



**ANALYSES OF THE SUCCESS FACTORS OF MICRO AND SMALL
SCALE ENTERPRISES: THE CASE OF KIRKOS SUB CITY ETHIOPIA**

By

BETHELEHEM SHIFERAW

**A THESIS SUBMITTED TO ST MARY'S UNIVERSITY SCHOOL OF
GRADUATES STUDIES IN PARTIAL FULFILMENT OF THE
REQUIRMENT FOR THE AWARD OF THE DEGREE OF MASTERS IN
PROJECT MANAGMENT**

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Approved by Board of Examiners

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DECLARATION

I the undersigned declare that this thesis is my original work, prepared under the guidance of Tesfaye Wolde (phd) all sources of materials used for this thesis had been duly acknowledge. I further confirmed has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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St Mary University Addis Ababa

Signature

June 2017

CERTEFICATE

This thesis has been submitted to St Mary University School of graduate's studies for examination with my approval as a university advisor.

Advisor

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June 2017

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List of Acronyms

MFI = Micro Finances Institute

MSEs = Micro and Small Business Enterprises

MoTI = Ministry of Trade and Industry

CSA = Central Statistics Agency

ILO = International Labor Office

GDP = Gross Domestic Product

ABSTRACT

The objective of study is to evaluate the relation between managerial related success factors and business related factors on the performance of MSEs in Kirkos sub city. These are with a view to identify these managerial and business related factors that have a favorable relation to the performance of the enterprises in which total capital was used as a measure of performances. Primary data, through structured questionnaire and interview , are collected from the samples of 466 MSEs by using systematic sampling selected from among those industries engaged in Food and Beverage; Textile and Garment, Wood and Metal, and Merchandise and Retail shop. Data were analyzed using descriptive and inferential statistics with the aid of Statistical Packages for Social Scientists (SPSS v.20) Also, analysis of variance was carried out to examine the variation in the performance of enterprises related to the variation in each of the independent variables of the study the result shows education and planning experiences shows a significances variation on the performances of micro and small enterprise owners while age of owners, form of ownership, record keeping and financial control ,prior industry and business experiences do not show a stastical significances

Keywords: *Performances, age of owners, education level, form of ownership, industry and business experiences*

CHAPTER 1

INTRODUCTION

1.1 Background of the study

The definition and types of micro and small enterprises differ from country to country and there is no universally stated definition for micro and small enterprises. (Lepi, 2005, Storey , 1995; cited in Demis and Mulugeta, 2011).

The characteristics of the informal sector (small and micro enterprises) have also been described as it is easy to enter, it is financed mainly from personal and family resources, it requires low starting capital, it uses labor-intensive techniques, and it relies on the non-formal school system such as apprenticeship and on-the-job training (Aboagye and Gozo, 1986; cited in demis, 2011).

The micro and small business sector is an important force to generate employment and more equitable income distribution, activate competition, exploit niche markets, enhance productivity, and bring technical change through the combination of all of these measures to alleviate poverty. MSEs can play a role in improving the socio-economic condition of the poor since they create employment opportunity that enable them to generate their income which in return leads to access for socio-economic merits such as education, better health condition, good housing and nutrition (Endalsasa, 2012; Ephrem, 2010; Munira, 2012).

In developing countries the informal sector that mainly constitutes microenterprises is the major source of employment and income for the urban population. ILO (2000) estimated the share of informal employment to the total non-agricultural employment accounts for nearly half or more in all regions of the developing world and about 72% in sub-Saharan Africa. Besides employment creation, they also play a very important role in the developing world economy. For example, in Sub Saharan Africa, the contribution of the informal sector in non-agriculture Gross Domestic product (GDP) is about 41 %. Hence, their efficiency matters in determining overall economic performance and poverty reduction

1.2 Statement of the problem

Growth is an important precondition for the achievement of other financial goals of business. However, the transition of Micro and Small Enterprises (MSEs) sector to medium and large business sectors is as crucial as to preserve the flow of new small businesses into the economy since MSEs is one of the tools to reduce the unemployment rate and increase the number of products or services offered to the society while reducing poverty.

The importance of MSEs as an instrument of poverty alleviation through employment creation and supply of affordable products has been implicitly and explicitly accepted by many countries and international development organizations.

