MANAGERIAL COMPETENCIES, ACCESS TO CREDIT AND BUSINESS SUCCESS

BY

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DECLARATION

I, the undersigned, Jamiya Nakiyingi declare that, to the best of my knowledge, the work presented in this dissertation is truly my original work and has never been submitted for the requirement of the award of a degree in this or any other university of learning. Where work of others has been used, due acknowledgement has been made.

Signed: ……………………………….

JAMIYA NAKIYINGI

Date: ………………………………..

APPROVAL

This is to certify that this dissertation has been submitted in partial fulfillment of the requirement for the award of a Master of Science degree in Accounting and Finance of Makerere University with my approval as University Supervisor.

Signed: …………………… **Date: …………………**

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Signed: .... **Date: ………………….**

DR. JOSEPH NTAYI

MAKERERE UNIVERSITY

DEDICATION

I would like to dedicate this study to my lovely parents, Al-Hajji & Al-Hajati Lutalo and the entire family who have supported me in every way. Your belief in me has propelled me to heights.

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I wish to thank my supervisors, Dr. Arthur Sserwanga and Dr. Joseph Ntayi for their support and continued guidance during this research study. My sincere gratitude goes to the management of MUBS for the financial support you forwarded to help me accomplish this study. MUBS, I highly commend you.

I am indebted to the owners and / or mangers of the SMEs in Kampala who accepted and responded to the Questionnaire(s) of this survey. Finally to the Almighty ALLAH be the glory for his faithfulness to me and without whom I would never have come this far.

I owe all of you this achievement and to you I will remain sincerely indebted.

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LIST OF ABBREVIATIONS

ANOVA - Analysis of Variance

BUDs - Business Uganda Development Scheme

GEM - Global Entrepreneurship Monitor

MFPED - Ministry of Finance, Planning & Economic Development

MHRM - Masters in Human Resource Management

MUBS - Makerere University Business School

PSFU - Private Sector Foundation Uganda

SME - Small and Medium-sized Enterprises

SPSS - Statistical Package for Social Scientists

UBOS - Uganda Bureau of Statistics

UMA - Uganda Manufacturers Association

URA - Uganda Revenue Authority

USSIA - Uganda Small Scale Industries Association

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ABSTRACT

The purpose of the study was to investigate the relationship between Managerial Competencies, Access to credit and Business success of selected SMEs in Kampala. The research was guided by three objectives; to establish the relationship between managerial competencies and business success, to investigate the relationship between credit accessibility and business success and to examine the relationship between managerial competencies, access to credit and success of selected SMEs'.

The research followed a cross sectional design. Primary data was collected using self administered questionnaires issued to the respondents. Data was collected and analyzed using a sample size of 381 SMEs randomly selected from a population of 45,832 SMEs. Data analysis was done with help of SPSS and with the use of pearson's correlation coefficient which was used to measure the strength and direction between managerial competencies, access to credit and business success.

The findings disclose a positive and significant relationship between managerial competencies, credit accessibility and business success. Managerial competencies and access to credit explain about 27.7% of the variance in business success. This implies that in order to achieve business success SMEs should improve managerial competencies and put in place better mechanisms for accessing credit. This survey recommends that in the quest for solutions for the business success, other factors should also be emphasized that have an effect on firm performance.

CHAPTER ONE

1.1 Introduction

This chapter presents an overview of the research starting with the background to the study, statement of the problem, purpose of the study, objectives of the study, research questions, scope of the study, significance of the study, conceptual framework and the organization of the study.

1.2 Background to the Study

Small and medium-sized enterprises (SMEs) represent over 90% of enterprises in Uganda. According to Hatega (2007), it is estimated that the number of SMEs is more than 1,069,848 which constitutes ninety percent (90%) of Uganda's private sector. Its composition is more of the informal sector than the formal sector and mainly deals in agro-processing, trade, small and medium manufacturing. Eighty percent (80%) of these SMEs are located in the urban areas and they contribute seventy five (75%) of the Gross Domestic Product (GDP).

In Uganda, a number of SMEs, which for the purpose of this study are defined as those resident business units that are a seedbed for entrepreneurship development, usually operate in the informal sector of the economy, employ mainly wage-earning workers, and participate more fully in organized markets (Torgler, 2002). These Small and micro-enterprises do not have a standard definition in Uganda. According to the Uganda Ministry of Finance, Planning and Economic Development (2000), there is a distinction between small and micro businesses. In the Ugandan context, micro businesses are defined as those enterprises which employ less than five people, with value of assets, excluding land and buildings, of not more than Uganda Shs.2.5m and an annual turnover of below Uganda

Shs.10 million. Furthermore, as the Ministry points out, micro-enterprises are predominantly family businesses which are usually not registered and primarily operate in the informal sector. Small enterprises are defined as businesses that employ up to 50 people with value of assets, excluding land and buildings, of not more than Uganda Shillings 50 million, an annual turnover of between Uganda Shs.10 million and Shs.50 million and an investment in plant and machinery not exceeding Uganda shillings 40 million. Most small enterprises operate in the formal sector and are duly registered for taxation purposes.

Traditionally, SMEs' in Uganda do not have requisite managerial competencies to run certain activities / tasks in their firms (Balunywa, 2003). Such managerial competencies are a set of skills, related knowledge, traits and attitudes that allow an individual to perform a task or an activity within a specific function or job (Raynard, 2001). Although the competencies that are required of the members are known, there is evidence that some of the entrepreneurs that run these SMEs' are usually poorly educated, lack experience, are unimaginative and lack business skills and knowledge to perform their work which in turn affects business performance (Senge, 2002).

More so, in order to ensure continuity and realized success, SMEs' need to acquire the necessary financial resources / credit that could allow them to invest now drawing on expected future income (Audretsch, 2002). Acquisition of such credit is difficult for the SMEs' due to the high lending rates and this has constrained the private sector demand for the credit which limits their progress (Kikonyogo, 2000). On the other hand, the banking sector in Uganda has a history of high default rates which has discouraged them from lending to SMEs' since they are regarded as very risky ventures. There is therefore a gap to be filled between the potential borrowers who are the SMEs' to access credit and the lenders who are the commercial banks (BOU Report, 2004).

Such difficulties faced in accessing credit by the SMEs' from the lenders may impact on the SMEs' success. Chakraborty, 2006 attributes success of SMEs' to easy credit access, other ethinic resources (finance from within) and opportunities provided by the emergence of niche markets to satisfy the demands. Some researchers however argue that it is the management teams' motivation to continue the business activities when faced with a dynamic business performance environment like managing those periods of transition between the readily identifiable phases of growth that will ultimately determine the businesses success (Cangemi, 1998). This therefore sets the basis for the researcher to further investigate the case within SMEs' in Kampala.

1.3 Statement of the Problem

SMEs' low success may be attributed to lack of reliable managerial competencies to run certain activities and credit accessibility (Bhattacharya, 1998). Such SMEs that would utilize the funds from the money lending institutions find it hard due to their inaccurate, untimely, incomplete records as forwarded from their management who have ignored their key competencies like; ability to network, assimilate experience, set goals, monitor resources, build entrepreneurial teams, solve problems and cope with uncertainties (Atanasova and Wilson, 2004). This may be responsible for affecting business success and hence needed to be investigated.

1.4 Purpose of the Study

The study sought to ascertain a relationship between managerial competencies, access to credit and business success of SMEs' in Uganda.

1.5 Objectives of the Study

The main objectives of the study were:

i.) To establish the relationship between managerial competencies and business success of SMEs' in Uganda.

ii.) To investigate the relationship between credit accessibility and business success of SMEs' in Uganda.

iii.) To examine the relationship between managerial competencies, access to credit and success of the SMEs' in Uganda.

1.6 Research Questions

The study was guided by the following research questions:

i.) What is the relationship between the managerial competencies and the business success of SMEs' in Uganda?

ii.) What is the relationship between credit accessibility and business success of SMEs' in Uganda?

iii.) What is the relationship between managerial competencies, credit accessibility and success of SMEs' in Uganda?

1.7 Scope of the Study

1.7.1 Subject Scope

The study focused on the managerial competencies in respect to the skills, knowledge, Attitude and access to credit in respect to the amounts received and the frequency of credit accessibility and business success of the SMEs' in Uganda.

1.7.2 Geographical Scope

The study confined to a few selected SMEs' in Uganda within the chosen divisions. This was so because of the money and time constraint.

1.8 Significance of the Study

The study sought to make the following contributions:

a) The results of this study will help the banks and other lending institutions to establish which decision variables have the greatest impact on the access to credit by the SMEs' in Uganda.

b) The findings of this study could contribute to the existing information on SMEs' to enable these firms model themselves into credit worthy businesses which are plausible to money lenders when seeking for loan facilities.

