# ENTREPRENUERIAL ORIENTATION AND ACCESS TO BANK CREDIT BY SELECTED SMALL AND MEDIUM ENTERPRISES IN MBALE CITY

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**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS, IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF A DEGREE OF BACHELOR OF BUSINESS ADMINISTRATION OF UGANDA CHRISTIAN UNIVERSITY**

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UGANDA CHRISTIAN UNIVERSITY

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## DECLARATION

I **Amuge Gloria** declare that this research proposal is my original work and has not been published or submitted to any university or institution of higher learning for any award.

Sign…… Date……

**Amuge Gloria**

**J21/B05/392**

## APPROVAL

This work has been done under our supervision and has met the research requirements of Uganda Christian University and is now ready for submission.

Sign  Date: **04/06/2024**

**Mr. Otingole Paul**

**University Supervisor**

## DEDICATION

I dedicate this work to my parents and family members for their moral and financial support and the encouragement that they gave me during the study

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## LIST OF ACRONYMS

| | |
|---|---|
| BOU | Bank of Uganda |
| C.V.I | Content Validity Index |
| GDP | Gross Domestic Product |
| KCCA | Kampala Capital City Authority |
| KMFA R | Mbale City Council Metal Fabrication Association Report |
| MoFPED, | Ministry of Finance Planning and Economic Development |
| OECD | Organisation for Economic Co-operation and Development |
| SMEs | Small and Medium Enterprises |
| SPSS | Statistical Package for Social Science |
| UIA | Uganda Investment Authority |
| UMA | Uganda Manufacturers Association |
| UMRA | Uganda Microfinance Regulatory Authority |
| UK | United Kingdom |
| VIF | Variance Inflation Factors |

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## ABSTRACT

The study examined the entrepreneurial orientation and Access to Bank credit controlled by the size of the firm among Metal Fabrication Small and Medium Enterprises; a Case of Mbale City Council. The study was motivated by the dwindling low-rate uptake of access to bank credit among Metal Fabrication SMEs in Mbale City Council. The objectives of the study were to examine the influence of networking on access to bank credit among metal fabrication SMEs in Mbale City Council, to determine the influence of innovativeness on access to bank credit among metal fabrication SMEs in Mbale City Council, to assess the influence of risk-taking on access to bank credit among metal fabrication SMEs in Mbale City Council. Three research question were generated based on the objectives. The study adopted the credit rationing theory to conceptualize the variables as used in the study. A cross sectional survey design was adopted where both quantitative and qualitative data was collected. A sample of 129 Metal Fabrication SMEs were determined using Krejcie & Morgan table out of a population of 300 SMEs was selected. Using a simple random sampling 129 questionnaires were administered to collect quantitative data, only 129 questionnaires were filled and returned constituting a response rate of 76.33%. Qualitative information was collected using an interview guide for triangulation purposes from SME owners, Branch managers, relationship Manager (SMEs), and Chairperson of Mbale City Council metal fabrication association, representative from Uganda development Bank using an interview guide and selected using a purposive sampling method. Diagnostics tests were performed as a prerequisite for the parametric analysis for example data was tested for normality and multicollinearity. In the study, analysis was done at different levels first with descriptive statistics and by a multiple regression analysis. The findings of the study revealed a positive significant influence of networking on access to bank credit (Beta =0.390, P value =0.006), a negative significant influence of innovativeness on access to bank credit (Beta =-0.228, P value =0.008) and a negative significant influence of risk-taking on access to bank credit (Beta =-0.218, P value =0.046). The study recommended that efforts should be made to ensure that these metal fabrication SMEs should connect because networking provides avenues through which the government can channel money such as the "Emyoga Scheme" introduced by His Excellence the President of the Republic of Uganda Additionally, every SMEs should include innovativeness in the organization's core values. SMEs should work hand in hand with financial providers to understand their level of risk appetite and develop a follow-back position in case of losses for business continuity purposes for example taking insurance. Future study could be directed to finding the moderating effect of financial characteristics between entrepreneurial orientation and access to bank credit



**Key words: Entrepreneurial orientation, Networking, Innovativeness, Risk-taking, firm size, Access to bank credit and Small and Medium Enterprises**

# CHAPTER ONE

# INTRODUCTION

## 1.0 Introduction

Micro, Small, and medium enterprises play a vital role in nation-building by contributing economically towards the nation's economy (Beck, Demirgüç-Kunt and Ross, 2006). In Uganda SMEs create employment, pay taxes, wealth creation, increasing industrialization, balance resource utilization, a ground for labour- intensive technologies, serve as a major tool for poverty alleviation, social-economic development, and they do offer a ground to tap into the international resources from sources world bank (Thuku, 2017; 2008; Mullei, 2013; Obanda, 2018).

It is believed that as they grow and expand the economy, SMEs require working capital to grow and survive (OECD, 2014). However, the biggest number of small and medium enterprises in Uganda don't stand to celebrate their second birth year and this is possibly due to the difficulty accessing to bank credit from the banks which cause the SMEs to revert using the residual income and shareholders resources hence being unable to take risk-project resulting in no innovative products and ideas subsequently not benefiting from the social capital (MOFPED, 2018). Therefore, this research intended to examine the entrepreneurial orientation that influences access to bank credit among SMEs in Uganda and controlled by the size of the firm using a case of metal fabricators in Mbale City Council area. The chapter was reviewed under followings; the background of the study, the problem statement of the study, purpose of the study, research objectives, research questions, scope of the study, significance of the study, justification of the study and definition of operational key terms.

## 1.1 Background to the study

This chapter comprised of the historical, theoretical, conceptual and contextual aspects as explained under.

### 1.1.1 Historical perspective

The origin and evolution of credit can be traced many years ago to Ancient Mesopotamia, whereby capital borrowing was by seeds and grains and repayment was by livestock (Mwembe, 2019). Both nationally and internationally, credit availability is of paramount importance in the growth and sustainability of the small and medium enterprises sector as they contribute to nation's economic growth and development (Kira, 2013).

World over small, and medium businesses significantly contribute to different country's gross domestic product and total employment meaning to say 55% of GDP for high-income countries, over 60% of GDP in low-income countries (OECD, 2004).

Baguma (2010) established that 90 per cent of the businesses in Uganda close in the inauguration year notably due to lack of access to bank credit as notably and the largest population don't have access to bank credit with less than 2 million people who can ably access bank credit. With an aim of financial inclusion to solve credit accessibility challenges of the SMEs, several credit institutions has been established to offer affordable credits to Uganda's lowest-income enterprises SMEs are considered riskier by these financial institutions for reasons often related to the inability to innovative, control risk and networking and low capitalization, vulnerability to market fluctuations (Arinaitwe and Mwesigwa, 2015).

### 1.1.2Theoretical perspective

The theory of credit rationing was adopted as advanced by (Stiglitz and Weiss, 1981). Nanyondo, Tauringana and Mullineux (2016) Kimaiyo (2016); Fuseini (2015 and Magembe (2017) are amongst the studies that acknowledges the contribution of this theory. Credit rationing theory enlist numerous reasons which deter lenders to offer the required credit to the clients that to say borrowers are dishonest, and high degree of information asymmetry hence causing lenders increasing their cost of lending (Stiglitz and Weiss, 1981). Further, this theory suggests that certain characteristics of the firm for instance an audited financial statement, and having no required collateral can impede the firm from getting the facility from the lending institutions (Besanko and Thakor, 1987). Cowling, Liu, and Ledger (2012) suggest that borrowers who are willing not to lose their collateral are the only one willing to take loan against their collateral and the ground that will they have to clear the obligation in order to claim the collateral back. Additionally, theory shows that firms' length of relationship with its bankers can result into credit facility approved as this helps to offer lenders to understand behavior of the firm in detail during the course of the relationship.

### 1.1.3. Conceptual background

The predictor variable of the study was entrepreneurial orientation measured by networking, innovativeness and risk-taking and access to bank credit as a predicted variable operationalized by the amount of credit and borrowing frequency with which SMEs get money from banks. Size of the firm was conceptualized as a controllable variable. These concepts have been applied and defined differently by previous studies as expounded here below;

According to Kung'u (2011) entrepreneurial orientation is a key factor in running an enterprise successfully and they have profound consequences once not met. In this study, predictor

(entrepreneurial orientation) was measured using three variables namely, networking, innovativeness and risk-taking.

According to Watson (2007) and Hallèn and Johanson (2004) networking is the cordial relationship between individuals and businesses intended for the mutual benefits and this is done through formal and formal networks. Networking is a mean through firms coordinate, cooperate, collaborate, devote resources, exchange ideas with another firm (Chipika and Wilson, 2006; Sawyerr, McGee and Peterson, 2003). On the other hand, (Scalera and Zazzaro (2009), observed that networking are formed purposely for economic motives which are cost effectively to manage amongst the parties involved. According to Owualah (2002) networking bridges the gap between the lenders and the business hence rendering to minimal information asymmetry which simplify credit accessibility.

"The study conceptualized networking as the level of SMEs connection to source finance, suppliers, customers, government agencies, competitors and learning institutions".

Innovativeness refers to the firms' ability support and introducing of new products, technological, ideas, leadership, and business re-engineering within the industry or doing existing things in new ways (Lumpkin and Dess, 1996; Schumpeter, 1947; and Miller,1983)

"The study conceptualized SMEs innovativeness in terms of their new ways of reaching out to their customers, new idea implementation, offering unique services, doing new design, use of new machine and new ways of competing".

According to Miller (1983) denoted the firm's desire to maximize high returns in a bold way is risk taking. Additionally, Lumpkin and Dess (1996) they term risk-taking propensity as the magnitude of committing large resources in return for higher gains and opportunities from the environment.

"The study conceptualized risk-taking as the SMEs level to take decision under situations of uncertainty, no fear coming up with extremely design, ability to take on high risk project, making huge investment capital and minimal mentality of wait and see".

In practice and theory world over credit is the lifeblood of any business to survive and growth is bank credit. According to De la Torre, Martinezand and Schmukler (2009), the degree to which an entity is able to get the required money from the lending institution in order to undertake its intended operation is termed as "access to bank credit". According to studies conducted by World Bank (2011) and Frasch (2013), credit accessibility refers to a situation where there is no discrimination in the credit availability by the financial institution in the services they offer.

According to studies conducted by Nanyondo, Kamukama, Nkundabanyanga. and Taunugana, (2014) credit accessibility is referred to as the provision of financial services to the customers at a competitive cost. However, Akudugu, Egyir, and Mensah (2009) they established access to credit is an attempt to have the credit and one's ability to agree with the lender to repay the acquired facility as scheduled and a person deem to lack credit availability if attempts were made and denied. "Access to bank credit was operationally defined as the frequency of borrowing, and amount of money accessed by SMEs from banks".

