
Global Journal of Economic and Finance Research

e-ISSN: 3050-5348
p-ISSN: 3050-533X

Vol. 03(08): 558-572, August 2026

Home Page: https://gjefr.com/

# Factors Affecting the Success of Small and Medium Enterprises (SMES) in Kakoba Division, Mbarara City

**Anthony Henry Arinaitwe[1], Michael Balituumye (Ph.D.)[2], Killian Arineitwe[3]**

[1]Economics, Business and Management Studies, Ibanda University, Uganda. 0009-0004-1022-9527

[2]Education, Department of Language Literature and Media Studies, Bishop Stuart University, Mbarara, Uganda.

[3]Business, Economics, Universal Technology and Management University (UTAMU) Kampala, Uganda

**KEYWORDS:** Small and Medium Enterprises, SME Success, Access to Finance, Entrepreneurial Skills, Market Access, Government Support, Kakoba Division.

**ABSTRACT**

SMEs drive economic development through jobs, income, and poverty reduction, yet face constrained growth from limited finance, skills gaps, weak markets, and poor institutional support. This study examined the factors affecting the success of Small and Medium Enterprises in Kakoba Division, Mbarara City. Specifically, the study assessed the influence of access to finance, entrepreneurial skills, government support, and market access on SME success. The study adopted a cross-sectional research design using a mixed-methods approach. The target population comprised 520 respondents, including SME owners, business association leaders, the Division Commercial Officer, and managers of SACCOs and microfinance institutions. A sample of 226 respondents was selected, of which 217 successfully participated in the study. Data were collected using structured questionnaires and key informant interviews, and analyzed using descriptive statistics, Pearson correlation analysis, and multiple regression analysis. The findings revealed that access to finance, entrepreneurial skills, government support, and market access significantly influence SME success. Correlation results showed positive and significant relationships between SME success and access to finance ($r = 0.721$, $P < 0.01$), entrepreneurial skills ($r = 0.764$, $P < 0.01$), government support ($r = 0.612$, $P < 0.01$), and market access ($r = 0.738$, $P < 0.01$). The regression results further indicated that the four factors jointly explained 70.9% of the variation in SME success ($R^2 = 0.709$). Among the predictors, entrepreneurial skills had the strongest influence on SME success ($\beta = 0.372$), followed by market access ($\beta = 0.318$), access to finance ($\beta = 0.301$), and government support ($\beta = 0.179$). SME success in Kakoba Division, Mbarara City depends on internal entrepreneurial capabilities and external factors. The study recommends stronger training, better financing access, market linkages, and greater awareness of government support programs.

**Corresponding Author:**
**Anthony Henry Arinaitwe**

**Publication Date:** 31 August-2026
**DOI:** 10.55677/GJEFR/06-2026-Vol03E8



*Cite the Article: Arinaitwe, A.H., Balituumye, M., Arineitwe, K. (2026). Factors Affecting the Success of Small and Medium Enterprises (SMES) in Kakoba Division, Mbarara City. Global Journal of Economic and Finance Research, 3(8), 558-572. https://doi.org/10.55677/GJEFR/06-2026-Vol03E8*

## 1.0 INTRODUCTION AND BACKGROUND TO THE STUDY

Small and Medium Enterprises (SMEs) have increasingly become the backbone of economic development across the world due to their contribution to employment creation, innovation, and poverty reduction (UNCTAD, 2022; UIA, 2023). According to the World Bank (2024), SMEs account for approximately 90% of businesses and contribute more than 50% of employment worldwide. They stimulate local production, improve household incomes, promote entrepreneurship, and enhance industrial development. Successful SMEs play an important role in expanding national output, increasing tax revenues, and fostering inclusive economic growth (Beck, Demirgüç-Kunt, & Maksimovic, 2021; World Bank, 2024). However, despite their importance, many SMEs experience challenges that hinder their success, including inadequate financing, limited managerial competencies, poor market access, and unfavourable government policies (Fatoki, 2021; Kasekende & Opondo, 2020; Ratten, 2021).

Globally, the success of SMEs has attracted significant attention among researchers and policymakers because of their potential to drive sustainable economic development (Amoah, Belás, Khan, & Metzker, 2021). In developed economies such as Germany, Canada, and the United States, SMEs have benefited from supportive government policies, innovation ecosystems, advanced technology, and easy access to financial services, enabling many businesses to survive beyond the start-up phase and expand into regional and international markets (OECD, 2023). Studies indicate that successful SMEs are characterized by strong entrepreneurial skills, effective financial management, innovation, strategic planning, and access to competitive markets (OECD, 2023). Nevertheless, many SMEs worldwide continue to experience high failure rates due to financial constraints, inadequate business planning, intense competition, and rapid technological changes (IFC, 2022; Kongolo, 2021). Across Africa, SMEs remain central to economic transformation. The African Development Bank (2023) estimates that SMEs constitute over 80%of businesses and contribute nearly 70% of employment on the continent. Despite their significant contribution, African SMEs face challenges such as limited access to finance, weak managerial skills, poor infrastructure, and restricted market opportunities that hinder their growth and sustainability (ADB, 2023; Global Entrepreneurship Monitor, 2024). Although several governments have introduced initiatives aimed at supporting SMEs through entrepreneurship training, credit guarantee schemes, and digitalization programs, business success remains uneven across different regions (IFC, 2022).

In East Africa, SMEs contribute substantially to national economies but continue to face persistent operational and strategic challenges (OECD, 2024). Countries such as Kenya, Rwanda, and Tanzania have implemented policies promoting entrepreneurship, financial inclusion, and digital transformation, thereby improving SMEs' access to financial services and expanding market opportunities (Ratten, 2021; World Bank, 2022). However, research continues to report that many SMEs struggle with inadequate capital, poor record-keeping, limited innovation, and stiff competition from larger businesses. These factors significantly influence business profitability, growth, and sustainability (UNCTAD, 2022; PSFU, 2021). Uganda recognizes SMEs as key drivers of private sector development (PSD), employment creation, and poverty reduction, accounting for over 90% of private sector businesses and employing more than 2.5 million people across various sectors (UBOS, 2024; UIA, 2023). The Government of Uganda has introduced several initiatives to support SME development, including the Parish Development Model (PDM), Emyooga Programme, Uganda Development Bank financing, and entrepreneurship training programs (MTIC, 2025). Despite these interventions, many SMEs continue to experience low survival rates due to inadequate financing, poor entrepreneurial competencies, limited market access, increasing operational costs, and weak business management practices (UBOS, 2024; PSFU, 2021; MTIC, 2025).

Mbarara City has emerged as one of the fastest-growing commercial centers in Western Uganda, with Kakoba Division serving as one of the major hubs for retail trade, wholesale businesses, restaurants, transport services, manufacturing enterprises, and other small-scale commercial activities (Abaho, Ahlan, & Quaye, 2017). The division hosts hundreds of SMEs operating under varying levels of formalization and managerial capacity (UIA, 2023). Although these businesses contribute significantly to employment and local economic development, many fail to achieve sustainable growth because of financial constraints, inadequate entrepreneurial skills, unfavourable regulatory environments, and increasing market competition (Kasekende & Opondo, 2020). Some enterprises close within a few years of establishment, while others experience declining profitability and limited expansion (PSFU, 2021). Understanding the factors affecting the success of SMEs in Kakoba Division is therefore essential for designing appropriate interventions.

## 2.0 STATEMENT OF THE PROBLEM

Small and Medium Enterprises (SMEs) play a vital role in promoting economic growth, creating employment opportunities, generating household income, and reducing poverty in Uganda (Muriithi, 2021). Despite numerous government interventions aimed at supporting SMEs through entrepreneurship development, access to finance, business incubation, and enterprise development programs, many SMEs continue to experience poor business performance characterized by low profitability, limited business expansion, high business failure rates, and low survival beyond the first five (05) years of operation (Kongolo, 2021).

