

OPEN ACCESS



May 2020
ISSN: 1993-8233
DOI: 10.5897/AJBM
www.academicjournals.org

 **ACADEMIC
JOURNALS**
expand your knowledge

About AJBM

The African Journal of Business Management (AJBM) is published twice monthly (one volume per year) by Academic Journals.

African Journal of Business Management (AJBM) is an open access journal that publishes research analysis and inquiry into issues of importance to the business community. Articles in AJBM examine emerging trends and concerns in the areas of general management, business law, public responsibility and ethics, marketing theory and applications, business finance and investment, general business research, business and economics education, production/operations management, organizational behaviour and theory, strategic management policy, social issues and public policy, management organization, statistics and econometrics, personnel and industrial relations, technology and innovation, case studies, and management information systems. The goal of AJBM is to broaden the knowledge of business professionals and academicians by promoting free access and providing valuable insight to business-related information, research and ideas. AJBM is a weekly publication and all articles are peer-reviewed.

Contact Us

Editorial Office: ajbm@academicjournals.org

Help Desk: helpdesk@academicjournals.org

Website: <http://www.academicjournals.org/journal/AJBM>

Submit manuscript online <http://ms.academicjournals.me/>

Editor-in-Chief

Prof. Wilfred Isioma Ukpere

*Department of Industrial Psychology and People Management,
Faculty of Management,
University of Johannesburg,
South Africa.*

Editors

Dr. Amran Awang

*Faculty of Business Management,
02600 Arau, Perlis, Malaysia*

Prof. Giurca Vasilescu Laura

*University of Craiova, Romania
13, A.I. Cuza, 200585, Craiova, Dolj,
Romania.*

Associate Editors

Dr. Ilse Botha

*University of Johannesburg
APK Campus PO Box 524 Aucklandpark 2006
South Africa.*

Dr. Howard Qi

*Michigan Technological University
1400 Townsend Dr., Houghton, MI 49931,
U.S.A.*

Dr. Aktham AlMaghaireh

*United Arab Emirates University
Department of Economics & Finance
United Arab Emirates.*

Dr. Haretsebe Manwa

*University of Botswana
Faculty of Business
University of Botswana
P.O. Box UB 70478
Gaborone Botswana.*

Dr. Reza Gharoie Ahangar

*Islamic Azad University of Babol,
Iran.*

Dr. Sérgio Dominique Ferreira

*Polytechnic Institute of Cavado and Ave
Campus IPCA, Lugar does Aldão, 4750-810. Vila
Frescainha,
Portugal.*

Prof. Ravinder Rena

*Department of Economics
University of the Western Cape
Private Bag: X17
Modderdam Road
Bellville 7535
Cape town, South Africa*

Dr. Shun-Chung Lee

*Taiwan Institute of Economic Research
No. 16-8, Dehuei Street, Jhongshan District,
Taipei City 104,
Taiwan.*

Dr. Kuo-Chung Chu

*National Taipei University of Nursing and Health
Sciences No. 365, Min-Te Road, Taipei,
Taiwan.*

Dr. Gregory J. Davids

*University of the Western Cape
Private Bag x17, Bellville 7535,
South Africa.*

Prof. Victor Dragotă

*Bucharest Academy of Economic Studies, Department
of Finance
Bucharest, Sector 1, Piata Romana no. 6, Room 1104,
Romania*

Dr. Maurice Oscar Dassah

*School of Management, IT and Governance
University of KwaZulu-Natal
Post Office Box X54001
Durban
4000
South Africa.*

Prof. Joseph Offiong Udoayang
University of Calabar
P.M.B 1115, Calabar. Cross River State, Nigeria.

Prof. Robert Taylor
University of KwaZulu-Natal
Varsity Drive, Westville
South Africa.

Dr. Nazim Taskin
Massey University - Albany
Quad Building A, Room 3.07
Gate 1, Dairy Flat Highway (State Highway 17)Albany,
New Zealand

Prof. João J. M. Ferreira
University of Beira Interior (UBI)
Estrada do Sineiro, Pólo IV 6200 Covilhã,
Portugal.

Dr. Izah Mohd Tahir
Universiti Sultan Zainal Abidin
Gong Badak Campus, 21300 Kuala Terengganu,
Terengganu, Malaysia.

Dr. V. Mahalakshmi
Panimalar Engineering College
7-A,CID Quarters, Mandaveli,Chennai-600028,
Tamilnadu,
India.

Dr. Ata Allah Taleizadeh
Iran University of Science and Technology
Faculty of Industrial Engineering,
Iran University of Science and Technology,
Narmak, Tehran, Iran.

Dr. P.S. Vohra
Chandigarh Group of Colleges, Landran, Mohali, India
#3075, Sector 40 D
Chandigarh, Pin code 160036

Dr. José M. Merigó
University of Barcelona
Department of Business Administration, Av. Diagonal
690, Spain.

Prof. Mornay Roberts-Lombard
Department of Marketing Management,
C-Ring 607, Kingsway campus, University of
Johannesburg, Auckland Park, Johannesburg, 2006,
South Africa

Dr. Anton Sorin Gabriel
Carol I Boulevard, No. 11, 700506, Iasi,
Alexandru Ioan Cuza University Iasi,
Romania.

Dr. Aura Emanuela Domil
31 Horia Creanga, zip code 300253, Timisoara,
West University from Timisoara,
Faculty of Economics and Business Administration, Romania.

Dr. Guowei Hua
NO. 3 Shangyuancun, Haidian District, Beijing 100044,
School of Economics and Management,
Beijing Jiaotong University, China.

Dr. Mehdi Toloo
Technical University of Ostrava,
Ostrava, Czech Republic

Dr. Surendar Singh
Department of Management Studies, Invertis University
Invertis village, Bareilly -
Lucknow Highway, N.H.-24, Bareilly
(U.P.) 243 123 India.

Dr. Nebojsa Pavlovic
High school "Djura Jaksic"
Trska bb, 34210 Raca, Serbia.

Dr. Colin J. Butler
University of Greenwich
Business School, University of Greenwich, Greenwich, SE10
9LS,
London, UK.

Prof. Dev Tewari
School of Economics and Finance
Westville Campus University of Kwa-Zulu
Natal (UKZN) Durban, 4001
South Africa.

Dr. Paloma Bernal Turnes
Universidad Rey Juan Carlos
Dpto. Economía de la Empresa
Pº de los Artilleros s/n
Edif. Departamental, Desp. 2101
28032 Madrid, España

Dr. Jurandir Peinado
Universidade Positivo
Rua Silveira Peixoto, 306
Zip 80240-120 Curitiba – PR – Brazil

Table of Content

The effect of entrepreneurial orientation on firms' performance of the telecommunication sector in Sudan Abdelgadir M. A. Abdalla and Sara M. A. Mohamed	151
Loans and growth of small-scale enterprises in Uganda: A case study of Kampala Central business area Eric Nzibonera and Ivan Waggumbulizi	159

Full Length Research Paper

The effect of entrepreneurial orientation on firms' performance of the telecommunication sector in Sudan

Abdelgadir M. A. Abdalla^{1*} and Sara M. A. Mohamed²

¹School of Management Studies, University of Khartoum, P.O. Box 321, Khartoum, Sudan.

²Sudanese Petroleum Corporation, Sudan.

Received 20 October, 2019; Accepted 15 May, 2020

The purpose of this research is to investigate the effect of entrepreneurial orientation (EO) on firms' performance in the telecommunication sector in Sudan. The EO is reflected in innovativeness, proactiveness, risk-taking, competitive aggressiveness and autonomy which have been treated as a one-dimensional construct. Firms' performance has been measured by financial and non-financial indicators in a subjective manner. To accomplish the research objective, data were collected through a self-administered questionnaire distributed to a sample of respondents from the four companies (Zain, Sudani, MTN and Canar) composing the sector of the telecommunication in Sudan. The findings revealed that, EO has a significant effect on firms' performance in the telecommunication industry in Sudan. The findings of this research provide additional evidence from an under-examined context to support the link between EO and firms' performance. Additionally, this research offers practical implications to practitioners, investors, entrepreneurs, board members, and fund providers pursuing instruments for evaluating the success of telecommunication companies. The study concluded that, in an environment characterized by uncertainty and rapid change, EO appears to be an essential way of creating and maintaining superior firms' performance.

Key words: Entrepreneurial orientation, firms' performance, Sudan, telecommunication.

INTRODUCTION

Evaluating the role of entrepreneurial orientation (EO) on advancing the performance of organizations in today's business environment is a crucial concern for both academics and practitioners. In the current years, several fields have given a close attention to the relationship between these two major constructs which have been investigated in numerous empirical studies. EO can be

deemed as a new trend to assess the performance of a new business enterprise (Kraus et al., 2018).

In an environment characterized by swift change and uncertainty, the future gains from current processes are uncertain and business organizations must constantly look out for new opportunities. In today' aggressive business world, EO is acknowledged as a viable strategic

*Corresponding author. E-mail: aabdelgadirabdulla@gmail.com.

tool (Rae and Ruth, 2013). Therefore, firms may get advantages from embracing EO. Such firms need to innovate regularly while taking risks in their product-market approaches (Miller and Friesen, 1982). Efforts undertaken by firms to predict and foresee market needs and place new product/service offerings often resulted in improved or relatively better performance (Ireland et al., 2003). Consequently, theoretical arguments imply that EO results in higher business performance. However, the significance of this association seems to diverge across different contexts. While some research have observed that firms which embraced a solid EO, have performed considerably superior than firms which did not embrace it (Gupta et al., 2019; Lee et al., 2019; Ahmed, 2017; Al-Nuami et al., 2014; Schepers et al., 2014; Van Doorn et al., 2013; Vij and Bedi, 2012), other research presented minor or even an absence of association between EO and performance (Branch and McGivern, 2014; Dimitratos et al., 2004; Lumpkin and Dess, 2001; Zahra, 1991). Thus, there is a substantial discrepancy in the magnitude of reported findings on the interactions between EO and the performance of firms. Hence, the study of EO in different contexts is required. This research highlights the necessity to cultivate a wide view of EO and firms' performance in a different context. The increasing popularity of entrepreneurship worldwide has stimulated the interest in comprehending the relevance of EO in varied socio-cultural settings (Wales et al., 2019). Likewise, it is emphasized in the literature that there is still an enormous gap in some developing economies in contrast to the developed countries (Kaunda, 2012). It is hoped that this research helps enlighten and evolve critical themes of study in the multicultural literature of EO, particularly those that have persisted under-examined up to now.

This study examines the effect that EO may have on firms' performance in the telecommunication sector in Sudan. Telecommunication industry is a part of high technology-based industry (Döckel, 2003). Technology-based industry is composed of organizations that combine, obtain or initiate new technology to develop new products, services, and processes as the source of their competitive advantage. It is considered especially appealing to analyze this industry because of its rapid change and extreme environmental uncertainty (Rai et al., 2007). There is no doubt that the telecommunication is a vital sector in Sudan economy. In the present context of economic obstacles and instability facing the country, the capacity of this sector to innovate, invest and create growth, will become a fundamental contribution for the economic and social development of Sudan.

LITERATURE REVIEW AND HYPOTHESES

In this section the focus will be on presenting a brief literature review on entrepreneurial orientation (EO),

business performance and the link between them.

Entrepreneurial orientation

EO has its background in the strategy-formulating practice literature that indicates the strategic methods by which firms recognize new opportunities and realize entrepreneurial activities (Dess and Lumpkin, 2005). There is no commonly acknowledged definition for entrepreneurship that has acquired general agreement (Carland et al., 2015). EO comprises a constant behaviour so as to accomplish the initiation of new business, which will eventually lead to the generation of a durable competitive advantage in the long term (Wiklund and Shepherd, 2003).

Miller (1983)'s pioneering work indicates that an entrepreneurial organization is one that constantly generates innovations, assumes risky business opportunities and be the market leader in introducing proactive innovations ahead of competitors. As a result, he underlines three major dimensions that establish EO, namely: innovativeness, pro-activeness and risk-taking – which have been prominent dimensions of EO that were investigated empirically in the literature of entrepreneurship (Al-Ansari, 2014; Beliaeva, 2014; Ejdy, 2016; Karyotakis and Moustakis, 2016; Omisakin et al., 2016; Rauch et al., 2009).

Drawing on the definition of Miller (1983) and other prior research in the field of EO (Burgelman, 1984; Hart, 1992; MacMillan and Day, 1987; Venkatraman, 1989), Lumpkin and Dess (1996) identified further two dimensions of the EO: Competitive Aggressiveness and Autonomy. These additional dimensions have been used to measure EO by many authors (Duru et al., 2018; Kaunda, 2012; Sriprasert, 2013). Furthermore, it has been noticed that several EO related research were accomplished with the use of EO dimensions in various combinations (Soininen, 2013). Therefore, the five dimensions of pro-activeness, autonomy, innovativeness, risk-taking, and competitive aggressiveness were selected to measure EO in this study.

Innovativeness is defined as a firm's willingness to contribute to creativity and experimentation through the development and the launch of novel products/services as well as process and business model innovation leadership via its activities in research and development. It is important to note that, innovative behaviour does not essentially imply a radical, new to the state of the art innovation but may indicate the processes of reproducing and adapting of current ideas into innovations that are novel to the firm (Perez-Luno et al., 2011).

The second dimension of EO is *risk-taking* which is described as the firm's inclination and tendency to allocate a substantial amount of its resources in endeavors where the cost of failure can be very high or the outcomes are uncertain (Wiklund and Shepherd,

2011).

The third dimension is *pro-activeness* which represents an opportunities-pursuing, forward-looking view embodied by the development and induction of new products and services in advance of the competition. It also relates to the ability to anticipating shifts and opportunities that may occur in the environment which encourages modification in the current tactics and spot forthcoming market trends (Hughes and Morgan, 2007). Pro-activeness portrays how organizations consider opportunities within local and foreign markets (Covin and Miller, 2014).

The fourth dimension of EO is *competitive aggressiveness*. This dimension seeks out to preserve and grow existing resources in response to competitive threats (Lumpkin and Dess, 2001). Thus, competitive aggressiveness may involve actions such as concentrating on preserving market positions or overtake rivals in markets deemed valuable of targeting (Lumpkin and Dess, 1996). This dimension may be especially significant within conventional conglomerates that are driven by a powerful desire to be competitive in new markets and safeguard their global market position. Nevertheless, numerous cultures also consider competitive aggressiveness as having restricted demonstration within EO (Covin and Miller, 2014). That is, in several contexts, entrepreneurial endeavors are regarded as growing out of cooperation and partnership among different stakeholders rather than competition (Gupta and Gupta, 2015).

The final dimension of EO is *autonomy* which refers to the freedom and empowerment necessary for the realization and exploitation of opportunities through the application of business concepts (Lumpkin et al., 2009). In other words, autonomy offers employees the opportunity to function effectively by being empowered, self-regulated, and creative across all levels of the organization without any organizational or structural obstacles that would hinder them (Lumpkin and Dess, 1996). Reviewing the relevant literature on EO dimensions, it can be noticed that a persisting debate about whether or not these dimensions in fact differ independently (Wales et al., 2011). As advocated by Covin et al. (2006), EO is viewed as a one-dimensional construct, created by the combination of innovativeness, pro-activeness, risk-taking, competitive aggressiveness and autonomy.

The relevant dimensions of EO frequently reveal high inter-correlations with each other in several studies (Bhuiyan et al., 2005; Richard et al., 2004). Consequently, most research combined these dimensions into a single factor (Covin et al., 1994; Lee et al., 2001; Walter et al., 2006). Some researchers have claimed that the EO construct is best regarded as a one-dimensional construct (Covin and Slevin, 1989; Knight, 1997) and, accordingly, the various dimensions of EO should correlate with firms' performance in similar manners.

Thus, following Covin et al. (2006), this study measured EO as an aggregated construct that includes all the five aforementioned dimensions.

Firms' performance

Firms' performance is a multidimensional construct and the relation between EO and business performance may be contingent on the indicators utilized to evaluate performance (Lumpkin and Dess, 1996). Empirical evidences suggested that there is no agreement among scholars on the applicable measures of business performance indicators. Thus, a broad variety of performance measures, that is, objective and subjective measures, as well as financial and nonfinancial measures were operated across different studies (Chakravarthy, 1986; Venkatraman and Ramanujam, 1986; Murphy et al., 1996; Combs et al., 2005).

It has been broadly accepted by scholars that objective measures of performance are more applicable than subjective measures of performance. Objective data, however, are not easy to be acquired as respondents are hesitant to disclose information that may be confidential to the public (Dess and Priem, 1995). Additionally, business firms are commonly persuaded to deliver subjective performance evaluation of their enterprises, which may lack robust consistency (Wiklund and Shepherd, 2005). Alternatively, performance can be considered to be multidimensional construct and hence it is worthwhile to assimilate several subjective and objective measures of performance for precise assessment (Lumpkin and Dess, 1996; Combs et al., 2005; Wiklund and Shepherd, 2005). In this study, subjective and self-reported financial and non-financial measures are utilized to measure firms' performance, which are coherent with the earlier studies (Covin and Slevin, 1989; Smart and Conant, 1994).

Entrepreneurial orientation and firms' performance

The link between EO and firms' performance has become a key issue of interest in previous studies. These studies have shown that EO remains a prominent factor that potentially influences firms' performance and could extensively improve firms' performance (Ahmad, 2017; Hoque, 2018; Umrani et al., 2018; Gupta et al., 2019; Adebisi et al., 2019; Ambad and Wahab, 2016; Barrett and Weinstein, 2015). However, there are also some studies that inferred that EO does not offer positive outcomes to firms' performance (Branch and McGivern, 2014; Matsuno et al., 2002; Morgan and Strong, 2003; Naldi et al., 2007). Indeed, these implications form the foundation for the interest in exploring the effect that EO may have on business performance (Miller, 1983).

This research and its hypotheses are theoretically based on the resource-based theory (RBT; Wernerfelt, 1984; Galbreath, 2005). RBT has become a prevailing paradigm in the field of entrepreneurship and strategic management (Hitt et al., 2016). This theory suggests that businesses endeavor to differentiate themselves from competitors in order to achieve competitive edge and outstanding performance (Hitt et al., 2016; Galbreath, 2005). Accordingly, RBT advocates that firms that implement a value creating strategy, such as EO and corporate entrepreneurship are more expected to attain competitive edge and superior performance than its existing or prospective rivals that do not adopt such strategies. Therefore, drawing on the premises of RBT, this study formulates a hypothesis that identifies the significant role of EO to improve firms' performance. Thus, the following hypothesis is articulated:

Entrepreneurial orientation positively influences firms' performance of the telecommunication sector in Sudan.

METHODOLOGY

Here, the paper briefly discusses the materials and methods in terms of measurement development, sampling and data collection as well as the statistical tools of data analysis.

Measurement development

All constructs were measured using multiple-item scales based on a five - point Likert scale ranging from 1=strongly disagree to 5=strongly agree that were adapted from previous validated studies in the field of EO. In particular, EO was measured by a thirteen-item scale adapted from Miller (1983) and Lumpkin and Dess (1996). EO was operationalized as a one-dimensional construct: The five dimensions of innovativeness, pro-activeness, risk taking, competitive aggressiveness, and autonomy were aggregated together to measure this construct. Principal components factor analysis was conducted to augment the one-dimensionality of the scale, confirming that the items analyzed are clustered in a single factor. Finally, business performance was measured using subjective self-reported items. The measurements were based on growth and profitability which were adopted from previous studies (Gupta and Govindarajan, 1984; Venkatraman and Ramanujam, 1986). These measurement items have been adapted to fit the study settings. Four items were employed to measure growth and additional two items to measure profitability.