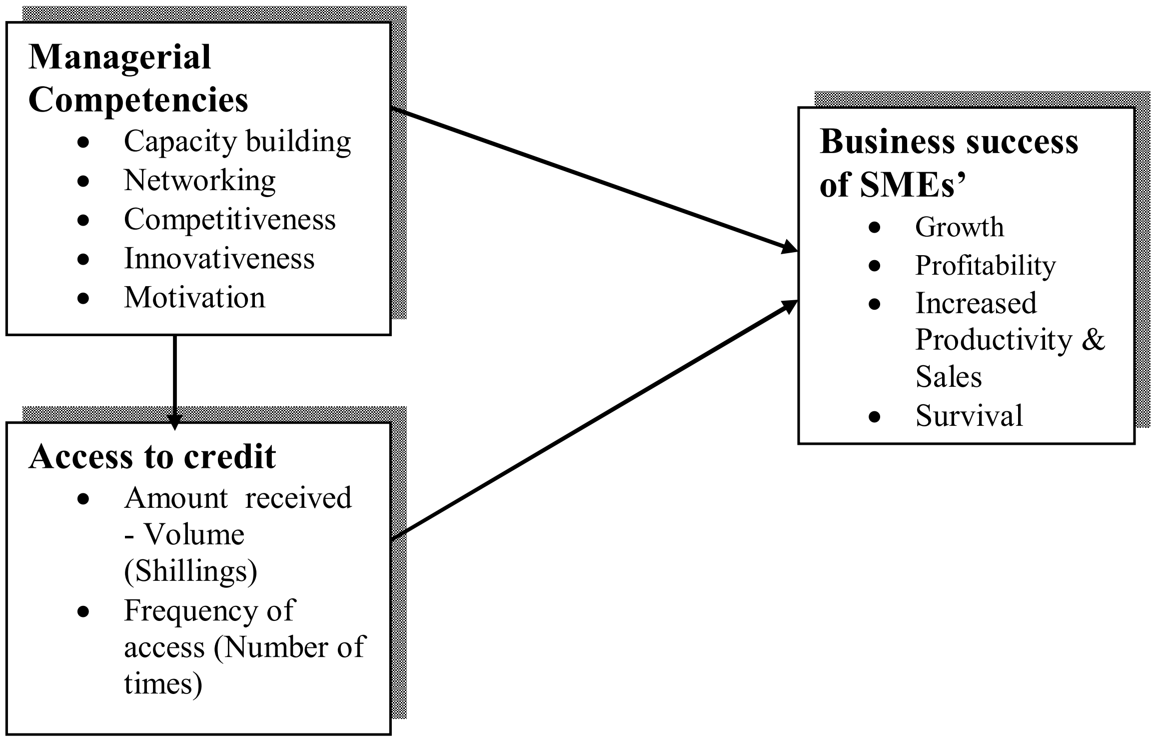
c) The findings will be of use to the owners of these enterprises themselves as they will be able to adopt some of the recommendations advanced in the study.

d) Finally, it will be an academic resource providing solutions to the identified problem and highlighting areas for further research.

1.9 Conceptual Framework

The following Conceptual framework was developed after review of existing literature to investigate the research questions at hand. The framework shows Managerial competencies and access to credit as the independent variables used to explain business success as the dependent variable. In order to facilitate the study, the researcher developed a conceptual framework drawn from the works Berger (2002) where business success was described in terms of sales, profitability and survival. The model has adopted underlying characteristics of entrepreneurs such as skills, knowledge and experiences to represent managers' innovativeness, networking, capacity building, competitiveness, persistence among others which in turn explains managerial competencies as stated by Karns (1998) that could lead to business success. For the purpose of this research, access to credit may be determined in respect to amounts borrowed (shillings) from money lending institutions with their turnover (number of times) as described by Chakraborty (2006). This is because other variables were not catered for in the data sets that were used for the study.

Figure 1: Conceptual Model



1.10 Organisation of the Study

The study is organized in five broad chapters. Chapter one laid the foundation of the research. It is the introductory chapter and this covers the background to the study, the problem statement, the purpose of the study, research objectives, the research questions, scope of the study, significance of the study and the conceptual framework on which the study is based. Chapter two covers a review of the related literature on managerial competencies, access to credit and business success and this brings out information that has already been written on the subject by other scholars. Chapter three stipulates the methodology adapted by the researcher and covers the research design, area and study population, sample size, sources of data, data collection instruments, measurement of the research variables, data processing and analysis and limitations that were encountered. Chapter four is where data collected was presented, analyzed and findings discussed and Chapter five is the final chapter where conclusions on the findings as laid down in chapter four were made, recommendations made by the researcher and areas for further research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter examines available literature on the relationship between the different variables used in this study namely; managerial competencies, access to credit and business success.

2.2 Small and Medium size Enterprises (SMEs)

Small and medium-sized enterprises (SMEs) represent over 90% of enterprises in Uganda and they contribute about 75% of the Gross Domestic Product, (Hatega 2007). SMEs play a significant role in the economies (Narain, 2001). They influence their growth and development, income generation through employment of the citizens among others, (MFPED, 2000). Despite their contribution to national economy, SMEs have been bogged down by performance issues which have influenced their success. The literature mainly attributes challenges of success among SMEs to lack of financing, marketing problems, poor record keeping and incompetencies of their managers among others (Stevenson, 2005).

SMEs' are very important for a developing economy because they provide employment opportunities up to approximately 2.5 million and are a basis for developing new ideas as well as contributing to economic growth and sustainable development (UMA consultancy and information services, 2007). They are the driving force behind a large number of innovations and contribute to the growth of the national economy through investments, exports and generate a large share of new jobs in the economy (Badagawa, 2002).

The Small and Medium size business sector is of interest to policymakers not only because of the important role it plays in the Ugandan economy, but also because of the avenue to advancement that the SME business ownership represents, in particular for ethnic minorities (Raynard, 2002). Critical to SME businesses' success is the availability of financing for both capital acquisition and working capital purposes. Much of this financing takes the form of credit extended by commercial banks and non bank lenders (Berger, 1995).

SMEs need to have access to adequate financial support and reliable management to enhance productivity and in turn facilitate market access (Sebstad, 1995). The establishment of an active SMEs sector and the effective utilization of quality business information and credit have been identified as crucial in attaining long term and sustainable business success and better performance for developed and developing countries (McMahon, 2007).

2.3 Managerial Competencies

Henderson (2000) defines competency as a combination of knowledge and skills required to successfully perform an assignment. Its attainment is evidenced by the ability of an individual to gather data, process it into useful information, access it and arrive at an appropriate and useful decision in order to initiate the actions necessary to accomplish the assignment in an acceptable manner.

Managerial competencies are a cluster of similar knowledge, skills and attributes that are essential to effective job performance (Karns, 1998). For this study, managerial competencies did cover employee training and development, leadership skills, knowledge and professional experience (Stoner et al., 1995). These competencies are the result of behavioural research to identify superior performance and are applied horizontally across the organization (Nyhan, 1995).

On the other hand Boyatzis (2000) describes managerial competencies as underlying characteristics of a person that he or she uses to solve problems that arise at a work place. Some of the underlying characteristics of the Executive Directors include the ability to speak and perform in public, express the desire to persuade others of their point of view, motivate others to action, make decisions and amend those decisions to fit in with the organizational vision or current realities (Hagberg Consulting Group 2005). Boyatzis (2000) as well as Munene (1998), have identified different types of competences, which they have referred to as operant competences and emotional competences respectively.

According to Kayes et al (2005), managerial competencies involve internally and externally managing the host people and other expatriates in the organization. This internal management skill serves to resolve conflicts between local employees and expatriates and maintain a close relationship between them.

Managerial Competences are important because they are forward looking, describe the skills and attitudes the staff need to meet future challenges, help clarify expectations and provide a sound basis for consistent and objective performance standards by creating a shared language about what is needed and expected in an organization (United Nation's Report, 2004).

According to Shippmann et al. (2000) the notion of managerial competences is relational. It brings together disparate things-abilities of managers (deriving from combinations of attributes) and the tasks that need to be performed in a particular situation. Thus managerial competences are conceived of as a complex structuring of attributes needed for intelligent performance in specific situations. Such competences need to be operationalised through activities, outcomes and criteria in order to be a basis for meaningful reflection.

Managerial competencies are further reflected through Leadership Skills which are an occurrence when one group member modifies the motivation or competencies of others in a given group (Boam, 1992). In order for managers to be both effective and efficient in their managerial functions, they must possess exemplary leadership skills (Cangemi et al., 1998)

For leaders to allow employees to take risks, they must also trust them a great deal. Trust is an important element of good leadership. It is something that is very hard to earn and very easy to loose. Such skills are ways in which trust is built between employees and the leaders, (Bartlett, 2007).

Leaders must make sure the team has clearly defined goals and that those goals align with the overall vision, goals and objectives of the company. So knowing the company's vision, objectives and goals would allow the managerial leader and the team to develop strategies that could differentiate their product or service from others and provide them with a competitive advantage (Cangemi et al., 1998). Related to the above is the argument that selection of employees will impact on job performance because it relies on clear definition of critical managerial competencies which must be derived from the requirements of an organization (Thompson, 1999).

Hence given the size of their firms, managers of SMEs are expected to be a window to the outside world. They need to be innovative, figurehead; that is having a greater degree of power and influence. The manager is the nerve centre and turbulent handler for they either make or break their organizations. In a survey carried out on the high mortality rate of SMEs that were failing in the USA; of the 1200 respondents, 41 percent said the major culprit was lack of reliable managerial competencies that in turn influenced business success (Penrose, E.T.; 1995).

Education and training of managers through educational policies and curricular content emphasize practical business skills such as; technical skills, engineering, accounting and finance, marketing and human resource management do contribute to providing potential entrepreneurs with the needed managerial skills, (Stoner et al, 1995).

Education and training policies and programmes are most supportive of SMEs when they lead to the development of skills and attitudes that are consistent with and relevant to the opportunities present in the environment. Innovation provides the firm with the capability to generate new products and services faster than the competitors. For example; several studies suggest that the increase in the level of education and business skills in the United States increased entrepreneurship and new firms, (Calderon & Nickel, 1998 and Audretsch & Thurik, 2000).

Managers with autonomy are motivated to act and make decisions independently (Frese et al, 2002). Autonomy leads to the desire to express ones individuality in the work place and also disliking superior orders. There are many tasks for which business managers don’t receive explicit training in developing a business plan, book-keeping and marketing. Therefore they depend on learning from experience and must develop their knowledge base independently in order to succeed (Minniti & Bygrave, 2001).