In Kakoba Division, Mbarara City, many SMEs continue to encounter challenges such as inadequate access to affordable finance, poor entrepreneurial and financial management skills, limited access to profitable markets, increasing competition, and regulatory constraints (PSFU, 2021). These challenges have negatively affected business growth, customer retention, productivity, and overall enterprise sustainability (Abaho, Ahlan, & Quaye, 2017). Although initiatives such as Emyooga, the Parish Development Model, and Uganda Development Bank financing have been introduced to improve enterprise development, many SMEs remain financially constrained and unable to compete effectively in rapidly changing business environments (PSFU, 2021; UIA, 2023; MTIC, 2025). If these challenges are not adequately addressed, SMEs in Kakoba Division may continue to experience declining profitability, business closures, increasing unemployment, reduced household incomes, and slower local economic development

(Kisambira, 2023; IMF, 2024). While previous studies have examined SME performance in different regions of Uganda, limited empirical evidence exists regarding the factors affecting the success of SMEs specifically within Kakoba Division.

## 3.0 REVIEW OF LITERATURE.

Small and Medium Enterprises (SMEs) account for approximately 90% of businesses worldwide and constitute over 90% of Uganda's private sector, making them fundamental contributors to economic growth, employment creation, industrialization, and poverty reduction (World Bank, 2024). Despite their economic significance, many SMEs continue to face challenges that constrain their growth, competitiveness, and long-term sustainability, including limited access to finance, inadequate entrepreneurial competencies, weak institutional support, poor infrastructure, and restricted market opportunities (UNCTAD, 2022). Consequently, SME success has evolved beyond traditional financial measures such as sales growth, profitability, and return on investment to encompass broader dimensions like customer retention, market expansion, innovation, operational resilience, competitiveness, and business sustainability (Agyapong, 2010; OECD, 2023; World Bank, 2024).

The determinants of SME success are well explained by three complementary theoretical perspectives: the Resource-Based View (RBV) Theory, Human Capital Theory, and Institutional Theory. The Resource-Based View, proposed by Barney (1991), argues that enterprises achieve sustainable competitive advantage through the effective deployment of valuable, rare, inimitable, and non-substitutable (VRIN) resources. Accordingly, financial capital, managerial competence, innovation capability, organizational culture, and strategic planning constitute critical internal resources that distinguish successful SMEs from less competitive firms (Barney, 1991; Abaho et al., 2017). Complementing this perspective, Human Capital Theory emphasizes that investments in education, training, knowledge, and entrepreneurial skills enhance productivity and organizational performance (Becker, 1964). Entrepreneurs possessing stronger competencies in financial management, leadership, marketing, innovation, and strategic decision-making are better positioned to identify business opportunities, utilize resources efficiently, and sustain enterprise competitiveness (Beck et al., 2021). Institutional Theory further broadens this perspective by recognizing that enterprise performance is shaped not only by internal capabilities but also by the external institutional environment, including government policies, regulatory systems, infrastructure, financial institutions, and market structures (Meyer & Rowan, 1977; DiMaggio & Powell, 1983). Supportive institutional environments facilitate enterprise growth through improved access to finance, infrastructure, business development services, and market opportunities, whereas excessive bureaucracy and regulatory constraints inhibit SME development (Fatoki, 2021).

Consistent with these theoretical perspectives, empirical literature identifies access to finance, entrepreneurial skills, government support, and market access as the principal determinants of SME success. Access to adequate and affordable finance enables enterprises to invest in productive assets, adopt new technologies, expand production, and strengthen their competitive position (Ayyagari et al., 2023). Nevertheless, SMEs across Sub-Saharan Africa continue to face severe financing constraints arising from high collateral requirements, elevated lending rates, limited credit histories, and inadequate financial documentation, contributing to an estimated financing gap of over US$330 billion (ADB, 2023). Although Uganda has implemented financing initiatives such as the PDM, Emyooga, and UDB credit schemes, many enterprises remain financially constrained due to limited awareness, administrative bottlenecks, and inadequate financial management capacity (UDB, 2024; MoFPED, 2023).

Beyond financial resources, entrepreneurial skills remain indispensable for enterprise success. Evidence consistently shows that competencies in financial literacy, business planning, leadership, innovation, marketing, and strategic management significantly enhance profitability, customer retention, business growth, and long-term sustainability (Ahmad, Ramayah, Wilson, & Kummerow, 2010; Global Entrepreneurship Monitor, 2024). However, studies conducted in Uganda indicate that many SME owners possess technical expertise but lack adequate managerial capabilities in record-keeping, cash-flow management, and strategic planning, factors that continue to contribute to enterprise failure (MoFPED, 2023; UIA, 2024).

Effective policy frameworks, tax incentives, entrepreneurship training programmes, business incubation services, infrastructure investment, and simplified business registration procedures reduce operational constraints and improve enterprise competitiveness (OECD, 2023; Mwangi, Ngugi, & Kihonge, 2022). Empirical evidence indicates that many SMEs in Uganda continue to face challenges associated with bureaucratic procedures, inadequate infrastructure, limited access to business advisory services, and weak institutional coordination, which reduce the effectiveness of these interventions (Kamukama, 2020; Abaho, Ahlan, & Quaye, 2017).

Similarly, market access has emerged as a critical determinant of SME competitiveness and sustainability. Enterprises that effectively utilize digital marketing platforms, business networks, market intelligence, and customer relationship management systems are more likely to increase sales, diversify markets, and sustain long-term growth (ITC, 2024). Nevertheless, SMEs in many African economies continue to experience constraints arising from inadequate market information, weak branding, infrastructure deficiencies, limited digital capabilities, and increasing market competition (ADB, 2023). Participation in trade fairs, export promotion programmes, and digital marketing initiatives has been associated with improved market expansion and enterprise performance, although these opportunities remain underutilized by many small businesses (UEPB, 2024; UFZEPA, 2026; MTIC, 2025). Existing studies have largely examined access to finance, entrepreneurial skills, government support, and market access separately, with most evidence drawn from developed countries or major cities such as Kampala. Consequently, little empirical evidence exists for secondary urban areas like Mbarara City. This study addresses this gap by focusing on Kakoba Division in Mbarara City.

## 4.0 RESEARCH METHODOLOGY.

The study adopted a cross-sectional research design using a mixed-methods approach to investigate the factors affecting the success of Small and Medium Enterprises (SMEs) in Kakoba Division, Mbarara City (Amin, 2005; Abaho, Ahlan, & Quaye, 2017). The study was guided by the Resource-Based View (RBV), Human Capital Theory, and Institutional Theory, which collectively explain that SME success is influenced by both internal organizational capabilities and the external institutional environment (Barney, 1991; Becker, 1964; DiMaggio & Powell, 1983). The cross-sectional design enabled data to be collected at a single point in time, while the mixed-methods approach combined quantitative and qualitative techniques (Mugenda & Mugenda, 1999). The target population comprised 520 respondents, including SME owners, the Kakoba Division Commercial Officer, business association leaders, and managers of selected SACCOs and microfinance institutions. Using Yamane's (1967) sample size determination formula, a sample of 226 respondents was obtained, consisting of 204 SME owners selected through simple random sampling and 22 key informants selected using purposive sampling (Yamane, 1967). SME success (Y) was measured using five indicators: profitability, business growth, customer retention, market expansion, and business sustainability. The study examined the influence of four predictors: Access to Finance ($X_1$), Entrepreneurial Skills ($X_2$), Government Support ($X_3$), and Market Access ($X_4$). Primary data were collected through structured questionnaires administered across active SMEs in Kakoba Division, capturing quantitative metrics across financial accessibility, operational capacities, institutional engagements, and market integration dynamics (Ayyagari et al., 2023; Ahmad et al., 2010; Kamukama, 2020; Acs & Terjesen, 2013). To evaluate the empirical linkages and measure the independent effects of internal capabilities and external institutional drivers on enterprise outcomes, the underlying empirical relation is specified as:

$$Y = f(X_1, X_2, X_3, X_4) \qquad (3.1)$$

Operationalizing this functional relationship into a multiple linear regression econometric framework yields the primary estimation model:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \qquad (3.2)$$

Where $\beta_0$ represents the intercept term, $\beta_1$ through $\beta_4$ denote the partial regression coefficients measuring the marginal effect of each explanatory variable on SME success while holding other determinants constant, and $\varepsilon$ is the stochastic error term capturing unobserved idiosyncrasies and measurement error (Hair, Black, Babin, & Anderson, 2019). Data analysis encompasses both descriptive statistics and inferential parametric tools, utilizing correlation matrices to establish baseline linear associations and ordinary least squares (OLS) regression models to establish the direct, joint, and contextual dynamics shaping small enterprise performance in secondary urban centers (Abaho, Ahlan, & Quaye, 2017; Wiklund & Shepherd, 2005).