Sampling and data collection

The population of this research encompasses all employees who work in the telecommunication sector in Sudan. This sector is mainly made up of four companies: Zain, Sudani, MTN, and Canar. A self-administrated questionnaire was used as primary data collection instrument. A total of 150 questionnaires were distributed to senior employees in the four telecommunication companies using a simple random sampling method. Out of the 150 questionnaires, 119 valid responses were obtained, resulting in an effective (79.3%) response rate.

Statistical analysis

The research model was tested using SPSS software. The data were analyzed using a two-step approach: in the first step, an Exploratory Factor Analysis (EFA) and Reliability analysis was performed, which helps evaluate the goodness of the measure. In the second step, the research hypothesis was tested using linear regression analysis.

RESULTS AND DISCUSSION

Assessment of the goodness of measure

The study tested validity and reliability to assess the goodness of measure of the research constructs. EFA for testing the validity of measures was employed. Moreover, the reliability of measurements was evaluated by internal consistency using Cronbach's alpha test. The results of EFA and reliability test are described as follows:

Exploratory factor analysis

Principal Component Analysis, Varimax Rotation with Kaiser Normalization and Eigenvalues were applied to the constructs of study. The findings of EFA revealed that, Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was equal to 0.932. In addition, the Bartlett's Test of Sphericity was significant at 0.05. Therefore, it can be concluded that EFA is appropriate for this data. As summarized in Table 1, all the items used to measure the five dimensions of EO (innovativeness, pro-activeness, risk taking, competitive aggressiveness, and autonomy) were loaded on a single component or factor with eigenvalue beyond 1.0. Moreover, the items used to measure the firms' performance also converged one a single factor. These two factors explain 62.160% of variance in the data (> 0.60 threshold).

In addition, all the items had factors loading more than the recommended value of at least 0.50 advocated by Hair et al. (2010) as shown in Table 2. The high loadings signify that the factors extracted for the study are well correlated with the original variables and explain substantial part from the variance in the original variable.

Reliability analysis

The Cronbach's alphas for the two construct are shown in Table 3, along with the number of items. According to Hair et al. (2010), the minimum level of Cronbach's alpha is 0.70. The findings of the reliability analysis showed that the Cronbach's alphas of both constructs were above the recommended threshold for the fulfillment of construct reliability, indicating that the measures used in this research data were internally consistent and highly reliable.

Table 1. Total variance explained.

Component	Initial Eigen values			Rotation sums of squared loadings		
	Total	% of variance	Cumulative %	Total	% of variance	Cumulative %
1. EO	9.955	52.394	52.394	7.131	37.531	37.531
2. Firm Performance	1.855	9.766	62.160	4.679	24.628	62.160

Table 2. Rotated component matrix.

	Component	
	EO	Firm performance
Innov3	0.800	
Innov1	0.790	
RT1	0.746	
CA1	0.744	
RT3	0.738	
Auton1	0.738	
Auton3	0.730	
Innov2	0.724	
Proact1	0.706	
CA2	0.703	
Auton4	0.638	
Auton2	0.624	
Proact3	0.610	
FP3		0.850
FP2		0.816
FP4		0.775
FP1		0.765
FP5		0.759
FP6		0.591

Innov; innovativeness; RT, risk-taking, CA, competitive aggressiveness; Auton, autonomy; Proact, proactiveness; FP, firm performance.

Table 3. Constructs' reliability.

Construct name	Number of items	Cronbach's alpha
EO	13	0.942
Firm performance	6	0.892

Hypotheses testing

The research hypothesis suggests that the EO is positively related with the firms' performance. To test this hypothesis, the study conducted Pearson correlation and regression analysis. Test of research hypothesis demonstrated support for the predicted positive relationship between EO and firms' performance in the telecommunication sector (H1: *t-value* is 9.402; *p value* < 0.001). Moreover, EO explains approximately 43% of the variance in firms' performance ($R^2 = .430$). Table 4 shows

the results of the hypotheses testing.

This research seeks to contribute to the advancement of the literature on EO as a major factor that stimulates business performance via a robust empirical investigation. The main context of this research is the telecommunication sector in Sudan. Recognizing the influences of decisions made by top management in choosing a strategic orientation is critical and extremely significant to both theory and practice. The objective of this study was to determine the effect of EO on firms' performance. The findings revealed that there was

Table 4. Regression and correlation results.

Model	Unstandardized coefficients		Standardized coefficients	t	Sig	F	Sig	R	R ²	Adjusted R ²	Conclusion
	B	Std. error	Beta								
	EO	0.698	0.074								

significant correlation between these two variables. Hence, the study concluded that EO, particularly in telecommunication industry, has a positive and significant impact on firms' performance (H1 supported), validating previous research in this context (Ahmad, 2017; Hoque, 2018; Umrani et al., 2018; Gupta et al., 2019). For instance, the findings of this research concurred with the results of the study conducted by Ahmad (2017), who investigated the significance of EO and market orientation on business performance of Jordanian small to medium enterprises (SME) in the telecommunications industry. Furthermore, in his research on the influence EO on the business performance among SMEs in Bangladeshi, Hoque (2018) also reached a similar conclusion about the significant positive link between EO and firms' performance.

This study contributes to the literature in the field of entrepreneurship by offering additional evidence to support the positive link between EO and firms' performance from an under-examined context in developing economies, as very few research have been conducted in this context. In addition to the theoretical contribution, this research offers practical implications to practitioners, investors, entrepreneurs, board members, and fund providers pursuing means for appraising the success of telecommunications companies.

Sudanese telecommunication firms need to encourage the generation of new ideas, experimentation, risk-taking behaviour, empowerment, and creativity that ultimately result in novel services and processes. Thus, adopting EO and innovation processes can help those organizations to achieve competitive advantage and endorse notable source of growth (Dess and Lumpkin, 2005). Eventually, proactive organizations, supplemented by ground-breaking activities (Lumpkin and Dess, 1996), can be market leaders in the development and introduction of novel products, services, and technologies rather than basically follow trends (Miller, 1983, Covin and Slevin, 1989). Moreover, these proactive firms may be in a position to spot latent customer needs, foresee fluctuations in demand and discover new business opportunities well ahead of their rivals in the market place (Dess and Lumpkin, 2005).

Conclusion

This research tested and empirically proved the positive

direct effect of EO on the performance of the telecommunication industry in Sudan. In this sector, firms have been operating under the conditions of environmental turbulence, increased competition and global economic sanctions and constrains. Under such conditions firms need to call upon the entrepreneurial skills of their management at different levels to innovate, undertake calculated risk and read the market trends. It is necessary to recognize that in today's business environment, EO in general and innovation in particular appears to be an essential way of creating and maintaining superior business performance. Likewise, firms may achieve superior performance by adopting a proactive strategy regardless of the environment in which they operate. It is thus clear that the telecommunication companies should cultivate a corporate culture and management style that foster the innovative, proactive, autonomous, competitive, and risk taking behavior.

Limitations and future research

It should be mentioned that the findings of this study come with some limitations; first, the sample size may represent one limitation of the findings of this study. Although the size and the response rate in this research are fairly satisfactory, directing future research on a larger sample size would considerably contribute to the comprehension of the research issues. Second, despite the strong and persistent adoption and support for the employment of subjective measures of business performance, it would have been preferable to have had a mixture or a combination of subjective and objective data to evaluate the effects of EO on business performance. Third, the generalization of the results generated from this study to other sectors or markets remains uncertain. Moreover, the research examined the direct link between EO and firms' performance. However, the nature of EO-performance link is very complicated (Wiklund and Shepherd, 2005).

Hence testing a model that incorporates some moderators and mediators in future studies may lead to more precise explanations about the nature of the relation between EO and firms' performance.

CONFLICT OF INTERESTS

The authors have not declared any conflict of interests.

REFERENCES

- Adebiyi SO, Amole BB, Arikewuyo KA, Oyenuga OG (2019). Multi-Criteria Decision Analysis of Entrepreneurial Orientation and Business Performance in Nigeria. *Economics and Business* 33(1):140-151.
- Ahmed H (2017). The impact of entrepreneurship orientation, market orientation on improving business overall performance on Jordanian small and medium enterprises Case Study: Orange telecommunication company-Jordan telecommunication sector. *International Business Management* 11(11):1826-1833.
- Al-Ansari YDY (2014). Innovation practices as a path to business growth performance: a study of small and medium sized firms in the emerging UAE market (PhD dissertation). Southern Cross University, Lismore, NSW.
- Al-Nuaimi M, Idris WMS, Moh'd AL-Ferokh FA (2014). An empirical study of the moderator effect of entrepreneurial orientation on the relationship between environmental turbulence and innovation performance in five-star hotels in Jordan. *International Journal of Business Administration* 5(2):111-125.
- Ambad SNA, Wahab KA (2016). The relationship between corporate entrepreneurship and firm performance: evidence from Malaysian large companies. *International Journal of Business and Society* 17(2):259-280.
- Barrett H, Weinstein A (2015). Corporate entrepreneurship, the marketing mix, and business performance. In Wilson EJ, Hair JJJ (eds.), *Proceedings of the 1997 Academy of Marketing Science (AMS) Annual Conference*, Springer International Publishing. pp. 144-150.
- Beliaeva T (2014). Antecedents and performance outcomes of entrepreneurial orientation: a comparative cross-country study. Available at: <https://lutpub.lut.fi/handle/10024/97007>
- Bhuiyan SN, Menguc B, Bell SJ (2005). Just entrepreneurial enough: The moderating effect of entrepreneurship on the relationship between market orientation and performance. *Journal of Business Research* 58:9-17.
- Branch N, McGivern MH (2014). Telecommunications Entrepreneurial Orientation (TELEO): An Empirical Study Measuring the Significance of Entrepreneurial Orientation on Business Performance of Small-to-Medium Enterprises (SME) in the Telecommunications Industry. *International Journal of Strategic Information Technology and Applications* 5(2):13-26.
- Burgelman RA (1984). Designs for corporate entrepreneurship in established firms. *California Management Review* 26(3):154-166.
- Carland Jr JW, Carland JAC, Carland III JWT (2015). Self-actualization: the zenith of entrepreneurship. *Journal of Small Business Strategy* 6(1):53-66.
- Chakravarthy B (1986). Measuring Strategic Performance. *Strategic Management Journal* 6(5):437-458.
- Combs JG, Crook TR, Shook CL (2005). The Dimensionality of Organizational Performance and Its Implications for Strategic Management Research. In Ketchen DJ, Bergh DD (eds.), *Research Methodology in Strategic Management*, 259-286, Elsevier, San Diego, CA.
- Covin JG, Miller D (2014). International entrepreneurial orientation: Conceptual considerations, research themes, measurement issues, and future research directions. *Entrepreneurship Theory and Practice* 38(1):11-44.
- Covin JG, Green KM, Slevin DP (2006). Strategic process effects on the entrepreneurial orientation-sales growth rate relationship. *Entrepreneurship: Theory and Practice* 30(1):57-81.
- Covin JG, Slevin DP (1989). Strategic management of small firms in hostile and benign environments. *Strategic Management Journal* 10(1):75-87.
- Covin JG, Slevin DP, Schultz RL (1994). Implementing strategic missions: Effective strategic, structural, and tactical choices. *Journal of Management Studies* 31(4):481-503.
- Dess GG, Priem RL (1995). Consensus-Performance Research: Theoretical and Empirical Extensions. *Journal of Management Studies* 32(4):401-417.
- Dess GG, Lumpkin GT (2005). *Research Edge: The Role of Entrepreneurial Orientation in Stimulating Effective Corporate Entrepreneurship*. The Academy of Management Executive (1993-2005) 19(1):147-156.
- Dimitratos P, Lioukas S, Carter S (2004). The relationship between entrepreneurship and international performance: the importance of domestic environment. *International Business Review* 13(1):19-41.
- Döckel A (2003). The effect of Retention factors on Organizational commitment: An investigation of High Technology Employees. M.Com dissertation, Faculty of Economics and Management Sciences, University of Pretoria, Pretoria.
- Duru IU, Ehidiemhen PO, Chijioke AN (2018). Role of entrepreneurial orientation in the performance of small and medium enterprises: Evidence from Federal Capital Territory, Abuja, Nigeria. *Asian Journal of Economics, Business and Accounting* 6(1):1-21.
- Ejdys J (2016). Entrepreneurial orientation vs. innovativeness of small and medium size enterprises. Available at: <https://depot.ceon.pl/handle/123456789/8587>
- Galbreath J (2005). Which resources matter the most to firm success? An exploratory study of resource-based theory. *Technovation* 25(9):979-987.
- Gupta VK, Gupta A (2015) The concept of entrepreneurial orientation. *Found Trends Entrepreneur* 11(2):55-117.
- Gupta AK, Govindarajan V (1984). Business unit strategy, managerial characteristics, and business unit effectiveness at strategy implementation. *Academy of Management Journal* 27(1):25-41.
- Gupta VK, Niranjana S, Markin E (2019). Entrepreneurial orientation and firm performance: the mediating role of generative and acquisitive learning through customer relationships. *Review of Managerial Science* 2019:1-25.
- Hair JF, Anderson RE, Tatham RL, Black WC (2010). *Multivariate Data Analysis* (7th ed.). Prentice Hall Inc., Upper Saddle River, NJ.
- Hart SL (1992). An integrative framework for strategy-making processes. *Academy of Management Review* 17(2):327-351.
- Hitt MA, Xu K, Carnes CM (2016). Resource based theory in operations management research. *Journal of Operations Management* 41:77-94.
- Hoque ASMM (2018). The effect of entrepreneurial orientation on Bangladeshi SME performance: Role of organizational culture. *International Journal of Data and Network Science* 2(1):1-14.
- Hughes M, Morgan RE (2007). Deconstructing the relationship between entrepreneurial orientation and business performance at the embryonic stage of firm growth. *Industrial Marketing Management* 36(5):651-661.
- Ireland RD, Hitt MA, Sirmon DG (2003). A model of strategic entrepreneurship: The construct and its dimensions. *Journal of Management* 29(6):963-989.
- Karyotakis KM, Moustakis VS (2016). Organizational factors, organizational culture, job satisfaction and entrepreneurial orientation in public administration. *The European Journal of Applied Economics* 13(1):47-59.
- Kaunda CM (2012). Entrepreneurial orientation, age of owner and small business performance in Johannesburg (Unpublished research report). Faculty of Commerce, Law and Management, University of the Witwatersrand.
- Knight GA (1997). Cross-Cultural Reliability and Validity of a Scale to Measure Firm Entrepreneurial Orientation. *Journal of Business Venturing* 12:213-225.
- Kraus S, Burtscher J, Vallaster C, Angerer M (2018). Sustainable Entrepreneurship orientation: a reflection on status-quo research on factors facilitating responsible managerial practices. *Sustainable* 10(2):444-465.
- Lee C, Lee K, Pennings JM (2001). Internal capabilities, external networks, and performance: a study of technology bases ventures. *Strategic Management Journal* 22(6-7):615-640.
- Lee Y, Zhuang Y, Joo M, Bae TJ (2019). Revisiting Covin and Slevin (1989): Replication and extension of the relationship between entrepreneurial orientation and firm performance. *Journal of Business Venturing Insights* 12:e00144.
- Lumpkin GT, Cogliser CC, Schneider DR (2009). Understanding and measuring autonomy: An entrepreneurial orientation perspective. *Entrepreneurship Theory and Practice* 33(1):47-69.
- Lumpkin GT, Dess GG (1996). Clarifying the entrepreneurial orientation

- construct and linking it to performance. *Academy of Management Review* 21(1):135-172.
- Lumpkin GT, Dess GG (2001). Linking two dimensions of entrepreneurial orientation to firm performance: The moderating role of environment and industry life cycle. *Journal of Business Venturing* 16:429-451.
- MacMillan IC, Day DL (1987). Corporate ventures into industrial markets: Dynamics of aggressive entry. *Journal of Business Venturing* 2(1):29-39.
- Matsuno K, Mentzer JT, Ozsomer A (2002). The effects of entrepreneurial proclivity and market orientation on business performance. *Journal of Marketing* 66(3):18-32.
- Miller D, Friesen PH (1982). Innovation in Conservative and Entrepreneurial Firms: Two models of strategic momentum. *Strategic Management Journal* 3:1-25.
- Miller D (1983). The correlates of entrepreneurship in three types of firms. *Management Science* 29:770-791.
- Morgan RE, Strong CA (2003). Business Performance and Dimensions of Strategic Orientation. *Journal of Business Research* 56(3):163-176.
- Murphy GB, Trailer JW, Hill RC (1996). Measuring Performance in Entrepreneurship. *Research Journal of Business Research* 36(1):15-23.
- Naldi L, Nordqvist M, Sjöberg K, Wiklund J (2007). Entrepreneurial Orientation, Risk Taking, and Performance in Family Firms. *Family Business Review* 20(1):33-47.
- Omisakin OM, Nakhid , Littrell R, Verbitsky J (2016). Entrepreneurial orientation among migrants and small and medium enterprises. *Journal of Business Administration Research* 5(1):7.
- Perez-Luno A, Wiklund J, Cabrera R (2011). The dual nature of innovative activity: How entrepreneurial orientation influences innovation generation and adoption. *Journal of Business Venturing* 26:555-571.
- Rae D, Ruth WN (2013). How does enterprise and entrepreneurship education influence postgraduate students' career intentions in the New Era economy? *Education + Training* 55(8/9):926-948.
- Rai A, Borah S, Ramaprasad A (2007). Critical success factors for strategic alliances in the information technology industry: an empirical study. *Decision Sciences* 27(1):141-155.
- Rauch A, Wiklund J, Lumpkin GT, Frese M (2009). Entrepreneurial orientation and business performance: An assessment of past research and suggestions for the future. *Entrepreneurship Theory and Practice* 33(3):761-787.
- Richard OC, Barnett T, Dwyer S, Chadwick K (2004). Cultural diversity in management, firm performance, and the moderating role of entrepreneurial orientation dimensions. *Academy of Management Journal* 47(2):255-268.
- Schepers J, Voordeckers W, Steijvers T, Laveren E (2014). The entrepreneurial orientation–performance relationship in private family firms: the moderating role of socioemotional wealth. *Small Business Economics* 43(1):39-55.
- Smart DT, Conant JS (1994). Entrepreneurial orientation, distinctive marketing competencies and organizational performance. *Journal of Applied Business Research* 10(3):28-38.
- Soininen J (2013). Entrepreneurial orientation in small and medium-sized enterprises during economic crisis (PhD Thesis). School of Business, Lappeenranta University of Technology, Finland.
- Sripasert P (2013). The effect of entrepreneurial orientation on the success of community enterprise: a study of Nakhonsithammarat, Thailand. *International Proceedings of Economics* 59(33):158-162.
- Umrani WA, Kura KM, Ahmed U (2018). Corporate entrepreneurship and business performance. *PSU Research Review* 2(1):59-80.
- Van Doorn S, Jansen JJ, Van den Bosch FA, Volberda HW (2013). Entrepreneurial orientation and firm performance: Drawing attention to the senior team. *Journal of Product Innovation Management* 30(5):821-836.
- Venkatraman N, Ramanujam V (1986). Measurement of Business Performance in Strategy Research: A Comparison of Approaches. *Academy of Management Review* 11(4):801-814.
- Venkatraman N (1989). Strategic orientation of business enterprises: The construct, dimensionality, and measurement. *Management Science* 35(8):942–962.
- Vij S, Bedi HS (2012). Relationship between entrepreneurial orientation and business performance: A review of literature. *The IUP Journal of Business Strategy* 9(3):17-31.
- Wales WJ, Gupta VK, Mousa FT (2011). Empirical research on entrepreneurial orientation: An assessment and suggestions for future research. *International Small Business Journal* 31(4):357-383.
- Wales W, Gupta VK, Marino L, Shirokova G (2019). Entrepreneurial orientation: International, global and cross-cultural research. *International Small Business Journal* 37(2):95-104.
- Walter A, Auer M, Ritter T (2006). The impact of network capabilities and entrepreneurial orientation on university spin-off performance. *Journal of Business Venturing* 21(4):541-567.
- Wernerfelt B (1984). A resource-based view of the firm. *Strategic Management Journal* 5(2):171-180.
- Wiklund J (1999). The Sustainability of the Entrepreneurial Orientation-performance Relationship. *Entrepreneurship Theory and Practice* 23(1):37-48.
- Wiklund J, Shepherd D (2005). Entrepreneurial Orientation and Small Business Performance: A Configurational Approach. *Journal of Business Venturing* 20(1):71-89.
- Wiklund J, Shepherd DA (2011). Where to from here? EO-as-experimentation, failure, and distribution of outcomes. *Entrepreneurship Theory and Practice* 35:925-946.
- Wiklund J, Shepherd D (2003). Knowledge-based resources, entrepreneurial orientation, and the performance of small and medium sized businesses. *Strategic Management Journal* 24(13):1307-1314.
- Zahra SA (1991). Predictors and financial outcomes of corporate entrepreneurship: An exploratory study. *Journal of Business Venturing* 6:259-285.

