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

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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’s aggressive business world, EO is acknowledged as a viable strategic
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 has 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-Nuiami 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 underexamined 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 (Garland 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; Belaeva, 2014; Ejdys, 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; Sripraserth, 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,
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 (Bhuian 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; Adebiyi 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.

<table>
<thead>
<tr>
<th>Component</th>
<th>Initial Eigen values</th>
<th>Rotation sums of squared loadings</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>% of variance</td>
<td>Cumulative %</td>
<td>Total</td>
</tr>
<tr>
<td>1. EO</td>
<td>9.955</td>
<td>52.394</td>
<td>52.394</td>
<td>7.131</td>
</tr>
</tbody>
</table>

Table 2. Rotated component matrix.

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

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

Table 3. Constructs’ reliability.

<table>
<thead>
<tr>
<th>Construct name</th>
<th>Number of items</th>
<th>Cronbach’s alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>EO</td>
<td>13</td>
<td>0.942</td>
</tr>
<tr>
<td>Firm performance</td>
<td>6</td>
<td>0.892</td>
</tr>
</tbody>
</table>

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 (R² =.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
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 Bangladesh, 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.

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**Table 4. Regression and correlation results.**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized coefficients</th>
<th>Standardized coefficients</th>
<th>t</th>
<th>Sig</th>
<th>F</th>
<th>Sig</th>
<th>R</th>
<th>R^2</th>
<th>Adjusted R^2</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>EO</td>
<td>0.698</td>
<td>0.074</td>
<td>0.656</td>
<td>9.402</td>
<td>0.000</td>
<td>88.390</td>
<td>0.000</td>
<td>0.656</td>
<td>0.430</td>
<td>0.425</td>
</tr>
</tbody>
</table>

**Note:** This table shows the regression and correlation results for the relationship between EO and business performance in the telecommunications sector in Sudan. The table includes coefficients, t-values, significance levels, and other statistical measures to assess the strength and significance of the relationship.
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Loans and growth of small-scale enterprises in Uganda: A case study of Kampala Central business area

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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

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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 of 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. Byabashaja 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 Niehaves (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 Turukhikayi (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 Ongunya, 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 (α = 0.707), secured loans (α = 0.752), group loans (α = 0.685) and working capital loans (α = 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
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 correlation and multiple regressions tests. The regression equation model for the study was,

\[
\text{GE} = \beta_0 + \beta_1 \text{SL} + \beta_2 \text{GL} + \beta_3 \text{WCL} + \beta_4 \text{FE} + \beta_5 \text{AE} + \beta_6 \text{SMB} + \epsilon
\]

*\(\beta_0\) = Constant parameter
*\(\beta_1\) 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
*\(\epsilon\) = 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
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 \((r = 0.351, p\text{-value} = 0.000)\). 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 significant relationship at 1% level of significance \((r = 0.239, p\text{-value} = 0.006)\). 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 \((r = 0.176, p\text{-value} = 0.046)\). The findings also show that the relationship between loan size and growth of small-scale is positive and significant at 5% \((r = 0.206, p\text{-value} = 0.019)\). 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 \((\beta = 0.196, P\text{-value} = 0.020)\). 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...
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 (β= 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.

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

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>2.345</td>
<td>0.461</td>
</tr>
<tr>
<td>Form of enterprise</td>
<td>-0.088</td>
<td>0.134</td>
</tr>
<tr>
<td>Age of enterprise</td>
<td>-0.059</td>
<td>0.08</td>
</tr>
<tr>
<td>Loan size</td>
<td>0.132</td>
<td>0.074</td>
</tr>
<tr>
<td>Secured loans</td>
<td>0.196</td>
<td>0.083</td>
</tr>
<tr>
<td>Group loans</td>
<td>0.077</td>
<td>0.07</td>
</tr>
<tr>
<td>Working capital loans</td>
<td>0.134</td>
<td>0.0781</td>
</tr>
</tbody>
</table>

**Dependent variable: Growth of SSEs**

- R Square: 0.172
- Adjusted R²: 0.131
- F change: 4.247
- Sig. F change: 0.001

Source: Primary data.
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


approach. John Wiley and Sons.
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 □   iii) 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 □   iv) 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).