2.4 Credit Accessibility

Credit arises from the lending activities between individuals, business enterprises, financial institutions and the government. Credit is simply the right of the lender to receive money in future, in return for his obligations to transfer the use of his funds to the borrower (Levine, 1997).

Credit is a claim on the incomes and assets of the borrower. It is an asset to the lender. Credit plays a vital role in the functioning of a free market economy. This market is based on credit and sustained by credit. The development of modern SMEs' would hardly be possible without developed credit systems (Ondiege, 1998).

SMEs' borrow loans to meet their working capital needs. Such enterprises that desire to acquire machines and equipment for the expansion of their production facilities need additional funds, either from financial intermediaries like banking institutions or even individuals, Castelli (2006). The lending activities in the commercial banks today tend to concentrate on less risky and higher short term lending. This was caused as a result of the banks experience of non-performing assets; which led to risk aversion tendencies that were tight resulting to exceptionally high real lending rates (Kikonyogo C.N, 2000).

Prior studies revealed that the ability of several SMEs to exploit highly profitable opportunities would be enhanced if external financing were more accessible. High rates of application for loans among the firms and their willingness to pay above market rates of interest indicate a strong and excess demand (Kasekende & Opondo, 2003; Kayser, 1990; Miller, 1999; UNCTAD, 2002).

The flows of credit between the various sectors of the economy are just like the flow of blood through the organs of the human body. So long as it flows smoothly and expands at rates as required for a steady growth of output, it would make possible for the raising of incomes, employment, production and sales. Therefore the failure of specialized financial institutions to meet the credit needs of SMEs' underlines the importance of a needs oriented financial system in order to achieve rural development (Atieno R, 2001).

Further more, Pandey (1996) asserts that the Credit Limit, which is the minimum amount of credit set to be accessed by the borrower at a certain point in time, has a positive impact it plays on the business success. Such loan amounts offered by the banks encourage more SMEs' to access credit in various forms from the commercial banks and hence better performance.

Torgler (2007) further argue that the type of financial institution and its policies will often determine the access to credit problem by the Small and Medium sized Enterprises. Where the credit duration, terms of payment, required security and the provision of supplementary services do not fit the needs of the target group, potential borrowers will not apply for the credit even when it exists and when they do, they will be denied access hence hindering the success of their businesses.

2.5 Business Success

Castelli (2006) defines Business success as a subject to individual interpretation based on upbringing, past experiences, role models, competitive forces, personal motivations and goals. For some, merely staying in business can be considered success, while for others it could be achieving a certain level of sales or an IPO thus core values of the business (Castelli, 2006).

Timmons (1999) asserts that as you achieve business success, it is sometimes measurable and sometimes not. Accumulating a certain volume in sales is certainly one way to measure success, but it is not the only way; earning a prestigious award, earning the respect of your peers, or providing livelihood to your employees may be far more meaningful to you.

Very few people achieve success in business accidentally. Most people who achieve business success first defined it, then planned for it, and pursued it diligently; they set goals to achieve it. Once you have defined what it means to achieve business success, your next step is to set goals that will lead you to your definition of success. You must create realistic, viable plans to achieve those goals. Follow your plans, be flexible, and enjoy the process (Timmons, 1999).

2.6 Managerial Competencies and Business Success

From a sociological perspective, managerial competencies can fully be enhanced through various employee developments in businesses for the firm success in the long run. According to Karns (1998), promotion of employees in firms is a means of examining the managers' competencies that are essential for effective job performance / business success.

Managerial competencies can be improved through promotion of employees which is less expensive than transferring or hiring which in turn has a positive effect on business success. In so doing, the firm institutes a culture among the work team that promotable insiders are also proven resources (Stoner, 1995). This also has a positive motivational impact on their competencies that will also boost the business success. Experience has shown that people tend to work harder when they believe there is a possibility of being promoted which limits social in-breeding and creates a better positive feedback at work (Drejer, 2000).

According to Karns (1998), what should not be negotiable between the manager and the team are the firms goals and objectives. Management should strive not to completely give up control of the organizational goals and objectives because they must make sure the team members' goals too align with those of the business to enhance the firms' success (Balunywa, 2003).

To help empower the team, managerial competencies must become a resource of the team to enhance business success. A pivotal skill that allows a leader to do this is good communication (Blake, 1996). The more the team and management communicate, the more interdependence there will be and this in turn creates a participative relationship between the two. The upward communication allows employees to gain more information and solve problems easier. They would also be motivated to work knowing that they have an influence or say on what goes on above them in the organization which would also help them to take chances with minimal risk (Blake, 1996).

2.7 Access to Credit and Business Success

According to Kashyap (1996), lack of access to credit is a critical constraint to the success of firms. Such business enterprises in both developed and developing economies have difficulties in obtaining assistance from banks and other money lending / financial institutions. Studies show that most SMEs' start their lives without institutional help. However, such enterprises find it difficult to grow and succeed in business without the opportunity to borrow from these lending institutions (Berger, 2002).

Levitsky and Ranga, (1994) advanced reasons for limited access to institutional finance by these SMEs' which further deeply affects their performance in business. For instance; lending to SMEs' is considered to be a risky venture. The uncertainties facing such firms, the high mortality rate of such enterprises, the nature of the interest rates to be charged, the vulnerability to market and economic changes make banks reluctant to deal with them. This further reflects the parallel reluctance on the part of SMEs' to borrow from those money lending Institutions and in turn limiting their business success (Atanasova, 2004).

The availability of credit for SMEs' depends significantly on the nation's financial structure and its accompanying lending infrastructure and technologies. Through these mechanisms, government policies and financial structures do influence the level of credit availability and inturn the business success (Berger and Udell, 2006). The lending infrastructure ranges from the information, tax, legal, judicial and bankruptcy environments to the social regulatory environments. Lending technologies include information on which financial institutions rely upon to determine the supply of debt finance to SMEs while simultaneously addressing the opacity problems (Berger and Udell, 2006).

2.8 Managerial Competencies, Access to Credit and Business Success

Empirical evidence from several prior research works through decades up to date provide strong support for the proposition that as businesses progress through their growth stages, the financial dimensions of their operations under the management team running them tend to become more challenging (Vozikis,1999). In the eighties, the same preposition was further confirmed that there was a greater need for careful attention to management if the expanding businesses were to succeed in survival and performance terms (Ray, 1980a, 1980b; Hutchinson et al., 1981; Ray & Hutchinson, 1983; Kazanjian & Drazin, 1989).

In light of O'Farrell & Hitchens', (1990) work, it was justifiable to include the managerial competencies amongst the new abilities referred to by Penrose (1995). O,Farrell and Hitchens (1990) claim that there are both theoretical and empirical reasons for believing that the Penrose effect is a major determinant of the business success. More so, the businesses will have to sustain in nature with their ability to access credit from lenders. Both case studies and econometric analyses support this view. Thus, there could be managerial diseconomies in SMEs' related to the availability and abilities of senior managers (including owner managers) who could under take financial management.

Improved credit accessibility terms and managerial competencies are intended to permit a business to handle more effectively and efficiently the progress and in the long run the business success (Bhattacharya, 1998). The presumption is that the more challenging the financial circumstances of the business with an unreliable management, the more sophisticated would need to be financial management practices employed to deal with such difficulties hence having a great effect on the firms' performance (McMahon, 1998).

2.9 Conclusion

The purpose of this research was to thoroughly examine the relationship between managerial Competencies, access to credit and business success. Hence SMEs which recognize the need to adapt financial expertise practices to changing circumstances are more likely to succeed in performance terms. That is when need arises for external financing, firms would use their finance expertise to negotiate with the lending banks on the cost of external financing such as the interest rates before they would also accept or decline these money lending institutions offer.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This section presents the research methods that were used to carry out the study. It covers the research design, survey population, sample size, sampling procedures, sources of data, data collection methods, measurement of variables, data analysis and limitations of the study.

3.2 Research Design

A cross sectional design was used together with the explanatory research design to answer the research questions. In order to obtain reliable and representative study results within the limited time, this study was conducted as quantitative in nature. It employed a survey design mainly having owner – managers of SMEs as the primary respondents.

3.3 Area and Study Population

The population consisted of SMEs operating in Kampala estimated to be 48,300 as in the Uganda Bureau of Statistics 2003. Their real number cannot be established. Kampala town chosen is further sub-divided into various zones and these formed the strata.

3.4 Sample Size and Sampling Procedure

The sample size used for the study was 381 SMEs. This was based on Krejcie & Morgan (1970) table for determining the sample size where they contend that a sample size of 379 is appropriate for a population of 30,000, 380 is appropriate for a population of 40,000 SMEs and 381 is appropriate for the population of 50,000. Therefore given the population of 48,300 SMEs in Kampala, a sample size of 381 was recommended for this study. Simple random sampling was used to select a representative sample of the SMEs.

3.5 Sources of Data

The researcher used both the primary and secondary sources to collect data for the study.

3.5.1 Primary Data

The primary data was obtained from respondents using self administered questionnaires and interviews.

3.5.2 Secondary Data

Secondary data was also heavily relied upon because of the nature of analysis that was undertaken. Secondary data was collected from previous studies on SMEs, documents and journals from UMA, URA, libraries of MFPED, MUBS and World Bank. Other sources consisted of Electronic Journals, Government Publications, Periodicals, Internet searched material and other published literature.

3.6 Data Collection Instruments

Questionnaire

A self – administered, structured questionnaire was used. The questions in the questionnaires were close-ended. These were rated using a 5 – point Likert Scale of strongly agree(5), agree(4), uncertain(3), disagree(2) and strongly disagree(1). The questionnaire was divided into major sections to address specifically every variable in the model. These included; Background Information, Managerial Competencies, Credit Accessibility and Business Success.