Full Length Research Paper

Loans and growth of small-scale enterprises in Uganda: A case study of Kampala Central business area

Eric Nzibonera* and Ivan Waggumbulizi

Department of Accounting and Finance, School of Business, College of Business and Management Sciences,
Makerere University, P. O. Box 7062, Kampala, Uganda.

Received 26 February, 2020; Accepted 27 May, 2020

The study examines the impact of financial loans on growth of small-scale enterprises (SSEs) in Uganda. The contribution of SSEs in promoting economic growth and development is widely documented. Access to credit finance guarantees financial liquidity and sustainability of SSEs hence enhancing their profitability and growth. A cross-sectional research design was adopted using a quantitative approach, targeting managers of SSEs. Primary data were collected using closed ended questionnaires and analyzed to generate descriptive, correlation and regression statistics. The findings suggest that categories of financial loans, that is; secured loans and working capital loans have a positive and significant effect on growth of SSEs. The effect of group loans is not statistically significant. The implication of the study is that secured loans encourage small-scale enterprise managers to work hard to spur growth and also protect collateral securities from being mortgaged by lenders. Furthermore, working capital loans help SSEs to efficiently manage their day-today operations which ultimately enhance their profitability, survival and growth.

Key words: Small-scale enterprises, secured loans, working capital loans, group loans and growth.

INTRODUCTION

Small and Medium Enterprises (SMEs) are the backbone of all economies and are also globally considered as the stepping stone for industrialization. Developed and robust economies like the United States of America (USA) and United Kingdom (UK) trace their development from the growth of small and micro enterprises (Kamunge et al., 2014). Micro and small enterprises are considered to be the lifeblood of most economies and are viewed as key drivers of economic and social development in Africa (Gichuki et al., 2014). They play a critical role in triggering and sustaining economic growth and development in both developed and developing economies. According to Eton

et al. (2017), there is no universally agreed definition of SMEs and the term covers a wide range of definitions and measures varying from country to country. Those who attempt to define SMEs use their characteristics such as the size of capital investment, number of employees and sales turnover. For developing countries, small scale enterprises generally mean enterprises with less than 50 employees while medium sized enterprises are those with 50-99 employees (Arinaitwe and Mwesigwa, 2015). In Uganda, SMEs are described using both the number of employees and annual revenue turnover (Turyahebwa et al., 2013). For entities to be

*Corresponding author. E-mail: ernzibonera@gmail.com. Tel: +256 772668533.

described as SSEs, they should be employing 5 to 49 people and have total assets value of Uganda shillings 10 to 100 million (Kyambadde, 2015). Because of the contributions made by SSEs in Uganda such as creation of employment opportunities and government revenue, they need prioritized financial resources to boost the economy and enhance economic growth and development. A report by Uganda Investment Authority (2012) discloses that there are 1,069,848 registered SSEs in urban and rural areas which account for 90% of the private sector and contribute about 75% of Gross Domestic Product (GDP).

For SMEs to grow and contribute to economic development, access to adequate credit finance is critical (Hasnah et al., 2013). This is because SMEs cannot raise adequate equity finance through informal savings and retained earnings to sustain their operations and growth. Several studies have established that credit finance obtained at affordable interest rates and well utilized have a positive significant effect on growth of SMEs. For instance, findings of previous studies by Sitharam and Hoque (2016), Chowdhury and Alam (2017) and Lukuma et al. (2019) reveal that access to credit financing provides funds required to enhance growth of micro, small and medium enterprises. However, empirical studies by Moscalu et al. (2019) and Kamunge et al. (2014) show that high costs of credit, bank charges and fees hamper growth of SMEs. Furthermore, Mweheire (2014) state that majority of SSEs lack access to formal financial services provided by commercial banks and only access financial loans from informal money lenders and microfinance institutions. This is because, commercial bank loans are hard to pay back and have laborious requirements to fulfil before the loan application is approved.

According to Gichuki et al. (2014), the main sources of capital needed to finance growth of SMEs; retained earnings and informal personal savings are normally unpredictable, insecure and have little scope for risk sharing. Because of this inadequacy, SSEs normally seek for bank and microfinance loans to fund their growth plans and increase sales revenue. These loans include secured, group and working capital loans. Growth of SSEs is determined by increase in stock, capital and revenue. It is also assessed in terms of consistent increase in profits, market share and customers. Secured loans are offered to SSEs after providing collateral to the lending institution. Group loans are offered to borrowers after forming groups usually ranging from 25 to 30 people and members in the group act as security to each other since they normally interact closely (Byabashaija et al., 2015). Working capital loans are a newly introduced form of loans offered to entrepreneurs of SSEs for a short period agreed upon by the lending institutions.

Access to formal banking support by SSEs in Uganda was a dream to most entrepreneurs as majority of them were unable to access loans, especially from formal

financial institutions like commercial and development banks. However, the funds provided by government in selected commercial banks, savings and credit cooperatives and establishment of micro-finance institutions played a key role in availing loans and promoting growth of SSEs (Uganda Microfinance Sector Review, 2014). The increase in number of SSEs encouraged financial institutions to provide specific loans for the enterprises to borrow at relatively low interest rates hence facilitating their growth (Ocinneidel, 2009). Utilization of financial loans enhances operations of small-scale businesses which significantly influence their growth and competitiveness. However, because of lack of collateral and information to track use of funds by micro and small enterprises, financial institutions become risk-averse in funding small-scale businesses. Furthermore, despite all the interventions in place to ensure access to credit finance by SSEs in Uganda, the failure rate of majority of SMEs remains high as about 90% of the enterprises do not celebrate their first year in operation (Arinaitwe and Mesigwa, 2015). In addition, Nangoli et al. (2013) assert that sustainability of small businesses in Uganda is limited because most of them do not survive for long in operations. Therefore, the objective of the study is to investigate the extent to which financial loans contribute to growth of SSE. Specifically, the study aims to; establish the growth of SSEs in Uganda and to examine the relationship between use of loans and growth of SSEs in Uganda. The study contributes to literature by establishing the extent to which different categories of loans impact on growth of SSEs.

LITERATURE REVIEW

Financial loans and growth of small scale enterprises

Globally, credit finance has been identified as one of the major factors that facilitate the growth of SMEs (Ramcharran, 2017). Adequate access to finance is vital to enable SMEs improve their operations and contribute to economic growth and development of a nation (Hasnah et al., 2013). Growth of micro and small enterprises is vital because of the role they play in triggering and sustaining economic growth in both developed and developing economies. SSEs provide prolific sources of employment and also grow into medium and large enterprises, which are critical for industrialization (Kamunge et al., 2014). The growth of small-scale enterprises is attained by accessing new customers and increased sales. The high volume of products stocked by an enterprise attracts new customers and agents to open up other business outlets. Increase in stock volume builds confidence in the customers and confirm an enterprise as a going concern which indicates growth of small-scale enterprises. To facilitate growth, SSEs in Uganda have opportunities to

access secured, group and working capital loans from financial institutions, but the nature and form of the loan determines the activity to be funded depending on the agreed duration of the loan, interest rate and loan size. However, despite these available options of credit financing, most micro and SSEs fail within the first year of operation. Eton et al. (2017) argue that access to credit and especially working capital, remains a constraint hindering growth and performance of SSEs. Also, most of the SMEs have limited access to capital markets because of the perception of high risk, information asymmetry and high costs of intermediation (Kofi et al., 2013).

A secured loan is one that relies on assets such as a home title, television set, car, and land title among others as collateral securities (Ezera, 2010). And because of this, secured loans attract low interest rates compared to other types of loans hence borrowers find them convenient for business growth. However, according to Chiou et al. (2011), financial institutions find it hard to give secured credit to small-scale businesses due to lack collateral security. It is important to note that in Uganda, demand for secured loans from banks and non-bank institutions has increased over time through the amendment of the fiscal policy by Government which encourages financial institutions to provide financial loans to SSEs (World Bank, 2009). However, this has not been useful because most SSEs continue to fail in their first year of startup even when secured loans are expected to provide a longer repayment period to facilitate them to grow (Kagugube, 2010). Contrary to this, Oyelaran-Oyeyinka and Lal (2006) states that secured loans offered by the microfinance institutions mount tension on the small businesses, limiting the benefits from market opportunities and innovation possibilities because of fear to lose their securities which adversely affect the growth of SSEs. This view is supported by Okpukpara (2009) who asserts that secured loans cannot facilitate growth of SSEs because of their negative impact through high and rough debt policy.

To understand the effect of secured loans, Bowale and Akinlo (2012) examined their influence on the growth of SSEs and discovered that, entrepreneurial traits may influence the impact of the secured loans on the performance of the firm. However, enterprises which offer valuable securities are inclined to work towards the realization of more sales to finance the loan obligation. This view is supported by Ramcharran (2017) who argues that secured loans enable small-scale enterprises to increase their sales and generate enough revenue business expansion. However, much of the returns are used to service the debt, leaving the business with little resources for re-investment in the growth of the firm. This forces entrepreneurs in developing countries to maintain a low profile for many years.

Apart from secured loans, SSEs in Uganda can access working capital loans whose security is the business inventories and sales. This form of finance is paid in

installments over a period of 6-12 months though it can sometimes be extended. The repayment frequency can be scheduled in weekly, monthly or quarterly intervals (Micro Credit Uganda report, 13th November 2014). Kyambadde (2015) discloses that, the availability of working capital loans has solved the problem of short-term financing for the small-scale businesses. However, the interest charged on these loans is high with a short payback period which adversely affects the growth of the SSEs. Mead (2009) states that the short payback period provided on working capital loans may not facilitate the growth of SSEs since there is no room to re-invest profits back in the business. However, access to these loans does not require assets as collateral security but only needs a going concern business and an active operating bank account. According to Wellen and Mulder (2008) lending institutions always offer working capital loans with expected short repayment periods to encourage entrepreneurs of small enterprises to increase sales volumes so as to generate funds to finance the loan. Most SSEs need working capital loans to boost operations and also meet customer demands. Lending institutions offer such loans because of the pressure they exert on the borrowers to pay back. Apart from secured and working capital loans, SSEs also access group loans to facilitate the growth of their operations.

In Uganda, group loans are extended to people where group members have to first register with the lending institution. This involves forming groups of about 5-15 experienced business people where members act as guarantors to one another. The group normally receives training from a loans officer of the financial institutions before loans are disbursed. According to Flamholtz and Randle (2012), group loans significantly influence the growth of SSEs. In addition, Turnbull (2009) established that for the growth of SSEs, group members are expected to adhere to virtues such as trust and integrity. Majority of SSEs in developing countries like Uganda access financial services through group lending due to lack of collateral security. Byabashaija et al. (2015) assert that the use of group lending is often used as a major innovation amongst SSEs since it enables borrowing without collateral. Group loans cultivate joint liability. In case one member fails to repay, others have to pay on his/her behalf, or otherwise the group will be denied financing. Therefore, voluntary group formation reduces the risks of adverse selection and joint liability which checks moral hazards through peer monitoring, as group members ensure that their colleagues pay on time.

Although group lending promotes unity among members and increase chances of accessing credit financing, it also has limitations. For instance, Dowla (2006) asserts that group loans are associated with a number of challenges which include transportation costs to attend meetings and regular visits of members in the group to confirm their existence and progress of loan repayment. Other costs include group formation, training

members on group lending procedures, increased supervision and a higher frequency of installment payments. These group lending costs increase interest rates, leading to enhanced repayment risk (Kodongo and Kendi, 2013). This reduces time for the business which adversely affects growth of SSEs. However, according to (Sanusi, 2013) group loans are not stressful compared to other forms of loans though they are relatively small in size with regular short repayment periods. The nature of the loan encourages the borrower to work hard and increase sales to finance the loan. This has led to a strong relationship between group loans and increase in sales volumes of an enterprise. Furthermore, a study by Okello (2006) in Uganda, established that there is a significant positive relationship between group loans and enterprise growth. This is achieved through proper use of the loans, elaborate system of networks, fear of financial distress and community shame. The argument for this is that the role of group members in monitoring payment schedules of fellow members encourages the borrower to work hard and increase sales volumes, leading to eventual growth of SSEs.

Effect of demographic factors on growth of SSEs

The study considered the effect of demographic factors such as form of the enterprise, years of operation and loan size on the growth of SSEs as control variables. The common legal type of small enterprise ownership in developing countries is sole proprietorship. Unlike other business enterprises, sole proprietorship requires small equity capital with minimum legal documents to start business operations. For instance; partnerships require a partnership deed, while companies and joint venture entities require a memorandum of association amongst other legal documents before they can be allowed to start operations. The growth of a sole proprietorship enterprise through credit finance is hampered by lack of access to adequate credit finance because of lack of collateral security (Gichuki et al., 2014). With regard to years of operation, small-scale businesses are normally relatively young and due to their small size and inherent vulnerability to market fluctuations, mortality rates are relatively high with low opportunities of growth. For loan size, Becker and Neihaves (2010) assert that large loans facilitate adequate funding which leads to the growth of the business and therefore, there is a positive significant relationship between loan size and growth of the SSEs. However, entrepreneurial skills and the business operating environment play a vital role in enhancing growth of the small-scale business. The competitive advantage of an enterprise stems from its entrepreneurial capacity, management abilities, technical know-how and adaptability to the internal and external business environment. Sensitization on the use of financial loans and sustained investment in on-the-job training in

entrepreneurial skills is very crucial for the survival and growth of SSEs (Perks and Smith, 2006). Furthermore, government policy on the bank rate as set by the central bank affects the interest rate charged by the financial institutions and, ultimately, influences business growth. For instance, government policy could be concerned with providing direct funding of small-scale enterprises to boost their growth rate Turyahikayo (2015). In the Ugandan context, government has provided special financial loans for the youth, market vendors, women, and special needs groups so as to boost income.

The conceptual framework in Figure 1 is developed from literature review where loans and growth of SSEs are independent and dependent variables respectively. Research studies by Eton et al. (2017), Hasnah et al. (2013) and Arinaitwe and Mwesigwa (2015) show that credit finance enhances growth and performance of SSEs. Since demographic factors have previously been used in research as control variables (Kalenzi and Ongúnya, 2019), loan size, form and age of the enterprise were used in this study as control variables.

METHODOLOGY

The research design was cross-sectional using a quantitative survey approach to examine the relationship between the effects of loans on growth of SSEs in Uganda. The study population included managers of SSEs from various sectors operating in Kampala Central Business area in Uganda. The sectors include those engaged in business services (information technology firms, saloons and restaurants), trade and wholesaling including supermarkets, social services (pharmacies, medical clinics and private educational institutions). SSEs considered were those employing between 5-49 people (Uganda Micro, Small and Medium Enterprise Policy Report, 2015). A total sample of 132 managers of licensed SSEs in Kampala Central business area in Uganda was used for this study. This is consistent with the sample size used by Eton et al. (2017) and Hasnah et al. (2013) and is supported by Roscoe's rule of thumb for sample size determination that sample sizes larger than 30 and less than 500 are appropriate for most research (Sekaran, 2006). The respondents were selected using stratified and simple random sampling. Data were collected using a self-administered closed ended questionnaire which was developed based on the research objectives (Appendix 1). Questions were structured using a 5 Point-Likert scale range which include; strongly disagree (1), disagree (2), not sure (3), agree (4) and strongly agree (5). The dependent variable (growth of SSEs) was measured in terms of increase in stock, customers, asset base, revenue and profits while analysis of the independent variable (financial loans) focused on effective use of secured loans, group loans and working capital loans. The demographic factors included in the study as control variables and analyzed were form and age of the business and loan size.

The questionnaire was first pre-tested to establish the degree of reliability and validity of constructs and items used in data collection. Consistent with Taber (2017), Alpha Cronbach values were obtained to measure the degree of reliability of the constructs. The results were growth of small-scale enterprise ($\alpha = 0.707$), secured loans ($\alpha = 0.752$), group loans ($\alpha = 0.685$) and working capital loans ($\alpha = 0.724$). All alpha coefficients were above 0.5 implying that the data collection instrument was reliable. This is supported by Daud et al. (2018) who state that Alpha Cronbach

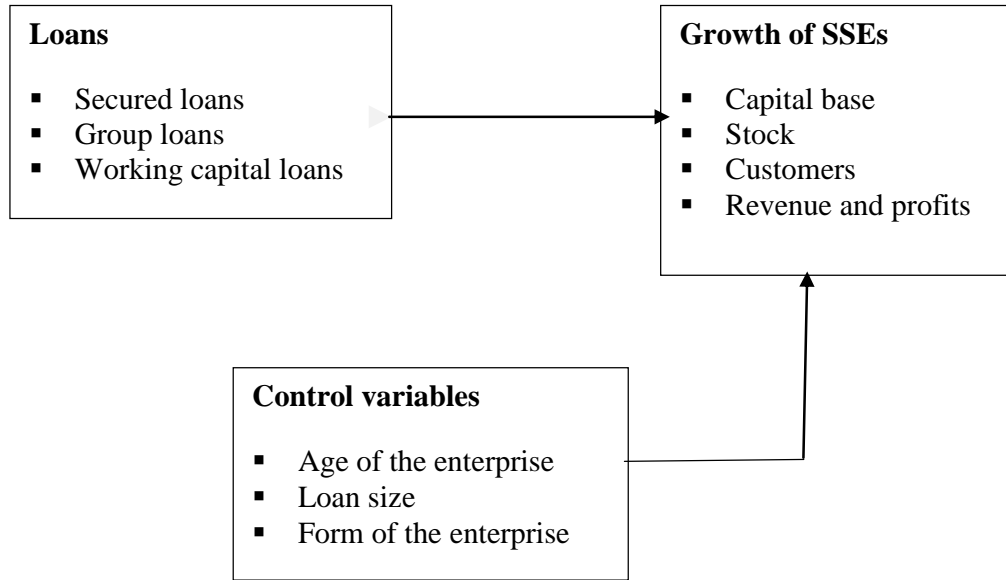


Figure 1. Conceptual framework showing the link between loans and growth of SSEs. Source: Literature review.

values ranging 0.6-0.8 are considered moderate but acceptable. Validity was measured by obtaining item content validity index (I-CVI) for all the 19 items used in the questionnaire for all the variables of the study. The instrument was given to three experts to give opinions on the relevance of the questions using a four-point scale ranging from not relevant (1), somewhat relevant (2), quite relevant (3) and highly relevant (4). The I-CVI's were computed by obtaining the ratio of the number of those who scored 3 and 4 to the total number of the items of the data collection instrument and the results were 0.789, 0.895 and 0.842 for experts one, two and three respectively. These results validated the data collection instrument and are supported by Rodrigues et al. (2017) who state that an I-CVI of 0.78 or higher is considered excellent. Data analysis is generated using the Statistical Package for Social Sciences (SPSS) version 20 quantitative report for descriptive statistics, Pearson's correlations and multiple regressions tests. The regression equation model for the study was,

$$GE = \beta_0 + \beta_1 SL + \beta_2 GL + \beta_3 WCL + \beta_4 FE + \beta_5 AE + \beta_6 SMB + \epsilon$$

- β_0 = Constant parameter
- $\beta_1, \text{ to } \beta_6$ = Coefficient of the independent variables/regression parameters
- GE = Growth of the enterprise
- SL = Secured loans
- GL = Group loans
- WCL = Working capital loans
- FE = Form of enterprise
- AE = Age of the enterprise
- SMB = Loan size
- ϵ = Probabilistic error term.