<table>
<thead>
<tr>
<th>Secured loans</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>SL1</td>
<td>The loan is easy to access after providing collateral security.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SL2</td>
<td>The Secured loans are flexible because of the long payment period.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SL3</td>
<td>Secured loans attract low interest rate because of collateral.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SL4</td>
<td>Because of collateral, the loan encourages the borrower to work hard to grow the enterprise</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SL5</td>
<td>Loan size can always increase depending on collateral security and operations of the enterprise</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Group loans</th>
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<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>GL1</td>
<td>It is easy to access a group loans because group members act as security by acting as guarantors to the borrower</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GL2</td>
<td>The group loan is always sufficient to run operations of the enterprise</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GL3</td>
<td>Working capital loans are always easy to use because of enough training given by the lending institution</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GL4</td>
<td>The group loans payment period is sufficient to run the operations efficiently.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GL5</td>
<td>The group loans are not costly because they attract low interest rate.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Working capital loans</th>
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<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>WC1</td>
<td>Interest rates charged on working capital loans are affordable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WC2</td>
<td>The short term repayment period for working capital loans encourage enterprises to work hard</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WC3</td>
<td>Lenders of working capital loans don’t need collateral security</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WC4</td>
<td>Working capital loans help the business to sustain its day-today operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Growth of small scale enterprises</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>G1</td>
<td>The enterprise has been increasing its stock over a period of time.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G2</td>
<td>There is increase in customers for the enterprise products.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G3</td>
<td>The enterprise has consistently increased its capital base.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G4</td>
<td>The enterprise has increased its revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G5</td>
<td>The profits of the enterprise have been increasing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Thank you so much for your cooperation.
Full Length Research Paper

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

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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, pro-activeness, 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’s aggressive business world, EO is acknowledged as a viable strategic...
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-Nuaimi 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; Belaeva, 2014; Ejdys, 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; Sripraser, 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,
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 (Bhulian 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; Umran et al., 2018; Gupta et al., 2019; Adebiyi 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:

Entrepeneurial 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-administered 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.

<table>
<thead>
<tr>
<th>Component</th>
<th>Initial Eigen values</th>
<th>Rotation sums of squared loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total % of variance</td>
<td>Cumulative %</td>
</tr>
<tr>
<td>1. EO</td>
<td>9.955</td>
<td>52.394</td>
</tr>
</tbody>
</table>

### Table 2. Rotated component matrix.

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

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

### Table 3. Constructs’ reliability.

<table>
<thead>
<tr>
<th>Construct name</th>
<th>Number of items</th>
<th>Cronbach’s alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>EO</td>
<td>13</td>
<td>0.942</td>
</tr>
<tr>
<td>Firm performance</td>
<td>6</td>
<td>0.892</td>
</tr>
</tbody>
</table>

### 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...
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; Umran 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 Bangladesh, 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.
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Lumpkin GT, Dess GG (1996). Clarifying the entrepreneurial orientation
Loans and growth of small-scale enterprises in Uganda: A case study of Kampala Central business area

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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 (Turyabeba et al., 2013). For entities to be
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 fulfill 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 (Byabashajja 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 (Aniraitwe 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 of 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. Byabashajja 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 stressfull 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 Ongunya, 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.
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% \((r = 0.206, \ p\text{-value} = 0.019)\). 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 (\(\beta= 0.196, P \text{-value} = 0.020\)). 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...
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 ($β=0.134$, $p$ 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.

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

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<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized coefficients</th>
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<td>B</td>
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<td>(Constant)</td>
<td>2.345</td>
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<td>Form of enterprise</td>
<td>-0.088</td>
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<tr>
<td>Age of enterprise</td>
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<td>Loan size</td>
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<td>Secured loans</td>
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<td>Group loans</td>
<td>0.077</td>
<td>0.07</td>
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<tr>
<td>Working capital loans</td>
<td>0.134</td>
<td>0.0781</td>
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**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.
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


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  
   iii) 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
   iv) 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).

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Thank you so much for your cooperation.