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**Business Challenges Effect on the Performance of Small and Medium Entrepreneurial Initiatives in Uganda: A Case Study of Manufacturers in Rubaga Municipality, Kampala**

This study analysed the effect of business challenges on the performance of small and medium entrepreneurial initiatives in Uganda. The focus of the researcher was on the effect of lack of business skills, poor production infrastructure and lack of financial capital on the performance of small and medium entrepreneurial initiatives. A case study and the cross-sectional survey design were used on a sample of 165 respondents. Data were collected by use of a questionnaire and interview guide. Data were analysed quantitatively and qualitatively using the Statistical Package for the Social Sciences (SPSS) version 17.0. Frequency percentages, tables and figures were the basis of analysis for quantitative data. Qualitative data were interpreted by composing explanations and substantiating them using the respondents' open responses. The study established that lack of business skills affects performance of small and medium entrepreneurial initiatives. Poor production infrastructure affects performance of small and medium entrepreneurial initiatives. Lack of financial capital affected the performance of small and medium entrepreneurial initiatives. It was, therefore, concluded that lack of skills hinders the performance of small and medium entrepreneurial initiatives. Poor production infrastructure impedes the performance of small and medium entrepreneurial initiatives. Financial capital challenges limit the performance of SMEs entrepreneurial initiatives. It is, thus, recommended that there is need for enhancing the business skills of staff of SMEs to promote entrepreneurial initiatives. The government should come to improve production infrastructure. Financial capital problems should be alleviated by the government, financial institutions and development partners.

Key word: Performance, Business