RESULTS AND DISCUSSION

Data collected were analyzed to obtain descriptive statistics of growth of SSEs, Pearson's correlation coefficients and multiple regression tests. 132

Questionnaires were distributed to managers of small scale enterprises and 131 filled in questionnaires were collected. This gave a response rate of 99.2% which was sufficient to provide reliable findings.

Descriptive statistics of growth of small-scale enterprise

The findings from Table 1 indicate that the mean value of increase in the stock of the enterprise was 3.80 with a standard deviation of 1.030. The average mean indicates that SSEs manage to increase their stock over a period of time. This increases their sales volume which is an indicator of growth of the enterprises. Increase in customers for business products had the highest mean of 3.98 and standard deviation of 0.835 which is a sign of growth. There is also increased asset base (mean=3.59 and standard deviation of 1.090) and most SSEs registered increase in sales volume (mean= 3.60 and standard deviation of 1.152). The results also show consistent improvement in profits (mean of 3.76 and standard deviation of 1.126). The descriptive statistics report a growth of SSEs shown by the mean values and are consistent with findings by Chowdhury and Alam (2017). The results are also supported by Sarwoko and Frisdiantara (2016) who argue that capital, profits and sales are good indicators of growth.

Pearson's correlation analysis

This was carried out to establish the strength of the

Table 1. Level of growth of small scale enterprises.

Descriptive statistics	N	Minimum	Maximum	Mean	Std. deviation
Increase in stock over a period of time	131	1.00	5.00	3.80	1.030
Increase in customers for business products	131	1.00	5.00	3.98	0.835
Increase in capital base	131	1.00	5.00	3.59	1.090
Increase in sales revenue over the years	131	1.00	5.00	3.60	1.152
Consistent increase in profits	131	1.00	5.00	3.76	1.126
Valid N (list wise)	131				

Source: Primary data

Table 2. Results of correlation analysis.

Correlation parameters	Form of enterprise	Age of enterprise	Loan size	Secured loans	Group loans	Working capital loans	Growth of enterprise
Form of enterprise	1.000						
Age of enterprise	-0.181*(0.038)	1.000					
Loan size	0.410**(0.000)	0.046(0.601)	1.000				
Secured loans	0.199*(0.022)	-0.159(0.069)	0.332**(0.000)	1.000			
Group loans	-0.056(0.527)	-0.067(0.449)	-0.105(0.232)	0.253**(0.004)	1.000		
Working capital loans	-0.185*(0.035)	-0.210(0.809)	-0.040(0.635)	0.285**(0.001)	0.231*(0.015)	1.000	
Growth of the enterprise	0.032(0.717)	-0.090(0.311)	0.206*(0.019)	0.351**(0.000)	0.176*(0.046)	0.239**(0.006)	1.000

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

Source: Primary data.

relationship between the variables. Results are presented in Table 2.

Results of the correlation analysis show that secured loans and growth of SSEs have a strong positive relationship which is significant at 1% level ($r = 0.351$ p value 0.000). This implies that funds which are secured encourage managers of SSEs to work hard to generate enough revenues and profits to pay back the loan and also expand the enterprise. In addition, secured loans attract low interest charges because of low perceived risk by the lenders. The findings are supported by Arinaitwe and Mwesigwa (2015), who argue that the security attached to secured loans encourages majority of SSEs to increase sales volume in order to finance the individual secured loan. Similarly, working capital loans and growth of SSEs have a positive and significant relationship at 1% level of significance ($r = 0.239$, p-value = 0.006). This implies that access to working capital loans help enterprises to finance day-to-day operations such as prompt payment of utilities, suppliers and wages. This helps to improve the liquidity position and further enhance business growth. The correlation analysis also shows that group loans and growth of SSEs are positively related and significant at 5% level ($r = 0.176$ p value 0.046). The findings also show that the relationship between loan size and growth of small-scale is positive and significant at 5% ($r = 0.206$, p-value = 0.019). The

implication of the results is that if the loan size, secured loans and working capital loans increase, SSEs also grow. The findings are consistent with Oleka et al. (2014) that loan size influences growth of small-scale businesses. This is also supported by Sunday (2011) who states that working capital loans have a short repayment period that stimulates managers of enterprises to be innovative and work hard to manage operations of the business.

Regression analysis

Regression analysis was carried out to establish the extent to which the predictor variables influence growth of SSEs. Results of the multiple regression analysis for both the demographic factors (control variables) and predictor variables are given in Table 3. The dependent variable is the growth of SSEs.

Results from Table 3 show that secured loans have a positive and significant effect on the growth of SSEs ($\beta = 0.196$, P value = 0.020). This is consistent with Sakwa et al. (2019) who assert that collateral securities used to access credit finance encourage enterprises to work hard to generate revenue for business growth. The findings are also supported by Eton et al. (2017) who argue that collateral security has a positive influence in accessing

Table 3. Multiple regression test for all factors and growth of SSEs.

Model	Unstandardized Coefficients		Standardized coefficients		
	B	Std. error	Beta	T	Sig.
(Constant)	2.345	0.461		5.084	0
Form of enterprise	-0.088	0.134	-0.062	-0.653	0.515
Age of enterprise	-0.059	0.08	-0.063	-0.738	0.462
Loan size	0.132	0.074	0.174	1.788	0.076
Secured loans	0.196	0.083	0.228	2.359	0.02
Group loans	0.077	0.07	0.096	1.101	0.273
Working capital loans	0.134	0.0781	0.147	1.763	0.083
Dependent variable: Growth of SSEs					
R Square	0.172				
Adjusted R ²	0.131				
F change	4.247				
Sig. F change	0.001				

Source: Primary data.

credit finance for business growth and expansion. Furthermore, secured loans are normally accessed at a relatively low cost than unsecured loans because of low perceived default risk. This encourages enterprises to finance their operations which ultimately lead to business growth. Similarly, findings show that the effect of working capital loans is positive and significant ($\beta = 0.134$, p value 0.083). Working capital is needed to facilitate day-to-day operations which enhance business expansion. This implies that effective acquisition and management of working capital such as cash, inventories and receivables help the enterprise to manage its liquidity position and to finance short term obligations. This helps to smoothen the operations of the organization hence leading to its growth. This is consistent with Chowdhury and Alam (2017) who state that working capital facilitates growth and expansion by financing day-to-day operations. The results are also supported by Sadiq (2017) who argue that working capital is considered a life-giving force and is the most important factor for maintaining liquidity, survival, solvency and growth of an enterprise. About the effect of group loans, the findings are not significant.

CONCLUSION, IMPLICATIONS AND THE CONTRIBUTION OF THE STUDY

Using descriptive statistics, a general growth of SSEs is established and this is attributed to the use of secured and working capital loans. About demographic factors, loan size had a positive significant influence on growth of SSEs while form and age of the enterprise are not statistically related with the growth of SSEs. The study concluded that loan size, secured loans, and working capital are statistically significant and have a positive

relationship with the growth of SSEs. The implication of the findings is that SSEs should endeavor to borrow secured and working capital loans in order to spur growth in their businesses. This is because availability of collateral for secured loans enables enterprises to access credit finance at low costs. These loans also encourage borrowers to work hard to generate enough earning to safeguard assets used as collateral security. For working capital loans, they are short term in nature and enable an enterprise to maintain liquidity needed to efficiently manage working capital operations. The contribution of the study is that it helps to establish the best model of funding the growth of SSEs in developing economies. It gives useful literature about different debt financing strategies that SSEs should select to spur growth. It is one of its kind and vital to policy makers and managers of SSEs, providing guidance on how to acquire and efficiently manage financial loans needed for smooth operations of enterprises.

Limitations of the study

In empirical research, it is always important to consider limitations when arriving at conclusions. The study is purely quantitative and a mixed methodology combining both quantitative and qualitative approaches in data collection could have facilitated an extensive understanding of the phenomenon studied. Another limitation is that the study only examined the effect of loans on growth of SSEs. The effects of other factors like enterprise innovation, technology and managerial competencies were not considered and therefore, future studies should focus on examining how these factors also affect the growth of SSEs.

Although few limitations have been identified, the study has contributed to the body of research in small and medium enterprises by providing useful insights about how financial loans could significantly influence growth of SSEs.

CONFLICT OF INTERESTS

The authors have not declared any conflict of interests.

REFERENCES

- Arinaitwe A, Mwesigwa R (2015). Improving credit accessibility among SMEs in Uganda. *Global Journal of Commerce and Management Perspective* 4(6):22-30.
- Becker J, Niehaves B (2010). Influence of Loan on the growth of an enterprise. *Journal of Business Finance and Information Systems* 17:197-214.
- Bowale I, Akinlo H (2012). Determinants of Small and Medium Scale Enterprises (SMEs) performance and poverty alleviation in Developing Countries: Evidence from South West Nigeria. *European Journal of Humanities and Social Sciences* 17(1):848-863.
- Byabashaija D, Aluonzi B, Karoro EA, Manyage NM, Nyambane OD, Besigye O (2015). Group formation criteria of Money lending Association in Rubirizi District, Western Uganda. *Scholars Journal of Arts, Humanities and Social Sciences* 3(7A):1174-1180.
- Chiou J, Wu P, Huang B (2011). How Derivatives Trading among banks impacts on SMEs Lending. *Interdisciplinary Journal of Research in Business* 1(4):1-11.
- Chowdhury M, Alam Z (2017). Factors affecting access to finance of Small and Medium Enterprises (SMEs) of Bangladesh. *USV Annals of Economics and Public Administration* 2(26):55-68.
- Chowdhury M, Alam Z (2017). Factors affecting access to finance of Small and Medium Enterprises (SMEs) of Bangladesh. *USV Annals of Economics and Public Administration* 2(26):55-68.
- Daud KA, Khidzir NZ, Ismail AR, Abdullah FA (2018). Validity and reliability of the instrument to measure social media skills among small and medium entrepreneurs at Pengkalan Datu River. *International Journal of Development and sustainability* 7(3):1026-1037.
- Dowla S (2006). *Macroeconomic Challenges of Microfinance*. EPRC Policy Brief: A hand book. Kampala Uganda.
- Eton E, Mwosi F, Mutesigensi D, Ebong CD (2017). Credit Financing and Performance of SMEs in Lira Municipality. *Research Journal of Finance and Accounting* 8(8):121-127.
- Ezera S (2010). Impact of financial loans on the performance of business operations. *Journal on Financing* 3(2):34-46.
- Flamholtz EG, Randle Y (2012). *Growing Pains of group loans: How to make the transition from entrepreneurship to a professionally managed firm*. San Francisco: Jossey-Bass. ISBN-13:978-0787986162.
- Gichuki JA, Njeru A, Tirimba OI (2014). Challenges facing Micro and Small Enterprises in accessing credit facilities in Kangemi Harambee market in Nairobi City Country Kenya. *International Journal of Scientific and Research Publications* 4(12):1-25.
- Hasnah H, Said SB, Jayaraman K, Ismail I (2013). Factors influencing small medium enterprises (SMES) in obtaining loan. *International Journal of Business and Social Science* 4(15):182-195.
- Kalenzi A, Ong'unya GO (2019). Procurement performance and profitability in foam mattress firms in Uganda. *African Journal of Business Management* 13(18):630-635.
- Kamunge SK, Njeru A, Tirimba OI (2014). Factors affecting the performance of Small and Micro enterprises in Limuru Town Market of Kiambu County Kenya. *International Journal of Scientific and Research Publication* 4(12):1-20.
- Kodongo O, Kendi LG (2013). Individual lending versus group lending: An evaluation with Kenya's microfinance data. *Review of Development Finance* 3(2):99-108.
- Kofi NJ, Tanyeh P, Gaeten K (2013). Financing Small and Medium Enterprises (SMEs) in Ghana: Challenges and determinants in accessing bank credit. *Journal of Research in Social Sciences* 2(3):12-25.
- Kyambadde A (2015). Report from Ministry of Trade, Commerce and industry on emerging trend of Small Medium sized enterprise in Uganda: Fountain Publishers.
- Lukuma CP, Marty R, Muhumuza F (2019). Financial inclusion and micro, small and medium enterprises (MSMEs) growth in Uganda. *Journal of Innovation and Entrepreneurship* 8(15):2-20.
- Mead G (2009). The effect of industry growth and strategic breadth on new venture performance and strategy content. *Strategic Management Journal* 15(7):537-554.
- Moscalu M, Girardone C, Calabrese R (2019). SMEs growth under financing constraints and banking markets integration in the euro area. *Journal of Small Business Management* pp. 1-40.
- Mweheire P (2014). Chief Executive Stanbic Bank Annual Report: Access on loan by SMEs". Available at: https://www.stanbicbank.co.ug/static_file/Uganda/Downloadable%20files/Annual%20reports/SBU_AnnualReport2014.pdf
- Nangoli S, Turinawe D, Kituyi GM, Kusemererwa C, Jaaza M (2013). Towards Enhancing Business survival and growth rates in LDC: An exploratory study of the Drivers of Business Failure among SMEs in Kampala- Uganda. *International Journal of Humanities and Social Sciences* 3(8):284-291.
- Ocinneidel P (2009). *Economic recession, high unemployment rates and expansion of Small and Medium enterprises*, 3rd Edition. Sage Publisher.
- Okello J (2006). Impact of financial loans on the performance of the business. *Journal of Business Management* 4(7):51-59.
- Okpukpara B (2009). Strategies for effective loan delivery to small-scale enterprises in rural Nigeria. *Journal of Development and Agricultural Economics* 1(2):041-048.
- Oleka CO, Maduagwu EN, Igwenagu CM (2014). Analysis of the impact of Microfinance banks on the performance of small and medium scale enterprises in Nigeria. *International Journal of Management and Social Science* 1(2):45-60.
- Oyelaran-Oyeyinka B, Lal K (2006). Learning new technologies by small and medium enterprises in developing countries. *Technovation* 26(2):220-231.
- Perks S, Smith EE (2006). Investigating training interventions required for upgrading black micro-entrepreneurial skills: An empirical study. In *Eighteenth Annual Conference of the Southern Africa Institute for Management Scientists*, Stellenbosch University, Stellenbosch. pp. 13-15.
- Ramcharran H (2017). Financing small and medium-sized enterprises in Thailand: The importance of bank loans and financing diversification. *Journal of Entrepreneurship and Finance* 19(2):1-40.
- Report on Uganda Micro, Small and Medium Enterprise (MSME) Policy (2015). *Sustainable MSMEs for wealth creation and Social-Economic Transformation*. Ministry of Trade, Industry and Cooperatives, the Republic of Uganda.
- Rodrigues IB, Adachi JD, Beattie KA, MacDermid JC (2017). Developing and validation of a new tool to measure facilitators, barriers and preferences to exercise in people with Osteoporosis. *BMC Musculoskeletal Disorders* 18(540):1-9.
- Sadiq R (2017). Impact of Working Capital Management on Small and Medium Enterprises' Performance in Nigeria. *Arabian Journal of Business Management Review* 7(1):285.
- Sakwa MA, Rambo CM, Osogo J (2019). Influence of collateral security on performance of SMEs in Turbo Sub County Kenya. *European Journal of Business Management* 11(18):21-30.
- Sanusi LS (2013). Keynote Address at the Annual Micro, Small and Medium Enterprises (MSMEs) Finance Conference & D-8 Workshop on Microfinance for Small and Medium Enterprises (SMEs). Central Bank of Nigeria, Abuja, 15th-February. Available at: <https://www.bis.org/review/r130823d.pdf>
- Sarwoko E, Frisdiantara C (2016). Growth determinants of small medium enterprises (SMEs). *Universal Journal of Management* 4(1):36-41.
- Sekaran U (2006). *Research Methods for Business: A skill building*

- approach. John Wiley and Sons.
- Sitharam S, Hoque M (2016). Factors affecting the performance of small and medium enterprises in KwaZul Natal, South Africa. *Problems and Perspectives in Management* 14(2):277-288.
- Sunday KJ (2011). Effective working capital management in small and medium scale enterprises (SMEs). *International Journal of Business and Management* 6(9):271.
- Taber KS (2017). Use of Cronbach's Alpha when developing and reporting research instruments in science education. *Research in Science Education* 48:1273-1296.
- Turnbull H (2009). Trait of the borrowers, Marketing and Investment Banking II: Relationships and Competitive Advantage. *International Journal of Bank Marketing* 14(2):38-49.
- Turyahebwa A, Sunday A, Ssekajugo D (2013). Financial management practices and business performance of small and medium enterprises in Western Uganda. *African Journal of Business Management* 7(3):3875-3885.
- Turyahikayo E (2015). Challenges faced by Small and Medium Enterprises in raising finance in Uganda. *International Journal of Public Administration and Management Research* 3(2):21-33.
- Uganda Investment Authority (2012). Report on management of Small Scale Enterprise in Uganda. Available at: <https://fortuneofafrica.com/ug/uganda-investment-authority/>
- Uganda Microfinance Sector Review (2014). Uganda Microfinance Sector Effectiveness Review 2014. Available at: <https://fsduganda.or.ug/wp-content/uploads/2017/06/Uganda-Microfinance-Sector-Effectiveness-Review-2014.pdf>
- Wellen H, Mulder A (2008). Micro credits in SMEs, *Journal of finance and microfinance* 7:122-134.
- World Bank (2009). The Financial and Private Sector Development Africa Region: Making Finance work for Uganda.