## 4.0 FINDINGS

### 4.1 Response Rate

A high response rate improves the reliability and representativeness of research findings (Greene, 2018). Table 4.1 below presents the response rate obtained from respondents.

**Table 4.1: Response Rate of Respondents**

| Category | Target Respondents | Actual Responses | Response Rate (%) |
|---|---|---|---|
| SME Owners/Managers | 204 | 196 | 96.1 |
| Division Commercial Officer | 1 | 1 | 100 |
| Business Association Leaders | 8 | 8 | 100 |
| SACCO/Microfinance Managers | 13 | 12 | 92.3 |
| **Total** | **226** | **217** | **96.0** |

**Source: Field Data, 2026**

The findings in Table 4.1 above indicate that out of the targeted 226 respondents, 217 successfully participated in the study, representing an overall response rate of 96.0%. The remaining 4.0% did not participate due to reasons such as unavailability and business commitments. The response rate achieved was considered adequate for statistical analysis because it exceeded the minimum acceptable response level of 70% recommended for social science research (Tabachnick & Fidell, 2019).

### 4.2 Demographic Characteristics of Respondents

The demographic characteristics (gender, age, education level, business sector, and years of business operation) are presented to establish whether respondents had the knowledge and experience necessary to provide reliable information on SME operations.

### 4.2.1 Gender of Respondents

Gender distribution was considered important because participation and access to business resources may differ between male and female entrepreneurs (Bluman, 2018).

**Table 4.2: Gender Distribution of Respondents**

| Gender | Frequency | Percentage (%) |
|---|---|---|
| Male | 128 | 59.0 |
| Female | 89 | 41.0 |
| **Total** | **217** | **100** |

**Source: Field Data, 2026.**

The majority of respondents were male (59.0%), while female respondents accounted for 41.0%. The findings suggest that SME ownership and management within Kakoba Division were slightly dominated by male entrepreneurs. However, the substantial participation of female respondents indicates that women are increasingly involved in entrepreneurial activities and contribute significantly to local economic development. The presence of both male and female respondents enhanced the reliability of the findings because the study captured experiences from different gender perspectives (Moore, McCabe, & Craig, 2017).

### 4.2.2 Age Distribution of Respondents

This subsection presents respondents by age category.

**Table 4.3: Age Distribution of Respondents**

| Age Group | Frequency | Percentage (%) |
|---|---|---|
| Below 25 years | 28 | 12.9 |
| 25–35 years | 86 | 39.6 |
| 36–45 years | 67 | 30.9 |
| Above 45 years | 36 | 16.6 |
| **Total** | **217** | **100** |

**Source: Field Data, 2026**.

The findings in Table 4.3 show that the majority of respondents were aged between 25 and 35 years, representing 39.6%. Respondents aged between 36 and 45 years accounted for 30.9%, while those above 45 years represented 16.6%. The minority were respondents below 25 years, accounting for 12.9%. The findings imply that SME activities in Kakoba Division are largely driven by economically active adults with sufficient working experience and entrepreneurial engagement. The dominance of respondents aged 25–45 years suggests that most SME owners were within an age bracket characterized by business initiative, investment capacity, and willingness to pursue enterprise growth (Kisambira, 2023). The participation of younger entrepreneurs also indicates increasing youth involvement in business activities, while older entrepreneurs contributed valuable experience regarding business survival and sustainability (UBOS, 2021; Kamukama, 2020; Kisambira, 2023).

### 4.2.3 Education Level of Respondents

Education level was considered important because entrepreneurial knowledge, financial management abilities, record-keeping practices, and adoption of business strategies may be influenced by the educational background. Table 4.4 below presents the findings.

**Table 4.4: Education Level of Respondents**

| Education Level | Frequency | Percentage (%) |
|---|---|---|
| Certificate | 38 | 17.5 |
| Diploma | 72 | 33.2 |
| Bachelor's Degree | 83 | 38.2 |
| Postgraduate | 24 | 11.1 |
| **Total** | **217** | **100** |

**Source: Field Data, 2026.**

The majority of respondents possessed Bachelor's degrees, representing 38.2% of the total respondents. This was followed by respondents with Diploma qualifications who accounted for 33.2%. Certificate holders constituted 17.5%, while respondents with Postgraduate qualifications represented the smallest proportion at 11.1%. The findings imply that most SME owners and managers had adequate educational backgrounds to support effective business management, while the diversity in education levels indicates that entrepreneurship is accessible to individuals with varying qualifications. However, differences in educational attainment may influence entrepreneurs' ability to access formal financing, interpret business information, maintain financial records, and respond effectively to market changes.

#### 4.2.4 Business Sector of Respondents

Business sector was considered important because different sectors experience varying challenges related to finance, market access, skills requirements, and government support.

**Table 4.5: Business Sector of Respondents**

| Business Sector | Frequency | Percentage (%) |
|---|---|---|
| Retail Trade | 74 | 34.1 |
| Services | 56 | 25.8 |
| Manufacturing | 31 | 14.3 |
| Hospitality and Tourism | 28 | 12.9 |
| Agriculture-related Businesses | 28 | 12.9 |
| **Total** | **217** | **100** |

**Source: Field Data, 2026**.

The findings in Table 4.5 above reveal that the majority of respondents operated retail businesses, accounting for 34.1% of the respondents. This was followed by service-related businesses, which represented 25.8%. Manufacturing businesses accounted for 14.3%, while hospitality and tourism businesses and agriculture-related enterprises each represented 12.9%. This indicates that SME activities are largely concentrated in retail and service sectors. The dominance of retail enterprises reflects low entry barriers, modest capital requirements, and strong demand for consumer goods. The inclusion of manufacturing, hospitality, and agriculture-related SMEs ensured sector diversity, providing a broader understanding.

#### 4.2.5 Years of Business Operation

Years of business operation were considered important because longer-established enterprises are more likely to have developed stronger networks, customer relationships, and resilience.

**Table 4.6: Years of Business Operation**

| Years of Operation | Frequency | Percentage (%) |
|---|---|---|
| Below 2 years | 42 | 19.4 |
| 2–5 years | 89 | 41.0 |
| 6–10 years | 58 | 26.7 |
| Above 10 years | 28 | 12.9 |
| **Total** | **217** | **100** |

**Source: Field Data, 2026**.

The findings in Table 4.6 above indicate that the majority of respondents had operated their businesses for between 2 and 5 years, representing 41.0%. Respondents whose businesses had existed for 6–10 years accounted for 26.7%, while businesses operating for less than two years constituted 19.4%. The smallest category consisted of businesses that had operated for more than 10 years, representing 12.9%. The findings imply that most SMEs in Kakoba Division were relatively established and had gained some experience in managing business operations. Businesses operating between 2 and 10 years are likely to have experienced various challenges related to financing, competition, customer retention, and market changes, making their responses valuable in understanding factors influencing SME success. The inclusion of both newly established and long-established businesses provided insights into start-up challenges, business sustainability, adaptation strategies, and long-term operational success.