3.7 Measurement of Research Variables

Managerial Competencies was measured using resilience, innovativeness, networking, capacity building and self motiveness as described by Karns (1998). Access to credit was measured by considering amounts received and the frequency of access as described by Chakraborty (2006). Firm Success was measured on the basis of Growth, Profitability and Survival (Berger, 2002).

3.8 Validity and Reliability of the Instruments

For validity, the instrument was anchored on a five point likert scale arranged from strongly agree to strongly disagree. A panel of experts and practioners were used to test for validity. The content validity index was computed and all items scored above 0.7. As shown in the table 1 below;

VALIDITY ANALYSIS -	***CVI***
Variables	**Index**
Managerial Competencies	0.8012
Access to credit	0.7502
Business Success	0.8810

Primary data

The instrument was also checked for accuracy, reliability, consistency and completeness using the alpha cronbach test (cronbach, 1946). The acceptable reliability results were those of 0.6 points and above. The findings are presented in table below;

Table 1: Reliability Coefficients

RELIABILITY ANALYSIS -	*SCALE (ALPHA)*
Variables	**Alpha**
Managerial Competencies	0.8021
Access to credit	0.7611
Business Success	0.8710

Primary Data

Since the Alpha coefficients for all the study variables were above 0.60 as indicated in table 1 above, this implied that the scales used to measure the study variables were consistent and therefore reliable. Hence meeting acceptance standards for the research and reflecting a similarity in the research as sighted by Kanyerezi Kenneth (2006) – MHRM – Makerere University and Nunnally (1978).

3.9 Data Processing and Analysis

Data collected in the field was computerized, sorted, edited, classified and coded. The cleaned data was summarized and converted into frequencies and percentages us. The data collected was analyzed to examine the managerial competencies, access to credit and business success using the Statistical Package for Social Scientists (SPSS).

Pearson's Correlation Coefficients were run to examine the relationship among the study variables which were set out in the objectives of this study while the relationship between managerial competencies, access to credit and business success was determined using multiple regressions.

3.10 Limitations to the Study

The researcher did encounter the following constraints:

a) The study was affected by non – response from some of the Small and Medium Enterprises contacted. Respondents here did view the required information as private.

b) Constrained resources in terms of funds and time were encountered. These were compressed by utilizing the only available resources at hand.

c) In some instances, respondents did demand for money before they could respond. This was overcome by convincing the affected respondents that the study was purely academic and not for economic purposes whatsoever.

d) Some employees posed themselves as the managers and / or owners whereas not and as such they did not readily provide all data asked in the questionnaire. The researcher made effort to have post survey tests especially towards the SMEs' where earlier data was suspected.

Despite these limitations, the researcher believes that the findings of this study will be useful in filling the knowledge gap that the study set out to fill.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS OF FINDINGS

4.1 Introduction

This chapter presents results relating to sample characteristics, the factor structure of managerial competencies, relationships between study variables and the prediction model of business success.

4.2 Demographic Features

The demographic features of the respondents / general information in the study included the gender, the age, the level of education and how long their businesses had been in existence. This information is vital to the study since such education levels, registration of the businesses, number of employees in the business and the business existences are related to entrepreneurship (GEM Report, 2004).

4.2.1 Gender of the Respondents

The findings as reflected in table 2 showed that most of the respondents were male representing 73.6% and the female representing 26.4%. This implies that there was a greater positive male response rate representation of respondents in terms of gender compared to the female. Details are presented in Table 2;

Table 2: Gender of respondents

	Frequency	*Percent (%)*
Male	109	73.6
Female	39	26.4
Total	**148**	**100.0**

4.2.2 Legal status of the enterprise

Figure 2 shows that 48% of the enterprises were limited liabilities while 46% were sole proprietorship. The remaining 7% were partnerships.

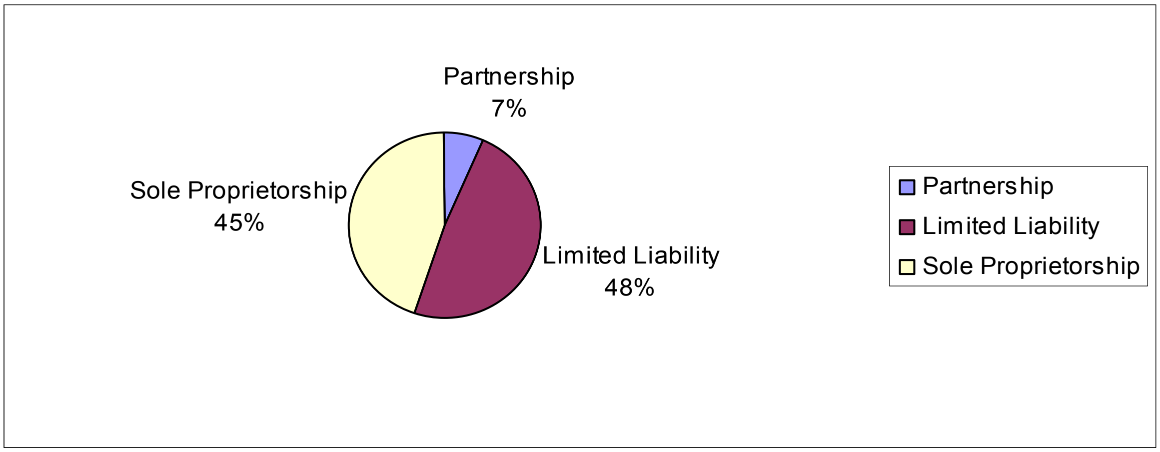


Figure 2 : Legal status of the enterprise

4.2.3 Positions held by the Respondents.

Table 3 shows that as regards ownership of the SMEs, 33.1% were owner managers while 66.9% were mere employees of the firms. Inclusive in the general managers, 11.5% were part of the owner management team while 88.5% were just employed by the firm. Other respondents who were employed by these SMEs included accountants 25.7%, operations managers 7.4% and 3.4% were other categories.

Table 3: Category of the positions held by the respondents in the SMEs

	Frequency	***Percent (%)***
General Manager	30	20.3
Owner mangers	49	33.1
Accountant	38	25.7
Operations Manager	11	7.4
Chief Administrators	15	10.1
Others	5	3.4
Total	**148**	**100**

4.2.4 Education Level of the respondents

Table 4 presents the results of the distribution of the education levels of the respondents. Most of the respondents' education levels across were post graduate holders which were 42.6% while those with secondary and certificate levels were the least educated.

Table 4: Education Levels of the respondents

	Frequency	*Percent (%)*
Post-Graduate	63	42.6
Diploma	37	25.7
Secondary	10	6.8
Under-Graduate	26	17.6
Certificate	10	6.8
Total	**148**	**100.0**

4.2.5 Period of existence in the business

SME respondents were required to indicate the number of years they had been in this business. Most of the SME respondents had been in the business for five to ten years (40.5%) which was an indication of experience in doing business and being able to understand how the business runs. More details of the results are presented in table 5;

Table 5: Existence in the business

	Frequency	*Percent*
Less than a year	3	2.0
1 -less than 5 years	49	33.9
5- less than 10 years	60	40.5
10 years and above	35	23.6
Total	**148**	**100.0**

4.2.6 The kind of business the firm is engaged in

Table 6 presents results of the kind of businesses the various SMEs are engaged in. Nearly half of the businesses were dealing in general trading (52.7%) while the least were engaged in bakery products (1.4%).

Table 6: Kind of business the firm is engaged in

	Frequency	*Percent (%)*
General Trading	78	52.7
Agriculture Trading	7	4.7
Metal Fabrication	10	6.8
Carpentry	7	4.7
Bakery products	2	1.4
Others	44	29.1
Total	**148**	**100.0**

4.3 Rotated Component Factor Analysis

The rotated factor analysis was run to examine the factor structure of managerial competencies and to validate the item scales used to measure the construct. The unraveled underlying dimensions were used as input variables for Pearson correlation analysis and Regression analysis. The study used principal component analysis with varimax rotation. The rotation converged in 15 iterations producing 10 factors explaining 43% of the variance in managerial competencies. The factor analysis results are summarized in table 7 below;

Table 7: Factor Analysis for managerial competencies

Item	*Component*									
	Capacity building	Independence	Networking	Enterprising	Innovative/ creative	Commitment	Resilience	Transparence	Monitoring and control	Self motivated
Provides mutual support and a mentoring environment to his/her employees	.67									
Is in a position of training his employees in skill development	.65									
S(he) looks after his employees by paying them their salaries and providing for them essential commodities	.63									
S(he) trains his/her employees to acquire the necessary skills needed to perform their duties	.62									
S(he) is honest and treats his employees well	.61									
S(he) pays the salaries of his/her employees promptly	.59									
Services his loans promptly	.58									
S(he) does not fear to take financial risks by acquiring bank loans	.56									
Holds regular shop-floor meetings	.48									
S(he) should be in position of paying his workers well	.46									
S(he) establishes and maintains good working relationships with his customers and bankers	.44									
S(he) often advertises his products to the public	.42									
Be able to conduct a market research related to the business	.34									
S(he) likes depending on his own ideas and rarely consults others in business		.74								
S(he) has a strong desire to be independent and to take his own decision without consulting		.71								
Offers his products at a cheap price compared to other competitors in the same field		.64								
S(he) produces quality goods at a cheap price		.62								
Rewards his customers every end of the month		.61								
Gives back to his customers in terms of gifts and lotteries		.58								
Consults and gets external information from suppliers, buyers and competitors		.26								
Possesses computer skills			.52							
S(he) is creative and likes sharing ideas with his fellow managers. Uses various techniques of out competing his rivals			.52							
Listens to customer complaints in his business			.50							
S(he) has contacts with other managers			.49							
Is trustworthy in his/her dealings with the customers			.42							
S(he) possesses management skills and these have enables his business to survive			.39							
Is always in position to organize and deliver business initiatives leading to business success			.37							
S(he) knows which labour to use, either human beings or machinery, after conducting				.62						