In different jurisdictions firm size is conceptualized differently theoretically and by empirical studies which has rendered to divergent views on the same (McLeayand Trigueiros,2002). Several studies conceptualize firm size as an approximation of entity's assets, employees and market share (Bujaki, Richardson and Merridee, 1997).

### 1.1.4. Contextual background

The study context is SMEs in Uganda and particularly metal fabricators in Mbale City Council area. Scholarly the contextual meaning of Small & Medium Enterprises is still lacking (Quartey, 2003; Oteh, 2010). The commonly used meaning of SMEs spread from number of staffs, market share, sales turnover, investment to asset turnover across different nations and businesses hence rendering to subjective views of interpretation (OECD, 2000). The latter definition has been acknowledged by a number of studies for instance, Kurokawa, Tembo and Velde (2008); De la Torre et al, (2009); and Torre, Soledad, Periaand Schmukler (2010). According to Srinivas (2015) any registered business which contributes to the economic and development by offering jobs to capacity turn of less than two hundred employees is termed as SMEs and they characterized by vulnerability to marginal access to. World Bank and Zavatta (2008) contextualizes SMEs by (300) workers and with revenue of United State Dollar of 15 Million These explanations thus results into different contextualization of SMEs by different countries to make their definition to suit what they categorize as SMEs.

In the context of Uganda an entity with total market capitalization of fifty million (UGX 50M) employing fifty employees maximum, trading on average revenue turnover of thirty Million (UGX 30 M) is deem to be an SMEs (Mbaguta,2003; Kasekende and Opondo, 2012). Additionally, UIA (2008) gave a more detailed description of an SMEs as these are entities with total market capitalization and revenue turnover of (UGX 360M), and employing fifty or more employees. As noticed the empirical context and the UIA definition of SMEs is not synonymous, this renders to a differing definition of SMEs, in Uganda SMEs are commonly identified as a small business (Uganda Investment Authority, 2013)

SMEs constitutes a share in every sector in Uganda for instance in the service, trade, manufacturing and other sectors they are 49%, 33%, 10% and 8% respectively.in others(UIA Report, 2018). SMEs they are the key drivers in fostering innovation and new product development, occupy the biggest percentage of the private sector, enabling people earn a living and providing a wide range products to the country at large (UIA Report, 2018). According to a study conducted by Mbabazi (2012), over 50% of the businesses in Uganda closes their shops before they celebrate their second birth year. It's important to appreciate that business failure in Uganda is very high despite the key importance and contributions they make in Uganda.

The area of Mbale City Council hosts a good number of SMEs over 100,000 and about over 300 metal fabricators (KCCA Report, 2018). This study targeted metal fabricators employing 4 – 200 employees which are categorically (micro, small and medium) fabricators. The study area was chosen because the Mbale City Council area is the harbour area for "Juakail" which means that an entrepreneur who can undoubtedly fix or practically do anything upon request. According to KCCA Report (2018), Mbale City Council area is at the outskirt of the central business area, hosts innovative younger people making their end to meet especially in metal fabrication and this is driven by the increased population demand for the products these people make.

According to Mbale City Council Metal Fabrication Association Report (2018), metal fabricators in the area are characterized by free entry and exit; requires the minimum capital to start; requires basic education level, they have different products, they depend more on the client's credit which limits their expansion and growth. Despite the numerous efforts, the enormous fabricators' exit is unprecedented due to failure to access bank credit from the regulated financial institution.

## 1.2 Statement of the problem

There are numerous efforts that have been made to increase SMEs' access to credit such as presidential donations to some groups in the society, the establishment of the Microfinance Support Centre, licensed thirty-two regulated financial institutions, more than one hundred licensed tier 4 Microfinance institutions, the increased funding in the Uganda Development Bank, two established Credit Reference Bureaus and stable Central Bank rate maintained at 10%, all these intended for financial inclusion in support of meeting Vision 2040 (BoU, 2018; UMRA, 2018).

Although these efforts were to improve credit accessibility, these efforts do not yield the desired output as SMEs still register low access to bank credit and Mbale City Council metal fabricators are not an exception of this (AKMFAR, 2019; Namyondo et al, 2014). According to BOU Report (2018), frequency of borrowing and amount borrowed by SMEs is still very low at only ten point four per cent (10.4%) in manufacturing industry in Uganda which encompasses the fabrications sector which entails that accessing bank credit is still a major challenge for the SMEs.

However, search for the correct predictors of the predicted (access to bank credit) are still emerging, the controllable influence of firm size between entrepreneurial orientation that is to say networking, innovativeness and risk-taking on access to bank credit from both a qualitative and quantitative perspective in the SMEs fabrication sector in Uganda has been not fully explored. Therefore, it was argued that the amiable amount of credit received by SMEs could be attributed to the influence of these entrepreneurial orientations of networking, innovativeness and risk-taking controlled by the firm size and this is what prompted the study.

### 1.3 Purpose of the study

To examine the influence of entrepreneurial orientation on access to Bank Credit by metal fabrication SMEs in Mbale City Council.

### 1.4 Objectives of the study

i To examine the influence of networking on access to bank credit by metal fabrication SMEs at Mbale City Council.

ii To determine the influence of innovativeness on access to bank credit by metal fabrication SMEs at Mbale City Council.

iii To assess the influence of risk-taking on access to bank credit by metal fabrication SMEs at Mbale City Council.

### 1.5 Research questions

i What is the influence of networking on access to bank credit by metal fabrication SMEs at Mbale City Council?

ii What is the influence of innovativeness on access to bank credit by metal fabrication SMEs at Mbale City Council?

iii What is the influence of risk-taking on access to bank credit by metal fabrication SMEs at Mbale City Council?

### 1.6 Scope of the study

The scope of the study encompassed of the content scope, geographical scope and time scope.

#### 1.6.1 Content scope

The study focused on the entrepreneurial orientation in terms of networking, innovativeness and risk-taking and their influence on access to bank credit controlled by the size of the small and medium enterprises.

### 1.6.2 Geographical scope

The study covered Small and Medium Enterprises dealing in fabrications in Mbale City Council area. Mbale City Council is located in Makindye Division and Makindye division is of the six divisions of Kampala Capital City Authority, having many metal fabrications SMEs whose access to bank credit need to readdress in order to stimulate growth and survival.

### 1.6.3 Time scope

The study covered only fabrications SMEs at Mbale City Council in Makindye division which had been existence for a period of 5 years from 2015- December 2019. This was considered to offer a good of experience of SMEs that would have lived for such a good period

## 1.7 Significance of the study

The findings of the study may be beneficial to associations like UMA, Uganda small scale business association, financial providers and as it may help them in designing the right procedures and guidelines. The investigators' knowledge was improved owing to the outcome of the findings on as far as the influence of entrepreneurial orientation on access to bank credit by SMEs in Uganda is concerned.

Furthermore, the significance of the study may be used to add to body of information which is existing on the topic studied. Lastly, the recommendations of this study may benefit the entrepreneurs who may wish now to align their characteristics in order to access to bank credit.

## 1.8 Justification of the study

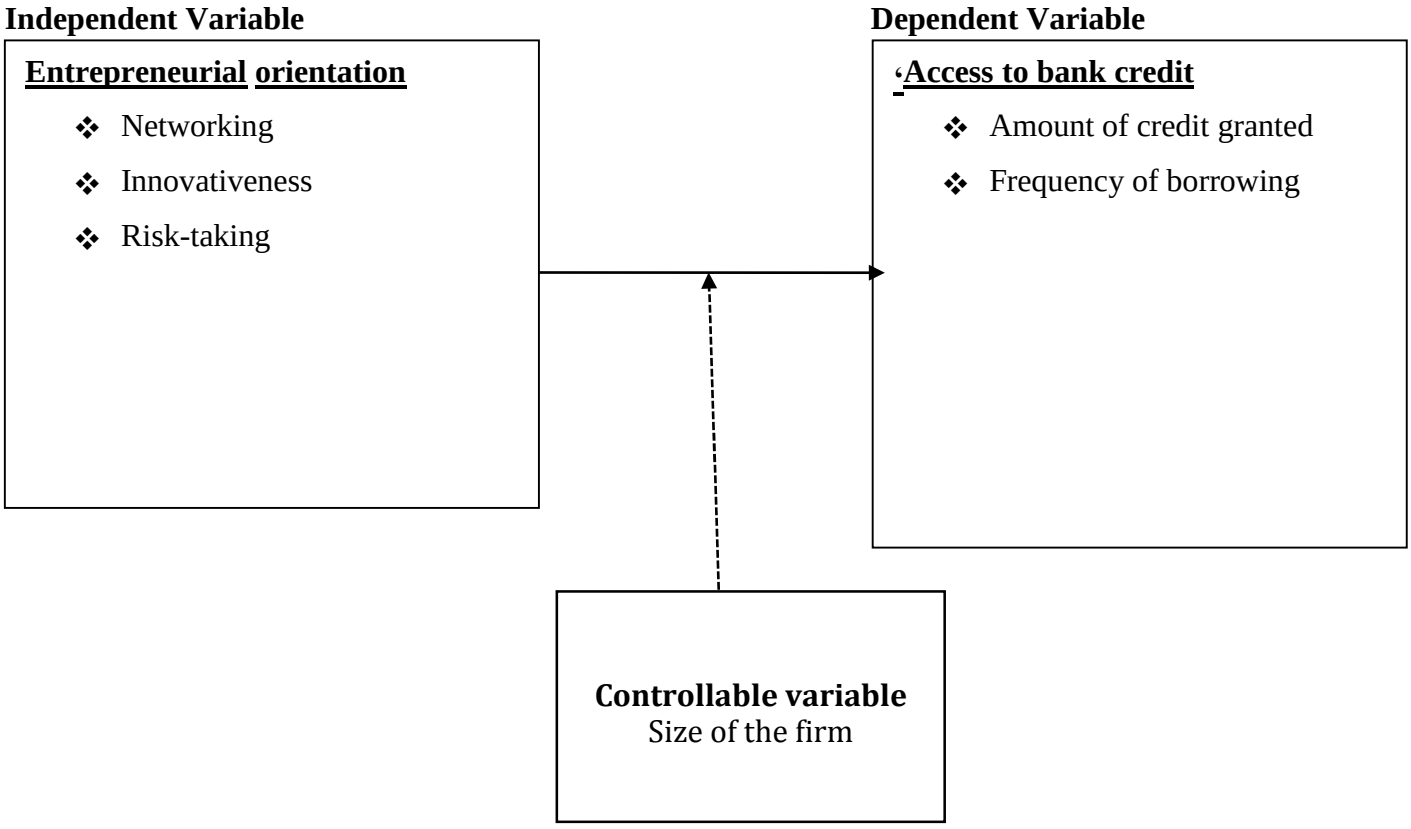
Due to the critical role access to credit play towards improving the business success, growth, survival and profitability of SMEs, the study was carried out. Once SMEs survive they become paramount to the development of Uganda's Economy by contribution to National GDP, Creation of

employment, and breeding area for innovation. Despite these contributions, it is such problem for SMEs to access the required credit. The study finding may businesses to position out rightly in formulating policies and strategies that facilitated them acquire the required loan amount from the lenders to sustain their growth.

