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Original article

MANAGEMENT SKILLS AND FINANCIAL SUSTAINABILITY OF SMALL AND MEDIUM ENTERPRISES IN UGANDA: A CASE OF SELECTED SMALL AND MEDIUM ENTERPRISES (SMES) IN KAWEMPE DIVISION. A CROSS-SECTIONAL STUDY.

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ABSTRACT

Background:
The study examined the effects of management skills on the financial sustainability of SMEs. The study evaluated different variables such as; technical skills, communication skills, and human relations skills, but this particular study focuses on the effect of technical skills on the financial sustainability of SMEs.

Methodology:
The study used a descriptive research design. The sample size for the study of 149 was drawn from a study population of 185.

Results:
Findings identified technical skills as the highest contributing factor of management skills to financial sustainability with (βeta value of .426, Sig. at 0.000 t-value=4.836>1.96.

Conclusion:
In conclusion, employees want managers to cooperate with them more, appreciate them more, and understand them more. These two parts of the questionnaire clearly state the opinion of employees and that is why managers need to take this issue seriously and communicate with their subordinates more.

Recommendation.
The study recommended that employees and managers of SMEs should invest much and adopt the best practical skills to run businesses such as; bookkeeping and records management skills, and computer skills for them to reach greater heights.

Keywords: Management Skills, Financial sustainability, Technical Skills, Small and Medium Enterprises.
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BACKGROUND OF THE STUDY.

According to Boone and Kurtz (1999), management skills as the process of achieving enterprise objectives through people and other resources. This means that management has a lot to do with enterprises' human and other resources for example through different kinds of skills; technical, communication, and human relations.

Smit and Cronje (2002) define management skills as the attainment of enterprise goals effectively and efficiently achieved through planning, organizing, leading, and controlling the enterprise's resources. Management is a form of work that involves coordinating an organization's resources - land, labor, and capital-toward accomplish organizational objectives (Rue & Byars, 2004).

The issue of what constitutes a small or medium enterprise is a major concern in the literature (Abraham and Ackah, 2021). Different authors have usually given different definitions to this category of business (Amanamah - 2016).

SMEs have indeed not been spared the definition problem that is usually associated with concepts that have many components, Abor, J., & Quartey, P. (2010). Some attempt to use capital assets while others use the skill of labor and turnover level. Others define SMEs in terms of their legal status and method of production (Karanja, J., & Karuti, J. (2014). Financial sustainability is promoted through a broad-based, interdisciplinary approach (Karanja, J., & Karuti, J. (2014). Many people equate an organization's sustainability with its financial strength, but financial sustainability alone is insufficient over time.

If an organization does not also develop its overall capacities, ultimately the lack of good management or technical capacity prevents the organization from

generating revenue or attracting donor funding (Karanja, gauged by an organization's net income (the surplus of revenues over expenses); liquidity (the cash available to pay bills); and solvency (the relationship of assets and debt or liabilities). Again, this manual promotes a broad, interdisciplinary role for financial management, as one component of overall sustainability (Karanja, J., & Karuti, J. (2014).

Fatoki (2012) suggests that the high failure rate of SMEs is mainly attributed to poor business and management skills and competencies. Managerial skills involve problem solving goal setting and financial management skills. Therefore, without sound managerial skills, SMEs within the Kawempe division have not maximized shareholder wealth and market value in the form of profitability and liquidity.

The study aimed to examine the effect of management skills on the financial sustainability of Small and Medium Enterprises in the Kawempe division.

METHODOLOGY.

Study design.

This study adopted both descriptive and cross-sectional survey research designs based on both quantitative and qualitative approaches. Whereas a descriptive research design was used to answer questions on scenarios such as what and how (Mugenda and Mugenda 1999), a cross-sectional design is deemed appropriate in allowing for comparisons of different variables at the same time. The selected SMEs included food stalls, retail shops, and Restaurants. The study population targeted 90 business owners and 95 employees making a total population of 185.

Sample Size determination.