a feasibility study of his business						
S(he) believes in competing with other similar businesses	.55					
S(he) allows good ideas to work for him and improve his business	.55					
Has the capacity of accessing monetory and financial resources	.44					
Appreciates customers whenever they buy from him	.35					
Keeps himself up-to-date with the knowledge required to perform his duties		.60				
Keeps records of all the transactions made in the business		.58				
Demonstrates self confidence by getting involved in the areas he is good at		.53				
Possesses skills to enable him/her perform at high capacity		.47				
S(he) knows whether his business is growing or stagnant by focusing on the amount of stock available and profits made		.45				
Maintains sufficient materials and skills to perform his duties		.44				
S(he) is organized; utilizes his time as efficiently as possible			.60			
S(he) knows what he is good at and what his weaknesses are			.53			
S(he) is self motivated and committed to his business			.50			
Gives customers enough attention			.40			
S(he) should be growth oriented			.34			
S(he) always invents new ways of doing his business			.22			
Has the ability to persevere in good and bad times				.58		
Maintains a close relationship with his employees and customers				.51		
S(he) knows the available markets and their conditions; he identifies the most competitive market				.49		
S(he) has a positive attitude towards his work; he enjoys his work and has interest in it				.39		
S(he) comes early for work and leaves very late after accomplishing all the tasks				.37		
Is a persistent person who is able to take on challenging work				-.36		
Explains to the employees the budget performance					.52	
Take corrective action where there is evidence of deviation					.51	
Determines stock levels of inputs					.49	
Honors his business commitments and appointments					-.45	
S(he) comes up with a unique idea and his creativity transforms an existing product into a better product						.60
Establishes performance standards						.48
S(he) displays leadership qualities such as the ability to guide people in achieving the set goals						.40
Has a high desire to achieve business success by using available funds to make more profits and increased production						.39

Takes corrective action where there is evidence of deviation										.55
S(he) knows the information necessary to up-date production technologies										-.53
S(he) raises enough funds to provide working equipment for his employees										.40
Eigen Values	**7.2**	**3.6**	**2.8**	**2.4**	**2.1**	**2.1**	**2.0**	**1.8**	**1.8**	**1.7**
Percentage of Variance explained	**7.9**	**6.4**	**4.0**	**3.9**	**3.6**	**3.6**	**3.5**	**3.4**	**3.3**	**3.0**
Cumulative percentage of variance	**8**	**14**	**18**	**22**	**26**	**29**	**33**	**36**	**40**	**43**

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization
a. Rotation converged in 15 iterations.

Table 7 indicates the underlying managerial competencies according to the data obtained from the respondents, which are grouped into ten sub – components with percentage of variance explained on each one of them. These are: capacity building, independence, networking, enterprising, innovative/creative, commitment, resilience, open minded, monitoring and control and self motivation. These explained 43% of the variance in managerial competencies implying that managerial competencies in SMEs were below average. The 57% could be attributed to other factors which are outside the scope of the study.

The first component referred to as capacity building specifically focuses at investing in new ways of doing things in the business, maintaining close relationship with employees and customers, identifying most competitive markets and demonstrating interest in the job. This explained 7.9% of the variance in managerial competencies.

This was followed by the second component of Independence which explained 6.4% of the variance. This component brings together items that indicate capacity to make independent decisions that are key to managerial competence. This competence suggests that a manager may need to depend on his ideas, take his own decisions with out consulting and always take decisions to make quality products.

The third component was networking which explained 4.0% of the variance. This component indicates that a manager should have capacity to network with others. This is manifested in sharing ideas with his fellow managers, using various techniques of out competing his rivals, listing to customer complaints, wide networks, and capacity to organize and deliver business initiatives

The fourth component is about enterprising. This indicates that a good manager must know which model of operations to use; labour intensive or capital intensive, belief in competing with others, allowing good ideas to work with him and improve his business, capacity to access monetary and financial resources, good management skills, and appreciation of customers. This explained 3.9% of the variance in managerial competencies.

The Fifth component brings items that suggest that innovative/creativeness is the key competence for management. This is manifested through activities like, Keeps himself up-to-date with the knowledge required to perform his duties, Keeps records of all the transactions made in the business, Demonstrates self confidence by getting involved in the areas he is good at, Possesses skills to enable him/her perform at high capacity, knows whether his business is growing or stagnant by focusing on the amount of stock available and profits made and Maintains sufficient materials and skills to perform his duties. This explained 3.6% of the variance in managerial competencies.

Next in line was the component of commitment that explained 3.6% of the variance. This component indicates that a manager must be committed to the objectives and goals of the organization. This is manifested through items like utilizing all his time as efficiently as possible, self motivation and commitment to the business, giving attention to customers, focusing on growth orientation of the business and investing in new ways of doing things

The seventh component was resilience which explained 3.5% of the variance in managerial competencies. Resilience which is the ability to bounce back from undesirable situations was portrayed by the items like ability to persevere in good and bad times, surviving in competitive market, having positive attitude towards work; coming early for work and leaves very late after accomplishing all the tasks and persistence in all activities and able to take on challenging work

Lastly; components eight, nine and ten suggest that transparence, monitoring and control and self drive respectively are key competencies of competent Managers. These components explained 3.4%, 3.3% and 3.0% of the variance in managerial competencies respectively. Transparence was defined by items like explaining to the employees the budget performance, taking corrective action where there was evidence of deviation, determining stock levels of inputs and honoring business commitments and appointments. Monitoring and control was defined with behaviors like establishing performance standards, displaying leadership qualities such as the ability to guide people in achieving the set goals and desire to achieve business success by using available funds to make more profits and increased production coupled with keeping to promises at all the time and self drive was defined by behaviors like taking actions where there is evidence of deviation, searching for relevant information and design strategies to raise enough funds to provide working equipments for his employees .

4.4 Correlations

Correlation analysis measures the degree of relationship between two or more variables. Correlation analysis was done to determine the relationship between each of the independent variables that is; managerial competencies and access to credit and the dependent variable; business success.

Pearson Correlation Analysis

The Pearson's correlation coefficient was computed to measure the degree of relationships between the study variables as per the objectives. The study objectives were:

I. To establish the relationship between managerial competencies and business success of SMEs' in Uganda

II. To investigate the relationship between credit accessibility and business success of SMEs in Uganda

III. To examine the relationship between managerial competencies, access to credit and success of the SMEs' in Uganda.

Below are the results of the pearson correlation moment;

Table 8: Results of the Pearson Correlation Moment

Variables	1	2	3	4	5	6	7	8	9	10	11	12	13
Independency	1.00												
Capacity Building	.22**	1.00											
Networking	0.06	0.15	1.00										
Enterprising	0.12	0.07	0.11	1.00									
Innovative/creative	0.11	.246**	0.12	0.11	1.00								
Commitment	0.02	.171*	.183*	0.14	-0.1	1.00							
Resilience	.162*	.300**	.215**	0.13	0.058	0.06	1.00						
Open minded	.260**	.387**	0.14	0.11	0.128	0.14	0.15	1.00					
Monitoring & control	0.15	.287**	0.14	0.15	0.042	0.09	0.04	0.09	1.00				
Self motivated	0.14	0.09	.179*	.241**	0.057	0.1	0.1	.264**	0.04	1.00			
Managerial competence	.53**	.64**	.481**	.412**	.331**	.340**	.453**	.607**	.452**	.448**	1.00		
Access to credit	-0.07	.440**	0.1	0.15	0.12	0.11	0.07	0.14	0.03	0.06	.233**	1.00	
Business success	.271**	.383**	.276**	.237**	0.142	.221**	.17*	.26**	0.15	0.16	.48**	.34**	1.00

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

4.4.1 Relationship between managerial competencies and business success

Table 8 shows that there was a significant positive relationship between managerial competencies and business success ($r = .48$, $p < .01$). This implies that existence of managerial competencies in the business will result into business success and lack of managerial competencies results into failure of the business. Table 8 further indicates that seven of the components of the managerial competencies relate positively with business success although three of the components in the relationship were not significant. These insignificant components were: monitoring & control ($r = .15$, $p > 0.05$), creativeness ($r = .14$, $p > 0.05$) and self motivated ($r = .16$, $p > 0.05$). The other components that relate positively with business success were: Independence; ($r = .27$, $p < 0.01$), Capacity building ($r = .38$, $p < 0.01$), net working ($r = .28$, $p < 0.01$), enterprising ($r = .24$, $p < 0.01$), commitment ($r = .22$, $p < 0.01$), resilience ($r = .17$, $p < 0.05$) and transparence ($r = .26$, $p < 0.01$). This implies that possession of the above competencies improves business success.

4.4.2 Relationship between credit accessibility and business success

Table 8 indicates a significant positive relationship between credit accessibility and business success ($r =.34$; $p < 0.01$). This implies that credit accessibility influences business success with companies that can easily access credit from money lending institutions hence succeeding more than those that can not get access to credit.