Despite the increasing reliance on micro finance to reduce poverty in Ethiopia there has been surprisingly little work under taken to evaluate their performance. Shonesy and Gulbro (2004), reported from their review of literatures on small business success studies that ‘there have been several studies, which seek to identify the critical success factors for small businesses (Castragiovanni 1996) argue that there appears to be little research which has specifically looked at factors dealing with small business survival

In this research the researcher address some research problems in detailed. Enterprises performance in relation to Age of Business Owners is as a problem mention by the researcher. At the end, age of the principal owners whether or not the factor that determines the success of MSEs. Enterprise performances in relation to Education level also other significant problem of the study. At the end of the study the researcher must give answer to these performance factors whether truly affect enterprise performance or not. In these study the researcher give enough insight on record keeping and financial control mechanism may affect or not the performance of MSE. Finally the researcher gives a clear vision on whether the prior business experience is one of the success factors or not.

Therefore, the intent of this study is to identify the factors that contribute to the growth of MSEs. Given the significance of MSEs to a nation’s development in different ways, the researcher, therefore, postulate that recognizing the contributing factors of MSEs’ development in kirkos is a critical in managing and avoiding the massive failure of micro and small businesses.

1.3 Research questions

The study was attempted to answer the following basic research Question:

1. What is the relation of the main success factors with the performances of MSEs operating in kirkos sub city?
2. Can the main success factors contribute to MSEs performances operating in kirkos sub city?

1.4 Objective of the study

1.4.1 General objective

The main objective was to analyze the success factors of MSEs the case of kirkos sub city Addis Ababa

1.4.2 Specific objectives

The purposes of this survey study are:

- To assess the relationship between the age, education, managerial experiences, industry experiences and performances of MSEs operating in kirkos sub city
- To evaluate the relation between planning, form of ownership and record keeping with performances
- To investigate the main success factors for MSEs.

1.5 Hypothesis

Based on the study question the following hypothesis was developed and tested in relation to the independent variables and performance of the enterprises These are:

HO1: There is no significant difference on the performance of enterprises operated by owners with different age group.

HO2: There is no significant difference on the performance of enterprises in relation to the difference on the education level of the principal owners of the business.

HO3: There is no significant difference on the performance of enterprises in relation to the difference in the management experience of the principal owner of the business.

HO4: There is no significant difference on the performance of enterprises in relation to the difference in prior industry experience of the principal owner of the business.

HO5: There is no significant difference on the performance of enterprises in relation to the difference in planning practice of the enterprises.

HO6: There is no significant difference on the performance of enterprises in relation to the difference in using record keeping and financial control mechanism within them.

HO7: There is no significant difference on the performance of enterprises in relation to the difference in the type of ownership of the enterprises.

1.6 Significances of the study

The importance of this study can be view from two dimensions: theoretical contributions and practical implications. Theoretically, the study fills an important gap in the literature on success factors that any SMEs use to attain their objective Therefore, the findings of this study can add to the existing body of the literature and can serve as a starting point on which future studies can be built. Most importantly, On the practical side, the approaches and the experiences that is applied in the research can be disseminated to other Micro finances institutions undertaking similar activities as set of alternative courses of actions to be considered to enhance the sustainability and profitability of MSEs

1.7 Scope and limitation of the Study

This study defines its scope only to those enterprises which are Micro and Small Enterprises according to the Ethiopian Ministry of Industry and trade (MOIT) definition. From the 5 main

MSEs operation i.e. the manufacturing, service, construction, urban agriculture and trade sectors. This study focuses on the manufacturing sector of MSEs i.e. wood and metal, food and beverage, merchandise and retail shops, textile and garment and leather and leather products which are operating in Kirkos sub city.

1.8 Organization of the Paper

This paper organized on Chapter One: consists the background of the study, statement of the problem, objectives of the study, significance of the study, research questions, and scope and limitations of the study are presented.

Chapter Two: Review of literature includes intensive literature review, empirical review, conceptual framework and hypothesis are elaborated and Chapter Three : Research Methodology this segment includes research issues regarding research design, population, sample size and sampling technique, type of data and tools/instruments of data collection, procedures of data

CHAPTER 2

2. RELATED LITRATURE REVIEW

2.1 Conceptual Review

2.1.1 Micro and Small Enterprises (MSEs)

In developing countries there is extreme poverty, unemployment, low per capita income, and unequal income distribution. As a result, different governments are framing different strategies and policies to create job opportunities and to pull these countries out of their problems. Thus many countries establish MSEs to reduce poverty among urban dwellers. One strategy as to create jobs and accommodate maximum number of citizens has been emerged, i.e., the establishment of MSEs. (Ermias, 2011).

Micro and small scale business enterprises are seen as the most important alternative sector in fostering socio-economic developments in both developed and developing countries.