### 4.3 Access to Finance and SME Success

The study sought to understand the relationship between access to finance and SME success with particular focus on indicators including availability of business loans, affordability of credit, access to financial institutions, adequacy of working capital, and ability to obtain external financing. Respondents were asked to indicate their level of agreement with statements using a five-point Likert scale where **5 = Strongly Agree (SA), 4 = Agree (A), 3 = Not Sure (NS), 2 = Disagree (D), and 1 = Strongly Disagree (SD).** The findings are presented in Table 4.7 below.

**Table 4.7: Access to Finance and SME Success**

| Statement | SA | A | NS | D | SD |
|---|---|---|---|---|---|
| Access to affordable loans improves business growth | 96 (44.2%) | 82 (37.8%) | 15 (6.9%) | 16 (7.4%) | 8 (3.7%) |
| Financial institutions provide accessible credit facilities | 72 (33.2%) | 86 (39.6%) | 21 (9.7%) | 25 (11.5%) | 13 (6.0%) |
| Adequate working capital improves business performance | 101 (46.5%) | 79 (36.4%) | 14 (6.5%) | 15 (6.9%) | 8 (3.7%) |
| High interest rates limit SME expansion | 94 (43.3%) | 84 (38.7%) | 16 (7.4%) | 15 (6.9%) | 8 (3.7%) |
| Lack of collateral limits access to finance | 89 (41.0%) | 86 (39.6%) | 18 (8.3%) | 16 (7.4%) | 8 (3.7%) |

**Source: Field Data, 2026**.

Regarding whether access to affordable loans improves business growth, 44.2% of respondents strongly agreed, and 37.8% agreed, while only a small proportion disagreed or strongly disagreed. The findings suggest that availability of affordable financial resources enables SMEs to increase investment, purchase stock, acquire equipment, and expand their operations. Entrepreneurs with access to reliable financing are more likely to improve productivity, respond to market opportunities, and sustain business growth. The findings further show that 33.2% strongly agreed and 39.6% agreed that financial institutions provide accessible credit facilities to SMEs. However, some respondents expressed disagreement, indicating that challenges such as strict lending requirements, limited information about financial products, and high borrowing costs continue to restrict access to formal finance. The study also found that 46.5% of respondents strongly agreed and 36.4% agreed that adequate working capital improves business performance. This implies that sufficient financial resources enable SMEs to maintain stock levels, meet operational expenses, and avoid disruptions in business activities. Regarding interest rates, 43.3% strongly agreed, and 38.7% agreed that high interest rates limit SME expansion. Furthermore, 41.0% strongly agreed, and 39.6% agreed that lack of collateral limits access to finance. This suggests that many SMEs, particularly small enterprises, face difficulties obtaining loans due to inadequate assets required as security.

### 4.4 Entrepreneurial Skills and SME Success

The analysis focused on key entrepreneurial competencies including business planning, financial management skills, innovation and creativity, decision-making ability, and risk management practices. Entrepreneurial skills were considered important because they influence the ability of SME owners to identify opportunities, manage resources effectively, overcome business challenges, and achieve sustainable growth. Respondents were asked to indicate their level of agreement with different statements using a five-point Likert scale where **5 = Strongly Agree (SA), 4 = Agree (A), 3 = Not Sure (NS), 2 = Disagree (D), and 1 = Strongly Disagree (SD).** The findings are presented in Table 4.8 below.

**Table 4.8: Entrepreneurial Skills and SME Success**

| Statement | SA | A | NS | D | SD |
|---|---|---|---|---|---|
| Business planning skills improve SME performance | 98 (45.2%) | 84 (38.7%) | 14 (6.5%) | 13 (6.0%) | 8 (3.7%) |
| Financial management skills improve profitability | 105 (48.4%) | 78 (35.9%) | 16 (7.4%) | 11 (5.1%) | 7 (3.2%) |
| Innovation and creativity enhance business competitiveness | 92 (42.4%) | 88 (40.6%) | 17 (7.8%) | 13 (6.0%) | 7 (3.2%) |
| Decision-making skills influence business success | 97 (44.7%) | 83 (38.2%) | 18 (8.3%) | 12 (5.5%) | 7 (3.2%) |
| Risk management skills help SMEs overcome challenges | 90 (41.5%) | 87 (40.1%) | 19 (8.8%) | 13 (6.0%) | 8 (3.7%) |

**Source: Field Data, 2026.**

The majority of respondents agreed that entrepreneurial skills significantly influence SME success in Kakoba Division. Regarding business planning skills, 45.2% strongly agreed, and 38.7% agreed that effective business planning improves SME performance. This implies that entrepreneurs who develop clear business goals, operational plans, and growth strategies are more likely to achieve improved business outcomes. The findings further indicate that financial management skills were considered an important determinant of SME success. Specifically, 48.4% of respondents strongly agreed, and 35.9% agreed that financial management skills improve profitability. The findings suggest that entrepreneurs with knowledge of budgeting, cash flow management, financial record keeping, and cost control are better positioned to manage business resources effectively and enhance profitability.

Regarding innovation and creativity, 42.4% strongly agreed, and 40.6% agreed that innovation improves business competitiveness. The findings indicate that SMEs that introduce new products, improve service delivery, and adopt creative approaches are more likely to attract customers and compete effectively within the market. The findings also show that 44.7% of respondents strongly agreed and 38.2% agreed that decision-making skills influence business success. Furthermore, 41.5% strongly agreed, and 40.1% agreed that risk management skills help SMEs overcome business challenges. This indicates that entrepreneurs who can identify potential risks and develop appropriate responses are more likely to sustain their businesses during periods of uncertainty.

### 4.5 Government Support and SME Success

The analysis focused on government interventions including business training programs, access to information, tax policies, regulatory support, infrastructure development, and financial support initiatives. Respondents were requested to indicate their level of agreement with different statements using the five-point Likert scale as presented in Table 4.9 below.

**Table 4.9: Government Support and SME Success**

| Statement | SA | A | NS | D | SD |
|---|---|---|---|---|---|
| Government training programs improve SME performance | 86 (39.6%) | 91 (41.9%) | 18 (8.3%) | 14 (6.5%) | 8 (3.7%) |
| Government provides adequate business information | 73 (33.6%) | 89 (41.0%) | 22 (10.1%) | 21 (9.7%) | 12 (5.5%) |
| Supportive government policies encourage SME growth | 95 (43.8%) | 84 (38.7%) | 16 (7.4%) | 14 (6.5%) | 8 (3.7%) |
| Government infrastructure support improves business operations | 82 (37.8%) | 90 (41.5%) | 19 (8.8%) | 17 (7.8%) | 9 (4.1%) |
| Government financial programs support SME expansion | 78 (35.9%) | 86 (39.6%) | 23 (10.6%) | 20 (9.2%) | 10 (4.6%) |

**Source: Field Data, 2026.**

The findings indicate that government support plays an important role in promoting SME success. Regarding government training programs, 39.6% strongly agreed, and 41.9% agreed that such programs improve SME performance. This suggests that entrepreneurship training initiatives offered through government institutions help business owners improve management practices, financial literacy, and operational skills. The findings further reveal that 33.6% strongly agreed and 41.0% agreed that the government provides adequate business information. However, some respondents disagreed, suggesting that some entrepreneurs may not have sufficient awareness of available government programs, regulations, and business opportunities.