APPENDIX

Makerere University

College of Business and Management Sciences

Survey Questionnaire for Managers of Small Scale Enterprises

Dear respondents,

My name is Eric Nzibonera (Ph.D), a lecturer in the Department of Accounting and Finance, College of Business and Management Sciences, Makerere University. I am carrying out a research survey on the effect of financial loans on growth of small scale enterprises in Kampala, Uganda. You have been selected to participate in this exercise by filling this questionnaire. Kindly note that the study is only for academic purposes and your responses will be treated with utmost confidentiality and are very essential to the success of this study.

Thank you so much.

SECTION A: DEMOGRAPHIC INFORMATION

(Please tick in the correct box)

1. Form of the enterprise

i) Sole proprietorship ii) Partnership iii) Limited company

2. Number of employees

i) less than 10 ii) 10-20 ii) 20-30 iv) 30-50

3. Years for which the enterprise has been in operation

i) Less than a year ii) 1- 5 years iii) 6-10 years

iii) Above 10 years

4. Total value of assets (in Uganda shillings)

i) 10-25 million ii) 26-50 million iii) 51-75 million iv) 76-100 million

5. Range of amount (in Uganda shillings) borrowed from financial institutions (Banks, Microfinance entities and registered Savings and credit schemes)

i) less 10 million ii) 10- 20 million iii) 21 million and above

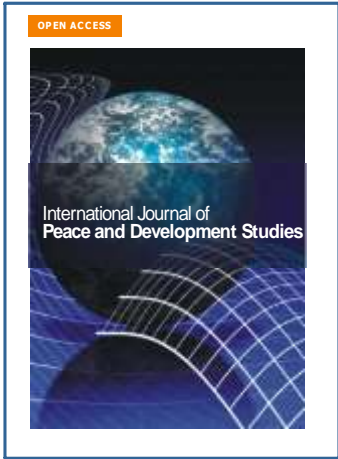
SECTION B: Financial loans and growth of the enterprise

This section examines the use of different categories of financial loans (secured, working capital and group loans) and growth of small scale enterprises. Please use the following 5 Point-Likert scale to tick your response to the statement: Strongly agree (5), Agree (4), neutral (3), disagree (2) strongly disagree (1).

	Secured loans	5	4	3	2	1
SL1	<i>The loan is easy to access after providing collateral security.</i>					
SL2	<i>The Secured loans are flexible because of the long payment period.</i>					
SL3	<i>Secured loans attract low interest rate because of collateral.</i>					
SL4	<i>Because of collateral, the loan encourages the borrower to work hard to grow the enterprise</i>					
SL5	<i>Loan size can always increase depending on collateral security and operations of the enterprise</i>					
	Group loans	5	4	3	2	1
GL1	<i>It is easy to access a group loans because group members act as security by acting as guarantors to the borrower</i>					
GL2	<i>The group loan is always sufficient to run operations of the enterprise</i>					
GL3	<i>Working capital loans are always easy to use because of enough training given by the lending institution</i>					
GL4	<i>The group loans payment period is sufficient to run the operations efficiently.</i>					
GL5	<i>The group loans are not costly because they attract low interest rate.</i>					
	Working capital loans	5	4	3	2	1
WC1	<i>Interest rates charged on working capital loans are affordable</i>					
WC2	<i>The short term repayment period for working capital loans encourage enterprises to work hard</i>					
WC3	<i>Lenders of working capital loans don't need collateral security</i>					
WC4	<i>Working capital loans help the business to sustain its day-today operations</i>					
	Growth of small scale enterprises	5	4	3	2	1
G1	<i>The enterprise has been increasing its stock over a period of time.</i>					
G2	<i>There is increase in customers for the enterprise products.</i>					
G3	<i>The enterprise has consistently increased its capital base.</i>					
G4	<i>The enterprise has increased its revenues</i>					
G5	<i>The profits of the enterprise have been increasing</i>					

Thank you so much for your cooperation.

Related Journals:



Full Length Research Paper

The effect of entrepreneurial orientation on firms' performance of the telecommunication sector in Sudan

Abdelgadir M. A. Abdalla^{1*} and Sara M. A. Mohamed²

¹School of Management Studies, University of Khartoum, P.O. Box 321, Khartoum, Sudan.

²Sudanese Petroleum Corporation, Sudan.

Received 20 October, 2019; Accepted 15 May, 2020

The purpose of this research is to investigate the effect of entrepreneurial orientation (EO) on firms' performance in the telecommunication sector in Sudan. The EO is reflected in innovativeness, proactiveness, risk-taking, competitive aggressiveness and autonomy which have been treated as a one-dimensional construct. Firms' performance has been measured by financial and non-financial indicators in a subjective manner. To accomplish the research objective, data were collected through a self-administered questionnaire distributed to a sample of respondents from the four companies (Zain, Sudani, MTN and Canar) composing the sector of the telecommunication in Sudan. The findings revealed that, EO has a significant effect on firms' performance in the telecommunication industry in Sudan. The findings of this research provide additional evidence from an under-examined context to support the link between EO and firms' performance. Additionally, this research offers practical implications to practitioners, investors, entrepreneurs, board members, and fund providers pursuing instruments for evaluating the success of telecommunication companies. The study concluded that, in an environment characterized by uncertainty and rapid change, EO appears to be an essential way of creating and maintaining superior firms' performance.

Key words: Entrepreneurial orientation, firms' performance, Sudan, telecommunication.

INTRODUCTION

Evaluating the role of entrepreneurial orientation (EO) on advancing the performance of organizations in today's business environment is a crucial concern for both academics and practitioners. In the current years, several fields have given a close attention to the relationship between these two major constructs which have been investigated in numerous empirical studies. EO can be

deemed as a new trend to assess the performance of a new business enterprise (Kraus et al., 2018).

In an environment characterized by swift change and uncertainty, the future gains from current processes are uncertain and business organizations must constantly look out for new opportunities. In today' aggressive business world, EO is acknowledged as a viable strategic

*Corresponding author. E-mail: aabdelgadirabdulla@gmail.com.

tool (Rae and Ruth, 2013). Therefore, firms may get advantages from embracing EO. Such firms need to innovate regularly while taking risks in their product-market approaches (Miller and Friesen, 1982). Efforts undertaken by firms to predict and foresee market needs and place new product/service offerings often resulted in improved or relatively better performance (Ireland et al., 2003). Consequently, theoretical arguments imply that EO results in higher business performance. However, the significance of this association seems to diverge across different contexts. While some research have observed that firms which embraced a solid EO, have performed considerably superior than firms which did not embrace it (Gupta et al., 2019; Lee et al., 2019; Ahmed, 2017; Al-Nuami et al., 2014; Schepers et al., 2014; Van Doorn et al., 2013; Vij and Bedi, 2012), other research presented minor or even an absence of association between EO and performance (Branch and McGivern, 2014; Dimitratos et al., 2004; Lumpkin and Dess, 2001; Zahra, 1991). Thus, there is a substantial discrepancy in the magnitude of reported findings on the interactions between EO and the performance of firms. Hence, the study of EO in different contexts is required. This research highlights the necessity to cultivate a wide view of EO and firms' performance in a different context. The increasing popularity of entrepreneurship worldwide has stimulated the interest in comprehending the relevance of EO in varied socio-cultural settings (Wales et al., 2019). Likewise, it is emphasized in the literature that there is still an enormous gap in some developing economies in contrast to the developed countries (Kaunda, 2012). It is hoped that this research helps enlighten and evolve critical themes of study in the multicultural literature of EO, particularly those that have persisted under-examined up to now.

This study examines the effect that EO may have on firms' performance in the telecommunication sector in Sudan. Telecommunication industry is a part of high technology-based industry (Döckel, 2003). Technology-based industry is composed of organizations that combine, obtain or initiate new technology to develop new products, services, and processes as the source of their competitive advantage. It is considered especially appealing to analyze this industry because of its rapid change and extreme environmental uncertainty (Rai et al., 2007). There is no doubt that the telecommunication is a vital sector in Sudan economy. In the present context of economic obstacles and instability facing the country, the capacity of this sector to innovate, invest and create growth, will become a fundamental contribution for the economic and social development of Sudan.

LITERATURE REVIEW AND HYPOTHESES

In this section the focus will be on presenting a brief literature review on entrepreneurial orientation (EO),

business performance and the link between them.

Entrepreneurial orientation

EO has its background in the strategy-formulating practice literature that indicates the strategic methods by which firms recognize new opportunities and realize entrepreneurial activities (Dess and Lumpkin, 2005). There is no commonly acknowledged definition for entrepreneurship that has acquired general agreement (Carland et al., 2015). EO comprises a constant behaviour so as to accomplish the initiation of new business, which will eventually lead to the generation of a durable competitive advantage in the long term (Wiklund and Shepherd, 2003).

Miller (1983)'s pioneering work indicates that an entrepreneurial organization is one that constantly generates innovations, assumes risky business opportunities and be the market leader in introducing proactive innovations ahead of competitors. As a result, he underlines three major dimensions that establish EO, namely: innovativeness, pro-activeness and risk-taking – which have been prominent dimensions of EO that were investigated empirically in the literature of entrepreneurship (Al-Ansari, 2014; Beliaeva, 2014; Ejdays, 2016; Karyotakis and Moustakis, 2016; Omisakin et al., 2016; Rauch et al., 2009).

Drawing on the definition of Miller (1983) and other prior research in the field of EO (Burgelman, 1984; Hart, 1992; MacMillan and Day, 1987; Venkatraman, 1989), Lumpkin and Dess (1996) identified further two dimensions of the EO: Competitive Aggressiveness and Autonomy. These additional dimensions have been used to measure EO by many authors (Duru et al., 2018; Kaunda, 2012; Sriprasert, 2013). Furthermore, it has been noticed that several EO related research were accomplished with the use of EO dimensions in various combinations (Soininen, 2013). Therefore, the five dimensions of pro-activeness, autonomy, innovativeness, risk-taking, and competitive aggressiveness were selected to measure EO in this study.

Innovativeness is defined as a firm's willingness to contribute to creativity and experimentation through the development and the launch of novel products/services as well as process and business model innovation leadership via its activities in research and development. It is important to note that, innovative behaviour does not essentially imply a radical, new to the state of the art innovation but may indicate the processes of reproducing and adapting of current ideas into innovations that are novel to the firm (Perez-Luno et al., 2011).

The second dimension of EO is *risk-taking* which is described as the firm's inclination and tendency to allocate a substantial amount of its resources in endeavors where the cost of failure can be very high or the outcomes are uncertain (Wiklund and Shepherd,

2011).

The third dimension is *pro-activeness* which represents an opportunities-pursuing, forward-looking view embodied by the development and induction of new products and services in advance of the competition. It also relates to the ability to anticipating shifts and opportunities that may occur in the environment which encourages modification in the current tactics and spot forthcoming market trends (Hughes and Morgan, 2007). Pro-activeness portrays how organizations consider opportunities within local and foreign markets (Covin and Miller, 2014).

The fourth dimension of EO is *competitive aggressiveness*. This dimension seeks out to preserve and grow existing resources in response to competitive threats (Lumpkin and Dess, 2001). Thus, competitive aggressiveness may involve actions such as concentrating on preserving market positions or overtake rivals in markets deemed valuable of targeting (Lumpkin and Dess, 1996). This dimension may be especially significant within conventional conglomerates that are driven by a powerful desire to be competitive in new markets and safeguard their global market position. Nevertheless, numerous cultures also consider competitive aggressiveness as having restricted demonstration within EO (Covin and Miller, 2014). That is, in several contexts, entrepreneurial endeavors are regarded as growing out of cooperation and partnership among different stakeholders rather than competition (Gupta and Gupta, 2015).

The final dimension of EO is *autonomy* which refers to the freedom and empowerment necessary for the realization and exploitation of opportunities through the application of business concepts (Lumpkin et al., 2009). In other words, autonomy offers employees the opportunity to function effectively by being empowered, self-regulated, and creative across all levels of the organization without any organizational or structural obstacles that would hinder them (Lumpkin and Dess, 1996). Reviewing the relevant literature on EO dimensions, it can be noticed that a persisting debate about whether or not these dimensions in fact differ independently (Wales et al., 2011). As advocated by Covin et al. (2006), EO is viewed as a one-dimensional construct, created by the combination of innovativeness, pro-activeness, risk-taking, competitive aggressiveness and autonomy.

The relevant dimensions of EO frequently reveal high inter-correlations with each other in several studies (Bhuiyan et al., 2005; Richard et al., 2004). Consequently, most research combined these dimensions into a single factor (Covin et al., 1994; Lee et al., 2001; Walter et al., 2006). Some researchers have claimed that the EO construct is best regarded as a one-dimensional construct (Covin and Slevin, 1989; Knight, 1997) and, accordingly, the various dimensions of EO should correlate with firms' performance in similar manners.

Thus, following Covin et al. (2006), this study measured EO as an aggregated construct that includes all the five aforementioned dimensions.

Firms' performance

Firms' performance is a multidimensional construct and the relation between EO and business performance may be contingent on the indicators utilized to evaluate performance (Lumpkin and Dess, 1996). Empirical evidences suggested that there is no agreement among scholars on the applicable measures of business performance indicators. Thus, a broad variety of performance measures, that is, objective and subjective measures, as well as financial and nonfinancial measures were operated across different studies (Chakravarthy, 1986; Venkatraman and Ramanujam, 1986; Murphy et al., 1996; Combs et al., 2005).

It has been broadly accepted by scholars that objective measures of performance are more applicable than subjective measures of performance. Objective data, however, are not easy to be acquired as respondents are hesitant to disclose information that may be confidential to the public (Dess and Priem, 1995). Additionally, business firms are commonly persuaded to deliver subjective performance evaluation of their enterprises, which may lack robust consistency (Wiklund and Shepherd, 2005). Alternatively, performance can be considered to be multidimensional construct and hence it is worthwhile to assimilate several subjective and objective measures of performance for precise assessment (Lumpkin and Dess, 1996; Combs et al., 2005; Wiklund and Shepherd, 2005). In this study, subjective and self-reported financial and non-financial measures are utilized to measure firms' performance, which are coherent with the earlier studies (Covin and Slevin, 1989; Smart and Conant, 1994).

Entrepreneurial orientation and firms' performance

The link between EO and firms' performance has become a key issue of interest in previous studies. These studies have shown that EO remains a prominent factor that potentially influences firms' performance and could extensively improve firms' performance (Ahmad, 2017; Hoque, 2018; Umrani et al., 2018; Gupta et al., 2019; Adebisi et al., 2019; Ambad and Wahab, 2016; Barrett and Weinstein, 2015). However, there are also some studies that inferred that EO does not offer positive outcomes to firms' performance (Branch and McGivern, 2014; Matsuno et al., 2002; Morgan and Strong, 2003; Naldi et al., 2007). Indeed, these implications form the foundation for the interest in exploring the effect that EO may have on business performance (Miller, 1983).

This research and its hypotheses are theoretically based on the resource-based theory (RBT; Wernerfelt, 1984; Galbreath, 2005). RBT has become a prevailing paradigm in the field of entrepreneurship and strategic management (Hitt et al., 2016). This theory suggests that businesses endeavor to differentiate themselves from competitors in order to achieve competitive edge and outstanding performance (Hitt et al., 2016; Galbreath, 2005). Accordingly, RBT advocates that firms that implement a value creating strategy, such as EO and corporate entrepreneurship are more expected to attain competitive edge and superior performance than its existing or prospective rivals that do not adopt such strategies. Therefore, drawing on the premises of RBT, this study formulates a hypothesis that identifies the significant role of EO to improve firms' performance. Thus, the following hypothesis is articulated:

Entrepreneurial orientation positively influences firms' performance of the telecommunication sector in Sudan.

METHODOLOGY

Here, the paper briefly discusses the materials and methods in terms of measurement development, sampling and data collection as well as the statistical tools of data analysis.

Measurement development

All constructs were measured using multiple-item scales based on a five - point Likert scale ranging from 1=strongly disagree to 5=strongly agree that were adapted from previous validated studies in the field of EO. In particular, EO was measured by a thirteen-item scale adapted from Miller (1983) and Lumpkin and Dess (1996). EO was operationalized as a one-dimensional construct: The five dimensions of innovativeness, pro-activeness, risk taking, competitive aggressiveness, and autonomy were aggregated together to measure this construct. Principal components factor analysis was conducted to augment the one-dimensionality of the scale, confirming that the items analyzed are clustered in a single factor. Finally, business performance was measured using subjective self-reported items. The measurements were based on growth and profitability which were adopted from previous studies (Gupta and Govindarajan, 1984; Venkatraman and Ramanujam, 1986). These measurement items have been adapted to fit the study settings. Four items were employed to measure growth and additional two items to measure profitability.

Sampling and data collection

The population of this research encompasses all employees who work in the telecommunication sector in Sudan. This sector is mainly made up of four companies: Zain, Sudani, MTN, and Canar. A self-administrated questionnaire was used as primary data collection instrument. A total of 150 questionnaires were distributed to senior employees in the four telecommunication companies using a simple random sampling method. Out of the 150 questionnaires, 119 valid responses were obtained, resulting in an effective (79.3%) response rate.

Statistical analysis

The research model was tested using SPSS software. The data were analyzed using a two-step approach: in the first step, an Exploratory Factor Analysis (EFA) and Reliability analysis was performed, which helps evaluate the goodness of the measure. In the second step, the research hypothesis was tested using linear regression analysis.

RESULTS AND DISCUSSION

Assessment of the goodness of measure

The study tested validity and reliability to assess the goodness of measure of the research constructs. EFA for testing the validity of measures was employed. Moreover, the reliability of measurements was evaluated by internal consistency using Cronbach's alpha test. The results of EFA and reliability test are described as follows:

Exploratory factor analysis

Principal Component Analysis, Varimax Rotation with Kaiser Normalization and Eigenvalues were applied to the constructs of study. The findings of EFA revealed that, Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was equal to 0.932. In addition, the Bartlett's Test of Sphericity was significant at 0.05. Therefore, it can be concluded that EFA is appropriate for this data. As summarized in Table 1, all the items used to measure the five dimensions of EO (innovativeness, pro-activeness, risk taking, competitive aggressiveness, and autonomy) were loaded on a single component or factor with eigenvalue beyond 1.0. Moreover, the items used to measure the firms' performance also converged one a single factor. These two factors explain 62.160% of variance in the data (> 0.60 threshold).

In addition, all the items had factors loading more than the recommended value of at least 0.50 advocated by Hair et al. (2010) as shown in Table 2. The high loadings signify that the factors extracted for the study are well correlated with the original variables and explain substantial part from the variance in the original variable.

Reliability analysis

The Cronbach's alphas for the two construct are shown in Table 3, along with the number of items. According to Hair et al. (2010), the minimum level of Cronbach's alpha is 0.70. The findings of the reliability analysis showed that the Cronbach's alphas of both constructs were above the recommended threshold for the fulfillment of construct reliability, indicating that the measures used in this research data were internally consistent and highly reliable.

Table 1. Total variance explained.

Component	Initial Eigen values			Rotation sums of squared loadings		
	Total	% of variance	Cumulative %	Total	% of variance	Cumulative %
1. EO	9.955	52.394	52.394	7.131	37.531	37.531
2. Firm Performance	1.855	9.766	62.160	4.679	24.628	62.160

Table 2. Rotated component matrix.