The sample size was determined with the help of Krejice and Morgan's table (1970) of determining sample size from the study population. From a population of 185, a sample size of 149 respondents was targeted and distributed as follows; business owners and 73 employees. There were closed-ended questions to enable

J., & Karuti, J. (2014). Financial sustainability can be the capture of quantitative data. A five-Likert rating scale was used (5: Strongly agree, 4: Agree,

3: Not sure, 2: Disagree 1: Strongly disagree). This also allowed the respondents to choose from a set of alternatives. The questionnaires were either self-administered or researcher-administered to the chosen sample, where respondents completed the questions in the questionnaire.

Data Quality Control

Data quality control involves ascertaining the validity and reliability of the data collection instruments and assuring that the data collected is accurate and authentic to the respondents.

Validity

Validity is the extent to which research instruments measure what they are intended to measure (Russell, 2011). The researcher made use of expert judgment to confirm the validity of the instruments. The relevance of each item in the research instruments to the research objectives was evaluated. In particular, the reviewers rated each item as either relevant or not relevant. Validity was determined using Content Validity Index (C.V.I), where; C.V.I = Items rated relevant by both judges divided by the total number of items in the questionnaire as shown below.

CVI = Number of items rated relevant
Total number of items

CVI = 28
32

CVI = 0.875

Reliability

The reliability of an instrument is the ability of the instrument to collect the same data consistently under the same conditions (Amin, 2005). To ensure the reliability of quantitative data, the Cronbach's Alpha Reliability Coefficient for Likert-Type Scales test was performed. It is commonly used as a measure of the internal consistency or reliability of a psychometric test score for a sample of examinees.

Reliability statistics.

Variables	Number of items	Cronbach's alpha
Technical skills	8	0.702
Communication skills	8	0.655
Human relations skills	8	0.641
Financial sustainability of SMEs	8	0.743
Overall score	32	0.879

The Cranach's alpha value of 0.879 was above 0.7 implying that the data under analysis was reliable in accordance to Amin, (2005).

RESULTS.

Effects of technical skills on the financial sustainability of SMEs.

The first objective of this study sought to establish the effects of technical skills on the financial sustainability of SMEs. The respondents were asked questions to which they were to respond based on a five-point Likert scale where 1= Strongly disagree (SD), 2= disagree (D), 3= Not sure (NS), 4= Agree (A), and 5= Strongly agree (SA). The questions were structured based on technical skills.

Table 1. Descriptive Statistics for Technical Skills

Opinions	1	2	3	4	5	Mean	Std. Deviation
	SD	D	NS	A	SA		
Technical skills are critical for first-tier managers, serving several important functions such as communicating effectively with subordinates	12.9%	10.7%	6.4%	27.9%	42.1%	3.76	1.424
Technical skills are necessary for the profitability of my business	19.3%	23.6%	5.0%	23.6%	28.6%	3.19	1.539
Manager's activities suggest a lot of activities requiring technical skill	12.9%	12.9%	7.9%	33.6%	32.9%	3.61	1.392
Management proposes that at best, technical skill is a peripheral competency of management	30.0%	37.9%	5.0%	13.6%	13.6%	2.43	1.394
Management suggests that the need for technical skill depends on the level of management in question	10.7%	24.3%	3.6%	16.4%	45.0%	3.61	1.511
Technical skills could be a hindrance to good management in our business	22.1%	50.7%	1.4%	15.7%	10.0%	2.41	1.269
Technical skills could be an asset to good management, especially at the lower levels of management	9.3%	15.0%	16.4%	23.6%	35.7%	3.61	1.350
The need for technical skill decreases as a manager rises to higher levels of management	32.9%	9.3%	1.4%	31.4%	25.0%	3.06	1.654
Average mean						1.441	1.441

Source: Primary data, 2020

The relationship between technical skills and financial sustainability of SMEs

Table 2: The correlation between technical skills and financial sustainability of SMEs is carried out using Pearson correlation.