### 1.9 Conceptual framework

The model below explains the causal relationship between the entrepreneurial orientation and access to bank credit. This relationship can be graphically conceptualized as in Figure 1 below.

**"Figure 1: Conceptual framework showing the relationship among variable"**




**"Source:** Covin and Slevin, 1988**;** Lechner, and Welpe , 2006 *Nanyondo et al., 2014 ; as modified by the investigator".*

The conceptual framework above considers the entrepreneurial orientation as the independent variable which was measured in terms of innovativeness and risk-taking (Covin and Slevin, 1988) and networking (Lechner et al., 2006). Accordingly Akudugu et al., (2009) and Nanyondo et al., (2014), access to bank credit was regarded the as predicted variable with loan amount received and frequency of taking loans as the constructs which guided the study following previous related empirical reviews.

According to Bartov, Gul and Tsui (2000), noted that studies should control confounding variables in order to derive at the correct hypothesis either being reject or accepted awesomely. Owing to this, the study did controlled for firm size as seemed to be significant factor which draws the difference in networking, innovativeness and risk-taking among SMEs which in turn influence access to bank credit (Namyondo et al, 2014). According to studies done by Word Bank Report (2015) Nanyondo et al., (2014), indicated that smaller firms are less constrained from accessing credit due to the lack of collateral security. Consequently, the study controlled for firm size measured by number of employee as it may influence access to bank credit guided by credit rationing theory.

### 1.10 Definition of the concepts

**Small and Medium Enterprise (SMEs):** SMEs are categorically defined into Micro enterprises based on total market capitalization of maximum UGX 100M, Small enterprises these entities with total market capitalization of greater UGX 100M, and Medium enterprises these entities with total market capitalization of greater than UGX 360M (UIA, 2018)

**Access to Credit,** refers to the ease with which SMEs can secure financial assistance or loans from lending institutions (Nganda, Wanyonyi and Kitili, 2014).

**Entrepreneur characteristics:** These are personalities that exposes an individual towards entrepreneurial behaviors (Robson, Akuetteh, Westhead and Wright, 2012)

**Entrepreneurial orientation (EO)** refers to the attributes explored by entrepreneurs while carrying out their strategic management decision making in form of methods, practices, and styles while managing businesses in order to compete favorably (Lumpkin and Dess, 1996)

**Networking** is defined as ability of an entity to connect and collaborate with another for the benefit of a common goal, financing needs, belonging, and social captial (Pandula, 2011; Kumah, 2011; and Jackson, 2008).

**Credit rationing,** according to Jaffee & Modigliani (1976), credit rationing is when the loans available at prevailing market rate cannot meet the demand of the available demand from the market. Additionally, Credit rationing refers to a policy advanced the lending institutions to offer loans to selective borrowers despite the borrowers are willingly to pay at the stated interest rate. (Nanyondo et al., 2014).

### 1.11 Organization of the report

This report comprises five chapters: Chapter one introduced the historical, conceptual, theoretical and contextual aspects of the study and these included entrepreneurial orientation, firm size and access to bank credit among Metal Fabrication Small and Medium Enterprises in Mbale City Council. This draws up the basis for presenting the research problem, the research objectives and the value for the study to support the research. This chapter also presented the organization of the report which encompasses five chapters.

Chapter two made provision for a review of theory and empirical literature that explains the association among study variables. The Credit Rationing Theory was covered. A summary of the conceptual review, empirical studies and research gaps have also been availed in this chapter.

The third chapter presented the methodology used in the study and included the research design, study population, sample size and sampling technique. The chapter discussed reliability and validity and also considered the diagnostic tests that were used in the study. The chapter also presented methods adopted in data collection, measurement of research variables, data analysis techniques, analytical models, ethical issues and limitation for the study.

Chapter four presented the background information of enterprises used in the study, descriptive statistics for entrepreneurial orientation of networking, innovativeness and risk-taking on access to bank credit was presented. Various diagnostic tests were carried out and a multiple regression analysis presented. This chapter also presented the research questions and the interpretation of findings. Finally, chapter five revealed the summary and discussion of findings, the conclusion of the study, recommendations and areas for further research.

# CHAPTER TWO: LITERATURE REVIEW

## 2.0 Introduction

The section discussed the theoretical review, the conceptual review and review of existing related literature on entrepreneurial orientation, and access to bank credit among small and medium enterprises with the aim of portraying contributions, inconsistencies, faults and gaps. Therefore, this chapter was arranged according to the objectives of the study starting with a theoretical and conceptual review.

## 2.1 Theoretical review

A credit rationing theory was used to effectively guide the study. This theory underpins the multiple applications in dynamics related to predictor variable (entrepreneurial orientation) and predicted variable (access to bank credit).

Nanyondo et al., (2014) referring to Stiglitz and Weiss (1981) suggested this theory under pins the most the reasons why some businesses are objecting from accessing the requested loan amount and while others get. Lenders requires two most important aspect from the borrower for instance first the interest they receive on the loans advanced and secondly the risk the loan adds to the loan portfolio (Stiglitz and Weiss, 1981). Lenders credit ration their borrower due to the risks they possess onto their business such occurs due to market imperfections that constrain lending to enterprises (Gelos and Werner, 2002; Beck et al., 2006). Characteristics of the firm for instance financial characteristics, managerial capacity, and marketing orientation has been observed as lacking in most of the business hence facilitating lenders refusal to grant credit to the borrowing entity (Chala & Forssbaeck, 2018; Besanko and Thakor, 1987). This is so because entities fear to lose their collaterals and so they have ensured that they clear all outstanding obligations pledged

against those asset (Cowling, 2010). The theory suggests that borrower should strengthen their relationship with the lenders as basis to eliminate information gap and winning trust from the lender to trust them with their loan amount (Bhattacharya and Thakor, 1993; Cenni, Monfeera, Salotti, Sangiorgi and Torluccio, 2015). Firms which hoard on information are prone to be denied credit from the lenders in an effort to avoid risk of moral hazard and adverse selection.

## 2.2 The conceptual review

### 2.2.1 Networking

Previous studies stated that networking results into business learning opportunities and problem-solving; facility sharing knowledge; enables firms to gain edge over the competition; it offers a mutual ground to share interests through cooperation, coordination and collaboration; a platform to exchange rich and thoughtful experiences; help to provide advice and act as a source of capital (Atieno, 2009; Talavera, Xiong and Xiong, 2012; Farinda, 2009; Levitt and March, 1998). Belonging to a network helps SMEs to strengthen their ties with bankers hence making lending very easy (Pandula, 2011).

### 2.2.2 Innovativeness

For the business to thrive and pass a test of time it should be a culture of being innovative as this will lead to notable growth, increase in market share and market size hence creating its unique advantage over the competitor which in turn improves the financial performance of the entity (Baregheh, Rowley and Sambrook, 2009). Most of the times entities do not invest in innovativeness due to the unknown returns on investment the investor is expected receive on the investment injected into it the innovation (Hall, 2002).

According to studies conducted by Zahra and Covin (1995); and Lumpkin and Dess (1996), as the more innovative the entity becomes, it's readiness towards the market changes increases and this is achieved through introducing news, products or services using robust research development activities which leads to outstanding performance and survival of the entity overtime.

### 2.2.3 Risk-Taking

Previous studies noted once the firm embraces new ways of doing things, this encourages risk taking and hence fostering excellent performance (Hughes and Morgan, 2007). While, Haung, Wang, Chen and Yien (2011), they observed that entrepreneurs with high risk-taking behaviors are willing to borrower than their counter part. According to studies done by Breegziabher and Tadesse (2014); Jalali, Jaafar and Ramayah (2014); and Segal, Borgia and Schoenfeld (2005) observed that risk-taking and credit are statistically negatively related contradicting the main objective of investing in risky projects. Traditionally, entrepreneurs are uphold for taking risk than the non-entrepreneurs (McAdam and McClelland, 2002). Additionally, benefits accrual to the entity in form of seized opportunities due to the involvement into risk undertakings (Frese, Brantjes and Hoorn, 2002). Davis, Greg, Payne and Kreiser (2010) established that performance of entities whose managers had high desire to undertake risk was extremely great compared those that do not take risk was lipping.

### 2.2.4 Access to bank credit

The literature on the significance of bank credit has been well suggested and smaller firms find it difficult than their counterpart the bigger firms (Richard and Mori, 2012; Kira, 2013). The major key impediment to SMEs growth and survival is access to bank credit (Belanova, 2013; Evans,

Josephine and Yeboah, 2015). Additionally, the strategic objectives of the entity are not achieved accordingly if is the financial resources are not sufficient (Tang, Tang, Marino, Zhang and Li, 2008)

### 2.2.4 Firm size

Carpenter and Petersen (2002) indicated that large firms can easily get credit than the small medium-sized firms. The traditional neoclassical resource-based view approach links firm size to access to credit by employees (Barney, 2001; Barney, Wright. and Ketchen, 2001; Berger and Udell, 2002). Barney et al. (2001) and Paul and Whittam and Wyper (2007), firms should value their employees as one of the important asset for the business because they provide, intellectual capital, financial management expertise, marketing expertise and notably these are amongst the requirements to access formal facility from the lending institutions. Smaller firms lack the capacity to hire qualified personnel's with financial management skills to match available financing choices (Jappelli and Pagano, 2005).

## 2.3 Empirical review of related basing on the study objectives

### 2.3.1 The influence of networking on access to bank credit

According to studies conducted by Vos (2005); Atieno (2009); Pandula (2011) and Kumah (2011) their findings agreed that belonging to a group increase SMEs' access to bank credit. This is so used by lending institution to hedge specific individual failure in the group to meet the required obligation repayment (McKenzie, De and Woodruff, 2009).