	Component	
	EO	Firm performance
Innov3	0.800	
Innov1	0.790	
RT1	0.746	
CA1	0.744	
RT3	0.738	
Auton1	0.738	
Auton3	0.730	
Innov2	0.724	
Proact1	0.706	
CA2	0.703	
Auton4	0.638	
Auton2	0.624	
Proact3	0.610	
FP3		0.850
FP2		0.816
FP4		0.775
FP1		0.765
FP5		0.759
FP6		0.591

Innov; innovativeness; RT, risk-taking, CA, competitive aggressiveness; Auton, autonomy; Proact, proactiveness; FP, firm performance.

Table 3. Constructs' reliability.

Construct name	Number of items	Cronbach's alpha
EO	13	0.942
Firm performance	6	0.892

Hypotheses testing

The research hypothesis suggests that the EO is positively related with the firms' performance. To test this hypothesis, the study conducted Pearson correlation and regression analysis. Test of research hypothesis demonstrated support for the predicted positive relationship between EO and firms' performance in the telecommunication sector (H1: *t-value* is 9.402; *p value* < 0.001). Moreover, EO explains approximately 43% of the variance in firms' performance ($R^2 = .430$). Table 4 shows

the results of the hypotheses testing.

This research seeks to contribute to the advancement of the literature on EO as a major factor that stimulates business performance via a robust empirical investigation. The main context of this research is the telecommunication sector in Sudan. Recognizing the influences of decisions made by top management in choosing a strategic orientation is critical and extremely significant to both theory and practice. The objective of this study was to determine the effect of EO on firms' performance. The findings revealed that there was

Table 4. Regression and correlation results.

Model	Unstandardized coefficients		Standardized coefficients	t	Sig	F	Sig	R	R ²	Adjusted R ²	Conclusion
	B	Std. error	Beta								
EO	0.698	0.074	0.656	9.402	0.000	88.390	0.000	0.656	0.430	0.425	H ₁ : supported

significant correlation between these two variables. Hence, the study concluded that EO, particularly in telecommunication industry, has a positive and significant impact on firms' performance (H1 supported), validating previous research in this context (Ahmad, 2017; Hoque, 2018; Umrani et al., 2018; Gupta et al., 2019). For instance, the findings of this research concurred with the results of the study conducted by Ahmad (2017), who investigated the significance of EO and market orientation on business performance of Jordanian small to medium enterprises (SME) in the telecommunications industry. Furthermore, in his research on the influence EO on the business performance among SMEs in Bangladeshi, Hoque (2018) also reached a similar conclusion about the significant positive link between EO and firms' performance.

This study contributes to the literature in the field of entrepreneurship by offering additional evidence to support the positive link between EO and firms' performance from an under-examined context in developing economies, as very few research have been conducted in this context. In addition to the theoretical contribution, this research offers practical implications to practitioners, investors, entrepreneurs, board members, and fund providers pursuing means for appraising the success of telecommunications companies.

Sudanese telecommunication firms need to encourage the generation of new ideas, experimentation, risk-taking behaviour, empowerment, and creativity that ultimately result in novel services and processes. Thus, adopting EO and innovation processes can help those organizations to achieve competitive advantage and endorse notable source of growth (Dess and Lumpkin, 2005). Eventually, proactive organizations, supplemented by ground-breaking activities (Lumpkin and Dess, 1996), can be market leaders in the development and introduction of novel products, services, and technologies rather than basically follow trends (Miller, 1983, Covin and Slevin, 1989). Moreover, these proactive firms may be in a position to spot latent customer needs, foresee fluctuations in demand and discover new business opportunities well ahead of their rivals in the market place (Dess and Lumpkin, 2005).

Conclusion

This research tested and empirically proved the positive

direct effect of EO on the performance of the telecommunication industry in Sudan. In this sector, firms have been operating under the conditions of environmental turbulence, increased competition and global economic sanctions and constrains. Under such conditions firms need to call upon the entrepreneurial skills of their management at different levels to innovate, undertake calculated risk and read the market trends. It is necessary to recognize that in today's business environment, EO in general and innovation in particular appears to be an essential way of creating and maintaining superior business performance. Likewise, firms may achieve superior performance by adopting a proactive strategy regardless of the environment in which they operate. It is thus clear that the telecommunication companies should cultivate a corporate culture and management style that foster the innovative, proactive, autonomous, competitive, and risk taking behavior.

Limitations and future research

It should be mentioned that the findings of this study come with some limitations; first, the sample size may represent one limitation of the findings of this study. Although the size and the response rate in this research are fairly satisfactory, directing future research on a larger sample size would considerably contribute to the comprehension of the research issues. Second, despite the strong and persistent adoption and support for the employment of subjective measures of business performance, it would have been preferable to have had a mixture or a combination of subjective and objective data to evaluate the effects of EO on business performance. Third, the generalization of the results generated from this study to other sectors or markets remains uncertain. Moreover, the research examined the direct link between EO and firms' performance. However, the nature of EO-performance link is very complicated (Wiklund and Shepherd, 2005).

Hence testing a model that incorporates some moderators and mediators in future studies may lead to more precise explanations about the nature of the relation between EO and firms' performance.

CONFLICT OF INTERESTS

The authors have not declared any conflict of interests.

REFERENCES

- Adebiyi SO, Amole BB, Arikewuyo KA, Oyenuga OG (2019). Multi-Criteria Decision Analysis of Entrepreneurial Orientation and Business Performance in Nigeria. *Economics and Business* 33(1):140-151.
- Ahmed H (2017). The impact of entrepreneurship orientation, market orientation on improving business overall performance on Jordanian small and medium enterprises Case Study: Orange telecommunication company-Jordan telecommunication sector. *International Business Management* 11(11):1826-1833.
- Al-Ansari YDY (2014). Innovation practices as a path to business growth performance: a study of small and medium sized firms in the emerging UAE market (PhD dissertation). Southern Cross University, Lismore, NSW.
- Al-Nuaimi M, Idris WMS, Moh'd AL-Ferokh FA (2014). An empirical study of the moderator effect of entrepreneurial orientation on the relationship between environmental turbulence and innovation performance in five-star hotels in Jordan. *International Journal of Business Administration* 5(2):111-125.
- Ambad SNA, Wahab KA (2016). The relationship between corporate entrepreneurship and firm performance: evidence from Malaysian large companies. *International Journal of Business and Society* 17(2):259-280.
- Barrett H, Weinstein A (2015). Corporate entrepreneurship, the marketing mix, and business performance. In Wilson EJ, Hair JF (eds.), *Proceedings of the 1997 Academy of Marketing Science (AMS) Annual Conference*, Springer International Publishing. pp. 144-150.
- Beliaeva T (2014). Antecedents and performance outcomes of entrepreneurial orientation: a comparative cross-country study. Available at: <https://lutpub.lut.fi/handle/10024/97007>
- Bhuiyan SN, Menguc B, Bell SJ (2005). Just entrepreneurial enough: The moderating effect of entrepreneurship on the relationship between market orientation and performance. *Journal of Business Research* 58:9-17.
- Branch N, McGivern MH (2014). Telecommunications Entrepreneurial Orientation (TELEO): An Empirical Study Measuring the Significance of Entrepreneurial Orientation on Business Performance of Small-to-Medium Enterprises (SME) in the Telecommunications Industry. *International Journal of Strategic Information Technology and Applications* 5(2):13-26.
- Burgelman RA (1984). Designs for corporate entrepreneurship in established firms. *California Management Review* 26(3):154-166.
- Carland Jr JW, Carland JAC, Carland III JWT (2015). Self-actualization: the zenith of entrepreneurship. *Journal of Small Business Strategy* 6(1):53-66.
- Chakravarthy B (1986). Measuring Strategic Performance. *Strategic Management Journal* 6(5):437-458.
- Combs JG, Crook TR, Shook CL (2005). The Dimensionality of Organizational Performance and Its Implications for Strategic Management Research. In Ketchen DJ, Bergh DD (eds.), *Research Methodology in Strategic Management*, 259-286, Elsevier, San Diego, CA.
- Covin JG, Miller D (2014). International entrepreneurial orientation: Conceptual considerations, research themes, measurement issues, and future research directions. *Entrepreneurship Theory and Practice* 38(1):11-44.
- Covin JG, Green KM, Slevin DP (2006). Strategic process effects on the entrepreneurial orientation-sales growth rate relationship. *Entrepreneurship: Theory and Practice* 30(1):57-81.
- Covin JG, Slevin DP (1989). Strategic management of small firms in hostile and benign environments. *Strategic Management Journal* 10(1):75-87.
- Covin JG, Slevin DP, Schultz RL (1994). Implementing strategic missions: Effective strategic, structural, and tactical choices. *Journal of Management Studies* 31(4):481-503.
- Dess GG, Priem RL (1995). Consensus-Performance Research: Theoretical and Empirical Extensions. *Journal of Management Studies* 32(4):401-417.
- Dess GG, Lumpkin GT (2005). *Research Edge: The Role of Entrepreneurial Orientation in Stimulating Effective Corporate Entrepreneurship*. The Academy of Management Executive (1993-2005) 19(1):147-156.
- Dimitratos P, Lioukas S, Carter S (2004). The relationship between entrepreneurship and international performance: the importance of domestic environment. *International Business Review* 13(1):19-41.
- Döckel A (2003). The effect of Retention factors on Organizational commitment: An investigation of High Technology Employees. M.Com dissertation, Faculty of Economics and Management Sciences, University of Pretoria, Pretoria.
- Duru IU, Ehidiemhen PO, Chijioke AN (2018). Role of entrepreneurial orientation in the performance of small and medium enterprises: Evidence from Federal Capital Territory, Abuja, Nigeria. *Asian Journal of Economics, Business and Accounting* 6(1):1-21.
- Ejdys J (2016). Entrepreneurial orientation vs. innovativeness of small and medium size enterprises. Available at: <https://depot.ceon.pl/handle/123456789/8587>
- Galbreath J (2005). Which resources matter the most to firm success? An exploratory study of resource-based theory. *Technovation* 25(9):979-987.
- Gupta VK, Gupta A (2015) The concept of entrepreneurial orientation. *Found Trends Entrepreneur* 11(2):55-117.
- Gupta AK, Govindarajan V (1984). Business unit strategy, managerial characteristics, and business unit effectiveness at strategy implementation. *Academy of Management Journal* 27(1):25-41.
- Gupta VK, Niranjana S, Markin E (2019). Entrepreneurial orientation and firm performance: the mediating role of generative and acquisitive learning through customer relationships. *Review of Managerial Science* 2019:1-25.
- Hair JF, Anderson RE, Tatham RL, Black WC (2010). *Multivariate Data Analysis* (7th ed.). Prentice Hall Inc., Upper Saddle River, NJ.
- Hart SL (1992). An integrative framework for strategy-making processes. *Academy of Management Review* 17(2):327-351.
- Hitt MA, Xu K, Carnes CM (2016). Resource based theory in operations management research. *Journal of Operations Management* 41:77-94.
- Hoque ASMM (2018). The effect of entrepreneurial orientation on Bangladeshi SME performance: Role of organizational culture. *International Journal of Data and Network Science* 2(1):1-14.
- Hughes M, Morgan RE (2007). Deconstructing the relationship between entrepreneurial orientation and business performance at the embryonic stage of firm growth. *Industrial Marketing Management* 36(5):651-661.
- Ireland RD, Hitt MA, Sirmon DG (2003). A model of strategic entrepreneurship: The construct and its dimensions. *Journal of Management* 29(6):963-989.
- Karyotakis KM, Moustakis VS (2016). Organizational factors, organizational culture, job satisfaction and entrepreneurial orientation in public administration. *The European Journal of Applied Economics* 13(1):47-59.
- Kaunda CM (2012). Entrepreneurial orientation, age of owner and small business performance in Johannesburg (Unpublished research report). Faculty of Commerce, Law and Management, University of the Witwatersrand.
- Knight GA (1997). Cross-Cultural Reliability and Validity of a Scale to Measure Firm Entrepreneurial Orientation. *Journal of Business Venturing* 12:213-225.
- Kraus S, Burtscher J, Vallaster C, Angerer M (2018). Sustainable Entrepreneurship orientation: a reflection on status-quo research on factors facilitating responsible managerial practices. *Sustainable* 10(2):444-465.
- Lee C, Lee K, Pennings JM (2001). Internal capabilities, external networks, and performance: a study of technology bases ventures. *Strategic Management Journal* 22(6-7):615-640.
- Lee Y, Zhuang Y, Joo M, Bae TJ (2019). Revisiting Covin and Slevin (1989): Replication and extension of the relationship between entrepreneurial orientation and firm performance. *Journal of Business Venturing Insights* 12:e00144.
- Lumpkin GT, Cogliser CC, Schneider DR (2009). Understanding and measuring autonomy: An entrepreneurial orientation perspective. *Entrepreneurship Theory and Practice* 33(1):47-69.
- Lumpkin GT, Dess GG (1996). Clarifying the entrepreneurial orientation

- construct and linking it to performance. *Academy of Management Review* 21(1):135-172.
- Lumpkin GT, Dess GG (2001). Linking two dimensions of entrepreneurial orientation to firm performance: The moderating role of environment and industry life cycle. *Journal of Business Venturing* 16:429-451.
- MacMillan IC, Day DL (1987). Corporate ventures into industrial markets: Dynamics of aggressive entry. *Journal of Business Venturing* 2(1):29-39.
- Matsuno K, Mentzer JT, Ozsomer A (2002). The effects of entrepreneurial proclivity and market orientation on business performance. *Journal of Marketing* 66(3):18-32.
- Miller D, Friesen PH (1982). Innovation in Conservative and Entrepreneurial Firms: Two models of strategic momentum. *Strategic Management Journal* 3:1-25.
- Miller D (1983). The correlates of entrepreneurship in three types of firms. *Management Science* 29:770-791.
- Morgan RE, Strong CA (2003). Business Performance and Dimensions of Strategic Orientation. *Journal of Business Research* 56(3):163-176.
- Murphy GB, Trailer JW, Hill RC (1996). Measuring Performance in Entrepreneurship. *Research Journal of Business Research* 36(1):15-23.
- Naldi L, Nordqvist M, Sjöberg K, Wiklund J (2007). Entrepreneurial Orientation, Risk Taking, and Performance in Family Firms. *Family Business Review* 20(1):33-47.
- Omisakin OM, Nakhid , Littrell R, Verbitsky J (2016). Entrepreneurial orientation among migrants and small and medium enterprises. *Journal of Business Administration Research* 5(1):7.
- Perez-Luno A, Wiklund J, Cabrera R (2011). The dual nature of innovative activity: How entrepreneurial orientation influences innovation generation and adoption. *Journal of Business Venturing* 26:555-571.
- Rae D, Ruth WN (2013). How does enterprise and entrepreneurship education influence postgraduate students' career intentions in the New Era economy? *Education + Training* 55(8/9):926-948.
- Rai A, Borah S, Ramaprasad A (2007). Critical success factors for strategic alliances in the information technology industry: an empirical study. *Decision Sciences* 27(1):141-155.
- Rauch A, Wiklund J, Lumpkin GT, Frese M (2009). Entrepreneurial orientation and business performance: An assessment of past research and suggestions for the future. *Entrepreneurship Theory and Practice* 33(3):761-787.
- Richard OC, Barnett T, Dwyer S, Chadwick K (2004). Cultural diversity in management, firm performance, and the moderating role of entrepreneurial orientation dimensions. *Academy of Management Journal* 47(2):255-268.
- Schepers J, Voordeckers W, Steijvers T, Laveren E (2014). The entrepreneurial orientation–performance relationship in private family firms: the moderating role of socioemotional wealth. *Small Business Economics* 43(1):39-55.
- Smart DT, Conant JS (1994). Entrepreneurial orientation, distinctive marketing competencies and organizational performance. *Journal of Applied Business Research* 10(3):28-38.
- Soininen J (2013). Entrepreneurial orientation in small and medium-sized enterprises during economic crisis (PhD Thesis). School of Business, Lappeenranta University of Technology, Finland.
- Sripasert P (2013). The effect of entrepreneurial orientation on the success of community enterprise: a study of Nakhonsithammarat, Thailand. *International Proceedings of Economics* 59(33):158-162.
- Umrani WA, Kura KM, Ahmed U (2018). Corporate entrepreneurship and business performance. *PSU Research Review* 2(1):59-80.
- Van Doorn S, Jansen JJ, Van den Bosch FA, Volberda HW (2013). Entrepreneurial orientation and firm performance: Drawing attention to the senior team. *Journal of Product Innovation Management* 30(5):821-836.
- Venkatraman N, Ramanujam V (1986). Measurement of Business Performance in Strategy Research: A Comparison of Approaches. *Academy of Management Review* 11(4):801-814.
- Venkatraman N (1989). Strategic orientation of business enterprises: The construct, dimensionality, and measurement. *Management Science* 35(8):942–962.
- Vij S, Bedi HS (2012). Relationship between entrepreneurial orientation and business performance: A review of literature. *The IUP Journal of Business Strategy* 9(3):17-31.
- Wales WJ, Gupta VK, Mousa FT (2011). Empirical research on entrepreneurial orientation: An assessment and suggestions for future research. *International Small Business Journal* 31(4):357-383.
- Wales W, Gupta VK, Marino L, Shirokova G (2019). Entrepreneurial orientation: International, global and cross-cultural research. *International Small Business Journal* 37(2):95-104.
- Walter A, Auer M, Ritter T (2006). The impact of network capabilities and entrepreneurial orientation on university spin-off performance. *Journal of Business Venturing* 21(4):541-567.
- Wernerfelt B (1984). A resource-based view of the firm. *Strategic Management Journal* 5(2):171-180.
- Wiklund J (1999). The Sustainability of the Entrepreneurial Orientation-performance Relationship. *Entrepreneurship Theory and Practice* 23(1):37-48.
- Wiklund J, Shepherd D (2005). Entrepreneurial Orientation and Small Business Performance: A Configurational Approach. *Journal of Business Venturing* 20(1):71-89.
- Wiklund J, Shepherd DA (2011). Where to from here? EO-as-experimentation, failure, and distribution of outcomes. *Entrepreneurship Theory and Practice* 35:925-946.
- Wiklund J, Shepherd D (2003). Knowledge-based resources, entrepreneurial orientation, and the performance of small and medium sized businesses. *Strategic Management Journal* 24(13):1307-1314.
- Zahra SA (1991). Predictors and financial outcomes of corporate entrepreneurship: An exploratory study. *Journal of Business Venturing* 6:259-285.

Full Length Research Paper

Loans and growth of small-scale enterprises in Uganda: A case study of Kampala Central business area

Eric Nzibonera* and Ivan Waggumbulizi

Department of Accounting and Finance, School of Business, College of Business and Management Sciences,
Makerere University, P. O. Box 7062, Kampala, Uganda.

Received 26 February, 2020; Accepted 27 May, 2020

The study examines the impact of financial loans on growth of small-scale enterprises (SSEs) in Uganda. The contribution of SSEs in promoting economic growth and development is widely documented. Access to credit finance guarantees financial liquidity and sustainability of SSEs hence enhancing their profitability and growth. A cross-sectional research design was adopted using a quantitative approach, targeting managers of SSEs. Primary data were collected using closed ended questionnaires and analyzed to generate descriptive, correlation and regression statistics. The findings suggest that categories of financial loans, that is; secured loans and working capital loans have a positive and significant effect on growth of SSEs. The effect of group loans is not statistically significant. The implication of the study is that secured loans encourage small-scale enterprise managers to work hard to spur growth and also protect collateral securities from being mortgaged by lenders. Furthermore, working capital loans help SSEs to efficiently manage their day-today operations which ultimately enhance their profitability, survival and growth.