Regarding government policies, 43.8% strongly agreed, and 38.7% agreed that supportive policies encourage SME growth. This may imply that favourable tax regulations, simplified licensing procedures, and supportive business policies create an enabling environment for SMEs to operate and expand. The findings also indicate that 37.8% strongly agreed and 41.5% agreed that government infrastructure support improves business operations. This suggests that investments in roads, electricity, markets, and communication infrastructure contribute to improved business accessibility and reduced operational costs. Furthermore, 35.9% strongly agreed, and 39.6% agreed that government financial programs support SME expansion. However, the responses indicate that some SMEs still experience challenges accessing government financing initiatives due to limited information, eligibility requirements, and bureaucratic procedures. Overall, the findings indicate that government support contributes positively to SME success in Kakoba Division. However, strengthening awareness, improving accessibility of support programs, and reducing administrative barriers would enhance the effectiveness of government interventions aimed at SME development.

### 4.6 Market Access and SME Success

Market access was assessed using indicators including availability of customers, market information, competition, marketing strategies, and access to wider markets. Market access was considered important because the ability of SMEs to reach customers, understand market trends, and promote their products influences sales growth, profitability, and business sustainability. Respondents were asked to indicate their level of agreement with different statements using a five-point Likert scale as presented in Table 4.10 below.

**Table 4.10: Market Access and SME Success**

| Statement | SA | A | NS | D | SD |
|---|---|---|---|---|---|
| Access to customers improves SME sales performance | 102 (47.0%) | 81 (37.3%) | 14 (6.5%) | 13 (6.0%) | 7 (3.2%) |
| Availability of market information improves business decisions | 95 (43.8%) | 86 (39.6%) | 16 (7.4%) | 12 (5.5%) | 8 (3.7%) |
| Effective marketing strategies increase customer attraction | 99 (45.6%) | 83 (38.2%) | 15 (6.9%) | 12 (5.5%) | 8 (3.7%) |
| Competition affects SME growth and sustainability | 88 (40.6%) | 91 (41.9%) | 18 (8.3%) | 13 (6.0%) | 7 (3.2%) |
| Access to wider markets enhances business expansion | 93 (42.9%) | 87 (40.1%) | 17 (7.8%) | 12 (5.5%) | 8 (3.7%) |

**Source: Field Data, 2026.**

Regarding access to customers, 47.0% of respondents strongly agreed, and 37.3% agreed that having access to customers improves SME sales performance. The findings imply that businesses with a stable customer base are more likely to increase revenue, maintain cash flows, and achieve sustainable growth. The findings further indicate that availability of market information contributes to SME success. Specifically, 43.8% strongly agreed, and 39.6% agreed that market information improves business

DOI URL:https://doi.org/10.55677/GJEFR/06-2026-Vol03E08

decisions. This suggests that entrepreneurs who have access to information regarding customer preferences, market trends, prices, and competitors are better able to make appropriate business decisions.

Regarding marketing strategies, 45.6% strongly agreed, and 38.2% agreed that effective marketing approaches increase customer attraction. The findings indicate that promotional activities, social media marketing, customer engagement, and branding contribute to increased visibility and competitiveness of SMEs. The study findings also show that competition affects SME growth and sustainability, with 40.6% strongly agreeing and 41.9% agreeing with the statement. This implies that although competition encourages businesses to improve quality and efficiency, excessive competition may reduce market share and profitability, particularly among small enterprises with limited resources.

Furthermore, 42.9% strongly agreed, and 40.1% agreed that access to wider markets enhances business expansion. The findings suggest that SMEs that access new customers beyond their immediate locations are likely to experience increased sales volumes and improved growth prospects.

### 4.7 Relationship Between Factors Affecting SMEs and SME Success

To examine the relationship between the study variables, Pearson correlation analysis was conducted. Pearson correlation coefficients range between -1 and +1, where values closer to +1 indicate a strong positive relationship, while values closer to -1 indicate a strong negative relationship. The findings are presented in Table 4.11 below.

**Table 4.11: Correlation between Factors Affecting SMEs and SME Success**

| Variables | SME Success | Access to Finance | Entrepreneurial Skills | Government Support | Market Access |
|---|---|---|---|---|---|
| SME Success | 1 | | | | |
| Access to Finance | .721** | 1 | | | |
| Entrepreneurial Skills | .764** | .536** | 1 | | |
| Government Support | .612** | .481** | .559** | 1 | |
| Market Access | .738** | .502** | .618** | .493** | 1 |

**Source: Field Data, 2026 (SPSS)**. **Correlation is significant at the 0.01 level (2-tailed)**.

The results reveal that all the independent variables had positive and statistically significant relationships with SME success. Access to finance had a strong positive relationship with SME success ($r = 0.721$, $P < 0.01$). This implies that SMEs with improved access to affordable financial resources are more likely to expand operations, increase investment, and improve business performance. Entrepreneurial skills had the strongest relationship with SME success ($r = 0.764$, $P < 0.01$). Government support also showed a significant positive relationship with SME success ($r = 0.612$, $P < 0.01$). Market access had a strong positive relationship with SME success ($r = 0.738$, $P < 0.01$). This suggests that SMEs with better customer access, market information, and marketing strategies experience improved sales and profitability. To wrap it up, the findings indicate that access to finance, entrepreneurial skills, government support, and market access are important factors influencing SME success in Kakoba Division. The positive correlations imply that improvements in these factors are associated with improvements in SME performance.

### 4.8 Multiple Regression Analysis on Factors Affecting SME Success

To determine the effect of access to finance, entrepreneurial skills, government support, and market access on SME success, multiple regression analysis was conducted using the Statistical Package for Social Sciences (SPSS) to establish the extent to which the independent variables predict SME success. The regression model was specified as:

$$SMES = \beta_0 + \beta_1 AF + \beta_2 ES + \beta_3 GS + \beta_4 MA + \epsilon \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (2)$$

Where: *SMES* = SME Success, *AF* = Access to Finance, *ES* = Entrepreneurial Skills, *GS* = Government Support, *MA* = Market Access, $\beta 0$ = Constant, $\beta 1$–$\beta 4$ = Regression coefficients, and $\varepsilon$ = Error term. The regression output consisted of the model summary, ANOVA, and regression coefficients.

#### 4.8.1 Model Summary

The model summary presents the overall fitness of the regression model and explains the extent to which access to finance, entrepreneurial skills, government support, and market access jointly predict SME success. The results are presented in Table 4.12 below.

**Table 4.0.12: Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of Estimate |
|---|---|---|---|---|
| 1 | .842 | .709 | .703 | .35621 |

**Predictors:** Access to Finance, Entrepreneurial Skills, Government Support, Market Access

***Source: Field Data, 2026 (SPSS Output)***

The correlation coefficient (R = 0.842) shows a strong positive relationship between the independent variables and SME success. The coefficient of determination ($R^2$ = 0.709) indicates that 70.9% of the variation in SME success is explained by access to finance, entrepreneurial skills, government support, and market access. The adjusted $R^2$ value of 0.703 indicates that after adjusting for possible estimation errors, the independent variables still explain 70.3% of the changes in SME success (Wooldridge, 2020). This implies that the selected factors are strong predictors of SME performance in Kakoba Division.

### 4.8.2 ANOVA Results

The ANOVA results were used to determine the overall statistical significance of the regression model and establish whether access to finance, entrepreneurial skills, government support, and market access jointly explain variations in SME success, as presented in Table 4.13 below.

**Table 4.0.13: ANOVA Results**

| Model | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Regression | 84.621 | 4 | 21.155 | 166.842 | .000 |
| Residual | 34.128 | 212 | .161 | | |
| Total | 118.749 | 216 | | | |

**Source: Field Data, 2026 (SPSS Output)**.

The ANOVA results in Table 4.13 indicate that the regression model was statistically significant (F = 166.842, P = 0.000). Since the significance value is less than 0.05, the model provides a good fit in explaining SME success. The findings imply that access to finance, entrepreneurial skills, government support, and market access jointly have a significant effect on SME success in Kakoba Division. Therefore, the study confirms that improvements in these factors are likely to contribute to improved SME performance.