According to Talavera et al., (2012) observed that networking increases the learning opportunities, enables owners to obtain key information, gain knowledge about the sources of credit, and enhances the probability of access to the loan

Athuman (2013) done a study in Kenya which showed that there was no relationship between social networks and access to b credit.

### 2.3.2 The influence of innovativeness on access to bank credit

SMEs in Europe they are in for bank credit as it seems easier than other sources of finance in support of their innovative ideas (Lee, Sameen and Cowling, 2015; Freel, 2007). However, the unwillingness of the lenders to encourage innovative firms affect their actions negatively (Mohnen and Roller, 2005). In United Kingdom innovative firms find it difficult to access credit than noninnovative firms (Lee et al., 2015). Pederzoli, Thoma and Torricell (2013) established that innovative firms are prone default on their loan obligation as this is attributed to less cash flows generated from the investment made. In Italian highly technological innovative firms are credit rationed due to the fact lenders cannot establish the future growth of these firms appropriately Brancati (2015)

### 2.3.4 The influence of risk-taking on access to bank credit

Empirical studies show that high risk borrowers are prone to be granted less amount, being financially constraint and rationed (Kirschemann, 2016). Ortz-Molina and Penas (2008) showed that lender hedge their risk by giving risky borrowers loans which are payable for instance within 2 months, 3 months; and one year. Godlewski and Weill (2011) established that for lenders to offer credit to the high risk borrowers they have pledge a lot of collaterals than their counterpart the less-risky entities for the same facility. Hanedar, Broccardo and Bazzana (2014) observed that firms which lose products and are into criminal cases are likely to be denied credit by lending institution in far of the high risk they possess their business.

### 2.3.4 The control influence of firm size between entrepreneurial orientation and access bank credit

Pandula (2011) done a study in Australia confirms the finding of (Bebczuk and Galindo, 2008) showed that there was no relationship between size of the firm and access to bank credit. Fatoki and Asah (2011) they found out that size of the firm was amongst the key determinants by commercial banks amongst their parametric indicators for a facility to be approved whereby small enterprises are less favored to large firms. Beck et al., (2006), they observed that size of the firm is positively related to the amount of credit consumed by the business.

The results of the findings of Abdesamed and Wahab (2012) conquers with the previous findings of Oliveira and Fortunato (2006); Schiffer and Weder (2001) that size of the firm negatively affect access to bank credit

According to Thuku (2017) in Kenya, she found that size of the firm negatively affect access to bank credit at average mean of 4.41. Additionally, Nanyondo et al., (2016) established that there was a significant positive association between the size of the firm and credit as bigger firms are favored more

### 2.4. Literature summary and gap

This study has reviewed a number of related studies about entrepreneurial orientation and access to bank credit by small and medium enterprises. However, conclusions are drawn premised on generalization and not specific to particular area and sector hence there is a contextual gap. The search for an exact predictor of access to bank credit by SMEs is still evolving as numerous reasons accountable for inadequate access to have been identified in the literature. Moreover, although

empirical studies have been carried out to explain the sub-optimal access to bank credit using different predictor variables, the influence of innovativeness, risk-taking and networking both qualitatively and quantitatively have not been excessively studied in the context of Ugandan. This study, therefore, contends that the sub-optimal access to bank credit by SMEs' could be attributed to innovativeness, risk-taking and networking as they are controlled by the firm size. Finally, there are limited tight studies that have analyzed the controllable influence of co-founding variables like the firm size on entrepreneurial orientation and access to bank credit. The study, therefore, intended to fill both the contextual and conceptual gaps by examining the influence of entrepreneurial orientation on access to bank credit controlled by the firm size by among small and medium enterprises in Uganda concentrating on Mbale City Council metal fabricators in Mbale City Council area.

### 2.5 Chapter summary

The chapter indicates the literature review that the study explored. The arrangement of chapter two was according to the objectives of the study starting with a theoretical, conceptual review, empirical review, literature summary and gap. This chapter leads to chapter three –Methodology.

# CHAPTER THREE

# METHODOLOGY

## 3.1 Introduction

This chapter presents methodology that was used to carry out the study. Specifically, the chapter describes the research design, procedure and methods that were used in carrying out the study, the determination of the sample size from the total population, and the methods that were adopted in data processing and analysis. Measures of the variables and ethical considerations as part of this section".

## 3.2 Research design

A descriptive cross-sectional survey was used for the study. This was motivated due to the fact that descriptive research helps the investigator to understand the nature of the research problem and it supports the effective gathering of data at once from many SMEs, (Kothari, 2004; Sekeran, 2013; Mugenda and Mugenda, 2003; Burns and Bush, 2010). Further, quantitative data was collected to numerically explain the phenomena by analyzing the influence between predictor variable and predicted variable; on the other hand qualitative data were collected to understand the phenomena in depth. Amin (2004), this triangulation approach makes it feasible for the researcher to make well-informed findings and conclusions.

## 3.3 Study and target population

SMEs in the fabrication sector in Uganda was targeted. SMEs in fabrications at Mbale City Council was studied. According to the Association of Mbale City Council Fabrication Report (2018) a total of 300 SMEs operating in Mbale City Council and this guided the quantitative aspect of the

research. Additionally, qualitatively the study targeted resourceful respondents from the banks at Mbale City Council. According to BOU (2018), five regulated financial institutions operate bank branches in Mbale City Council.

## 3.4 Sample size determination and sampling technique

### 3.4.1 Quantitative sample

A sample size of 169 metal fabrication SMEs was obtained from the list provided by the KCCA and Association of Mbale City Council Metal fabrication and questionnaires distributed was computed using Krejcie and Morgan (1970) statistical table in appendix four However, 129 questionnaires were collected back making an effective response rate of 76.33%. This response rate was considered ideal to carry out the study to them. The SMEs was selected using a simple random sampling.

### 3.4.2 Qualitative sample

Qualitatively, the common method used to establish the sample was getting to the point of saturation. In this study, this approach was utilized to obtain the sample size of 17 key informants that were selected using a purposive sampling technique. This was because they were deemed knowledgeable about the study and their informed views would enable the researcher to clearly answer the objectives of the study. The respondents on which interviews were conducted included bank (branch manager, credit supervisors & SME relationship manager), chairperson of the association and one member from Uganda Development Bank.

### 3.5 Data Collection Methods

#### 3.5.1 Quantitative method

The study employed a survey approach where quantitative data was collected using a survey questionnaire. The primary data for this study was collected using closed-ended questionnaires.

The questionnaires were administered to SMEs owners or managers. The questionnaires covered entrepreneurial orientation as the independent variable and access to bank credit as the dependent variable.

Entrepreneurial orientation was measured using innovativeness, risk-taking and networking. Access to bank credit was measured using amount of credit granted and the frequency of borrowing from the bank

#### 3.5.2 Qualitative method

The study adopted an interview method using an interview guide. The primary sources included data from key informants. According to Amin (2004), and Sekeran (2013) suggest that this enable attainment of in-depth information from the targeted respondents through forms of face to face conversations and probing of the respondents to gain detailed explanations on entrepreneurial orientation and access to bank credit by SMEs in Mbale City Council as suggested by (Amin, 2004 and Sekeran, 2013) to collect qualitative data.

### 3.6 Data collection instruments

Questionnaires and interviews were the only instruments used by the study to collect data.

#### 3.6.1 Self-administered questionnaire

The study used a close-ended self-administered questionnaire divided into sections of background information, entrepreneurial orientation and access to bank credit. The respondents responses from instruments were measured on scale of 1-5 as guided by the Likert namely “5-Strongly agree; 4-

Agree; 3- Not sure; 2- Disagree and 1- Strongly disagree". The rationale for instrument questionnaire, it allows the collection of quantifiable primary data from many respondents within a short period of time and very flexible for the respondents to answer at any time they want (Kombo and Tromp, 2006; Saunders, Lewis and Thornhill, 2009).

### 3.6.2 Interview guide

An in-depth oral interview was conducted using the interview guide. The motivation for this tool interview guide helps to ensure that reliable qualitative information is gathered because it facilitates the investigation into the topic under study and collection of accurate information from the respondents was selected to participate as key informants due to their the wealth of experience and knowledge (McNamara, 2009; Charmaz, 2002; Hunter and Schmidt, 1996)

## 3.7 Validity and Reliability of data instruments

### 3.7.1 Quantitative study

Quantitatively the study adopted a content validity control. The rationale for this validity, content validity allows the development of questionnaires specific to the study objectives from existing literature then channeled to Likert scale, elicit the desired responses from the study sample and allows expert opinions of the supervisors on total inclusion of the constructs under review (Kothari, 2004). The questionnaires were pretested and after which the content was measured to ensure validity done using the content validity index (C.V.I) and based on the Amin (2003).

An instrument is considered valid if the CVI is 0.7 and above to establish the accuracy of the measures (Amin, 2004; Mugenda and Mugenda, 2003)**.** For this study, only items whose factor loadings met the threshold of 0.5 above was considered for further analysis. The table corresponding to factor analysis has been put in Appendix 3.

**Reliability**

Quantitatively the study used a Cronbach's Alpha Coefficient. The rationale for this coefficient, Cronbach yields stability and consistency. Further, it indicates the extent to which the measures are without bias or error and offers consistent results across time and various items. The Cronbach's Alpha Coefficient (K) was determined by a computer program Special Package for Social Scientists (SPSS) to ascertain the true reliability of the instrument. According to DeCoster (2004); Mugenda and Mugenda (2003), suggests the commonly accepted rule for describing internal consistency using Cronbach's alpha as follow:

**Table 1: Cronbach Alpha for the study variables**

| **Variables** | **Cronbach's Alpha Coefficien**t |
|---|---|
| Networking | 0.916 |
| Innovativeness | 0.939 |
| Risk-Taking | 0.866 |
| Access to bank credit | 0.943 |

**"Source: Primary data 2020"**

Basing on the results in Table 1, all the variables used in the study met the expected threshold of 0.7 Cronbach's Alpha

**3.7.2 Qualitative study validity and reliability of the data instrument**

**Validity**

Qualitatively the study adopted creditability control. This control ensures that the instrument covers all required contents under review and it underpins the expert judgment (Sekeran, 2013). The

investigator ensured that the interview questions asked covered the relevant content required to generate the required responses from the key informants (Graneheim and Lundman, 2004)

**Reliability**

Qualitatively the study adopted both dependability and transferability. The motivation for dependability, dependability determines the stability, consistency, and accuracy of data over time (Catanzaro, 1988; Graneheim and Lundman, 2004). Lincoln and Guba (1985) suggests that consistency and accuracy can be achieved through responses grouping by coding them categorically. Transferability reliable helps to investigator to examine the instrument he or she can get the same responses from different respondents at unknown if examined using the same tool through the selection of the required sample in order to reach general conclusion (Krippendorf, 2004).