Particularly, they make undoubtedly a huge contribution to employment in many developing countries where there is a challenge of high unemployment and poverty exists. Several studies reveal that MSEs in these countries are considered as crucial in employment creation and generally contribute to economic growth as an engine of development and vehicle towards fulfilling the Millennium Development Goals. Chief among these goals is the reduction of poverty through creating employment, wealth and improvement of living standards, because poverty and unemployment rate are considerably higher in these countries than developed countries, (Robinson & Pharr, 1991; cited in Abiyu, 2011).

MSE growth is often closely associated with firm's overall success and survival because it has been used as a simple measure of success in businesses and the most appropriate indicator is performance of small firms. Other researchers have argued that an analysis of the role of competitors and counter-competition intelligence and actions are crucial for the survival of an SME (Ligthelm & Cant, 2002; Rwigema & Venter, 2004; Nieman, 2006).

Small and Medium-size Enterprises (SMEs) have been recognized by governments worldwide for their contribution to the economy stability and growth, employment and new job creation, and social cohesion and development (Morrison, Breen, & Ali 2003; Organization for Economic Co-operation and Development [OECD], 2004) .(Carter and Van Auken, 2006) clarify that Small businesses are so important to economic development that public policymakers and other stakeholders have put efforts to boost the creation of new small businesses and reduce the incidents of failure and bankruptcy

Different definition criteria's have been given for MSEs because of the ways it categorize enterprises as small, micro and medium varies from country to country and from organization to organization consequently the absence of such uniform definition of MSEs has created a difficulty and coming up with a universally applicable definition of MSEs is found to be difficult (Storey: 1995 cited in Kayanula and Quartey: 2000)

EC, WB and OECD	Micro Enterprise	Small enterprises	Medium-sized Enterprise
EC	<ul style="list-style-type: none"> • Average number of employees < 10; • Annual turnover < 2 million Euros or • Total balance sheet < 2 million Euros; 	<ul style="list-style-type: none"> • Average number of employees < 50; • Annual turnover < 10 million Euros; or • Total balance sheet < 10 million Euros; 	<ul style="list-style-type: none"> • Average number of employees < 250; • Annual turnover < 50 million Euros or • Total balance sheet < 43 million Euros;

World Bank	<ul style="list-style-type: none"> • Less than 10 employees; • Annual turnover < 100.000 dollars • Total balance sheet < 100.000dollars 	<ul style="list-style-type: none"> • Less than 50 employees; • Annual turnover < 3 million dollars • Total balance sheet < 3 million dollars 	<ul style="list-style-type: none"> • Less than 300 employees; • Annual turnover < 15 million dollars • Total balance sheet < 15 million dollars
OCED	<ul style="list-style-type: none"> • Between 1 - 4 employees (small micro) • Between 5 - 19 employees (micro entities) 	Between 20 – 99 employees	Between 100 – 500

Table 2.1 : Definition of MSEs by European Commission, World Bank and Organization For Economic Cooperation and Development

In Ethiopia the 1998 definition categorized an enterprise as micro if it's paid up capital is less than or equal to 20,000 ETB. Similarly, an enterprise is considered small when its paid up capital is less than or equal to 500,000 ETB whereas the CSA (central statics agency) define MSEs as:

- Large and medium scale manufacturing enterprises have been classified as establishments with more than ten employees using automated machinery.
- Small and medium enterprises are establishments that engage less than 10 persons using power driven machinery.
- Cottage/handicrafts are household type enterprises located in households or workshops normally using own or family labor and mostly manual rather than automated/mechanical

The strategy was revised in 2010/11 with renewed interests and more ambitious targets on employment and number of entrepreneurs and transition to medium size level (Assefa, Zerfu and Tekle, 2014) While, ignoring the size of employee and by taking total asset as criteria and by

dividing it in to industry and service sector; and considering the coming 5 years inflation and fluctuation/irregularity of currency The revised and improved 2011 defines MSEs as:

For micro enterprises:

- Under industry sector (manufacturing, construction and mining): An enterprise operates with 5 people including the owner and/or their total asset is not exceeding Birr 100,000 (one hundred thousand).
- Under service sector (retailer, transport, hotel and Tourism, ICT and maintenance service): It operates with 5 persons including the owner of the enterprise and/or the value of total asset is not exceeding Birr 50,000(fifty thousand).

For Small enterprises:

- Industrial sectors (manufacturing, construction and mining): It operates with 6-30 persons and/or with a paid up capital of total asset Birr 100,000(one hundred thousand) and not exceeding Birr 1.5 million.
- Service sector (retailer, transport, hotel and Tourism, ICT and maintenance service): It operates with 6-30 persons or/and total asset, or a paid up capital is with Birr 50,001 and not exceeding Birr 500,000.