4.4.3 Relationship between Managerial Competencies and Access to Credit

Table 8 further shows that there was a positive significant relationship between managerial competencies and Access to credit ($r =.23$; $p < 0.01$). This implies that more competent managers can easily access credit than less competent managers. It is further revealed that only one component of the managerial competence that is; capacity building is positively related with access to credit ($r = .44$; $p < 0.01$). This implies that increase in capacity building results into increase in access to credit. Independence component relates negatively to access to credit ($r = .-0.07$; $p > 0.05$). This finding tends to suggest that independent minded managers may find it difficult to access credit from money lending institutions. These managerial competencies relate insignificantly positive to access to credit. These include: Net working ($r = .12$; $p > 0.05$), enterprising ($r = .15$; $p > 0.05$), innovative/creativeness ($r = .12$; $p > 0.05$), commitment ($r = .11$; $p > 0.05$), resilience ($r = .07$; $p > 0.05$), transparence ($r = .14$; $p > 0.05$), monitoring and control ($r = .03$; $p < 0.01$) and self motivated ($r = .06$; $p < 0.01$).

4.5 Regression Analysis

A multiple regression analysis was used to establish how the combined effect of the independent variables that is managerial competencies and access to credit affects the business success. The regression analysis was conducted to address objective three of the study which was to examine the relationship between managerial competencies, access to credit and business success and the results below were obtained:

Table 9 indicates that using factors obtained from the factor structure, 26% of variance in business success is attributed to independency, networking and access to credit.

Table 9: Regression Analysis

Model		*Unstandardized Coefficients*		*Standardized Coefficients*	*t*	*Sig.*	*R*	*R Squared*	*Adjusted R Squared*	*P*
		B	Std. Error	Beta						
1	(Constant)	-1.021	0.898		-1.137	0.258	.560[a]	0.31	0.26	0.00
	Independency	0.222	0.082	0.207	2.696	0.008				
	capacity Building	0.191	0.122	0.151	1.1561	0.121				
	Networking	0.217	0.097	0.169	2.228	0.028				
	Enterprising	0.202	0.129	0.120	1.568	0.119				
	Innovative/creative	0.046	0.142	0.025	0.325	0.745				
	Commitment	0.199	0.136	0.110	1.462	0.146				
	Resilience	0.004	0.119	0.002	0.030	0.976				
	Open minded	0.056	0.089	0.051	0.628	0.531				
	Monitoring & control	0.016	0.095	0.013	0.171	0.864				
	Self motivated	0.027	0.117	0.018	0.234	0.815				
	Access to credit	0.227	0.082	0.230	2.785	0.006				

a. Dependent Variable: Business success

4.6 Combined Regression Analysis

The combined regression analysis in table 10 below shows that managerial competencies (Beta = 0.425, P < 0.01) and access to credit (Beta = 0.242, P < 0.01) are significant predictors of business success accounting for 27.7% of the variance.

Table 10: Combined Regression Analysis

	Model	*Unstandardized Coefficients*		*Standardized Coefficients*	*t*	*Sig.*	*R*	*R-Squared*	*Adjusted R Squared*	*P*
1	(Constant)	-1.28	0.696		-1.84	0.07	.536[a]	0.287	0.277	0.00
	Managerial competencies	1.219	0.207	0.425	5.90	0.00				
	Access to credit	0.239	0.071	0.242	3.36	0.00				

a. Dependent Variable: Business success

4.7 Other Findings

Analysis of Variance (ANOVA)

We used ANOVA to establish the relationship between the study variables and the demographic characteristics of the study sample. The demographic characteristics included: Gender, Education qualification, position, legal status and kind of business.

Below we present the findings for each;

4.7.1 ANOVA between Gender and the Study Variables

Table 11: ANOVA between Gender and the Study

Variable	Gender	N	Mean	Std. Deviation	F	Sig.
ACCESSTOCREDIT	Male	111	3.5836	.57861		
	Female	36	3.5216	.98375	0.21	0.64
	Total	147	3.5684	.69638		
MANAGERIALCOMPETENCIES	Male	106	3.2975	.25649		
	Female	36	3.2026	.29896	3.38	0.07
	Total	142	3.2735	.27000		
BUSINESSSUCCESS	Male	111	3.6839	.62595		
	Female	36	3.4838	.61004	2.81	0.10
	Total	147	3.6349	.62599		

The analysis indicates that there is a significant difference in the way male respondents and female respondents perceive business success. However, no significant difference was revealed in the way male and females view managerial competencies and access to credit.

4.7.2 ANOVA between Legal Status and the Study Variables

Table 12: ANOVA between Legal Status and the Study

Variable	Legal Status	N	Mean	Std. Deviation	F	Sig.
ACCESSTOCREDIT	Partnership	13	3.7009	.53168		
	Limited Liability	62	3.6738	.65468	1.95	0.15
	Sole Proprietorship	72	3.4537	.74495		
	Total	147	3.5684	.69638		
MANAGERIALCOMPETENCIES	Partnership	13	3.3503	.22410		
	Limited Liability	59	3.2970	.25927	1.32	0.27
	Sole Proprietorship	70	3.2393	.28453		
	Total	142	3.2735	.27000		
BUSINESSSUCCESS	Partnership	13	3.8718	.74661		
	Limited Liability	62	3.7151	.57943	2.65	0.07
	Sole Proprietorship	72	3.5231	.62818		
	Total	147	3.6349	.62599		

The analysis revealed a significant difference in the way respondents from businesses with different legal status perceived business success and access to credit. Respondents from partnership enterprises indicated that it was easier to access the credit, followed by limited liability enterprises and then sole proprietorships. The results also indicate that Partnership businesses succeed more in the field than the limited liability businesses and then the sole proprietorship.

4.7.3 ANOVA between Education Levels and the Study Variables

Table 13: ANOVA between Education Levels and the Study

Variable	Educ. Level	N	Mean	Std. Deviation	F	Sig.
ACCESSTOCREDIT	Post - Graduate	38	3.8392	.28731		
	Diploma	45	3.6444	.59863		
	Secondary	17	3.3660	.20323		
	Under - Graduate	29	3.9042	.42489	23.38	0.00
	Certificate	16	2.5972	.97193		
	Primary	2	1.3333	.00000		
	Total	147	3.5684	.69638		
MANAGERIALCOMPETENCIES	Post - Graduate	35	3.4123	.21248		
	Diploma	43	3.3424	.24803		
	Secondary	17	2.9204	.11057		
	Under - Graduate	29	3.3332	.21247	17.29	0.00
	Certificate	16	3.1125	.21690		
	Primary	2	2.7846	.00000		
	Total	142	3.2735	.27000		
BUSINESSSUCCESS	Post - Graduate	38	3.9627	.52372		
	Diploma	45	3.7130	.62653		
	Secondary	17	2.8627	.44090		
	Under - Graduate	29	3.7414	.56972	12.04	0.00
	Certificate	16	3.3542	.17873		
	Primary	2	2.9167	.00000		
	Total	147	3.6349	.62599		

Table 13 indicates a significant difference among respondents of various education levels in the way they perceive managerial competencies and access to credit in relation to business success. Post-graduate respondents putting more emphasis on managerial competencies, followed by the diplomas, under-graduates, certificate holders, secondary and the primary graduates come last.

On the other hand, Undergraduates put more emphasis on access to credit, followed by post graduate, diploma, secondary, certificate and primary come last. The study further showed post graduates as more successful in business, followed by undergraduates, diploma holders, certificates, primary and the secondary holders come last.

4.7.4 ANOVA between Study Variables and Duration

Table 14: ANOVA between Study Variables and Duration

Variable	Duration	N	Mean	Std. Deviation	F	Sig.
ACCESSTOCREDIT	Less than a year	4	3.4444	.76980		
	1 - less than 5 years	44	3.4141	.47163		
	5 - less than 10 years	58	3.4885	.95353	3.58	0.02
	10 and above years	41	3.8591	.25942		
	Total	147	3.5684	.69638		
MANAGERIALCOMPETENCIES	Less than a year	4	3.7308	.02665		
	1 - less than 5 years	44	3.2608	.31552		
	5 - less than 10 years	56	3.2118	.20860	5.97	0.00
	10 and above years	38	3.3308	.25581		
	Total	142	3.2735	.27000		
BUSINESSSUCCESS	Less than a year	4	4.0833	.19245		
	1 - less than 5 years	44	3.3390	.59888		
	5 - less than 10 years	58	3.5287	.52994	13.58	0.00
	10 and above years	41	4.0589	.56986		
	Total	147	3.6349	.62599		

Table 14 indicates a significant difference in the way period of existence affects the business success with businesses that have been in existence for less than a year and 10 years and above registering a higher mean, followed by 5 years but less than 10 years and those between 1 and 5 years registering the lowest mean.

CHAPTER FIVE

DISCUSSION, RECOMMENDATIONS AND CONCLUSION

5.0 Introduction

This chapter presents the discussions on the findings in chapter four. This is followed by conclusions and further recommendations. The presentation of the discussion is in line with the objectives of the study. The first part examines the relationship between managerial competencies and business success. Second is the investigation of the relationship between credit accessibility and business success. Third is the investigation into the relationship between managerial competencies, access to credit and business success of the surveyed SMEs'. The rest of this chapter deals with the conclusions and recommendations according to the findings of the study.

5.1 Discussions

The findings are in relation with the objectives of the study.

5.1.1 Relationship between Managerial Competencies and Business Success

As exhibited in chapter four, the study results revealed that there was a significant positive relationship between managerial competencies and success of businesses. This implies that existence of managerial competencies in the business will result into business success and lack of managerial competencies results into failure of the business.

The linkage between independence, capacity building, networking, enterprising, commitment and resilience were observed to be positively significant to business success. This is because they describe the skills and attributes the staff need to meet future challenges, help clarify expectations and provide a sound basis for consistent and objective performance standards by creating a shared language about what is needed and expected in an organization.

This implies that these components have an impact on the performance of the Small and Medium size Enterprises. This is in line with the findings of Blake (1992) who stresses that such competencies equip micro entrepreneurs with general business skills which are used to enhance business success.