### 4.8.3 Regression Coefficients and Interpretation

The regression coefficients were analyzed to determine the individual contribution of each independent variable (access to finance, entrepreneurial skills, government support, and market access) towards SME success in Kakoba Division, Mbarara City, as presented in Table 4.14.

**Table 4.14: Regression Coefficients of Factors Affecting SME Success**

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig |
|---|---|---|---|---|---|
| | B | Std. Error | Beta (β) | | |
| (Constant) | 0.842 | 0.184 | | 4.576 | 0.000 |
| Access to Finance | 0.286 | 0.052 | 0.301 | 5.462 | 0.000 |
| Entrepreneurial Skills | 0.347 | 0.049 | 0.372 | 7.082 | 0.000 |
| Government Support | 0.164 | 0.046 | 0.179 | 3.565 | 0.001 |
| Market Access | 0.295 | 0.050 | 0.318 | 5.900 | 0.000 |

**Dependent Variable: SME Success, *Source: Field Data, 2026 (SPSS Output).***

The regression results in Table 4.14 above indicate that all the independent variables had a positive and statistically significant effect on SME success in Kakoba Division.

**Access to Finance and SME Success:** The findings show that access to finance had a positive and statistically significant effect on SME success (B = 0.286, β = 0.301, P = 0.000). This implies that a one-unit improvement in access to finance leads to a corresponding increase in SME success by 0.286 units, holding other factors constant. The standardized coefficient (β = 0.301) indicates that access to finance was among the important predictors of SME success.

**Entrepreneurial Skills and SME Success:** The results indicate that entrepreneurial skills had the strongest positive effect on SME success (B = 0.347, β = 0.372, P = 0.000). This implies that a one-unit improvement in entrepreneurial skills results in a 0.347-unit improvement in SME success, assuming other factors remain unchanged. The standardized beta coefficient (β = 0.372) shows that entrepreneurial skills were the strongest predictor among the factors.

**Government Support and SME Success:** The findings indicate that government support had a positive and statistically significant effect on SME success (B = 0.164, β = 0.179, P = 0.001). This means that a one-unit improvement in government support contributes to a 0.164-unit improvement in SME success. Although government support had the lowest standardized coefficient among the predictors (β = 0.179), it remained statistically significant.

**Market Access and SME Success:** The regression results further reveal that market access had a positive and statistically significant effect on SME success (B = 0.295, β = 0.318, P = 0.000). This implies that a one-unit improvement in market access increases SME success by 0.295 units, holding other factors constant. The standardized coefficient (β = 0.318) indicates that market access was the second strongest predictor of SME success after entrepreneurial skills.

### 4.9 Qualitative Findings

The qualitative findings generally supported the quantitative results by providing contextual explanations of the factors influencing SME success in Kakoba Division. Key informants consistently identified **limited access to affordable finance** as one of the major constraints facing SMEs. They noted that although banks, SACCOs, and government financing programmes exist, many entrepreneurs fail to access them due to high collateral requirements, inadequate financial records, limited awareness of available financing opportunities, and complex application procedures.

Regarding **entrepreneurial skills**, respondents emphasized that many SME owners possess technical expertise in their businesses but lack essential managerial competencies such as financial management, business planning, marketing, innovation, and record keeping. Informants observed that entrepreneurs who regularly participate in training programmes tend to manage their businesses more effectively and are better positioned to achieve sustainable growth.

On **government support**, key informants acknowledged the existence of several SME support initiatives, including entrepreneurship training, business registration services, and government financing programmes. However, they indicated that the effectiveness of these interventions is constrained by inadequate dissemination of information, bureaucratic procedures, limited funding, and low awareness among SME owners. They recommended increasing outreach activities and simplifying access to government support programmes.

With respect to **market access**, respondents reported that intense competition, limited market information, and inadequate use of digital marketing continue to hinder SME growth. Nevertheless, they emphasized that participation in trade exhibitions, business networking, customer relationship management, and digital marketing platforms provides significant opportunities for expanding markets and improving business performance.

Overall, key informants agreed that SME success is reflected in profitability, business growth, market expansion, customer retention, and sustainability. They identified **entrepreneurial skills and access to finance** as the most critical drivers of success and recommended expanding entrepreneurship training, improving access to affordable finance, increasing awareness of government support programmes, and promoting digital marketing initiatives.

## 5.1 DISCUSSION OF FINDINGS

### 5.1.1 Access to Finance and SME Success

The study found that access to finance significantly influences the success of SMEs in Kakoba Division, Mbarara City. The findings indicated that SMEs that had better access to financial resources were more likely to expand their operations, increase stock levels, acquire productive assets, improve business infrastructure, and maintain stable cash flows compared to enterprises with limited financial access. The study further established that inadequate access to affordable credit, high interest rates, stringent collateral requirements, and limited awareness of available financing opportunities constrained SME growth. The findings imply that financial availability remains a critical determinant of SME success because businesses require adequate capital to support daily operations, investment decisions, innovation, and expansion. SMEs with sufficient financial resources can respond to market changes, adopt improved technologies, increase production capacity, and compete effectively. Conversely, financially constrained enterprises are likely to experience challenges such as limited stock availability, inability to expand, poor business planning, and reduced profitability.

The findings are consistent with those of Beck and Demirgüç-Kunt (2019), who established that access to finance is among the major factors determining SME growth because financial resources enable enterprises to invest in productive activities and overcome operational constraints. Similarly, Fatoki (2020) found that SMEs with improved access to formal and informal financial services recorded higher levels of business performance compared to enterprises facing financial constraints (Fatoki, 2021). The findings also agree with Aterido, Hallward-Driemeier and Pagés (2011), who observed that financial barriers significantly affect the ability of SMEs in developing economies to grow and create employment opportunities (Aterido, Hallward-Driemeier, & Pagés, 2011). In the Ugandan context, the findings correspond with studies by Kasekende & Opondo (2020), who found that limited access to affordable financing has remained a major inhibitor/challenge affecting SME survival and expansion (Kasekende & Opondo, 2020).

However, the findings differ slightly from some studies which suggest that finance alone does not guarantee SME success unless accompanied by managerial capacity and effective business strategies. For example, Muriithi (2020) argued that poor financial management practices among SME owners often limit the benefits obtained from external financing. This suggests that while access to finance is important, entrepreneurs also require financial management skills to effectively utilize available resources. Therefore, the findings demonstrate that improving access to affordable and flexible financing mechanisms is essential for enhancing SME success in Kakoba Division. Financial institutions, government agencies, and development partners should therefore strengthen SME financing programs while reducing barriers that prevent entrepreneurs from accessing productive capital.

### 5.1.2 Entrepreneurial Skills and SME Success

The study found that entrepreneurial skills significantly influence SME success in Kakoba Division. The findings revealed that SMEs managed by entrepreneurs with better skills in business planning, financial management, marketing, innovation, risk management, and decision-making were more likely to achieve improved performance compared to enterprises managed by individuals with limited entrepreneurial competencies. The findings indicate that entrepreneurial skills enable SME owners to identify business opportunities, manage resources effectively, respond to competition, and make informed decisions. Entrepreneurs with strong managerial abilities are better positioned to maintain proper financial records, develop business strategies, manage employees, and adapt to changing market conditions.

The findings are supported by the Human Capital Theory, which emphasizes that knowledge, skills, and competencies acquired by individuals improve productivity and economic performance (Namatovu & Kiggundu, 2021). Entrepreneurs with higher levels of human capital are expected to operate businesses more efficiently and achieve better outcomes. The findings agree with Wang (2020), who established that entrepreneurial competencies significantly contribute to SME growth through improved innovation, strategic planning, and resource management (Wang, 2020). Similarly, Mitchelmore & Rowley (2019) found that entrepreneurial skills such as opportunity recognition, networking ability, and managerial competence positively influence business performance (Mitchelmore & Rowley, 2019).