Pearson Correlation for technical skills and financial sustainability of SMEs

		Technical skills	Financial sustainability
Technical skills	Pearson Correlation	1	.726**
	Sig. (2-tailed)		.000
	N	140	140
Financial sustainability	Pearson Correlation	.726**	1
	Sig. (2-tailed)	.000	
	N	140	140

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

Results in Table 2 show that a positive strong and significant correlation that exists between technical skills and the financial sustainability of SMEs represented by r= 0.726 significant at 0.000 ≤ 0.01. This means that improvement in technical skills, the higher financial sustainability results. Hence efforts must be taken to enhance technical skills such as accounting skills and record management skills. The previous discussion suggests that the relationship between technical skills and the financial sustainability of SMEs is neither simple nor direct. Two studies alluded to the possibility that technical skill could be related to referent and expert power (Snyder and Bruning, 2007). Other research (discussed below) also suggests relationships between technical skill, power, and financial sustainability of SMEs; it could thus be theorized that power and influence tactics provide some explanatory mechanisms for this relationship. The present study explores this possibility.

Results on Regression for technical skills and financial sustainability of SMEs.

On the impact that technical skills had on the financial sustainability of SMEs, the inquiry used regression evaluations to determine this impact. The regression analysis is used to determine the relationship between the dependent variable and the independent variable. In this case, the independent variable was technical skills while the financial sustainability of SMEs was the dependent variable whose impact on the dependent variable is being assessed. Findings are presented in the tables below;

Table 3. Model for Summary between technical skills and financial sustainability of SMEs

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.726a	.527	.524	.51907

a. Predictors: (Constant), Technical skills

The correlation coefficient R = 0.726 indicates that the dependent variable and independent variables have a high degree of positive correlation. The (adjusted R Squared) coefficient of determination value of about 0.524 indicates that 52.4% of the variation in financial sustainability of SMEs was explained by variation in technical skills within SMEs in the Kawempe division.

Table 4. ANOVA for Values on technical skills and financial sustainability of SMEs.

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	41.486	1	41.486	153.977	.000a
	Residual	37.181	138	.269		
	Total	78.667	139			

a. Predictors: (Constant), Technical skills

b. Dependent Variable: Financial sustainability of SMEs

Technical skills aspects collectively predict the financial sustainability of SMEs (Sig = 0.000, F-value = 153.977). F-value 153.977 is statistically significant (P-value of 0.000≤0.01). This signifies that technical skills significantly predict the financial sustainability of SMEs therefore there is a relationship between technical skills and the financial sustainability of SMEs.

Table 5. Coefficients for Variations technical skills and financial sustainability of SMEs

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.698	.177		9.582	.000
	Technical skills	.664	.054	.726	12.409	.000

a. Dependent Variable: Financial sustainability of SMEs

It was found that the t-value for technical skills is 12.409 and a beta value of 0.726 which is significant at 0.000. This signifies that an improvement in technical skills positively and strongly contributes to the financial sustainability of SMEs, because as managers of SMEs through various managerial skills an improvement in financial sustainability of SMEs is achieved.

DISCUSSION.

There was a very strong significant positive relationship between technical skills and the financial sustainability of SMEs in the Kawempe division (r = 0.726**, Sig = 0.000). This means that improvement in technical skills, and the higher financial sustainability of SMEs was. The previous discussion suggests that the relationship between technical skills and the financial sustainability of SMEs is neither simple nor direct. Two studies alluded to the possibility that technical skill could be related to referent and expert power (Snyder and Bruning, 2007).

The (adjusted R Squared) coefficient of determination value of about 0.524 indicates that 52.4% of the variation in financial sustainability of SMEs was explained by a unit increment in strategies to improve technical skills within SMEs in the Kawempe division.

CONCLUSIONS.

There is an effect of technical Skills on Principal management. This means that improved technical Skills will develop principal leadership. The effect of technical skills on the principal's leadership will determine the readiness and readiness of the principal to undertake the strategy of leading the soft skills integration by the technical skill principles in involving all aspects involved in the school to apply the technical skills values in the learning process life teaching in schools.

RECOMMENDATION.

Technical skill is perceived to be a very important managerial characteristic, especially in high-performing teams and during the early stages of a project. It has also been suggested that supervisors and subordinates who are similar in technical skill identify with each other (and ostensibly communicate better) than those with dissimilar technical skill levels.

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