The weak associationship between selfmotiveness, creativeness, monitoring and control, had a significantly negative impact on business success. This may be explained by their inability to take corrective action where there is evidence of deviation, don't possess skills to enable them perform at high capacity and are unable to display leadership qualities such as the ability to guide their people in achieving the set targets. Stoner (1995) highlighted that identifying issues and critical relationships in such SMEs, weighing their evidence, assessing options for resolving problem situations and making judgement on optimum course of action does create connectedness across and this improves on such weak ties in management competencies.

Innovative firms with reliable managers often are first-to-market with new product offerings increasing their market share (Covin and Slevin, 1991). Creativity and Innovation are interrelated and innovation can be thought of as applied creativity in the business context (Kropp et al, 2005). Harnessing creativity leads to innovation.

5.1.2 Relationship between Access to Credit and Business Success

The findings revealed that Access to credit had a positive correlation with business success of the SMEs' in Uganda. This may be explained by the short time the SMEs take to access the loans and are able to acquire reliable needs and assets that they need from such credit hence reflecting firm success. The security that is also required to access the credit being favourable to SMEs boosts their borrowing from the money lending institutions and this in turn improves on the performance of the SMEs. This is in line with the already existing literature that easy credit accessibility by the SMEs' facilitates further growth and expansion of their businesses (Berger and Udell, 2006). More so, Schmidt & Kropp (1998) assert that for SMEs, reliable access to short term and small amounts of credit are more valuable and emphasizing it may be more appropriate in credit programs aimed at such enterprises success.

The interest rates attached to the credit borrowed by the SMEs' from money lending institutions had a negative influence on the success of the businesses. This did influence the SMEs need to borrow money or access the credit since they were unable to pay the interest in time thus creating a negative impact on the enterprises performance. This finding is consistent with the findings of already existing literature that interest rates play a locative role of equating demand and supply of the credit. Therefore an increase in the interest rates affects the borrowers (SMEs') in such a way that they reduce their incentive of action towards the accessibility of credit and the reverse is true (Malcolm, 1996).

These findings showed that loan amounts offered by the banks encouraged more SMEs' to access credit in various forms from the commercial banks and hence better performance. Further more, this researcher still agrees with Pandey (1996) that whereas the credit limit indicates the extent of risk taken by the bank by offering credit to the customers (SMEs') depending on the regularity of payment, then it can be fixed on the basis of the transactions with the bank. Therefore if the credit limit is reviewed periodically, and tendencies of slow or prompt payment are found, then that can be used to revise the credit limit set (Bataa Ganbold, 2008).

5.1.3 Relationship between Managerial Competencies, Access to Credit and Business Success

Results of the regressional analysis addressed objective three of our study. Overall, the results indicated that the combined independent variables were reliable predictors of changes in the dependent variable. This implied that managerial competencies and credit accessibility could be reliably used to influence changes in business success. Hence as businesses progress through their growth stages, the given variables work hand in hand to boost the business success.

These findings were supported by the premise that in order for the SMEs to succeed, the independent variables should be interconnected cornerstones. This is consistent with the argument put forward by Hannons' (1998) conclusions that improved credit accessibility terms and competencies of managers are intended to permit a business to handle more effectively and efficiently its progress and this in the long run enhances business success.

5.2 Conclusion

In general, the study looked at Managerial competencies, Access to credit and Success of the small and medium size enterprises. It was observed that there was a significant positive but weak relationship between the study variables. It is therefore evident that the combination of managerial competencies and credit accessibility in Uganda have an Impact on the Performance of SMEs in Uganda.

It was also established that many entrepreneurs tend to be non-conventional, creative and lateral thinkers; who can think outside the box, identify innovative business opportunities and adapt to changing and uncertain environments hence having an impact on business performance.

It was found out from the study as supported by Fema and Fench (1998) that the use of excessive debts creates agency problems among the creditors and hence this results into a negative relationship between leverage and profitability. This is because increasing the proportion of the debt in the businesses capital structure could result into high bankruptcy costs which inturn impacts negatively on the firm's profits.

Whereas the inaccessibility to external financing is a major impediment phenomenon to business success, in reality it is not the only determining factor. SMEs should develop sound financial expertise and managerial leadership competencies. Lack of credit may be overstated as a constraint because entrepreneurs tend not to view their own management weaknesses as limiting their ability to use the borrowed credit effectively.

5.3 Recommendations

In light of the set study objectives, findings and conclusions thereof,

- There is need to improve on managerial competencies in SMEs because they are below average. This could be done through paying managers an extra top – up that could boost their morale while at work hence improving on their monitoring and control, creativeness and self motiveness.
- In order to ease SMEs access to credit, important sources of new savings like pension funds and insurance companies that have been notably absent or under performing need to be introduced or revived. Payment systems also need to be modernized together with establishment of cash centers by the Bank of Uganda to ease access to credit throughout the country. A shared databank on borrowers' credit worthiness needs to be created as well.
- There is need to maintain proper financial records in terms of financial reports, good filing systems and maintenance of good relationships with their bankers or money lending institutions so that their efforts to access credit from those financial institutions would be entertained.
- Since most of the SMEs' tend to have little or no physical security to offer as collateral security when borrowing money, therefore the government through the different ministries should increase the partial guarantees to the banks on behalf of the SMEs' in the different lines of businesses they would like to promote so that they are able to access credit which in turn will necessitate business success.

5.4 Areas for further research

The results of the study point to a number of opportunities for further research. These include but are not limited to the following:

- There is need to research further on the external factors that have an impact on the access to credit by the Small and Medium Enterprises like the inadequate financial systems, regional imbalances in the economy among others.
- Research on factors affecting business success which may not be finance – related.
- Need to study companies that have accessed credit but don't succeed in the long run.
- Money lending institutions should institute studies towards SME tailored products in order to bring them on board of bankable businesses.
- There is need to carry out a study on scales that are applicable to the local environment in as far as categorizing micro, small and medium-sized enterprises.

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APPENDIX 1

Competence Profiling

The four factor scale is used in determining how often various competencies appeared in the interview.

Rarely	Fairly often	Quite often	Very often
1	2	3	4

Operant / Functional Competencies

		1	2	3	4
1.	Innovative in the way he does his business				✓
2.	Possesses the necessary skills of getting his work done				✓
3.	Risk taker in his business				✓
4.	Market oriented		✓		✓
5.	Shares ideas with other entrepreneurs			✓	
6.	Autonomous in creating ideas and making decisions			✓	
7.	He manages his time wisely			✓	
8.	Has good customer care abilities			✓	
9.	Growth oriented				✓
10.	He is driven by the desire to become competitive				✓

Behavioral Competencies

		1	2	3	4
1.	He is persistent in whatever he does		✓		
2.	He is self directed in his work			✓	
3.	One that is trustworthy			✓	
4.	One that is committed to his business at all times				✓

Operant Competences

	Number of Cases
Innovativeness	4
Market-oriented	2
Skill oriented	6
Leadership qualities	1
Competitiveness	1
Time management	3

Behavioral Competences

	Number of Cases
Persistence	2
Relationship building	4

Key Result Areas (KRAs)

Skill - Oriented

- Uses the necessary and most effective methods of production to achieve the desired results.
- Uses the available funds to make more profits.
- Trains his employees in skill development.
- Takes on challenging assignments within a given period of time.

Innovativeness

- Uses different techniques from his competitors to out compete them.
- Uses good ideas to improve his business.
- Able to take risks so as to improve his business.
- Delivers business initiatives to improve his business.

Market – Oriented

- Knows the market forces and where to sell his goods at favorable prices.
- Conducts market research related to the business.

Time Management

- Manages business and puts into consideration the time period to achieve the results.
- Uses the limited time to achieve greater output.
- Meets all the necessary deadlines while at the same time considering the quality of the products.

Leadership Qualities

- Uses good ideas to improve his business.
- Guides people in achieving the desired goals of the business.
- Takes risks by engaging in activities himself.

Key Personal Competences

Relationship building

- Trustworthy in dealing with customers.
- Pays good attention to customers.
- Treat customers as they deserve.

Persistence

- Persevered in good and bad times of the business.
- Takes on challenging assignment.

APPENDIX 2

MAKERERE UNIVERSITY
MAKERERE UNIVERSITY BUSINESS SCHOOL

Questionnaire for the research study on Managerial Competencies, Access to Credit and Business Success of Selected SMEs' in Kampala District

Dear Respondent;
Thank you for volunteering to complete this questionnaire. Your responses are important and your thoughtful considerations are highly appreciated. The purpose of this questionnaire is to facilitate a research on the *Managerial Competencies, Credit Accessibility* and *Business Success,* by Ms. Jamiya Nakiyingi who is undertaking a Masters Degree in Accounting and Finance of Makerere University.

The study is purely academic; therefore all your responses received will be treated with strict confidentiality and will in no way be linked to you. The findings and recommendations are likely to benefit among others Small and Medium size Entrepreneurs. Kindly answer these questions personally so that we can be able to analyze the data accurately. Thank you very much for your co-operation.

SECTION I: (BACKGROUND INFORMATION)

1. Name of the Enterprise
…………………………………………………………………………

2. Area / Location of the firm
…………………………………………………………………………..

3. Legal status of the Enterprise **(Tick the appropriate box)**

a. Partnership	☐	**b.** Limited Liability	☐
c. Sole Proprietorship	☐	**d.** Other(s) - Specify	☐

4. Gender of the Respondent

Male	☐	Female	☐

5. What position do you hold with this business?
…………………………………………………………………………

6. Education Level

a. Post – Graduate	☐	**d.** Under - Graduate	☐
b. Diploma	☐	**e.** Certificate	☐
c. Secondary	☐	**f.** Primary	☐

7. For how long has this business been in existence?

a. Less than a year	☐	**c.** 5 – less than 10 years	☐
b. 1 – less than 5 years	☐	**d.** 10 and above years	☐

8. What kind of business is the firm engaged in?

a. General Trading	☐	**d.** Carpentry	☐
b. Agricultural Trading	☐	**e.** Bakery products	☐
c. Metal Fabrication	☐	**f.** Others (Specify)	☐

Evaluate the following statements by circling the appropriate alternative of your choice using given scales. Kindly don't leave any item unanswered.