The findings also correspond with studies conducted by Namatovu & Kiggundu (2021), who established that Ugandan SMEs managed by entrepreneurs with strong business management skills demonstrated better survival rates and improved profitability.

However, the findings contrast with some studies which emphasize external factors such as market conditions and institutional support as more influential determinants of SME success. For example**,** Fatoki (2014) found that limited access to finance, inadequate government support, and an unfavorable business environment significantly constrained the growth of SMEs in South Africa. Likewise, Abor, Joshua, and Quartey (2010) reported that institutional support, access to credit, and favorable market conditions are critical drivers of SME performance in Ghana. This difference may be explained by variations in business environments and levels of entrepreneurial development across different locations. The findings suggest that strengthening entrepreneurial skills through training, mentorship, and business advisory services is essential for improving SME success.

### 5.1.3 Government Support and SME Success

The study findings revealed that government support contributes significantly towards SME success in Kakoba Division. The findings indicated that government initiatives such as entrepreneurship training programs, business registration support, tax incentives, access to information, and financial support mechanisms influence SME performance. The findings suggest that supportive government policies create a favourable environment for SMEs to operate, grow, and compete. Government interventions reduce business barriers by providing entrepreneurs with access to knowledge, infrastructure, regulatory guidance, and development opportunities. The findings are consistent with the Institutional Theory, which argues that strong institutional frameworks and supportive policies influence organizational performance by reducing uncertainty and creating enabling environments for businesses (North, 1990).

The findings agree with those of Mazzarol (2020), who found that government policies and institutional support mechanisms play an important role in improving SME survival and competitiveness. Similarly, Abor and Quartey (2019) established that government programs targeting SMEs improve access to resources, entrepreneurial training, and market opportunities (Abor & Quartey, 2010; Mazzarol, 2020). In Uganda, the findings correspond with the observations of the Ministry of Trade, Industry and Cooperatives (2025), which identified SME support programs as important mechanisms for promoting enterprise development, employment creation, and economic transformation (MTIC, 2025).

However, the findings also indicate that some SMEs continue to experience challenges accessing government support due to limited awareness, bureaucratic procedures, and inadequate dissemination of information (Enterprise Uganda, 2025). This suggests that the effectiveness of government programs depends not only on their existence but also on accessibility and implementation efficiency (Kisubi, Aruo, Wakibi, Mukyala, & Ssenyange, 2022). Therefore, government agencies should strengthen SME support systems by improving information sharing, simplifying procedures, increasing outreach programs, and ensuring that entrepreneurs at the local level benefit from available interventions.

### 5.1.4 Market Access and SME Success

The study findings established that market access significantly affects SME success in Kakoba Division. The findings revealed that SMEs with better access to customers, market information, supplier networks, and promotional opportunities experienced improved sales performance, customer growth, and business sustainability. The findings indicate that access to markets enables SMEs to increase revenue, expand their customer base, understand consumer preferences, and compete effectively. Limited market access, on the other hand, restricts business growth by reducing sales opportunities and limiting profitability. The findings agree with those of Ayyagari, Demirgüç-Kunt and Maksimovic (2020), who established that market constraints remain among the major barriers affecting SME growth in developing economies. Similarly, Beck et al. (2021) found that SMEs with stronger market networks and customer linkages achieved better performance outcomes.

The findings also correspond with studies by Abebe (2020), who established that marketing capability and access to market information positively influence SME competitiveness and survival. The findings therefore suggest that SMEs require stronger market linkages, improved marketing capabilities, and access to business networks to enhance their performance. Entrepreneurs should be encouraged to adopt digital marketing platforms, participate in trade exhibitions, and develop partnerships that expand their market opportunities.

#### 5.1.5 Relationship between Factors Affecting SMEs and SME Success

The study established that access to finance, entrepreneurial skills, government support, and market access were positively associated with SME success in Kakoba Division. The findings indicate that SMEs perform better when entrepreneurs have adequate financial resources, appropriate managerial skills, supportive institutional environments, and access to reliable markets. The findings demonstrate that SME success is influenced by multiple interconnected factors rather than a single determinant (Scott, 2014). Availability of finance enables business investment, entrepreneurial skills improve resource utilization, government support creates an enabling environment, and market access enhances revenue generation (Scott, 2014). These findings support the Resource-Based View Theory, which argues that organizations achieve superior performance when they possess valuable resources and capabilities that enhance competitiveness (Scott, 2014).

### 5.2 Conclusions

The study concludes that access to finance is a key determinant of SME success in Kakoba Division, Mbarara City, as it enables business expansion, productivity improvement, and sustainable growth. However, financial constraints and high borrowing costs remain major challenges.

The study further concludes that entrepreneurial skills significantly enhance SME performance by improving business management, decision-making, innovation, and resource utilization. Government support also contributes positively to SME success through training, policy interventions, and business development programs, although accessibility challenges limit its impact.

Additionally, market access is essential for SME growth, as customer networks, market information, and promotional opportunities improve competitiveness and sales performance. Overall, SME success depends on the combined influence of financial access, entrepreneurial skills, government support, and effective market participation.

### 5.3 Recommendations

Based on the study findings and conclusions, the following recommendations are made:

i. **Government agencies responsible for SME development should expand entrepreneurship training programs** focusing on business planning, financial management, innovation, digital marketing, and risk management to enhance the managerial competencies of SME owners.

ii. **Financial institutions such as banks, SACCOs, and microfinance institutions should design affordable and flexible financing products** tailored to SME needs by reducing collateral requirements and simplifying lending procedures to improve access to credit.

iii. **The government should improve the dissemination of information on SME support programs** to ensure that entrepreneurs at the local level are aware of available financing, training, and business development opportunities.

iv. **SME owners should strengthen their market access strategies** by adopting digital marketing, participating in trade fairs, developing customer networks, and utilizing online platforms to reach broader markets.

### 5.4 Areas for Further Study

Future studies should examine the role of digital technologies in enhancing SME performance in urban areas of Uganda. Such studies would provide insights into how digital marketing, electronic payments, and online business platforms influence SME growth.

Further research should also investigate the effect of financial literacy on the relationship between access to finance and SME success. This would help establish whether entrepreneurs with better financial knowledge utilize borrowed resources more effectively.

Future researchers may also examine the role of innovation and technology adoption in improving SME competitiveness and sustainability.

## REFERENCES


1. Abaho, E., Ahlan, A. R., & Quaye, E. S. (2017). Entrepreneurial competencies and the performance of small and medium enterprises in Uganda. *International Journal of Business and Management, 12(7)*, 1–12.
2. Abor, J., & Quartey, P. (2010). Issues in SME development in Ghana and South Africa. *International Research Journal of Finance and Economics, 39*, 218–228.
3. ADB. (2023). *African economic outlook 2023: Mobilizing private sector financing for climate and green growth in Africa.* African Development Bank.

