS

How would you rate financial performance before and after Risk management skills training?

Use a scale of 1-5 where 1- Very low 2 - Low, 3 – moderate. (Tick (√) in the appropriate box)

Financial performance	1	2	3
Before training			
After Training			

SECTION E: FIRM FINANCIAL PERFORMANCE ASSESSMENT

Please give your assessment of the overall financial performance of your business by indicating the rate of return on investment (ROI), Rate of return on equity (ROE) and profits made by the enterprise.

Financial performance	Before training	After training	Difference_(increase/Decrease)
Rate of return on investment (ROI)			
Rate of return on equity (ROE)			
Profit Margin			

THANK YOU FOR YOUR COOPERATION

**APPENDIX II: ADDENDUM ON ENTREPRENEURIAL SKILLS TRAININGS
SCHEDULED IN KABALE MUNICIPALITY**

COMMUNICATION SKILLS TRAINING
Active listening skills Negotiating skills. Mediating skills Friendliness Confidence Sharing feedback Volume and clarity Empathy Respect Nonverbal cues Responsiveness Presentation skills Effective writing skills
RISK MANAGEMENT SKILLS
Limit Personal Liability. Risk Identification skills Risk analyzing skills Risk evaluation skills Risk assessment skills Risk control skills
INNOVATION SKILLS TRAINING

Product innovations

Process innovation

Market innovation

Technical innovation

Corporate innovation

Social innovation

Business innovation

APPENDIX III: INTERVIEW GUIDE

- 1) In your own opinion, do you think there is a difference between before and after Innovative skills training on financial performance of SMEs in Kabale Municipality?
- 2) To what extent is the difference between before and after Risk management skills training on financial performance of SMEs in Kabale Municipality?
- 3) In your own opinion, is there a difference between before and after communication skills training on financial performance of SMEs in Kabale Municipality?
- 4) In your own observation, has financial performance of your business improved after entrepreneurial skills training.