Key words: Small-scale enterprises, secured loans, working capital loans, group loans and growth.

INTRODUCTION

Small and Medium Enterprises (SMEs) are the backbone of all economies and are also globally considered as the stepping stone for industrialization. Developed and robust economies like the United States of America (USA) and United Kingdom (UK) trace their development from the growth of small and micro enterprises (Kamunge et al., 2014). Micro and small enterprises are considered to be the lifeblood of most economies and are viewed as key drivers of economic and social development in Africa (Gichuki et al., 2014). They play a critical role in triggering and sustaining economic growth and development in both developed and developing economies. According to Eton

et al. (2017), there is no universally agreed definition of SMEs and the term covers a wide range of definitions and measures varying from country to country. Those who attempt to define SMEs use their characteristics such as the size of capital investment, number of employees and sales turnover. For developing countries, small scale enterprises generally mean enterprises with less than 50 employees while medium sized enterprises are those with 50-99 employees (Arinaitwe and Mwesigwa, 2015). In Uganda, SMEs are described using both the number of employees and annual revenue turnover (Turyahebwa et al., 2013). For entities to be

*Corresponding author. E-mail: ernzibonera@gmail.com. Tel: +256 772668533.

described as SSEs, they should be employing 5 to 49 people and have total assets value of Uganda shillings 10 to 100 million (Kyambadde, 2015). Because of the contributions made by SSEs in Uganda such as creation of employment opportunities and government revenue, they need prioritized financial resources to boost the economy and enhance economic growth and development. A report by Uganda Investment Authority (2012) discloses that there are 1,069,848 registered SSEs in urban and rural areas which account for 90% of the private sector and contribute about 75% of Gross Domestic Product (GDP).

For SMEs to grow and contribute to economic development, access to adequate credit finance is critical (Hasnah et al., 2013). This is because SMEs cannot raise adequate equity finance through informal savings and retained earnings to sustain their operations and growth. Several studies have established that credit finance obtained at affordable interest rates and well utilized have a positive significant effect on growth of SMEs. For instance, findings of previous studies by Sitharam and Hoque (2016), Chowdhury and Alam (2017) and Lukuma et al. (2019) reveal that access to credit financing provides funds required to enhance growth of micro, small and medium enterprises. However, empirical studies by Moscalu et al. (2019) and Kamunge et al. (2014) show that high costs of credit, bank charges and fees hamper growth of SMEs. Furthermore, Mweheire (2014) state that majority of SSEs lack access to formal financial services provided by commercial banks and only access financial loans from informal money lenders and microfinance institutions. This is because, commercial bank loans are hard to pay back and have laborious requirements to fulfil before the loan application is approved.

According to Gichuki et al. (2014), the main sources of capital needed to finance growth of SMEs; retained earnings and informal personal savings are normally unpredictable, insecure and have little scope for risk sharing. Because of this inadequacy, SSEs normally seek for bank and microfinance loans to fund their growth plans and increase sales revenue. These loans include secured, group and working capital loans. Growth of SSEs is determined by increase in stock, capital and revenue. It is also assessed in terms of consistent increase in profits, market share and customers. Secured loans are offered to SSEs after providing collateral to the lending institution. Group loans are offered to borrowers after forming groups usually ranging from 25 to 30 people and members in the group act as security to each other since they normally interact closely (Byabashaija et al., 2015). Working capital loans are a newly introduced form of loans offered to entrepreneurs of SSEs for a short period agreed upon by the lending institutions.

Access to formal banking support by SSEs in Uganda was a dream to most entrepreneurs as majority of them were unable to access loans, especially from formal

financial institutions like commercial and development banks. However, the funds provided by government in selected commercial banks, savings and credit cooperatives and establishment of micro-finance institutions played a key role in availing loans and promoting growth of SSEs (Uganda Microfinance Sector Review, 2014). The increase in number of SSEs encouraged financial institutions to provide specific loans for the enterprises to borrow at relatively low interest rates hence facilitating their growth (Ocinneidel, 2009). Utilization of financial loans enhances operations of small-scale businesses which significantly influence their growth and competitiveness. However, because of lack of collateral and information to track use of funds by micro and small enterprises, financial institutions become risk-averse in funding small-scale businesses. Furthermore, despite all the interventions in place to ensure access to credit finance by SSEs in Uganda, the failure rate of majority of SMEs remains high as about 90% of the enterprises do not celebrate their first year in operation (Arinaitwe and Mesigwa, 2015). In addition, Nangoli et al. (2013) assert that sustainability of small businesses in Uganda is limited because most of them do not survive for long in operations. Therefore, the objective of the study is to investigate the extent to which financial loans contribute to growth of SSE. Specifically, the study aims to; establish the growth of SSEs in Uganda and to examine the relationship between use of loans and growth of SSEs in Uganda. The study contributes to literature by establishing the extent to which different categories of loans impact on growth of SSEs.

LITERATURE REVIEW

Financial loans and growth of small scale enterprises

Globally, credit finance has been identified as one of the major factors that facilitate the growth of SMEs (Ramcharran, 2017). Adequate access to finance is vital to enable SMEs improve their operations and contribute to economic growth and development of a nation (Hasnah et al., 2013). Growth of micro and small enterprises is vital because of the role they play in triggering and sustaining economic growth in both developed and developing economies. SSEs provide prolific sources of employment and also grow into medium and large enterprises, which are critical for industrialization (Kamunge et al., 2014). The growth of small-scale enterprises is attained by accessing new customers and increased sales. The high volume of products stocked by an enterprise attracts new customers and agents to open up other business outlets. Increase in stock volume builds confidence in the customers and confirm an enterprise as a going concern which indicates growth of small-scale enterprises. To facilitate growth, SSEs in Uganda have opportunities to

access secured, group and working capital loans from financial institutions, but the nature and form of the loan determines the activity to be funded depending on the agreed duration of the loan, interest rate and loan size. However, despite these available options of credit financing, most micro and SSEs fail within the first year of operation. Eton et al. (2017) argue that access to credit and especially working capital, remains a constraint hindering growth and performance of SSEs. Also, most of the SMEs have limited access to capital markets because of the perception of high risk, information asymmetry and high costs of intermediation (Kofi et al., 2013).

A secured loan is one that relies on assets such as a home title, television set, car, and land title among others as collateral securities (Ezera, 2010). And because of this, secured loans attract low interest rates compared to other types of loans hence borrowers find them convenient for business growth. However, according to Chiou et al. (2011), financial institutions find it hard to give secured credit to small-scale businesses due to lack collateral security. It is important to note that in Uganda, demand for secured loans from banks and non-bank institutions has increased over time through the amendment of the fiscal policy by Government which encourages financial institutions to provide financial loans to SSEs (World Bank, 2009). However, this has not been useful because most SSEs continue to fail in their first year of startup even when secured loans are expected to provide a longer repayment period to facilitate them to grow (Kagugube, 2010). Contrary to this, Oyelaran-Oyeyinka and Lal (2006) states that secured loans offered by the microfinance institutions mount tension on the small businesses, limiting the benefits from market opportunities and innovation possibilities because of fear to lose their securities which adversely affect the growth of SSEs. This view is supported by Okpukpara (2009) who asserts that secured loans cannot facilitate growth of SSEs because of their negative impact through high and rough debt policy.

To understand the effect of secured loans, Bowale and Akinlo (2012) examined their influence on the growth of SSEs and discovered that, entrepreneurial traits may influence the impact of the secured loans on the performance of the firm. However, enterprises which offer valuable securities are inclined to work towards the realization of more sales to finance the loan obligation. This view is supported by Ramcharran (2017) who argues that secured loans enable small-scale enterprises to increase their sales and generate enough revenue business expansion. However, much of the returns are used to service the debt, leaving the business with little resources for re-investment in the growth of the firm. This forces entrepreneurs in developing countries to maintain a low profile for many years.

Apart from secured loans, SSEs in Uganda can access working capital loans whose security is the business inventories and sales. This form of finance is paid in

installments over a period of 6-12 months though it can sometimes be extended. The repayment frequency can be scheduled in weekly, monthly or quarterly intervals (Micro Credit Uganda report, 13th November 2014). Kyambadde (2015) discloses that, the availability of working capital loans has solved the problem of short-term financing for the small-scale businesses. However, the interest charged on these loans is high with a short payback period which adversely affects the growth of the SSEs. Mead (2009) states that the short payback period provided on working capital loans may not facilitate the growth of SSEs since there is no room to re-invest profits back in the business. However, access to these loans does not require assets as collateral security but only needs a going concern business and an active operating bank account. According to Wellen and Mulder (2008) lending institutions always offer working capital loans with expected short repayment periods to encourage entrepreneurs of small enterprises to increase sales volumes so as to generate funds to finance the loan. Most SSEs need working capital loans to boost operations and also meet customer demands. Lending institutions offer such loans because of the pressure they exert on the borrowers to pay back. Apart from secured and working capital loans, SSEs also access group loans to facilitate the growth of their operations.

In Uganda, group loans are extended to people where group members have to first register with the lending institution. This involves forming groups of about 5-15 experienced business people where members act as guarantors to one another. The group normally receives training from a loans officer of the financial institutions before loans are disbursed. According to Flamholtz and Randle (2012), group loans significantly influence the growth of SSEs. In addition, Turnbull (2009) established that for the growth of SSEs, group members are expected to adhere to virtues such as trust and integrity. Majority of SSEs in developing countries like Uganda access financial services through group lending due to lack of collateral security. Byabashaija et al. (2015) assert that the use of group lending is often used as a major innovation amongst SSEs since it enables borrowing without collateral. Group loans cultivate joint liability. In case one member fails to repay, others have to pay on his/her behalf, or otherwise the group will be denied financing. Therefore, voluntary group formation reduces the risks of adverse selection and joint liability which checks moral hazards through peer monitoring, as group members ensure that their colleagues pay on time.

Although group lending promotes unity among members and increase chances of accessing credit financing, it also has limitations. For instance, Dowla (2006) asserts that group loans are associated with a number of challenges which include transportation costs to attend meetings and regular visits of members in the group to confirm their existence and progress of loan repayment. Other costs include group formation, training

members on group lending procedures, increased supervision and a higher frequency of installment payments. These group lending costs increase interest rates, leading to enhanced repayment risk (Kodongo and Kendi, 2013). This reduces time for the business which adversely affects growth of SSEs. However, according to (Sanusi, 2013) group loans are not stressful compared to other forms of loans though they are relatively small in size with regular short repayment periods. The nature of the loan encourages the borrower to work hard and increase sales to finance the loan. This has led to a strong relationship between group loans and increase in sales volumes of an enterprise. Furthermore, a study by Okello (2006) in Uganda, established that there is a significant positive relationship between group loans and enterprise growth. This is achieved through proper use of the loans, elaborate system of networks, fear of financial distress and community shame. The argument for this is that the role of group members in monitoring payment schedules of fellow members encourages the borrower to work hard and increase sales volumes, leading to eventual growth of SSEs.

Effect of demographic factors on growth of SSEs

The study considered the effect of demographic factors such as form of the enterprise, years of operation and loan size on the growth of SSEs as control variables. The common legal type of small enterprise ownership in developing countries is sole proprietorship. Unlike other business enterprises, sole proprietorship requires small equity capital with minimum legal documents to start business operations. For instance; partnerships require a partnership deed, while companies and joint venture entities require a memorandum of association amongst other legal documents before they can be allowed to start operations. The growth of a sole proprietorship enterprise through credit finance is hampered by lack of access to adequate credit finance because of lack of collateral security (Gichuki et al., 2014). With regard to years of operation, small-scale businesses are normally relatively young and due to their small size and inherent vulnerability to market fluctuations, mortality rates are relatively high with low opportunities of growth. For loan size, Becker and Neihaves (2010) assert that large loans facilitate adequate funding which leads to the growth of the business and therefore, there is a positive significant relationship between loan size and growth of the SSEs. However, entrepreneurial skills and the business operating environment play a vital role in enhancing growth of the small-scale business. The competitive advantage of an enterprise stems from its entrepreneurial capacity, management abilities, technical know-how and adaptability to the internal and external business environment. Sensitization on the use of financial loans and sustained investment in on-the-job training in

entrepreneurial skills is very crucial for the survival and growth of SSEs (Perks and Smith, 2006). Furthermore, government policy on the bank rate as set by the central bank affects the interest rate charged by the financial institutions and, ultimately, influences business growth. For instance, government policy could be concerned with providing direct funding of small-scale enterprises to boost their growth rate Turyahikayo (2015). In the Ugandan context, government has provided special financial loans for the youth, market vendors, women, and special needs groups so as to boost income.

The conceptual framework in Figure 1 is developed from literature review where loans and growth of SSEs are independent and dependent variables respectively. Research studies by Eton et al. (2017), Hasnah et al. (2013) and Arinaitwe and Mwesigwa (2015) show that credit finance enhances growth and performance of SSEs. Since demographic factors have previously been used in research as control variables (Kalenzi and Ongúnya, 2019), loan size, form and age of the enterprise were used in this study as control variables.

METHODOLOGY

The research design was cross-sectional using a quantitative survey approach to examine the relationship between the effects of loans on growth of SSEs in Uganda. The study population included managers of SSEs from various sectors operating in Kampala Central Business area in Uganda. The sectors include those engaged in business services (information technology firms, saloons and restaurants), trade and wholesaling including supermarkets, social services (pharmacies, medical clinics and private educational institutions). SSEs considered were those employing between 5-49 people (Uganda Micro, Small and Medium Enterprise Policy Report, 2015). A total sample of 132 managers of licensed SSEs in Kampala Central business area in Uganda was used for this study. This is consistent with the sample size used by Eton et al. (2017) and Hasnah et al. (2013) and is supported by Roscoe's rule of thumb for sample size determination that sample sizes larger than 30 and less than 500 are appropriate for most research (Sekaran, 2006). The respondents were selected using stratified and simple random sampling. Data were collected using a self-administered closed ended questionnaire which was developed based on the research objectives (Appendix 1). Questions were structured using a 5 Point-Likert scale range which include; strongly disagree (1), disagree (2), not sure (3), agree (4) and strongly agree (5). The dependent variable (growth of SSEs) was measured in terms of increase in stock, customers, asset base, revenue and profits while analysis of the independent variable (financial loans) focused on effective use of secured loans, group loans and working capital loans. The demographic factors included in the study as control variables and analyzed were form and age of the business and loan size.

The questionnaire was first pre-tested to establish the degree of reliability and validity of constructs and items used in data collection. Consistent with Taber (2017), Alpha Cronbach values were obtained to measure the degree of reliability of the constructs. The results were growth of small-scale enterprise ($\alpha = 0.707$), secured loans ($\alpha = 0.752$), group loans ($\alpha = 0.685$) and working capital loans ($\alpha = 0.724$). All alpha coefficients were above 0.5 implying that the data collection instrument was reliable. This is supported by Daud et al. (2018) who state that Alpha Cronbach

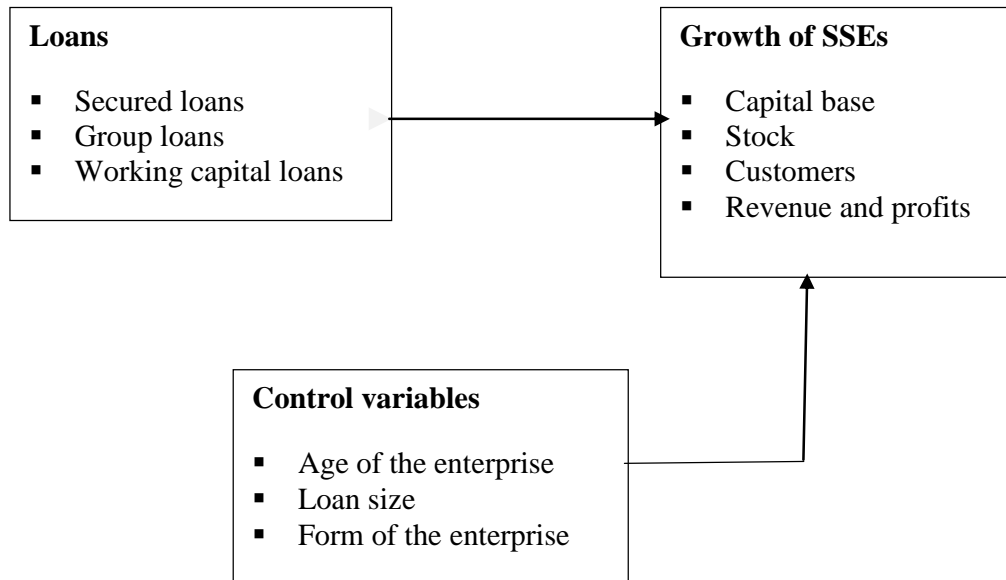


Figure 1. Conceptual framework showing the link between loans and growth of SSEs. Source: Literature review.

values ranging 0.6-0.8 are considered moderate but acceptable. Validity was measured by obtaining item content validity index (I-CVI) for all the 19 items used in the questionnaire for all the variables of the study. The instrument was given to three experts to give opinions on the relevance of the questions using a four-point scale ranging from not relevant (1), somewhat relevant (2), quite relevant (3) and highly relevant (4). The I-CVI's were computed by obtaining the ratio of the number of those who scored 3 and 4 to the total number of the items of the data collection instrument and the results were 0.789, 0.895 and 0.842 for experts one, two and three respectively. These results validated the data collection instrument and are supported by Rodrigues et al. (2017) who state that an I-CVI of 0.78 or higher is considered excellent. Data analysis is generated using the Statistical Package for Social Sciences (SPSS) version 20 quantitative report for descriptive statistics, Pearson's correlations and multiple regressions tests. The regression equation model for the study was,

$$GE = \beta_0 + \beta_1 SL + \beta_2 GL + \beta_3 WCL + \beta_4 FE + \beta_5 AE + \beta_6 SMB + \epsilon$$

- β_0 = Constant parameter
- $\beta_1, \text{ to } \beta_6$ = Coefficient of the independent variables/regression parameters
- GE = Growth of the enterprise
- SL = Secured loans
- GL = Group loans
- WCL = Working capital loans
- FE = Form of enterprise
- AE = Age of the enterprise
- SMB = Loan size
- ϵ = Probabilistic error term.

RESULTS AND DISCUSSION

Data collected were analyzed to obtain descriptive statistics of growth of SSEs, Pearson's correlation coefficients and multiple regression tests. 132

Questionnaires were distributed to managers of small scale enterprises and 131 filled in questionnaires were collected. This gave a response rate of 99.2% which was sufficient to provide reliable findings.

Descriptive statistics of growth of small-scale enterprise

The findings from Table 1 indicate that the mean value of increase in the stock of the enterprise was 3.80 with a standard deviation of 1.030. The average mean indicates that SSEs manage to increase their stock over a period of time. This increases their sales volume which is an indicator of growth of the enterprises. Increase in customers for business products had the highest mean of 3.98 and standard deviation of 0.835 which is a sign of growth. There is also increased asset base (mean=3.59 and standard deviation of 1.090) and most SSEs registered increase in sales volume (mean= 3.60 and standard deviation of 1.152). The results also show consistent improvement in profits (mean of 3.76 and standard deviation of 1.126). The descriptive statistics report a growth of SSEs shown by the mean values and are consistent with findings by Chowdhury and Alam (2017). The results are also supported by Sarwoko and Frisdiantara (2016) who argue that capital, profits and sales are good indicators of growth.