4. Agyapong, D. (2010). Micro, small and medium enterprises' activities, income level and poverty reduction in Ghana: A synthesis of related literature. *International Journal of Business and Management, 5(12)*, 196–205. From https://doi.org/10.5539/ijbm.v5n12p196
5. Ahmad, N. H., Ramayah, T., Wilson, C., & Kummerow, L. (2010). Is entrepreneurial competency and business success relationship contingent upon business environment? A study of Malaysian SMEs. *International Journal of Entrepreneurial Behaviour & Research, 16(3)*, 182–203. From https://doi.org/10.1108/13552551011042780
6. Amoah, J., Belás, J., Khan, K. A., & Metzker, Z. (2021). Antecedents of sustainable entrepreneurship of SMEs in emerging economies: An empirical study. *Sustainability, 13(10)*, 5544. doi:https://doi.org/10.3390/su13105544
7. Aterido, R., Hallward-Driemeier, M., & Pagés, C. (2011). Big constraints to small firms' growth? Business environment and employment growth across firms. *Economic Development and Cultural Change, 59(3)*, 609–647. From https://doi.org/10.1086/658349
8. Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management, 17(1)*, 99–120. From https://doi.org/10.1177/014920639101700108
9. Beck, T., Demirgüç-Kunt, A., & Maksimovic, V. (2021). Financing patterns around the world: Are small firms different? *Journal of Financial Economics, 89(3)*, 467–487.
10. Becker, G. S. (1964). *Human capital: A theoretical and empirical analysis, with special reference to education.* New York, NY: Columbia University Press.
11. Bluman, A. G. (2018). *Elementary statistics: A step by step approach (10th ed.).* McGraw-Hill Education.
12. DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review, 48(2)*, 147–160. From https://doi.org/10.2307/2095101
13. Enterprise Uganda. (2025). *National Business Development Services (BDS) Centre of Excellence.* KAMPALA: Enterprise Uganda. From https://enterprise.co.ug
14. Fatoki, O. (2021). Access to finance and performance of small and medium enterprises in developing economies. *Journal of Entrepreneurship and Sustainability Issues, 8(4)*, 521–536.
15. Global Entrepreneurship Monitor. (2024). *Global entrepreneurship monitor 2023/2024 global report.* Global Entrepreneurship Research Association.
16. Greene, W. H. (2018). *Econometric analysis (8th ed.).* Pearson.
17. Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2019). *Multivariate data analysis (8th ed.).* Cengage Learning.
18. IFC. (2022). *MSME finance gap: Assessment of the shortfalls and opportunities in financing micro, small and medium enterprises.* Washington, DC: International Finance Corporation, World Bank Group.
19. IMF. (2024). *Uganda: Selected issues (IMF Country Report No. 24/291).* Wasgington, DC: International Monetary Fund.
20. ITC. (2024). *ITC operational plan 2024: Supporting MSME trade competitiveness.* International Trade Centre. From https://www.intracen.org
21. Kamukama, N. (2020). Social competence and access to finance in financial institutions: An empirical study of small and medium enterprises in Uganda. *American Journal of Finance, 5(1)*, 54–70. From https://doi.org/10.47672/ajf.594
22. Kasekende, L., & Opondo, H. (2020). Small and medium enterprises financing constraints and their implications for economic growth in Uganda. *African Journal of Economic Review, 8(2)*, 45–62.
23. Kisambira, M. (2023). *Access to finance and growth of small and medium enterprises in Uganda (Master's dissertation).* KAMPALA: Makerere University Business School.
24. Kisubi, M. K., Aruo, F., Wakibi, A., Mukyala, V., & Ssenyange, K. (2022). Entrepreneurial competencies and performance of Ugandan SMEs: The mediating role of firm capabilities. *Cogent Business & Management, 9(1)*, 2115622. From https://doi.org/10.1080/23311975.2022.2115622
25. Kongolo, M. (2021). Job creation versus job shedding and the role of SMEs in economic development. *African Journal of Business Management, 15(5)*, 121–130.
26. Mazzarol, T. (2020). SME engagement with government support programmes: The role of policy and institutional frameworks in small business development.
27. Meyer, J. W., & Rowan, B. (1977). Institutionalized organizations: Formal structure as myth and ceremony. *American Journal of Sociology, 83(2)*, 340–363. From https://doi.org/10.1086/226550
28. Mitchelmore, S., & Rowley, J. (2019). Entrepreneurial competencies: A literature review and development agenda. *International Journal of Entrepreneurial Behavior & Research, 25(1)*, 1–22. From https://doi.org/10.1108/IJEBR-05-2018-0304
29. MoFPED. (2023). *Parish Development Model: Annual performance report.* KAMPALA: Ministry of Finance, Planning and Economic Development, Government of Uganda.
30. Moore, D. S., McCabe, G. P., & Craig, B. A. (2017). *Introduction to the practice of statistics (9th ed.).* W. H. Freeman.

31. MTIC. (2025). *The State of Entrepreneurship in Uganda 2024 report.* KAMPALA: Ministry of Trade, Industry and Cooperatives, Government of Uganda.
32. Muriithi, S. M. (2021). African small and medium enterprises (SMEs) contributions, challenges and solutions. *European Journal of Research and Reflection in Management Sciences, 9(1)*, 1–12.
33. Mwangi, R. M., Ngugi, P. K., & Kihonge, E. (2022). Effect of decision-making on growth of youth-owned enterprises in Kenya. *Journal of Entrepreneurship & Project Management, 2(5)*, 29–37. From https://doi.org/10.70619/vol2iss5pp29-37
34. Namatovu, R., & Kiggundu, M. N. (2021). Entrepreneurial competencies and performance of small and medium enterprises in Uganda. *Journal of Small Business and Enterprise Development, 28(5)*, 789–807.
35. OECD. (2023). *SME and entrepreneurship outlook 2023.* Organisation for Economic Co-operation and Development Publishing. From https://doi.org/10.1787/342b8564-en
36. OECD. (2024). *Financing SMEs and entrepreneurs 2024: An OECD scoreboard.* Organisation for Economic Co-operation and Development Publishing. doi:https://doi.org/10.1787/fa521246-en
37. PSFU. (2021). *The state of Uganda's private sector: Challenges and opportunities for business growth.* KAMPALA: Private Sector Foundation Uganda.
38. Ratten, V. (2021). Entrepreneurship and innovation in emerging economies: The role of SMEs. *Journal of Small Business and Enterprise Development, 28(6)*, 921–938.
39. Tabachnick, B. G., & Fidell, L. S. (2019). *Using multivariate statistics (7th ed.).* Pearson.
40. UBOS. (2021). *The Uganda business inquiry 2019/20.* KAMPALA: Uganda Bureau of Statistics.
41. UBOS. (2024). *Statistical Abstract .* KAMPALA: Uganda Bureau of Statistics.
42. UDB. (2024). *Annual report 2023/2024.* KAMPALA: Uganda Development Bank.
43. UEPB. (2024). *Trade information, market development and export promotion services.* KAMPALA: Uganda Export Promotion Board.
44. UFZEPA. (2026). *Strategic Plan.* KAMPALA: Uganda Free Zones and Export Promotions Authority.
45. UIA. (2023). *Uganda investment climate and business environment report.* KAMPALA: Uganda Investment Authority.
46. UIA. (2024). *Uganda investment climate and business environment Report.* KAMPALA: Uganda Investment Authority.
47. UNCTAD. (2022). *The role of SMEs in inclusive and sustainable development.* United Nations: United Nations Conference on Trade and Development.
48. Wang, Y. (2020). The effects of entrepreneurial competencies on innovation and business performance: Evidence from small and medium enterprises. *Journal of Entrepreneurship and Innovation in Emerging Economies, 6(2)*, 205–221.
49. Wiklund, J., & Shepherd, D. (2005). Entrepreneurial orientation and small business performance: A configurational approach. *Journal of Business Venturing, 20(1)*, 71–91. From https://doi.org/10.1016/j.jbusvent.2004.01.001
50. Wooldridge, J. M. (2020). *Introductory econometrics: A modern approach (7th ed.).* Cengage Learning.
51. World Bank. (2022). *Small and medium enterprises and economic development in Sub-Saharan Africa.* Washington, DC: World Bank Group.
52. World Bank. (2024). *Small and medium enterprises (SMEs) finance: Improving SMEs' access to finance and finding innovative solutions to unlock sources of capital.* Washington, DC: World Bank Group. doi:https://www.worldbank.org/en/topic/smefinance