### 3.9 Procedure of data collection

A letter of introduction obtained from Kyambogo University. This letter was used to obtain permission from SMEs owners or managers and key informants to conduct a survey and interview in their respective areas of jurisdiction. The researcher made necessary introductions out of the objectives of the study for permission to carry out the investigations within their organization.

#### 3.9.1 Pilot study

12 respondents were randomly selected outside the actual sample for the study and 10 questionnaires were administered to 10 respondents and 2 respondents were interviewed to ensure that the language used in is easily understood, and restructuring of the constructs aimed at achieving internal consistency in addressing the research purpose. The data collected the 12 respondents

analyzed, reviewed, revised, edited, and modify before final the instrument was printed to be used in the main study.

### 3.9.2 Main study

The researcher briefed the respondents about his intentions to carry out a study on their businesses. The administration of the questionnaires was done by research assistants where she ensured that each respondents was given one questionnaire and this helped in collecting quantitative data and the interview was conducted by the principal investigator. The questionnaires were retrieved after 2 days and check for completeness of all answers. Additionally, prior appointment were secured from the key informants and scheduled accordingly for the interviews that were conducted. Finally, both the questionnaires and interviews were then arranged for data analysis.

## 3.10. Measurement of variables

### 3.10.1 Measurement of the predictor

The independent variable of the study was entrepreneurial orientation and was measured using networking (Hallèn and Johanson, 2004 & Scalera and Zazzaro, 2009), Innovativeness (Lumpkin and Dess, 1996, Schumpeter, 1947) and risk-taking (Miller,1983). The items that were used to measure these constructs were put on a five-point Likert scale ranging from “strongly disagree” to “strongly agree” and means were computed to enable the analysis. A list of the constructs used in this study along with the set of items/indicators used to measure each construct can be found in Appendix One.

### 3.10.2 Measurement of the predicted

The dependent variable of the study was access to bank credit and was measured using flexibility, borrowing cost and the amount of loan with which SMEs get money from banks following previous

related empirical studies such as *(*Akudugu et al., 2009; De la Torre, et al., 2009, World Bank, 2011 & Nanyondo et al., 2014 ). Using a scaled questionnaire and interview data was collected on both variables and their means were computed to enable the analysis. A list of the constructs used in this study along with the set of items/indicators used to measure this construct can as well be found in Appendix one.

### 3.10.3 Measurement of the co-founding variable

Using number of employees as a measure, size of the firm was conceptualized as the controllable variable. The end result is that size of the firm has a controllable influence on access to bank credit.

## 3.11 Data analysis techniques

### 3.11.1 Quantitative data

Data collected was carefully compiled, sorted, edited, classified, coded and checked for accuracy and relevancy. The Statistical Package for Social Scientists (SPSS) was used to perform the analysis of the quantitative data. The research questions were analyzed using descriptive and inferential statistics. The researcher reverse coded answers of some questions in order to have them in the same direction and this was especially on access to bank credit

The motivation for the descriptive statistics is that descriptive analysis enables the investigator to understand the sample characteristics, discuss findings, measures the entrepreneurial orientation and access to bank credit using frequency distribution tables, mean, and standard deviation. The rationale for the inferential statistics is that the inferential analysis helps the investigator to examine the relationship then the influence between access to bank credit and innovativeness, risktaking and networking.

Due to multiple predictors, a multiple linear regression analysis helped to guide the analysis. However, this data analysis data was based on the assumption that there is no outlier which may cause non-normality hence leading to incorrectness and alteration of findings. In this study, outliers were identified by exploring using box plots

In order to ensure that data is bell-shaped different tests were performed as elucidated below.

The Shapiro – Wilk Test was done to test for normality in the data and it's good for samples which fall between 3 and 2,000 respondents (Shapiro and Wilk, 1965).

**Table 2: Tests of Normality for networking, innovativeness, risk-taking and access to bank credit**

| | **Shapiro-Wilk** | | |
|---|---|---|---|
| | **Statistic** | **Df** | **Sig.** |
| Networking | .770 | 129 | .609 |
| Innovativeness | .707 | 129 | .081 |
| Risk-taking | .805 | 129 | .285 |
| Access to bank credit | .791 | 129 | .456 |

**"Source: Primary data 2020"**

Basing on the results in table 2, the p-value (Shapiro Wilk test) for the different variables used in the study was above 0.05 level of significance indicating that the data was normally distributed.

The homoscedasticity test was executed to examine the variability between the predicted values and observed values of the variables along the line of the best fit and it's premised on the assumption that variation should be relatively the same or similar and this was done using the Analysis of variance. Lastly, Multi-collinearity test was done to establish the correlation between the independent variables. The study used a variance inflation factor (VIF) to detect the correlation between the networking, innovativeness and risk-taking. Furthermore, it's suggested that multicollinearity is present if the VIF is greater than 10.

**Table 3: Collinearity diagnostics for networking, innovativeness and risk- taking**

| **Model** | **Collinearity statistics** | |
|---|---|---|
| | **Tolerance** | **VIF** |
| Networking | 0.375 | 2.667 |
| Innovativeness | 0.588 | 1.701 |
| Risk-Taking | 0.321 | 3.115 |

The Dependent Variable: Access to bank credit **"Source: Primary Data 2020"** results in table 3 revealed that the independent variables (networking, innovativeness and risk-taking were not highly correlated since the Variance Inflation Factor (VIF) was below the threshold of 5.

### 3.11.2 Model specification

The influence of innovativeness, risk-taking and networking on access to bank credit was analyzed by performing a simple regression to determine the influence of these variables and later on a multiple regression analysis to examine the overall influence of these entrepreneurial orientation on access to bank credit. The dependent variable was access to bank credit. The average means

computed for the innovativeness, risk-taking and networking used as the predictor variables and regressed on the means computed for access to bank credit as the dependent variable.

Specifically, the models below tested to analyze the influence of innovativeness, risk-taking and networking on access to bank credit

Simple linear regression

$ABC = \beta_0 + \beta_1 INN + \in_i$, $ABc = \beta_0 + \beta_2 RT + \in_i$, $ABc = \beta_0 + \beta_3 NE + \in$, where ABC represents the dependent variable access to bank credit**,** INN represents innovativeness, RT represents risk-taking**,** NE represents networking, $\beta_0$ represents the intercept, $\beta_1$ ... ... ... $\beta_3$ represents the coefficients and $\in_i$ represent the error term.

Multiple regression analysis model $ABC = \beta_0 + \beta_1 INN + \beta_2 RT + \beta_3 NE + \in_i$

The controllable influence of the firm size on the relationship between innovativeness, risk-taking and networking on access to bank credit analyzed and included the multiple regression in order to examine the influence of a co-founding variable.

### 3.11.3 Qualitative data analysis

Qualitative data was analyzed using the content analysis technique. It was compiled, edited, coded and categorized through finding patterns, trends and relationships from the information gathered. This was used to describe and draw conclusions on the entrepreneurial orientations which influence access to bank credit. Primary data that was collected like interviewees responses were analyzed for content and discussed in line with the research objectives in order to establish areas of convergence and divergence. According to Mugenda and Mugenda (2003), the researcher's interest was to

analyze information in a systematic manner so as to come up with meaningful conclusions and recommendations.

### 3.12 Ethical Considerations

Research ethics are established rules and guidelines that define the conduct that researchers use in the process of carrying out research activities – ethics, established and followed with an aim of protecting the dignity of the work that research produces and the information that is used in the entire research process In this study the following components of ethics was observed by the researcher:

**Confidentiality (Privacy):** The information provided by participants was not shared without their will and there was no intrusion of their privacy as anonymity upheld. Participants were assured of confidentiality verbally and in the written consent form.

**Plagiarism:** Although the variables have been researched on by a number of scholars including academicians & writers; this dissertation is an original product of my own writing with reference to secondary documents like reports, journals, and textbook study. The dissertation is not a duplication of any writer or scholar's work. Any work that is another writer was declared to be so.

**Fair Treatment:** The selected participants' inclusion was based on the requirement of research. There was non-prejudicial treatment of participants who refuse to take part or those who withdraw. More so sensitivity to and respect for the participants' beliefs, habits, lifestyles, culture and emotions was adhered to and courteous treatment accorded to them at all times.

### 3.13 Limitations of the study

**Instrumentation:** The research instruments were not standardized. Therefore, validity and reliability tests were done to produce a credible measurement of research variables

**Testing:** The use of research assistants can bring about inconsistency in the administration of the questionnaires in terms of administration, understanding of the items in the questionnaires and explanations were given to the respondents. To minimize this limitation, the research assistants were oriented and verified on the procedure to be done in data collection

**Attrition:** Not all questionnaires were returned neither correctly answered nor even retrieved back due to circumstances on the respondents such as travels, sickness, hospitalization and refusal/withdrawal to participate. In the anticipation of this, the researcher reserved more respondents by exceeding the minimum sample size

### 3.14 Chapter Summary

"The chapter presented the methodology that the study used. The study employed a cross– sectional survey design. A population of 300 Metal fabrication SMEs was used with a sample size of 169 which was based on Krejcie and Morgan (1970) table. Primary data were obtained from 129 SMEs giving a response rate of 76.33 %. Data was collected using a questionnaire and interviews were later conducted for triangulation purposes. Reliability and validity tests were considered for the variables used, measurement of the research variables was made and model specifications were generated. Finally, ethical considerations and limitations of the study were presented".

# CHAPTER FOUR

# DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

## 4.0 Introduction

This chapter presents background information of enterprises included in the study, descriptive statistics of the research variables, and inferential findings based on the specific objectives of the study. The first section presented the background information of the enterprises included in the study, this was followed by the descriptive analysis for entrepreneurial orientation (networking, innovativeness and risk-taking) and access to access to bank credit. Thereafter, the results of the multiple regression analysis were presented after taking in considerations all the diagnostic tests required to run a regression and these quantitative results are interpreted.

## 4. 1 Descriptive statistics of the variables included in the study

The entrepreneurial orientation (networking, innovativeness and risk-taking) and access to bank credit were statistically described using computed mean and standard deviation. The constructs under these variables were measured on a Likert scale of 1-4 where 1 is for strongly disagree and 4 is for strongly agree where respondents were requested to indicate their level of agreement or disagreement with each sentence, by ticking the option which best represented their personal feelings and understanding towards the networking, innovativeness and risk-taking statements that influence access to bank credit.

### 4.2.1 Networking

The constructs for networking studied were based on the ability of enterprises to connect with competitors, suppliers, customers, government agencies, source of finance and institution of high learning and the extent to which the network is perceived as relevant. The computed mean and standard deviation values of the statements on the networking is given in table 5 below.

**Legend**

| Description | Mean range | Interpretation |
|---|---|---|
| Strongly Agree | 4.1-5.00 | Very high/very satisfactory |
| Agree | 3.1-4.0 | High/satisfactory |
| Uncertain | 2.1-3.0 | Moderate/Moderate |
| Disagree | 1.1-2.0 | Low/Unsatisfactory |
| Strongly Disagree | 0.00-1.0 | Very low/Very unsatisfactory |

**5: Descriptive statistics on Networking**

| Statements | SD f (%) | D f (%) | A f (%) | SA | Mean | Std Dev |
|---|---|---|---|---|---|---|
| Our fabrication has strong connection to the different learning institutions such as universities | 6 (7.0) | 15 (17.4) | 38 (44.2) | 27 (31.4) | 3.00 | .881 |
| Our fabrication has strong connection to different suppliers e.g. those in our neighborhood and beyond | 12 (14.0) | 59(69.4) | - (0.0) | 14 (16.3) | 3.02 | .553 |
| Our fabrication is connected to different customers e.g., Customers from the building sites, site engineers around and beyond | - (0.0) | 24 (27.9) | 28 (32.6) | 34 (39.5) | 3.12 | .818 |
| Our fabrication has strong connection to different government agencies e.g. police, local council (LC 1) | 2 (2.3) | 14 (16.3) | 48 (55.8) | 22 (25.6) | 3.05 | .718 |
| Our fabrication is connected to different competitors in our neighborhood and beyond | 10 (11.6) | 19 (22.2) | 40 (46.5) | 17 (19.8) | 2.74 | .910 |
| **Average** | | | | | **2.99** | |

**Source: Primary data 2024**

Key: SD- strongly Disagree, D- Disagree, A- Agree, SA- Strongly Agree, M – Mean, SD- Standard Deviation, %- Percentage, f – Frequency.

On finding out fabrication has strong connection to the different learning institutions such as universities, results in the table indicate that 6(7.1%) of the respondents strongly disagreed with the statement, 27(31.8%) of the respondents disagreed with the statement, 37(43.5%) agreed with the statement and 4(5.3%) strongly agreed. The average mean value obtained of 3.00 signifies agreement to a large extent and the standard deviation of 0.881 indicates a wide variance in responses. This further implies that fabrication has strong connection to the different learning institutions.

In terms interview results, one interviewee had this to say, *"To be able to obtain a bank credit from their institution, SMEs owners must be a member of a group and the group members meet every Monday at 8.00 Am. Unfortunately, this is achieved in a short time and thus a lot of the members are lost along the way before qualifying to be guaranteed by the other members as surety."*
Another Interviewee, *"The enterprise's strong connection to customers increases the chances to access bank credit from banks. However, the regulation of the sector is still a challenge because it's free entry and exit which destabilizes the market due to rapid competition.*"

On finding out fabrication has strong connection to different suppliers, results in the table indicate that 12(14.1%) of the respondents strongly disagreed with the statement, 59(69.4%) of the respondents disagreed with the statement, 00(0.0%) agreed with the statement and 14(16.5%) strongly agreed. The average mean value obtained of 3.02 signifies agreement to a large extent and the standard deviation of 0.553 indicates a wide variance in responses. This further implies that fabrication has strong connection to different suppliers

On finding out that, fabrication is connected to different customers, results in the table indicate that 00(0.0%) of the respondents strongly disagreed with the statement, 24(28.2%) of the respondents disagreed with the statement, 28(32.9%) agreed with the statement and 33(38.8%) strongly agreed. The average mean value obtained of 3.12 signifies agreement to a large extent and the standard

deviation of 0.818 indicates a wide variance in responses. This further implies that fabrication is connected to different customers in entrepreneur

On finding out that, fabrication has strong connection to different government agencies, results in the table indicate that 2(2.4%) of the respondents strongly disagreed with the statement, 14(16.5%) of the respondents disagreed with the statement, 47(55.3%) agreed with the statement and 22(25.9%) strongly agreed. The average mean value obtained of 3.05 signifies agreement to a large extent and the standard deviation of 0.718 indicates a wide variance in responses. This further implies that fabrication has strong connection to different government agencies.

On finding out that, fabrication is connected to different competitors in neighborhood and beyond, results in the table indicate that 10(11.8%) of the respondents strongly disagreed with the statement, 19(22.4%) of the respondents disagreed with the statement, 40(47.1%) agreed with the statement and 16(18.8%) strongly agreed. The average mean value obtained of 2.74 signifies agreement to a large extent and the standard deviation of 0.910 indicates a wide variance in responses. This further implies that fabrication is connected to different competitors in the neighborhood and beyond.

### 4.2.2 Innovativeness

The constructs for innovativeness studied were based on new ways of reaching out customers, unique services, new design, the new idea implementation from employees, new ways of doing things and complicated. The descriptive statistics showing the mean and standard deviation of the statements on the level of innovativeness is given in table 6 below.

**6: Descriptive statistics on Level of Innovativeness**

| Statements | SD f (%) | D f (%) | A f (%) | SA | Mean | Std Dev |
|---|---|---|---|---|---|---|
| We have implemented all new ideas of our workers more than what our competitors do | 4 (4.7) | 18 (20.9) | 44 (51.2) | 20 (23.3) | 2.93 | .794 |
| In our workshop we offer very unique services which our competitors can't easily offer e.g. repairing car, adding guards on cars | 4 (4.7) | 22 (25.6) | 50 (58.1) | 10 (11.6) | 2.77 | .714 |
| We are able to do new designs for our customers that our competitors can't easily do | 6 (7.0) | 14 (16.3) | 43 (50.0) | 23 (26.7) | 2.97 | .846 |
| In this workshop we have adopted new ways of reaching out to our customers | 6 (7.0) | 18 (20.9) | 47 (54.7) | 15 (17.4) | 2.83 | .800 |
| **Average** | | | | | **2.88** | |

***Primary data source 2024***

Key: SD- strongly Disagree, D- Disagree, A- Agree, SA- Strongly Agree, M – Mean, SD- Standard Deviation, %- Percentage, f – Frequency.

The results in the table show that, upon learning that the institution adopted all new ideas from its employees more than its rivals, 4 (4.7%) of the respondents strongly disagreed with the statement, 18 (21.2%) disagreed with the statement, 44 (51.8%) agreed with the statement, and 19 (22.4%) strongly agreed. A great degree of agreement is indicated by the average mean value of 2.93, while a broad variety in responses is indicated by the standard deviation of 0.794.

. This further implies that fabrication has strong connection to the different learning institutions

During interviews one interviewee had this to say; *"We normally value all kind of new ideas brought in by the employees and this motivates the employees to perform accordingly and because it's more convenient and accessible."*

Another interviewee said; *"Normally, these unique services offered differentiates them from the competition. However, gaps exist on what constitutes services in the fabrication sector."*

The results in the table show that, upon learning that in the workshop, we offer very unique services which our competitors can't easily offer, 4 (4.7%) of the respondents strongly disagreed with the statement, 22 (16.5%) disagreed with the statement, 42 (49.4%) agreed with the statement, and 23(27.1%) strongly agreed. A great degree of agreement is indicated by the average mean value of 2.77, while a broad variety in responses is indicated by the standard deviation of 0.714.

On finding out that, new designs for our customers that our competitors can't easily do, results in the table indicate that 6(7.1%) of the respondents strongly disagreed with the statement, 14(16.5%) of the respondents disagreed with the statement, 42(49.4%) agreed with the statement and 23(27.1%) strongly agreed. The average mean value obtained of 2.97 signifies agreement to a large extent and the standard deviation of 0.846 indicates a wide variance in responses. This further implies that new designs for our customers that our competitors can't easily do

On finding out that, we have adopted new ways of reaching out to our customers, results in the table indicate that 6(7.1%) of the respondents strongly disagreed with the statement, 17(20.0%) of the respondents disagreed with the statement, 47(53.3%) agreed with the statement and 15(17.6%) strongly agreed. The average mean value obtained of 2.83 signifies agreement to a large extent and the standard deviation of 0.800 indicates a wide variance in responses. This further implies that we have adopted new ways of reaching out to our customers.

### 4.2.3 Risk-Taking

The constructs for risk-taking studied were based on sum of investments in fixed assets (capital investment), extremely new ideas, decision making under uncertainty, opportunity and going for high-risk projects. The descriptive statistics showing the mean and standard deviation of the statements on the level of risk-taking is given in table 7 below.

**7: Descriptive statistics on Level of Risk-Taking**

| Statements | SD f (%) | D f (%) | A f (%) | SA | Mean | Std Dev |
|---|---|---|---|---|---|---|
| When opportunities are present, we don't adopt cautious "wait and see" mentality | 2 (2.4) | 17 (20.0) | 36 (42.4) | 30 (35.3) | 3.02 | .632 |
| The operations of our fabrication include high risk projects compared to our competitors | 00 (0.0) | 14 (16.5) | 45 (52.9) | 26 (30.6) | 2.91 | .523 |
| If we are confronted with decision making situations involving uncertainty, in our workshop we are not afraid of taking up those decisions | 00 (0.0) | 30 (35.3) | 37 (43.5) | 18 (21.2) | 2.86 | .617 |
| We don't have fear of coming up with extremely new design in our operations | 13 (3.5) | 21 (24.7) | 45 (52.3) | 16 (18.8) | 3.07 | .716 |
| In this metal fabrication workshop, we have committed huge capital investments obtaining the machines necessarily without paying attention to the fears | 4 (4.7) | 26 (30.6) | 39 (45.9) | 16 (18.8) | 2.92 | .770 |
| Average | | | | | | |

**primary data source 2024**

On finding out, opportunities are present, results in the table indicate that, 2(2.4%) of the respondents strongly disagreed with the statement, 17(20.0%) of the respondents disagreed with the statement,36(42.4%) agreed with the statement and 30(35.3%) strongly agreed. The average mean

value obtained of 3.02 signifies agreement to a large extent and the standard deviation of 0.632 indicates a wide variance in responses. This further implies that opportunities are present, we don't adopt cautious.

During interviews, one interviewee had this to say; *"We normally grab such new opportunities because they offer the business a lot of return before they became known to everyone."*

Another interviewee had this to say; *"These high-risk projects ripe high profits for the business and we invest in them wisely,* he added that *financial institutions are not in tandem extending bank credits to enterprises involved in high-risk projects that they only take calculative risks."*

Another interviewee added that; "*That for an enterprise to move to the next level, it has to learn from its past experience of such decision could have made under such uncertainty situations."*

On finding out, operations of our fabrication include high risk projects compared to our competitors, results in the table indicate that, 0(0.0%) of the respondents strongly disagreed with the statement, 14(16.5%) of the respondents disagreed with the statement,45(52.9%) agreed with the statement and 26(30.6%) strongly agreed. The average mean value obtained of 2.91 signifies agreement to a large extent and the standard deviation of 0.532 indicates a wide variance in responses.

On finding out, confronted with decision making situations involving uncertainty, in our workshop we are not afraid of taking up those decisions, results in the table indicate that, 0(0.0%) of the respondents strongly disagreed with the statement, 30(35.3%) of the respondents disagreed with the statement,37(43.5%) agreed with the statement and 18(21.2%) strongly agreed. The average mean value obtained of 2.88 signifies agreement to a large extent and the standard deviation of 0.617 indicates a wide variance in responses.

On finding out, don’t have fear of coming up with extremely new design in our operations, results in the table indicate that, 3(3.5%) of the respondents strongly disagreed with the statement, 21(24.7%) of the respondents disagreed with the statement, (43.5%) agreed with the statement and 18(21.2%) strongly agreed. The average mean value obtained of 2.88 signifies agreement to a large extent and the standard deviation of 0.617 indicates a wide variance in responses.

On finding out, fabrication workshop, we have committed huge capital investments obtaining the machines necessarily without paying attention to the fears, results in the table indicate that, 4(4.7%) of the respondents strongly disagreed with the statement, 21(24.7%) of the respondents disagreed with the statement, 45(52.9%) agreed with the statement and 16(18.8%) strongly agreed. The average mean value obtained of 3.07 signifies agreement to a large extent and the standard deviation of 0.776 indicates a wide variance in responses.

### 4.2.4 Access to bank Credit

The constructs for access to bank credit studied were based on flexibility, the frequency of borrowing, loan accessibility from the bank and costs. The descriptive statistics showing the mean and standard deviation of the statements on the level of access to bank credit is given in table 8 below.

**Table 8: Descriptive statistics on Level of access to bank credit**

| Statements | SD f (%) | D f (%) | A f (%) | SA | Mean | Std Dev |
|---|---|---|---|---|---|---|
| When opportunities are present, we don't adopt cautious "wait and see" mentality | 1 (1.2) | 12 (14.1) | 55 (64.7) | 17 (20.0) | 3.10 | .797 |
| The operations of our fabrication include high risk projects compared to our competitors | 2 (2.4) | 10 (11.8) | 67 (78.8) | 6 (7.1) | 3.14 | .671 |
| If we are confronted with decision making situations involving uncertainty, in our workshop we are not afraid of taking up those decisions | 0 (0.0) | 22 (25.9) | 52 (61.2) | 11 (12.9) | 2.86 | .738 |
| We don't have fear of coming up with extremely new design in our operations | 1 (1.2) | 16 (18.8) | 44 (51.8) | 24 (28.2) | 2.87 | .748 |
| **Average** | | | | | **2.99** | |

***Source: Primary data 2024***

On finding out, opportunities are present, we don't adopt cautious "wait and see" mentality, results in the table indicate that, 1(1.2%) of the respondents strongly disagreed with the statement, 12(14.1%) of the respondents disagreed with the statement, 55(64.7%) agreed with the statement and 17(20.0%) strongly agreed. The average mean value obtained of 3.10 signifies agreement to a large extent and the standard deviation of 0.797 indicates a wide variance in responses.

During interviews, one interviewee had this to say; *"The enterprise doesn't meet all the evaluation criteria's mention of credit capacity, better credit history report, collateral, capital, conditions and character and these makes the process very difficult hence leading to a different loan mount advanced from the original request."*

Furthermore, another one interviewee had this to say; *"The enterprise running their operations using others forms of credit for example borrow from the relatives and friends, use client's credit, use company savings and personal savings. That most banks charge high interest, requires to have a land title, having audited financial statements, company full registered and the turnaround time they take to offer money is too long while the need is urgent."*

On finding out, the operations of our fabrication include high risk projects compared to our competitors, results in the table indicate that, 2(2.4%) of the respondents strongly disagreed with the statement, 10(11.8%) of the respondents disagreed with the statement, 67(78.8%) agreed with the statement and 6(7.1%) strongly agreed. The average mean value obtained of 3.14 signifies agreement to a large extent and the standard deviation of 0.671 indicates a wide variance in responses.

On finding out, are confronted with decision making situations involving uncertainty, in our workshop we are not afraid of taking up those decisions, results in the table indicate that, 0(0.0%) of the respondents strongly disagreed with the statement, 22(25.9%) of the respondents disagreed with the statement, 52(61.2%) agreed with the statement and 11(12.9%) strongly agreed. The average mean value obtained of 2.86 signifies agreement to a large extent and the standard deviation of 0.738 indicates a wide variance in responses.

On finding out, fear of coming up with extremely new design in our operations, results in the table indicate that, 1(1.2%) of the respondents strongly disagreed with the statement, 16(18.8%) of the respondents disagreed with the statement, 44(51.8%) agreed with the statement and 24(28.2%) strongly agreed. The average mean value obtained of 2.87 signifies agreement to a large extent and the standard deviation of 0.748 indicates a wide variance in responses.

### 4.3 Multiple Regression Analysis

In order to address objective one, objective two and objective three, a number of tests were performed on predictors and predicted variable as indicated below.

**Table 9: Model summary of multiple regression analysis**

**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .862[a] | .820 | .804 | .68878 |

a. Predictors: (Constant), Risk-taking, Networking, Innovativeness

**Source: Primary Data 2024**

The results of the model summary above indicate that the three variables explain 82.0 percent variance in access to bank credit (R-square =.820) while remaining 18.0 percent by other factors not covered in this study

**ANOVA[a]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 1.213 | 3 | 19.867 | 23.427 | .000[b] |
| | Residual | 13.659 | 82 | 0.847 | | |
| | Total | 14.872 | 85 | | | |

a. Dependent Variable: Access to credit

b. Predictors: (Constant), Risk-taking, Networking, Innovativeness

**Source: Primary Data 2024**

In testing the significance of the model, the p-value obtained was 0.000 which was less than 0.05 at 5% level in a two-tailed test this indicates that the model was statistically significant in

predicting the influence of the predictor variables on access to bank credit. Findings also indicate the calculated F-value was 23.427 which is greater than the F critical at 5% level of significance.

**Table 10: Results of the Multiple Regression Coefficients**

**Coefficients**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 2.008 | .498 | | 4.029 | .000 |
| | Networking | .380 | .123 | .806 | .311 | .001 |
| | Innovativeness | .930 | .072 | .750 | 1.294 | .000 |
| | Risk-taking | .792 | .122 | .700 | 2.283 | .000 |

a. Dependent Variable: Access to credit

***Source: Primary data 2024***

As indicated in Table 11, the findings of the study revealed that networking, innovativeness, risk-taking and firm were strong predictors of access to bank credit ($p<.05$).

Networking emerged the strongest predictor of access to bank credit finance (Beta =0.806, p-value =0.001). This means that any efforts made by the management of these small and medium enterprises to networking would increase access to bank credit by 0.806. The coefficient of networking was statistically significant at $p=.001<.05$, this implies that the research question one- can be concluded that networking has a positive significant effect on access to bank credit among metal fabrication SMEs in Mbale.

Innovativeness was also found to significantly predict access to bank credit (Beta = 0.750, p-value =0.000). This means that any move by the management of these small and medium enterprises to innovativeness would increase access to bank credit by 0.750. The coefficient of innovativeness was statistically significant at $p=.000<.05$ testing, this implies that the research

question two can be concluded that innovativeness has a positive significant influence on access to bank credit finance by Metal fabrication SMEs in Mbale.

Risk-taking was also found to significantly predict access to bank credit (Beta = 0.700, p-value =0.000). This means that the management's desire for these small and medium enterprises to risk-taking would increase access to bank credit by 0.700. The coefficient of risk-takings was statistically significant at p=.000<.05 testing, this implies that the research question two can be concluded that risk-taking has a positive significant influence on access to bank credit finance by Metal fabrication SMEs in Mbale.

# CHAPTER FIVE

# SUMMARY, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

## 5.0 Introduction

This chapter presented a summary of the key findings, discussion of findings, conclusion, recommendations; and areas for future research. The summary of key findings, discussion of the findings regarding the influence of networking, innovativeness and risk-taking on access to bank credit.

## 5.1 Summary of key findings

The main purpose of the study was to examine the effect of entrepreneurial orientation on access to bank credit among Metal Fabrication SMEs in Mbale. The study specifically aimed at answering the effect of networking, innovativeness and risk-taking on access to bank credit.

Study findings revealed that majority of the Metal fabrication SMEs in Mbale City Council agreed that networking, innovativeness, innovativeness and risk-taking were key entrepreneurial orientation influence of access to bank credit, the computed descriptive mean statistics for this entrepreneurial orientation were all above the average of 4 on a scale of 1 to 5 implying that respondents agreed that these items were highly important in explaining access to bank credit.

In order to address the study objectives one, two and three, the research questions were using multiple regression analysis. The first objective was to examine the effect of networking on access to bank credit among Metal fabrication SMEs in Mbale. Results revealed a positive significant effect of networking on access to bank credit (Beta =0.806, P-value =0.001) at 5% level of significance.

The second objective was to determine the effect of innovativeness on access to bank credit among Metal fabrication SMEs in Mbale. Results revealed a positive significant effect of innovativeness on access to bank credit (Beta =0.750, P-value =0.000) at 5% level of significance.

The third objective was to assess the effect of risk-taking on access to bank credit among Metal fabrication SMEs in Mbale. Results revealed a positive significant effect of risk-taking on access to bank credit (Beta =0.700, P-value =0.000) at 5% level of significance.