SECTION II: MANAGERIAL COMPETENCIES

Use the four factor scale below to answer the questions that follow:

	Rarely (1)	**Fairly often (2)**	**Quite often (3)**	**Very often (4)**
mc1. Demonstrates self confidence by getting involved in the areas he is good at.	**1**	**2**	**3**	**4**
mc2. Keeps records of all the transactions made in the business	**1**	**2**	**3**	**4**
mc3. Is always in position to organize and deliver business initiatives leading to business success	**1**	**2**	**3**	**4**
mc4. Maintains sufficient materials and skills to perform his duties	**1**	**2**	**3**	**4**
mc5. Keeps himself up-to-date with the knowledge required to perform his duties	**1**	**2**	**3**	**4**
mc6. S(he) trains his or her employees to acquire the necessary skills needed to perform their duties	**1**	**2**	**3**	**4**
mc7. Possesses skills to enable him/her perform at a high capacity	**1**	**2**	**3**	**4**
mc8. Provide mutual support and a mentoring environment to his/her employees	**1**	**2**	**3**	**4**
mc9. Has the capability of accessing monetary and financial resources	**1**	**2**	**3**	**4**
mc10. Is trustworthy in his/her dealings with the customers	**1**	**2**	**3**	**4**
mc11. S(he) is honest and treats his employees well	**1**	**2**	**3**	**4**
mc12. Maintains a close relationship with his employees and customers	**1**	**2**	**3**	**4**
mc13. S(he) always invents new ways of doing his business	**1**	**2**	**3**	**4**
mc14. S(he) does not fear to take financial risks by acquiring bank loans	**1**	**2**	**3**	**4**
mc15. Has a high desire to achieve business success by using available funds to make more profits and increased production	**1**	**2**	**3**	**4**
mc16. S(he) is aware of the market forces and knows were to market his goods at a favourable price	**1**	**2**	**3**	**4**
mc17. S(he) is self motivated and committed to his business	**1**	**2**	**3**	**4**
mc18. S(he) looks after his employees by paying them their salaries and providing for them essential commodities	**1**	**2**	**3**	**4**
mc19. S(he) pays the salaries of his/her employees promptly	**1**	**2**	**3**	**4**

	Rarely (1)	Fairly often (2)	Quite often (3)	Very often (4)
mc20. Is a persistent person who is able to take on challenging work	**1**	**2**	**3**	**4**
mc21. Be able to conduct a market research related to the business	**1**	**2**	**3**	**4**
mc22. S(he) should be growth oriented	**1**	**2**	**3**	**4**
mc23. Is in a position of training his employees in skill development	**1**	**2**	**3**	**4**
mc24. He/she has a positive attitude towards his work; he enjoys his work and has interest in it	**1**	**2**	**3**	**4**
mc25. S(he) comes up with a unique idea and his creativity transforms an existing product into a better product	**1**	**2**	**3**	**4**
mc26. S(he) knows the available markets and their conditions ; he identifies the most competitive market	**1**	**2**	**3**	**4**
mc27. Services his loans promptly	**1**	**2**	**3**	**4**
mc28. Provides quality products in terms of the brand and taste of the product	**1**	**2**	**3**	**4**
mc29. S(he) often advertises his products to the public	**1**	**2**	**3**	**4**
mc30. Take corrective action where there is evidence of deviation	**1**	**2**	**3**	**4**
mc31. Honors his business commitments and appointments	**1**	**2**	**3**	**4**
mc32. He/she comes early for work and leaves very late after accomplishing all the tasks	**1**	**2**	**3**	**4**
mc33. He/she has a strong desire to be independent and to take his own decision without consulting anyone	**1**	**2**	**3**	**4**
mc34. He/she is creative and likes sharing ideas with his fellow managers. Uses various techniques of out competing his rivals	**1**	**2**	**3**	**4**
mc35. He/she keeps to his word at all times	**1**	**2**	**3**	**4**
mc36. He/she likes depending on his own ideas and rarely consults others in business	**1**	**2**	**3**	**4**
mc37. He/she possesses management skills and these have enabled his business to survive	**1**	**2**	**3**	**4**
mc38. He/she allows good ideas to work for him and improve his business	**1**	**2**	**3**	**4**
mc39. Has the ability to persevere in good and bad times of business	**1**	**2**	**3**	**4**
mc40. S(he) should be in position of paying his workers well	**1**	**2**	**3**	**4**
mc41. He/she is organized; utilizes his time as efficiently as possible	**1**	**2**	**3**	**4**
mc42. He/she believes in competing with other similar businesses	**1**	**2**	**3**	**4**
mc43. He/she has contacts with other managers	**1**	**2**	**3**	**4**
mc44. He/she has good team management skills; he steps aside and gives others an opportunity to perform similar duties	**1**	**2**	**3**	**4**
mc45. He/she displays leadership qualities such as the ability to guide people in achieving the set goals	**1**	**2**	**3**	**4**
mc46. He/she knows which labour to use, either human beings or machinery, after conducting a feasibility study of his business	**1**	**2**	**3**	**4**
mc47. He/she knows whether his business is growing or stagnant by focusing on the amount of stock available and profits made	**1**	**2**	**3**	**4**

	Rarely (1)	Fairly often (2)	Quite often (3)	Very often (4)
mc48. He/she knows what he is good at and what his weaknesses are	1	2	3	4
mc49. He/she knows the information necessary to up-date production technologies	1	2	3	4
mc50. He/she establishes and maintains good working relationships with his customers and the bankers	1	2	3	4
mc51. He/she produces quality goods at a cheap price	1	2	3	4
mc52. He/she raises enough funds to provide working equipment for his employees	1	2	3	4
mc53. Listens to customer complaints in his business	1	2	3	4
mc54. Possesses computer skills	1	2	3	4
mc55. Offers his products at a cheap price compared to other competitors in the same field	1	2	3	4
mc56. Gives back to his customers in terms of gifts and lotteries	1	2	3	4
mc57. Gives customers enough attention	1	2	3	4
mc58. Appreciates customers whenever they buy from him	1	2	3	4
mc59. Rewards his customers every end of the month	1	2	3	4
mc60. Consults and gets external information from suppliers, buyers and competitors	1	2	3	4
mc61. Explains to the employees the budget performance targets	1	2	3	4
mc62. Establishes performance standards	1	2	3	4
mc63. Determines stock levels of inputs	1	2	3	4
mc64. Hold regular shop – floor meetings	1	2	3	4
mc65. Takes corrective action where there is evidence of deviation	1	2	3	4

SECTION III: ACCESS TO CREDIT

Use the five factor scale below to answer the questions that follow:

		Strongly Disagree (1)	Disagree (2)	Uncertain (3)	Agree (4)	Strongly Agree (5)
ac1.	Its easy to access credit from money lenders	1	2	3	4	5
ac2.	The business often borrows money from money lenders	1	2	3	4	5
ac3.	It takes a short time to be given the loan after your application	1	2	3	4	5
ac4.	One of the business' priorities is willingness to pay back the borrowed credit	1	2	3	4	5
ac5.	Much of the enterprises' investments comes from informal sources	1	2	3	4	5

		Strongly Disagree (1)	Disagree (2)	Uncertain (3)	Agree (4)	Strongly Agree (5)
ac6.	The business always receives the whole amount applied for	**1**	**2**	**3**	**4**	**5**
ac7.	We have reliable security guaranteed for the business to access any credit from the financial institutions	**1**	**2**	**3**	**4**	**5**
ac8.	Information on Credit accessibility is often availed to us by the Financial Institutions.	**1**	**2**	**3**	**4**	**5**
ac9.	The Security required to access the credit limits the enterprise from borrowing from the money lenders.	**1**	**2**	**3**	**4**	**5**

SECTION IV: SUCCESS OF THE BUSINESS

Use the scale below to rate the following items regarding business success in SMEs'.

		Far Below Target (1)	Slightly Below Target (2)	Mid Target (3)	Slightly Above Target (4)	Far Above Target (5)
bs1.	Nature of the Capital Investment for the last 5 years	**1**	**2**	**3**	**4**	**5**
bs2.	What is the trend of your customers for the last 5 years?	**1**	**2**	**3**	**4**	**5**
bs3.	To what degree has your business achieved its most important goals?	**1**	**2**	**3**	**4**	**5**
bs4.	The volume of sales the business has made for the last 5 years	**1**	**2**	**3**	**4**	**5**
bs5.	The volume of assets the business has attained for the last 5 years.	**1**	**2**	**3**	**4**	**5**
bs6.	The level of profits the business has raised for the last 5 years.	**1**	**2**	**3**	**4**	**5**
bs7.	Have other outlets been opened up since they began this business?	**1**	**2**	**3**	**4**	**5**
bs8.	The growth rate the business has registered overtime	**1**	**2**	**3**	**4**	**5**
bs9.	Business rewards to its customers at their due date	**1**	**2**	**3**	**4**	**5**
bs10.	Degree of expansion of the business from its earlier initial size	**1**	**2**	**3**	**4**	**5**
bs11.	In the last 5 years, has the business introduced products or services that were new or improved to the market?	**1**	**2**	**3**	**4**	**5**
bs12.	The extent of the business' market share for the last 5 years	**1**	**2**	**3**	**4**	**5**