Pearson's correlation analysis

This was carried out to establish the strength of the

Table 1. Level of growth of small scale enterprises.

Descriptive statistics	N	Minimum	Maximum	Mean	Std. deviation
Increase in stock over a period of time	131	1.00	5.00	3.80	1.030
Increase in customers for business products	131	1.00	5.00	3.98	0.835
Increase in capital base	131	1.00	5.00	3.59	1.090
Increase in sales revenue over the years	131	1.00	5.00	3.60	1.152
Consistent increase in profits	131	1.00	5.00	3.76	1.126
Valid N (list wise)	131				

Source: Primary data

Table 2. Results of correlation analysis.

Correlation parameters	Form of enterprise	Age of enterprise	Loan size	Secured loans	Group loans	Working capital loans	Growth of enterprise
Form of enterprise	1.000						
Age of enterprise	-0.181*(0.038)	1.000					
Loan size	0.410**(0.000)	0.046(0.601)	1.000				
Secured loans	0.199*(0.022)	-0.159(0.069)	0.332**(0.000)	1.000			
Group loans	-0.056(0.527)	-0.067(0.449)	-0.105(0.232)	0.253**(0.004)	1.000		
Working capital loans	-0.185*(0.035)	-0.210(0.809)	-0.040(0.635)	0.285**(0.001)	0.231*(0.015)	1.000	
Growth of the enterprise	0.032(0.717)	-0.090(0.311)	0.206*(0.019)	0.351**(0.000)	0.176*(0.046)	0.239**(0.006)	1.000

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

Source: Primary data.

relationship between the variables. Results are presented in Table 2.

Results of the correlation analysis show that secured loans and growth of SSEs have a strong positive relationship which is significant at 1% level ($r = 0.351$ p value 0.000). This implies that funds which are secured encourage managers of SSEs to work hard to generate enough revenues and profits to pay back the loan and also expand the enterprise. In addition, secured loans attract low interest charges because of low perceived risk by the lenders. The findings are supported by Arinaitwe and Mwesigwa (2015), who argue that the security attached to secured loans encourages majority of SSEs to increase sales volume in order to finance the individual secured loan. Similarly, working capital loans and growth of SSEs have a positive and significant relationship at 1% level of significance ($r = 0.239$, p-value = 0.006). This implies that access to working capital loans help enterprises to finance day-to-day operations such as prompt payment of utilities, suppliers and wages. This helps to improve the liquidity position and further enhance business growth. The correlation analysis also shows that group loans and growth of SSEs are positively related and significant at 5% level ($r = 0.176$ p value 0.046). The findings also show that the relationship between loan size and growth of small-scale is positive and significant at 5% ($r = 0.206$, p-value = 0.019). The

implication of the results is that if the loan size, secured loans and working capital loans increase, SSEs also grow. The findings are consistent with Oleka et al. (2014) that loan size influences growth of small-scale businesses. This is also supported by Sunday (2011) who states that working capital loans have a short repayment period that stimulates managers of enterprises to be innovative and work hard to manage operations of the business.

Regression analysis

Regression analysis was carried out to establish the extent to which the predictor variables influence growth of SSEs. Results of the multiple regression analysis for both the demographic factors (control variables) and predictor variables are given in Table 3. The dependent variable is the growth of SSEs.

Results from Table 3 show that secured loans have a positive and significant effect on the growth of SSEs ($\beta = 0.196$, P value = 0.020). This is consistent with Sakwa et al. (2019) who assert that collateral securities used to access credit finance encourage enterprises to work hard to generate revenue for business growth. The findings are also supported by Eton et al. (2017) who argue that collateral security has a positive influence in accessing

Table 3. Multiple regression test for all factors and growth of SSEs.

Model	Unstandardized Coefficients		Standardized coefficients		
	B	Std. error	Beta	T	Sig.
(Constant)	2.345	0.461		5.084	0
Form of enterprise	-0.088	0.134	-0.062	-0.653	0.515
Age of enterprise	-0.059	0.08	-0.063	-0.738	0.462
Loan size	0.132	0.074	0.174	1.788	0.076
Secured loans	0.196	0.083	0.228	2.359	0.02
Group loans	0.077	0.07	0.096	1.101	0.273
Working capital loans	0.134	0.0781	0.147	1.763	0.083
Dependent variable: Growth of SSEs					
R Square	0.172				
Adjusted R ²	0.131				
F change	4.247				
Sig. F change	0.001				

Source: Primary data.

credit finance for business growth and expansion. Furthermore, secured loans are normally accessed at a relatively low cost than unsecured loans because of low perceived default risk. This encourages enterprises to finance their operations which ultimately lead to business growth. Similarly, findings show that the effect of working capital loans is positive and significant ($\beta = 0.134$, p value 0.083). Working capital is needed to facilitate day-to-day operations which enhance business expansion. This implies that effective acquisition and management of working capital such as cash, inventories and receivables help the enterprise to manage its liquidity position and to finance short term obligations. This helps to smoothen the operations of the organization hence leading to its growth. This is consistent with Chowdhury and Alam (2017) who state that working capital facilitates growth and expansion by financing day-to-day operations. The results are also supported by Sadiq (2017) who argue that working capital is considered a life-giving force and is the most important factor for maintaining liquidity, survival, solvency and growth of an enterprise. About the effect of group loans, the findings are not significant.

CONCLUSION, IMPLICATIONS AND THE CONTRIBUTION OF THE STUDY

Using descriptive statistics, a general growth of SSEs is established and this is attributed to the use of secured and working capital loans. About demographic factors, loan size had a positive significant influence on growth of SSEs while form and age of the enterprise are not statistically related with the growth of SSEs. The study concluded that loan size, secured loans, and working capital are statistically significant and have a positive

relationship with the growth of SSEs. The implication of the findings is that SSEs should endeavor to borrow secured and working capital loans in order to spur growth in their businesses. This is because availability of collateral for secured loans enables enterprises to access credit finance at low costs. These loans also encourage borrowers to work hard to generate enough earning to safeguard assets used as collateral security. For working capital loans, they are short term in nature and enable an enterprise to maintain liquidity needed to efficiently manage working capital operations. The contribution of the study is that it helps to establish the best model of funding the growth of SSEs in developing economies. It gives useful literature about different debt financing strategies that SSEs should select to spur growth. It is one of its kind and vital to policy makers and managers of SSEs, providing guidance on how to acquire and efficiently manage financial loans needed for smooth operations of enterprises.

Limitations of the study

In empirical research, it is always important to consider limitations when arriving at conclusions. The study is purely quantitative and a mixed methodology combining both quantitative and qualitative approaches in data collection could have facilitated an extensive understanding of the phenomenon studied. Another limitation is that the study only examined the effect of loans on growth of SSEs. The effects of other factors like enterprise innovation, technology and managerial competencies were not considered and therefore, future studies should focus on examining how these factors also affect the growth of SSEs.

Although few limitations have been identified, the study has contributed to the body of research in small and medium enterprises by providing useful insights about how financial loans could significantly influence growth of SSEs.

CONFLICT OF INTERESTS

The authors have not declared any conflict of interests.

REFERENCES

- Arinaitwe A, Mwesigwa R (2015). Improving credit accessibility among SMEs in Uganda. *Global Journal of Commerce and Management Perspective* 4(6):22-30.
- Becker J, Niehaves B (2010). Influence of Loan on the growth of an enterprise. *Journal of Business Finance and Information Systems* 17:197-214.
- Bowale I, Akinlo H (2012). Determinants of Small and Medium Scale Enterprises (SMEs) performance and poverty alleviation in Developing Countries: Evidence from South West Nigeria. *European Journal of Humanities and Social Sciences* 17(1):848-863.
- Byabashaija D, Aluonzi B, Karoro EA, Manyage NM, Nyambane OD, Besigye O (2015). Group formation criteria of Money lending Association in Rubirizi District, Western Uganda. *Scholars Journal of Arts, Humanities and Social Sciences* 3(7A):1174-1180.
- Chiou J, Wu P, Huang B (2011). How Derivatives Trading among banks impacts on SMEs Lending. *Interdisciplinary Journal of Research in Business* 1(4):1-11.
- Chowdhury M, Alam Z (2017). Factors affecting access to finance of Small and Medium Enterprises (SMEs) of Bangladesh. *USV Annals of Economics and Public Administration* 2(26):55-68.
- Chowdhury M, Alam Z (2017). Factors affecting access to finance of Small and Medium Enterprises (SMEs) of Bangladesh. *USV Annals of Economics and Public Administration* 2(26):55-68.
- Daud KA, Khidzir NZ, Ismail AR, Abdullah FA (2018). Validity and reliability of the instrument to measure social media skills among small and medium entrepreneurs at Pengkalan Datu River. *International Journal of Development and sustainability* 7(3):1026-1037.
- Dowla S (2006). *Macroeconomic Challenges of Microfinance*. EPRC Policy Brief: A hand book. Kampala Uganda.
- Eton E, Mwosi F, Mutesigensi D, Ebong CD (2017). Credit Financing and Performance of SMEs in Lira Municipality. *Research Journal of Finance and Accounting* 8(8):121-127.
- Ezera S (2010). Impact of financial loans on the performance of business operations. *Journal on Financing* 3(2):34-46.
- Flamholtz EG, Randle Y (2012). *Growing Pains of group loans: How to make the transition from entrepreneurship to a professionally managed firm*. San Francisco: Jossey-Bass. ISBN-13:978-0787986162.
- Gichuki JA, Njeru A, Tirimba OI (2014). Challenges facing Micro and Small Enterprises in accessing credit facilities in Kangemi Harambee market in Nairobi City Country Kenya. *International Journal of Scientific and Research Publications* 4(12):1-25.
- Hasnah H, Said SB, Jayaraman K, Ismail I (2013). Factors influencing small medium enterprises (SMES) in obtaining loan. *International Journal of Business and Social Science* 4(15):182-195.
- Kalenzi A, Ong'unya GO (2019). Procurement performance and profitability in foam mattress firms in Uganda. *African Journal of Business Management* 13(18):630-635.
- Kamunge SK, Njeru A, Tirimba OI (2014). Factors affecting the performance of Small and Micro enterprises in Limuru Town Market of Kiambu County Kenya. *International Journal of Scientific and Research Publication* 4(12):1-20.
- Kodongo O, Kendi LG (2013). Individual lending versus group lending: An evaluation with Kenya's microfinance data. *Review of Development Finance* 3(2):99-108.
- Kofi NJ, Tanyeh P, Gaeten K (2013). Financing Small and Medium Enterprises (SMEs) in Ghana: Challenges and determinants in accessing bank credit. *Journal of Research in Social Sciences* 2(3):12-25.
- Kyambadde A (2015). Report from Ministry of Trade, Commerce and industry on emerging trend of Small Medium sized enterprise in Uganda: Fountain Publishers.
- Lukuma CP, Marty R, Muhumuza F (2019). Financial inclusion and micro, small and medium enterprises (MSMEs) growth in Uganda. *Journal of Innovation and Entrepreneurship* 8(15):2-20.
- Mead G (2009). The effect of industry growth and strategic breadth on new venture performance and strategy content. *Strategic Management Journal* 15(7):537-554.
- Moscalu M, Giradone C, Calabrese R (2019). SMEs growth under financing constraints and banking markets integration in the euro area. *Journal of Small Business Management* pp. 1-40.
- Mweheire P (2014). Chief Executive Stanbic Bank Annual Report: Access on loan by SMEs". Available at: https://www.stanbicbank.co.ug/static_file/Uganda/Downloadable%20files/Annual%20reports/SBU_AnnualReport2014.pdf
- Nangoli S, Turinawe D, Kituyi GM, Kusemererwa C, Jaaza M (2013). Towards Enhancing Business survival and growth rates in LDC: An exploratory study of the Drivers of Business Failure among SMEs in Kampala- Uganda. *International Journal of Humanities and Social Sciences* 3(8):284-291.
- Ocinneidel P (2009). *Economic recession, high unemployment rates and expansion of Small and Medium enterprises*, 3rd Edition. Sage Publisher.
- Okello J (2006). Impact of financial loans on the performance of the business. *Journal of Business Management* 4(7):51-59.
- Okpukpara B (2009). Strategies for effective loan delivery to small-scale enterprises in rural Nigeria. *Journal of Development and Agricultural Economics* 1(2):041-048.
- Oleka CO, Maduagwu EN, Igwenagu CM (2014). Analysis of the impact of Microfinance banks on the performance of small and medium scale enterprises in Nigeria. *International Journal of Management and Social Science* 1(2):45-60.
- Oyelaran-Oyeyinka B, Lal K (2006). Learning new technologies by small and medium enterprises in developing countries. *Technovation* 26(2):220-231.
- Perks S, Smith EE (2006). Investigating training interventions required for upgrading black micro-entrepreneurial skills: An empirical study. In *Eighteenth Annual Conference of the Southern Africa Institute for Management Scientists*, Stellenbosch University, Stellenbosch. pp. 13-15.
- Ramcharran H (2017). Financing small and medium-sized enterprises in Thailand: The importance of bank loans and financing diversification. *Journal of Entrepreneurship and Finance* 19(2):1-40.
- Report on Uganda Micro, Small and Medium Enterprise (MSME) Policy (2015). *Sustainable MSMEs for wealth creation and Social-Economic Transformation*. Ministry of Trade, Industry and Cooperatives, the Republic of Uganda.
- Rodrigues IB, Adachi JD, Beattie KA, MacDermid JC (2017). Developing and validation of a new tool to measure facilitators, barriers and preferences to exercise in people with Osteoporosis. *BMC Musculoskeletal Disorders* 18(540):1-9.
- Sadiq R (2017). Impact of Working Capital Management on Small and Medium Enterprises' Performance in Nigeria. *Arabian Journal of Business Management Review* 7(1):285.
- Sakwa MA, Rambo CM, Osogo J (2019). Influence of collateral security on performance of SMEs in Turbo Sub County Kenya. *European Journal of Business Management* 11(18):21-30.
- Sanusi LS (2013). Keynote Address at the Annual Micro, Small and Medium Enterprises (MSMEs) Finance Conference & D-8 Workshop on Microfinance for Small and Medium Enterprises (SMEs). Central Bank of Nigeria, Abuja, 15th-February. Available at: <https://www.bis.org/review/r130823d.pdf>
- Sarwoko E, Frisdiantara C (2016). Growth determinants of small medium enterprises (SMEs). *Universal Journal of Management* 4(1):36-41.
- Sekaran U (2006). *Research Methods for Business: A skill building*

- approach. John Wiley and Sons.
- Sitharam S, Hoque M (2016). Factors affecting the performance of small and medium enterprises in KwaZul Natal, South Africa. *Problems and Perspectives in Management* 14(2):277-288.
- Sunday KJ (2011). Effective working capital management in small and medium scale enterprises (SMEs). *International Journal of Business and Management* 6(9):271.
- Taber KS (2017). Use of Cronbach's Alpha when developing and reporting research instruments in science education. *Research in Science Education* 48:1273-1296.
- Turnbull H (2009). Trait of the borrowers, Marketing and Investment Banking II: Relationships and Competitive Advantage. *International Journal of Bank Marketing* 14(2):38-49.
- Turyahebwa A, Sunday A, Ssekajugo D (2013). Financial management practices and business performance of small and medium enterprises in Western Uganda. *African Journal of Business Management* 7(3):3875-3885.
- Turyahikayo E (2015). Challenges faced by Small and Medium Enterprises in raising finance in Uganda. *International Journal of Public Administration and Management Research* 3(2):21-33.
- Uganda Investment Authority (2012). Report on management of Small Scale Enterprise in Uganda. Available at: <https://fortuneofafrica.com/ug/uganda-investment-authority/>
- Uganda Microfinance Sector Review (2014). Uganda Microfinance Sector Effectiveness Review 2014. Available at: <https://fsduganda.or.ug/wp-content/uploads/2017/06/Uganda-Microfinance-Sector-Effectiveness-Review-2014.pdf>
- Wellen H, Mulder A (2008). Micro credits in SMEs, *Journal of finance and microfinance* 7:122-134.
- World Bank (2009). The Financial and Private Sector Development Africa Region: Making Finance work for Uganda.

APPENDIX

Makerere University

College of Business and Management Sciences

Survey Questionnaire for Managers of Small Scale Enterprises

Dear respondents,

My name is Eric Nzibonera (Ph.D), a lecturer in the Department of Accounting and Finance, College of Business and Management Sciences, Makerere University. I am carrying out a research survey on the effect of financial loans on growth of small scale enterprises in Kampala, Uganda. You have been selected to participate in this exercise by filling this questionnaire. Kindly note that the study is only for academic purposes and your responses will be treated with utmost confidentiality and are very essential to the success of this study.

Thank you so much.

SECTION A: DEMOGRAPHIC INFORMATION

(Please tick in the correct box)

1. Form of the enterprise

i) Sole proprietorship ii) Partnership iii) Limited company

2. Number of employees

i) less than 10 ii) 10-20 ii) 20-30 iv) 30-50

3. Years for which the enterprise has been in operation

i) Less than a year ii) 1- 5 years iii) 6-10 years

iii) Above 10 years

4. Total value of assets (in Uganda shillings)

i) 10-25 million ii) 26-50 million iii) 51-75 million iv) 76-100 million

5. Range of amount (in Uganda shillings) borrowed from financial institutions (Banks, Microfinance entities and registered Savings and credit schemes)

i) less 10 million ii) 10- 20 million iii) 21 million and above

SECTION B: Financial loans and growth of the enterprise

This section examines the use of different categories of financial loans (secured, working capital and group loans) and growth of small scale enterprises. Please use the following 5 Point-Likert scale to tick your response to the statement: Strongly agree (5), Agree (4), neutral (3), disagree (2) strongly disagree (1).

	Secured loans	5	4	3	2	1
SL1	<i>The loan is easy to access after providing collateral security.</i>					
SL2	<i>The Secured loans are flexible because of the long payment period.</i>					
SL3	<i>Secured loans attract low interest rate because of collateral.</i>					
SL4	<i>Because of collateral, the loan encourages the borrower to work hard to grow the enterprise</i>					
SL5	<i>Loan size can always increase depending on collateral security and operations of the enterprise</i>					
	Group loans	5	4	3	2	1
GL1	<i>It is easy to access a group loans because group members act as security by acting as guarantors to the borrower</i>					
GL2	<i>The group loan is always sufficient to run operations of the enterprise</i>					
GL3	<i>Working capital loans are always easy to use because of enough training given by the lending institution</i>					
GL4	<i>The group loans payment period is sufficient to run the operations efficiently.</i>					
GL5	<i>The group loans are not costly because they attract low interest rate.</i>					
	Working capital loans	5	4	3	2	1
WC1	<i>Interest rates charged on working capital loans are affordable</i>					
WC2	<i>The short term repayment period for working capital loans encourage enterprises to work hard</i>					
WC3	<i>Lenders of working capital loans don't need collateral security</i>					
WC4	<i>Working capital loans help the business to sustain its day-today operations</i>					
	Growth of small scale enterprises	5	4	3	2	1
G1	<i>The enterprise has been increasing its stock over a period of time.</i>					
G2	<i>There is increase in customers for the enterprise products.</i>					
G3	<i>The enterprise has consistently increased its capital base.</i>					
G4	<i>The enterprise has increased its revenues</i>					
G5	<i>The profits of the enterprise have been increasing</i>					

Thank you so much for your cooperation.

Related Journals:

