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The influence of entrepreneurial orientation on business performance of SMEs: Evidence from Kathmandu, Nepal

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ABSTRACT

The purpose of the study was to investigate the impact of entrepreneurial orientation comprising autonomy, innovation, networking, and pro-activeness on business performance in Nepalese context. The literature of entrepreneurial orientation concerning to business performance depicted distinct directions with divergent and unsettled evidences. This research was conducted to address the research objective and for testing hypotheses. Thus, this study employed a descriptive and causal-comparative research approach, through cross-sectional data to gather information from participants to address research issues and objectives. A structured questionnaire of total 425 adopting the convenience sampling technique distributed among the targeted respondents in Kathmandu and received only 410 useful questionnaire for analysis. The findings of the study revealed that entrepreneurial orientation comprising autonomy, innovation, networking, and pro-activeness behavior found positively associated with the business performance of small and medium enterprises (SMEs) in Kathmandu, Nepal. There was a positive impact of entrepreneurial orientation on SMEs' business performance. It showed that better entrepreneurial orientation leads towards better business performance. This research contributes for better understanding of the association between entrepreneurs' orientation and business performance with their effect for business performance. This study establishes significant benchmark to a number of stakeholders consisting entrepreneurs, educators, academic institutions, regulators, and policymakers for a better understanding and optimum execution of the research outcomes to prepare effective policies for entrepreneurship development.

Contribution/Originality: This study extends the significant contribution to the currently existed literature by examining the impact of entrepreneurial orientation on business performance.

1. INTRODUCTION

A crucial element for the success of an organization is its entrepreneurial mindset (Majali, Alkaraki, Asad, Aladwan, & Aledeinat, 2022). In addition, in the current economic climate, enhancing a firm's performance through entrepreneurial orientation (EO) has gained significant importance. Despite the generally positive results on the relationship between entrepreneurial orientation (EO) and company performance, scholars have emphasized the significance account for and managing abilities well (Ferreras-Méndez, Olmos-Penuela, Salas-Vallina, & Alegre, 2021). In particular, the small and medium-sized enterprise (SME) sector is crucial for the economic development of a country. Small and medium-sized firms (SMEs) have a significant influence on the employment and other

economic prosperity of many countries worldwide (Ayyagari, Beck, & Demirguc-Kunt, 2007; Kusa, Duda, & Suder, 2021). Additionally, entrepreneurial intention is the cognitive state in which individuals concentrate their attention, acquire pertinent experience, and engage in activities related to a business idea. This concept is intricately connected to how individuals view entrepreneurial prospects and subsequently make the decision to initiate a company venture (Bird, 1988; Hu et al., 2023; Thompson, 2009). On the other hand, entrepreneurial orientation refers to a company's inclination to aggressively seek out and capitalize on new market opportunities, as well as rejuvenate established business areas. This is demonstrated via qualities such as a willingness to take risks, actively exploiting market chances, and fostering innovation (Daradkeh & Mansoor, 2023; Roh, Park, & Xiao, 2022).

Specifically, in Nepal, a small industry classified as an industry with a fixed capital of no more than one hundred fifty million rupees, excluding micro companies and cottage industries. Conversely, a medium-sized industry in Nepal characterized as an industry with a fixed capital that surpasses one hundred fifty million rupees but does not exceed five hundred million rupees (Industrial Enterprises Act, 2020). Small and medium-sized businesses' (SMEs) increasing numbers reflected in their expanding contribution. Nepal has tremendous number of small industries with a total capital of NPR 21,457.42 million as of the fiscal year 2022–2023. These industries employed 8,929 individuals in the country. During the same fiscal year, there were 70 medium-sized industries that were officially recorded, with a collective capital amounting to rupees 33,483.85. During that year, these industries generated employment for a total of 6,303 workers (Industrial Statistics, 2022).

Dynamic environmental circumstances found linking to enterprises and provide a fluctuating business atmosphere, which raises concerns about their long-term viability. An organization's creative and proactive tendencies, in particular, reflected in its entrepreneurial orientation. To improve their position in the market, small and medium-sized businesses (SMEs) need to exhibit innovation by developing new goods, services, and procedures. In addition, there must be exhibition of a superior degree of proactivity relative to their rivals in every domain and demonstrate a willingness to undertake risks (Arshad, Rasli, Arshad, & Zain, 2014; Muenjohn & Armstrong, 2008). Next, the degree to which a person is independent and flexible in choosing the manners and scheduling of their job responsibilities referred to as their level of autonomy, and it is crucial to the functioning of an organization. Independence reduces work-family conflicts by providing individuals with greater autonomy over their work and increased capacity to handle diverse work demands (Breaugh, 1985; Zakhem, Farmanesh, Zargar, & Kassar, 2022). However, there is no substantial correlation between autonomy and corporate performance (Fairoz, Hirobumi, & Tanaka, 2010; Kraus, Rigtering, Hughes, & Hosman, 2012). Liu and Lee (2015) found no statistically significant correlation between innovativeness, pro-activeness, total entrepreneurial orientation, and success and profit (Liu & Lee, 2015).

Importantly, it is often known that innovation is essential to a company's long-term viability. Research on innovation's beneficial effects on business performance is consistently strong, showing that it increases market share, boosts productivity, boosts sales, and increases profitability (Al-Ansari, Pervan, & Xu, 2013; Hilman & Kaliappen, 2015; Jiménez-Jiménez & Sanz-Valle, 2011; Saunila, 2014; Wahyuni & Sara, 2020). A relationship between innovation and the success of small and medium-sized businesses was established (Anjaningrum, Azizah, & Suryadi, 2024). Conversely, business performance and innovation are not highly correlated (Fairoz et al., 2010; Kraus et al., 2012). According to another study, pro-activeness, innovation, and a general entrepreneurial mindset do not significantly correlate with business performance and profit (Liu & Lee, 2015).

In a similar manner, the next critical component of the organization is networking orientation, which is commonly seen as a strategic position for controlling entrepreneurial behavior. Startups are characterized by their scarcity of resources, poor organizational design, and difficulties in gaining traction in the market. Therefore, proactive network building and maintenance helps mitigate the high costs of resource acquisition for startups, which stem from their natural weaknesses—being small, young, and lacking in credibility—as well as the difficulties they face in obtaining market resources (Daradkeh & Mansoor, 2023; Seo & Park, 2022). Similarly,

network entrepreneurial orientation refers to the encouragement of collaborative routines and actions that create opportunities for networked companies. This is achieved by fostering joint participation in proactive initiatives aimed at developing innovations and undertaking risky projects. It entails the efficient use and blending of fresh resources (Monferrer, Moliner, Irún, & Estrada, 2021; Wincent, Thorgren, & Anokhin, 2014). By contrast, there is insufficient empirical evidence to suggest that networking orientation has a substantial impact on corporate performance (Fairoz et al., 2010; Kraus et al., 2012) and pro-activeness, innovation, and general entrepreneurial orientation do not significantly correlate with success or profit (Liu & Lee, 2015).

Moreover, organizations that are proactive can obtain a competitive advantage by being the first to act in the market (Astrini et al., 2020; Ferrier, Smith, & Grimm, 1999). Nonetheless, the lack of a meaningful correlation with business performance was demonstrated by a few empirical findings (Fairoz et al., 2010; Kraus et al., 2012) and found little evidence of a connection between overall entrepreneurial orientation, proactivity, and innovation with success and profit (Liu & Lee, 2015).

In general, company performance is a crucial element of strategic company management. It is an essential component of all company activities conducted by managers in their endeavor to expand the business (Srimulyani, Hermanto, Rustiyaningsih, & Waloyo, 2023). Additionally, SMEs need an entrepreneurial mindset to prosper since economies depend on entrepreneurship. SMEs are vital to many nations' growth, especially emerging economies. Globalization reduces economies of scale, helping SMEs grow (Alam et al., 2022). Furthermore, in emerging countries, SMEs encounter volatile surroundings and weak institutions. Entrepreneurial orientation links to growth, competitiveness, and success. Empirical research demonstrates entrepreneurial orientation enhances business performance. Entrepreneurship fosters firm competitiveness, growth, and performance. Entrepreneurial orientation and business performance have found association in a number of studies (Lumpkin & Dess, 1996). In addition, entrepreneurship and corporate performance involve innovation, risk-taking, and proactivity. Small and medium-sized firms must encourage entrepreneurship and an entrepreneurial mindset. SME success requires innovation, proactivity, and risk-taking. Companies need entrepreneurial activity to stay competitive in today's complex global economy (Adam, 2018).

In the context of Nepal, Paudel (2019) studied the relationship between business performance, environmental dynamism, organizational innovation, and entrepreneurial leadership in the context of business performance, a study on the competitive advantage, entrepreneurial orientation, and performance of women-owned businesses in Nepal's Gandaki Province was carried out by Bhandari and Amponstira (2021). Researchers Dahal and Krisjanti (2021) used innovativeness, pro-activeness, risk-taking, autonomy, competitive aggressiveness, access to financing, and export intention to examine the impact of individual entrepreneurship orientation on export intention in micro and small enterprises. The study discovered that only autonomy had a positive and significant effect on export intention, and a study on the use of entrepreneurial marketing in micro, small, and medium-sized businesses in Dhaulagiri, Nepal (Gyanwali & Bunchapattanasakda, 2019). An evaluation of the 4D SME entrepreneurial marketing model reflected that as carried out by Gyanwali, Gyanwali, and Yadav (2022) from the viewpoint of Nepalese SMEs.

However, few comprehensive studies have been conducted to investigate the relationship between small and medium-sized firms' (SMEs) business performance in Kathmandu and their entrepreneurial orientation (EO). Moreover, the relationship between entrepreneurial orientation and business performance has been the subject of conflicting study in the past; whilst some studies have found a positive link, others have found no correlation at all, or even a negative correlation (Koirala, 2019). Hence, it is essential to investigate the relationship between small and medium-sized businesses' (SMEs) business performance in Kathmandu and entrepreneurial orientation in order to have a deeper understanding of the relationship between entrepreneurial orientation and company performance.

Therefore, the aim of this research is to examine the relationship between small and medium-sized firms' (SMEs) business performance and their entrepreneurial orientation in Kathmandu, Nepal. The study concentrates

on the independent variables of autonomy, innovation, networking, and pro-activeness, while measuring the dependent variable of SMEs' business success. The remaining chapter of the research structured into the following segments: a literature review that encompasses both theoretical and empirical perspectives. Data and methodology, results, and findings, conclusion and discussion, and limitation, and future research.

2. LITERATURE REVIEW

2.1. Theoretical Literature Review

2.1.1. Entrepreneurship

Although the term "entrepreneurship" has been around for a while, no one can agree on exactly what it means. (Williams, Wood, Mitchell, & Urbig, 2019). The literature covers a wide range of topics, but the most common themes include wealth, enterprise, innovation, change, employment, value, and growth. A uniform definition found preferred by recent efforts. Morris, Schindehutte, and LaForge (2002) discovered 18 terms that defined as entrepreneurship and used at least five times in pertinent literature. Later on, Stevenson and Jarillo (2007) the process of generating value by assembling a special set of resources to take advantage of a chance is known as entrepreneurship," which encompasses all the important terms they discovered during their investigation. Regardless of size or age, entrepreneurial behavior seen in both newly created companies and well-established ones (Kraus et al., 2012). Business entrepreneurship, entrepreneurial orientation, and intrapreneurship are some of the phrases used to describe the entrepreneurial activities of well-known and established businesses (Antoncic & Hisrich, 2004). The term "entrepreneurial orientation" refers to the methods, approaches, practices, and dispositions that promote the introduction of new or preexisting products or services into markets (Walter, Auer, & Ritter, 2006).

Rauch, Wiklund, Lumpkin, and Frese (2009) carried out a meta-analysis in a recent study to investigate the relationship between business performance and entrepreneurial orientation. They found a strong and positive relationship between business performance and entrepreneurial orientation, based on a review of 51 articles. Further study studies also carried out in the Netherlands by Stam and Elfring (2008). Kemelgor (2002) carried out a comparative analysis of the differences in entrepreneurial orientation between American direct competitors and Dutch companies. The findings showed particularly for US-based businesses, there was a direct relationship between entrepreneurial orientation and every performance metric they looked at, such as the quantity of new ideas, the number of patents obtained, and the return on sales.

2.1.2. Individual Entrepreneurial Orientation (IEO)

Miller (1983) stated that entrepreneurial orientation encompasses the strategies, tactics, behaviors, and mindsets that encourage the launch of new or already-existing goods and services onto the market which contributed significantly to its continued promotion. In a later study, Lumpkin and Dess (1996) expanded on the idea of entrepreneurial orientation by presenting a thorough five-dimension framework. The characteristics of proactivity, risk-taking, inventiveness, autonomy, and competitive aggression are all included in the paradigm. Scholars have progressively come to see entrepreneurial orientation as a factor that affects a company's success at the business level (Grande, Madsen, & Borch, 2011; Hafeez, Siddiqui, & Rehman, 2011). The market and brand performance of small and medium-sized businesses in Hungary were found to benefit from entrepreneurial orientation (Reijonen, Hirvonen, Nagy, Laukkanen, & Gabrielsson, 2015).

In recent years, proposed by researchers that entrepreneurial orientation may be viewed as a construct at the individual level (Robinson & Stubberud, 2014). Companies are now able to look at entrepreneurial orientation from new perspectives because to this approach. Research indicates that individual entrepreneurial orientation (IEO) is a multifaceted entity with elements resembling firm-level entrepreneurial orientation. The understanding of IEO as a personal EO has changed in consequences of the studies mentioned above. Most pay attention to performance and

IEO. Individual IEO influences a person's behavior and mindset about vendor orientation, hence research is essential (Koe, 2016).

2.1.3. SMEs Business Performance

The relationship between business performance and entrepreneurial orientation may vary depending on the study's indicators (Hughes & Morgan, 2007; Lumpkin & Dess, 1996). Recently, many markers have used in empirical research. In order to evaluate performance, three areas typically found in use: perceived non-financial, perceived financial, and historical financial. Based on the meta-analysis, there was no change in the relationship between entrepreneurial approach and performance and perceived financial, non-financial, or archival financial performance. Corporate performance and an entrepreneurial orientation are positively correlated, according to numerous studies (Hughes & Morgan, 2007; Lumpkin & Dess, 1996). Different markers found employed in empirical studies. Historically, three categories employed to assess performance: perceived non-financial, perceived financial, and historical financial. The meta-analysis revealed no shift in the association between perceived financial, non-financial, and archival financial performance and entrepreneurial orientation and performance. According to several research, there is a positive correlation between entrepreneurial orientation and corporate performance (Chow, 2006; Coulthard, 2007; Jantunen, Puumalainen, Saarenketo, & Kyläheiko, 2005; Madsen, 2007; Rauch et al., 2009; Wiklund & Shepherd, 2005).

Performance described as the assessment of the outcomes of a specific behavior in a particular setting. It also perceived as the consequence of an action or the conclusion of any activity. Experts recommend that research on business performance should utilize a combination of financial and nonfinancial measurement constructs. This approach allows for a comprehensive evaluation of all areas of a company's success, leading to a more thorough understanding of the results. In the context of entrepreneurship, evaluating financial performance usually done in relation to a company's expansion (Xuhua, Kwofie, & Antwi, 2018).

2.2. Empirical Literature Review

2.2.1. Autonomy

Autonomy refers to the ability to make a decision based on well-informed and voluntary choices, without any external pressure or influence. Autonomous organizations or institutions are characterized by their independence and self-governance (Alam et al., 2022). From an HR perspective, autonomy is the amount of freedom that individual has to decide for themselves and accomplish their job. The importance of autonomy is demonstrated by research on the motivation and happiness of entrepreneurs as well as by other societal trends that encourage increased self-sufficiency (Taylor, 2013). Alam et al. (2022) discovered a significant and positive relationship between the entrepreneurial orientation and business performance of SMEs. According to a study by Taylor (2013), internalization of small and medium-sized businesses and entrepreneurial orientation are strongly correlated (SMEs).

The study conducted by Xuhua et al. (2018) discovered a significant relationship between business performance, potential growth, and entrepreneurial orientation. Similarly, the study found a significant and positive relationship between small and medium-sized businesses' operational success and their entrepreneurial orientation (SMEs) (Alam et al., 2022).

H_1: There is a significant relationship between autonomy and the business performance of SMEs.

2.2.2. Innovation

Innovation demonstrates a company's dedication to pursuing new possibilities and is crucial for fostering an entrepreneurial mindset. Innovation entails the relinquishment of outdated processes and technology to advance the area (Baker & Sinkula, 2009). Innovation refers to a vendor's capacity to foster and stimulate novel concepts,

experiments, and methodologies that could lead to the development of fresh products, services, technological breakthroughs, or market exploration (Li, 2012). The study conducted by Fairoz et al. (2010) shown that innovations have had a positive and significant impact on small and medium-sized business performance (SMEs). Additional research revealed that the performance of SMEs was positively correlated with entrepreneurial orientation (Isichei, Emmanuel Agbaeze, & Odiba, 2020; Taylor, 2013). Moreover, a positive correlation between entrepreneurial orientation and business performance discovered (Alam et al., 2022; Xuhua et al., 2018).

H_2: There is a significant relationship between innovation and the business performance of SMEs.

2.2.3. Networking

Networking is a strategic business practice in which individuals in the business world come together to establish professional connections, identify and pursue business prospects, exchange information, and seek out possible collaborators for commercial projects. Business networking is a highly effective strategy for generating referrals and establishing a sustainable and prosperous firm (Taylor, 2013). The study showed that internalizing small and medium-sized businesses and having an entrepreneurial attitude are directly correlated (SMEs). Likewise, there is a favorable correlation between entrepreneurial orientation and corporate performance (Alam et al., 2022; Xuhua et al., 2018).

H_3: There is a significant relationship between networking and business performance of SMEs.

2.2.4. Pro-Activeness

Being proactive is a vendor's capacity to foresee and address wants and demands in the marketplace in the future (Kropp, Lindsay, & Shoham, 2008). To get a competitive advantage over others by being the first to market (Lumpkin & Dess, 2001). This strategy is forward-thinking and proactive since it introduces new goods and services before rivals do Miller (1983) outlined the aggressive invention urge of entrepreneurs (Baker & Sinkula, 2009). Proactive behavior entails taking action in anticipation of future circumstances, rather than merely adapting to a situation or simply reacting (Solikahan & Mohammad, 2019). It signifies exerting authority and actively initiating actions rather than merely adapting to a circumstance or passively waiting for events to unfold (Taylor, 2013). Pro-activeness extends beyond extra-role performance actions. Attaining success as an entrepreneur necessitates the acquisition of numerous abilities. Strategic foresight is a crucial element of entrepreneurship. Numerous variables in the actual world are outside the control, which is the fundamental fact of being an entrepreneur (Miller, 1983).

The study conducted by Fairoz et al. (2010) discovered a significant and positive relationship between corporate performance and pro-activeness. Similar results were shown in the investigation conducted by Kraus et al. (2012); Liu and Lee (2015) and Isichei et al. (2020). Subsequent research revealed a favorable correlation between an entrepreneurial mindset and company performance (Alam et al., 2022; Taylor, 2013; Xuhua et al., 2018).

H_4: There is a significant relationship between pro-activeness and business performance of SMEs.

2.2.5. Research Framework

The research framework established below reflects the factors for investigation. The independent variable in this framework comprises autonomy, innovation, networking, and pro-activeness. The dependent variable consists of business performance. This study aims to investigate the impact of entrepreneurial orientation on business performance. The research framework for the study depicted in Figure 1:

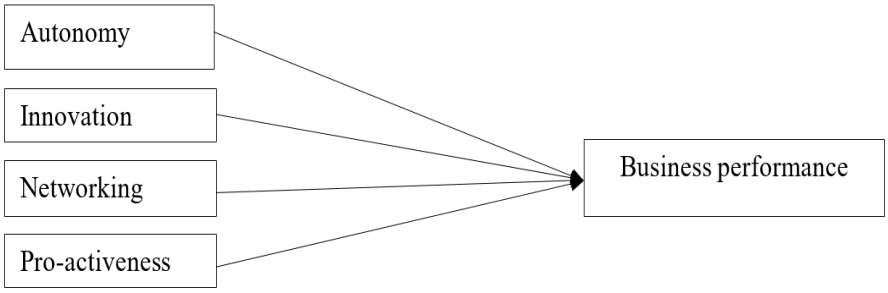

Figure 1. Research framework.
Source: Arshad et al. (2014); Daradkeh and Mansoor (2023) and Mason, Floreani, Miani, Beltrame, and Cappelletto (2015).

Figure 1 illustrates the research framework that contains the autonomy, innovation, networking, and pro-activeness as independent variables and business performance as dependent variable. The research represents these major variables for further investigation of their relationship and level of effect of independent variables on dependent variable.

3. DATA AND RESEARCH METHODOLOGY

Examining the impact of entrepreneurial orientation on the business performance of SMEs is the aim of this study. The research used a causal comparative and descriptive research approach to meet the research objectives. The study included business performance as a dependent variable and autonomy, networking, pro-activeness, and innovation as independent variables. The study was built around a structured questionnaire for collecting primary data from cross-sectional data. Utilizing non-probability-convenience sampling among the intended respondents, a total of 425 questionnaires were distributed Kraus et al. (2012) in Kathmandu and only 410 useful questionnaire were obtained. The questionnaire covered the first segment for the collection of demographic information and further Likert items were used for other information based on each variable adopted in the study (Alam et al., 2022; Taylor, 2013). Further, using Cronbach alpha, reliability was examined, and descriptive statistics were used to reflect demographic data. Similarly, rregression analysis and correlation were produced to evaluate the influence of the variables and determine their relationship. Further, the Cronbach alpha was tested for each variable in which autonomy comprising four items in total reflects the value of Cronbach alpha 0.726 depicting the reliability as its value exceeds 0.70. The Cronbach alpha value of innovation comprising five items was 0.744, the Cronbach alpha of networking consisting of four items was 0.882, the Cronbach alpha value of pro-activeness containing four items was 0.78 and the Cronbach alpha value of SMEs business performance representating four items was 0.833. Each value of Cronbach's alpha indicated the reliability.

4. RESULTS AND ANALYSIS

4.1. Descriptive Statistics

Table 1 showed the demographics of the 410 respondents that took part in the survey. It showed that (46.7 percent) of respondents were female and 53.30 percent of respondents were male. The age group of respondents 31 to 40 (39.1 percent) was a leading portion of participants and the age group below 20 (10.8 percent) was the least respondents of participants. Similarly, unmarried (50.6 percent) found a majority of participants and married (49.4 percent). Further, (38.9 percent) of the respondents had a bachelor's degree, placing them in the majority category and the least was secondary education examination or school leaving certificate (SEE/SLC) or below (13 percent) educational level. The experience year between 6 to 8 (31.8 percent) respondents were the majority in the survey and the least were with experience 9 and above (14.4 percent). Finally, enterprise establishment through self-effort (37.4 percent) remains high and the least was other procedures (11 percent) for the establishment of enterprises.

Table 1. Demographic characteristics of respondents.

Demographic variables	Classification	Frequency	Percent
Gender of respondents	Male	218	53.3
	Female	191	46.7
	Total	410	100
Age of respondents	below 20	44	10.8
	21-30	113	27.6
	31-40	160	39.1
	Above 40	92	22.5
	Total	410	100
Marital status of respondents	Married	202	49.4
	Unmarried	207	50.6
	Total	410	100
Education level of respondents	SEE/SLC or below	53	13
	Intermediate	110	26.9
	Bachelor	159	38.9
	Master and above	87	21.3
	Total	410	100
Business experience of respondents	Less than 2	92	22.5
	3 to 5	128	31.3
	6 to 8	130	31.8
	9 and above	59	14.4
	Total	410	100
Establishment of respondents' enterprise	Self	153	37.4
	Parents	118	28.9
	Purchased	93	22.7
	Others	45	11
	Total	410	100

Table 2. Correlation analysis.

Variables	BP	AU	NW	PA	IN
BP	1				
AU	0.304**	1			
NW	0.330**	0.319**	1		
PA	0.267**	0.350**	0.388**	1	
IN	0.301**	0.291**	0.330**	0.317**	1

Note: **. Correlation is significant at the 0.01 level (2-tailed).

4.2. Correlation Analysis

Table 2 presents the correlation coefficients (Pearson's correlation) between the dependent variable SME business performance and the independent variables autonomy, innovation, networking, and pro-activeness. The business performance of SMEs positively and significantly correlated with autonomy (AU). It implies that the business performance of SMEs would increase with increased autonomy. Likewise, there is a strong and positive association between networking (NW) and the business performance of SMEs. This shows that companies who engage in more networking activities typically have more successful SMEs' businesses. Further, pro-activeness (PA) demonstrates a positive and significant correlation with SME business performance. It indicates that higher levels of pro-activeness lead to an increase in the SMEs' Business performance. Finally, innovation (IN) shows a positive and significant correlation with SMEs' Business performance. It depicts that organizations emphasizing innovation tend to have higher SME business performance

4.3. Regression Analysis

Regression analysis assumes that two or more variables causally associated, whereas correlation analysis makes no such assumption. Multiple linear regression illustrates the impacts of several independent variables on a single dependent variable, whereas simple linear regression only demonstrates the influence of one independent variable

on a single dependent variable. Thus, multiple regression analysis conducted for a better understanding of the impact of independent variables autonomy, networking, pro-activeness, and innovation on SMEs' business performance in Kathmandu, Nepal. The proposed research model for multiple regression was developed as follows:

$$Y = \alpha_1 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + ei$$

Where,

α_1= Constant Intercept of the Regression and β_1, β_2, β_3, β_4 and β_5 are the coefficient of regression.

Y = Business performance of SMEs.

X_1= Autonomy.

X_2= Networking.

X_3= Pro activeness.

X_4= Innovation.

ei= Error term.

Table 3. Regression analysis.

Model	Unstandardized coefficients		T	Sig.	R square	F	Sig.
	B	Std. error					
(Constant)	1.155	0.248	4.65	0	0.91	20.939	0.000[b]
AU	0.158	0.055	2.898	0.004	-	-	-
NW	0.163	0.051	3.217	0.001	-	-	-
PA	0.052	0.053	0.979	0.328	-	-	-
IN	0.159	0.053	2.975	0.003	-	-	-

Note: Dependent variable: BP
b. Predictors: (Constant), IN, AU, NW, PA

Table 3 displays the coefficient estimates for the regression model's coefficient estimates that shows how the independent factors of autonomy, networking, pro-activeness, and innovation affect the dependent variable of SMEs' business performance. It depicts that the beta coefficient found positive and significant for autonomy (AU). It shows that autonomy has a positive and significant impact on SMEs business performance. It means that one unit increase in autonomy leads to an increase in the SMEs' business performance by 0.158 units. Similarly, the beta coefficient for networking (NW) found positive and significant depicting that networking has a positive and significant impact on SMEs' business performance. It means that one unit change in networking brings the 0.163-unit change in SME' business performance in a positive direction. Further, the beta coefficient for pro-activeness (PA) found positive reflecting the positive impact of pro-activeness on SMEs' business performance but it found insignificant.

Table 4. Summary of hypotheses.

Hypothesis	Description	Results
H_1:	There is a significant relationship between autonomy and business performance of SMEs.	Confirmed
H_2:	There is a significant relationship between innovation and the business performance of SMEs.	Confirmed
H_3:	There is a significant relationship between networking and the business performance of SMEs.	Confirmed
H_4:	There is a significant relationship between pro-activeness and the business performance of SMEs.	Not confirmed

It shows that one unit increase in pro-activeness increases 0.052 units in SME' business performance. Finally, the beta coefficient for innovation found positive and significant depicting the positive impact of innovation on SMEs' business performance. It shows that a unit increase in innovation leads to an increase of 0.159 units in SME business performance. Further, in this study, the model explained 91% of the variance in the business performance

(R^2 = 0.91). Further, regression analysis revealed a significant model (F value, degrees of freedom), which explained 91 percent of variance in business performance indicating strong correlation between entrepreneurial orientation and business performance. The p value < 0.05 depicted the model fit for the regression analysis.

4.4. Summary of Hypothesis

Table 4 showed that the research based on the hypotheses was successful. Theory supported the first hypothesis, which states that there is a significant relationship between autonomy and business performance of SMEs. The second hypothesis, which postulates a noteworthy correlation between innovation and the commercial performance of small and medium-sized enterprises (SMEs), discovered to align with theoretical frameworks. Furthermore, theoretical support provided for the third hypothesis of the study, which held that there is a substantial correlation between networking and SMEs' business performance. Lastly, theoretical support could not find for the fourth hypothesis, which asserts that pro-activeness and SMEs' business performance significantly correlated.

5. DISCUSSION AND CONCLUSION

5.1. Discussion

The study aimed to examine the impact of entrepreneurial orientation on SMEs' business performance in Kathmandu, Nepal consisting of the independent variables autonomy, innovation, networking, and pro-activeness for measuring its impact on dependent variable SMEs' business performance. The results demonstrated the favorable and significant relationship and impact that autonomy has on the business performance of SMEs. This finding is consistent with Kraus et al. (2012) and Xuhua et al. (2018). Similarly, the performance of SMEs' businesses found positively and significantly affected by networking. This finding is in the same direction with Isichei et al. (2020) and Matzembacher, Raudsaar, De Barcellos, and Mets (2019). Further, pro-activeness found to have a favorable, but negligible, impact on SMEs' company performance. . This finding is supported by Alam et al. (2022). Finally, innovation has found positive and significant associations and impacts on SMEs' business performance. This finding is consistent with Kraus et al. (2012).

5.2. Conclusion

The study aimed to examine the impact of entrepreneurial orientation on SMEs' business performance. Autonomy, creativity, networking, and innovation were the independent factors in the study, and the dependent variable was the business performance of SMEs. The study's conclusions showed that SMEs' business performance was positively and significantly impacted by autonomy, suggesting that SMEs perform better when their degree of autonomy increases. Moreover, it was discovered that networking has a favorable and significant impact on SMEs' business performance, indicating that SMEs' business performance grows as business networking levels rise. Similarly, pro-activeness was also found positive but insignificant on SMEs business performance reflecting that adopting more pro-activeness in business leads to an increase in the SMEs' business performance. Finally, Additionally, it was discovered that innovation had a favorable and significant impact on the business performance of SMEs, indicating that increased innovation inside the organization contributes to the expansion of SMEs' business performance.

5.3. Limitation and Future Research

The research was conducted utilizing the cross-sectional data for the empirical examination, which may create the constraints to establish causality, or changing path over time. Moreover, cultural and contextual factors that remain distinct in Nepal may affect and differ the results and limit the generalizability of the findings. The study was conducted comprising a few variables i.e. autonomy, networking, pro-activeness, and innovation to examine its

influence on SMEs' business performance and placed the study only in Kathmandu district of Nepal. Therefore, further research can be extended based on longitudinal data comprising more variables, covering the different regions, and location of the study even comprising the study to examine the effect of moderating and mediating variables in the future study.

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