## 5.2 Discussion of the findings

### 5.2.1 The effect of networking on access to bank credit

The first specific objective of the study was to examine effect of networking on access to bank credit among metal fabrication SMEs at Mbale City Council. Results of multiple regression analysis revealed a statistically significant effect of networking on access to bank credit. One interviewee stated that the enterprise's strong connection to customers increases the chances to access bank credit from banks. However, the regulation of the sector is still a challenge because it's free entry and exit which destabilizes the market due to rapid competition. Another interviewee stated that to be able to obtain a bank credit from their institution, SMEs owners must be a member of a group and the group members meet every Monday at 8.00 Am. Unfortunately, this is achieved in a short time and thus a lot of the members are lost along the way before qualifying to be guaranteed by the other members as surety

The results of the objective agreed with the findings of previous scholars such as; Vos (2005); Atieno (2009); Pandula (2011) and Kumah (2011) their findings indicated that membership with an association increase SMEs' access to bank credit. The findings of the study also concur with

those of Talavera et al., (2012) where they found out that that membership in business associations increase the probability of having a loan by 14.8 per cent.

### 5.2.2 The effect of Innovativeness on access to bank credit

The second specific objective of the study was to determine the effect of innovativeness on access to bank credit among metal fabrication SMEs in Mbale. Results of multiple regression analysis revealed a statistically significant effect of innovativeness on access to bank credit. One interviewee stated that they normally value all kind of new ideas brought in by the employees and this motivates the employees to perform accordingly and because it's more convenient and accessible. Another interviewee stated that normally unique services offered by their business differentiate them from the competition. However, gaps exist on what constitutes services in the fabrication sector.

The results of the objective agreed with the findings of Brancati (2015) who studied the financing possibilities for innovative firms in the Italian market and found that hi-tech firms are credit rationed by banks more than the non-technological or non-innovative firms. The study also concurs with those of Lee et al. (2015) in the context of UK showed that innovative firms look for more external sources of finance than the non-innovative firms. They also show that innovative firms are more likely to be credit rationed than the non-innovative ones.

### 5.2.3 The effect of Risk-Taking on access to bank credit

The third specific objective of the study was to assess the effect of risk-taking on access to bank credit among metal fabrication SMEs in Mbale. Results of multiple regression analysis revealed a statistically significant influence of risk-taking on access to bank credit. One interviewee stated that for an enterprise to move to the next level, it has learn from its past experience of such

decisions could have made under such uncertainty situations. Another interviewee stated that including high risk projects in their operation's ripe high profits for the business and they invest in them wisely and lastly that financial institutions are not in tandem extending bank credits to enterprises involved in high-risk projects that they only take calculative risks

The results of the objective agreed with the findings of Kirschemann (2016) found that banks reduce amount of loan to the customer if the client borrowing has a higher risk and hence,
SMEs may face more credit rationing. This is also in line with the findings of Ortz-Molina and Penas (2008) where he found that at risky borrowers receive loans with shorter maturity.

### 5.3 Conclusions

Generally entrepreneurial orientation in SMES contributes to 53.2% increase in access to bank credit. It can be concluded that strengthening of the SME's networks increases access to bank credit; investing in physical assets improves the financial position of the SMEs and having innovativeness included in SMEs core values improves access to bank credit;

### 5.4 Recommendations

The study found out that networking had a significant effect on access to bank credit. The study recommends that SMEs should expand their networks, for instance strengthening their connections with suppliers, sources of finance, local political leaders, customers and learning institutions

This is so because networking opens the window for collaboration with different learning institutions which supplies skilled labour force. Additionally, networking increase SMEs access to trade credit, bulk discounts and collective bargaining with suppliers. Further, networking improves the cordial relationship with financial providers for some banks belonging to a

borrowing group is considered a surety to lending. Lastly, networking provides avenues through which the government can channel money such as the “Emyoga Scheme” introduced by His Excellency the President of the Republic of Uganda.

The study also found that innovativeness had a negative significant effect on access to bank credit. Owing to this, the study recommends that that metal fabrication SMEs should have innovativeness embedded in their organizational core values. Additionally, study recommended that SMEs should encourage innovative ideas for instance rewarding best innovative employee of the year

The study also found that risk-taking had a negative significant effect on access to bank credit. Drawing to this, the study recommends that metal fabrication SMEs should invest in physical assets, for instance investing in property, plant and equipment's. This can strengthen their financial position and hence they can pledge as collateral to secure bank credit

### 5.5 Areas for further research

The sample was composed of Metal Fabrication SMEs that operate in Mbale, which means that other SMEs and SMEs operating in other regions of Uganda were not investigated. Therefore, the findings cannot be generalized to all the SMEs across the entire country. Studies in future can extend to encompass other SMEs and other parts of the country

Future study could be directed to finding the moderating effect of financial characteristics between entrepreneurial orientation and access to bank credit

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## APPENDICES

## APPENDIX I: QUESTIONNAIRE

**RESEARCH TITLE: "ENTREPRENEURIAL ORIENTATION AND ACCESS TO BANK CREDIT AMONG SMALL AND MEDIUM ENTERPRISES METAL FABRICATORS"**

Dear Respondent,

I am **Amuge Gloria**, a student of Uganda Christian University, pursuing a Master's in business administration Studies (Accounting and Finance Option). The questionnaire is intended to help the researcher get information on the influence of entrepreneurial orientation on access to bank credit by metal fabricators SMEs, Mbale City Council. The purpose of the study is purely academic and information given was treated with the highest degree of confidentiality. You have been randomly selected as a key respondent for this study. Please tick the answer which represents your opinion on the subject or the most appropriate to you.

I appreciate your participation in this effort.

Thank you,

**Amuge Gloria**

**Principle researcher**

(1) **From questions A – C:** ENTREPRENEURIAL ORIENTATION ASSOCIATED WITH ACCESS TO BANK CREDIT

Networking for this study have been measured in terms of innovativeness, risk-taking and networking. On a scale of 1-5 where 1 is for strongly disagree and 5 is for strongly agree, please indicate how much you agree or disagree with each sentence, by ticking the option which best represents your personal feelings and understanding towards the innovativeness, risk-taking and networking that influence access to bank credit

| **SECTION A. NETWORKING** | Strongly Agree | Agree | Disagree | Strongly Disagree |
|---|---|---|---|---|
| Our fabrication has strong connection to the different learning institutions | | | | |
| Our fabrication has strong connection to different suppliers | | | | |
| Our fabrication is connected to different customers | | | | |
| Our fabrication has strong connection to different government agencies | | | | |
| Our fabrication is connected to different competitors | | | | |
| **SECTION B: INNOVATIVENESS** | | | | |
| We have implemented all new ideas of our workers | | | | |
| In our workshop we offer very unique services | | | | |
| We are able to do new designs for our customers | | | | |
| In this workshop we have adopted new ways of reaching out to our customers | | | | |
| **SECTION C: RISK-TAKING** | | | | |
| When opportunities are present, we don't adopt cautious "wait and see" mentality | | | | |
| The operations of our fabrication include high risk projects compared to our competitors | | | | |
| If we are confronted with decision making situations involving uncertainty, in our workshop we are not afraid of taking up those decisions | | | | |

| | | | | |
|---|---|---|---|---|
| We don't have fear of coming up with extremely new design in our operations | | | | |
| In this metal fabrication workshop, we have committed huge capital investments obtaining the machines necessarily without paying attention to the fears | | | | |

**SECTION D: ACCESS TO BANK CREDIT**

Access to bank credit has been measured by flexibility and the ease with which SMEs get money from banks in terms of frequency of loan acquisition and amount of loan borrowed. On a scale of 1-5 where 1 is for strongly disagree and 5 is for strongly agree please indicate how much you agree or disagree with each sentence, by ticking the option which best represents your personal feelings and understanding towards the statements on access to bank credit.

| **ACCESS TO BANK CREDIT** | Strongly Agree | Agree | Disagree | Strongly Disagree |
|---|---|---|---|---|
| In this workshop, we don't run our operations using loans | | | | |
| Our workshop is not able to get all the loan amount we request for | | | | |
| Our workshop can't request for the loan as many times as needed | | | | |
| Bank officers don't normally request for bribes from our workshop in form token to speed up the loan processing | | | | |

## APPENDIX II: INTERVIEW GUIDE

**Dear respondent,**

This is an academic study examining the entrepreneurial orientation among metal fabrication SMES in Mbale City Council Area. Your responses shall be confidential and used only for academic purposes. Therefore you are amiably requested to spare some time and share your responses.

**An interview guide schedule for the interviews with bank branch manager, credit supervisor and SME relationship Manager to obtain information about access to bank by SMEs.**

1) Talk, about your credit process?
2) Describe, how you understand Metal fabrication SMEs in terms of
    a) Networking
    b) Innovativeness
    c) Risk-taking
3) Describe reasons as to why metal fabricator don't want come for the credit from this bank on the basis that they are innovative, risk-taking and well connected?

## APPENDIX IV: DETERMINATION OF SAMPLE SIZE

| N | S | N | S | N | S | N | S | N | S |
|---|---|---|---|---|---|---|---|---|---|
| 10 | 10 | 100 | 80 | 280 | 162 | 800 | 260 | 2800 | 338 |
| 15 | 14 | 110 | 86 | 290 | 165 | 850 | 265 | 3000 | 341 |
| 20 | 19 | 120 | 92 | 300 | 169 | 900 | 269 | 3500 | 346 |
| 25 | 24 | 130 | 97 | 320 | 175 | 950 | 274 | 4000 | 351 |
| 30 | 28 | 140 | 103 | 340 | 181 | 1000 | 278 | 4500 | 354 |
| 35 | 32 | 150 | 108 | 360 | 186 | 1100 | 285 | 5000 | 357 |
| 40 | 36 | 160 | 113 | 380 | 191 | 1200 | 291 | 6000 | 361 |
| 45 | 40 | 170 | 118 | 400 | 196 | 1300 | 297 | 7000 | 364 |
| 50 | 44 | 180 | 123 | 420 | 201 | 1400 | 302 | 8000 | 367 |
| 55 | 48 | 190 | 127 | 440 | 205 | 1500 | 306 | 9000 | 368 |
| 60 | 52 | 200 | 132 | 460 | 210 | 1600 | 310 | 10000 | 370 |
| 65 | 56 | 210 | 136 | 480 | 214 | 1700 | 313 | 15000 | 375 |
| 70 | 59 | 220 | 140 | 500 | 217 | 1800 | 317 | 20000 | 377 |
| 75 | 63 | 230 | 144 | 550 | 226 | 1900 | 320 | 30000 | 379 |
| 80 | 66 | 240 | 148 | 600 | 234 | 2000 | 322 | 40000 | 380 |
| 85 | 70 | 250 | 152 | 650 | 242 | 2200 | 327 | 50000 | 381 |
| 90 | 73 | 260 | 155 | 700 | 248 | 2400 | 331 | 75000 | 382 |
| 95 | 76 | 270 | 159 | 750 | 254 | 2600 | 335 | 1000000 | 384 |