Regardless of country and economic development, there are two approaches to define MSEs i.e. quantitative and qualitative approach. In most cases number of employees sales turn over and asset size are widely used as yardstick criteria to define MSEs (Beck, 2005; Arinaitwe, 2006; Ayokunle, 2007). However, the convergence does not in any way suggest a common agreement of the specific numbers in terms of these variables. Different governments and writers considerably differ in defining MSEs because of the two factors (ILO, 2007; Jining, 2008). According to (Hidayet et al. 2010) study the MSEs and informal enterprises, account for over 60% of GDP and over 70% of total employment in low-income countries, while they contribute over 95% of total employment and about 70% of GDP in middle-income countries. In the European Union countries, for example, there are some 25 million small businesses, constituting 99% of all businesses; they employ almost 95 million people, providing 55% of total jobs in the private sector).

The Ethiopian microfinance sector is one of the fastest growing in the world today. As per the end of year 2005 the then 26 operational MFIs serviced 1277939 borrowing clients with an aggregated portfolio of 1622 billion birr. In terms of outreach these figures represent a nearly 300% increase from end of year 2001 (Ethiopian micro finance institutions performance report, June 2007).

The role of Micro and Small Enterprises (MSEs) is crucial in poverty reduction through employment generation having that in mind a national MSE Policy envisages not only reducing poverty in urban areas but also nurturing entrepreneurship and laying the foundation for industrial development.

In Ethiopia the vision of the MSE sector is to see “created competitive and convenient base for industry development”. Major objectives of MSE development are: (FDRE, 2011)

- Through creating job opportunity, bringing equal development, improving income of the society and poverty reduction
- Enabling the sector competent, facilitate economic growth and lays foundation for industry development.
- Expanding the sector’s development in urban by creating developmental investors

2.1.2 Success and Performances

2.1.2.1 Defining Success

The subject of success factors in small businesses has become popular in recent years amongst business researchers and entrepreneurs, each attempting to provide a definitive formula for success (Beaver, 2002)

Success in business is defined in terms of rate of return on sales, and age or longevity of the firm" (Ibrahim and Goodwin 1986 p. 42) what's more the acquisition of wealth, recognition, and growth has been considered the normative criteria by which business owners have been judged to be successful for the past decades (cf. Julien, 1998; Littunen, 2000; Wang, Watkins, Harris, & Spicer, 2004). Nevertheless, it remains unclear to what extent these criteria reflect the success criteria that business owners indeed apply to determine whether or not they are successful for

example societal impact and personal satisfaction. The achievement and acceptance of such criteria are neither sufficiently researched nor instructed by entrepreneurship educators (Wilson, 2004).

Researchers have argued that the success of enterprises is a function of both external and internal factors (Penrose, 1959; McCline et al., 2000; Guzman & Santos, 2001; Markman & Baron, 2003). Furthermore, Beck & Demircuc-Kunt (2006) argued that for new SMEs to grow, it is important to strengthen not only the internal business environment but also the external environment.

2.1.2.2 Measurement of success

Business success is usually measured in terms of economic performance (Walker and Brown 2004). Economic measures of performance have generally been popular due to the ease with which they can be administered and applied since they are very much hard measures.

Some researchers advocated the strict use of financial indicators it is important to generate income and increases in profit, and to demonstrate some level of growth, as indicated in their sales and income (Perren, 2000) others, Traditional measures of business success have been based on either employee numbers or financial performance, such as profit, turnover or return on investment. Implicit in these measures is an assumption of growth that presupposes all small business owners want or need to grow their businesses.

In recent studies emphasized the relevance of non-financial aspects of business success (Buttner & Moore, 1997; Simpson et al., 2004; Walker & Brown, 2004)) this indicators include personal satisfaction, personal growth, skill improvement, flexible lifestyle, business survival, customer satisfaction, customer retention, and career progress (Cooper, 1993; Buttner & Moore, 1997; Walker & Brown, 2004)

Financial measures are necessary but not sufficient to capture total organizational performance. Financial success determines a firm's ability to sustain and continue its operations, as well as its ability to grow in the industry. in contrast, a non-financial measure of success, as indicated by overall satisfaction with goal attainment, would also seem to be relevant given that in smaller firms, achieving the entrepreneur's personal objectives is perceived to be important (Walker & Brown, 2004).

In this study in relation to, the financial measure of success that is the growth of total capital of the enterprises is used reducing the subjectivity of the measurement results.

2.1.2.3 Definition and Measurement of Performances

Performances are used in a wide range of concepts. the performances of small business is a complex matter and multi-dimensional in scope and character (scase and goffee ,1984) it embraces a coverage of owner management motivation, goals and capabilities; internal organization factors; regional specific resources and infrastructure and external relationships (storey ;1994 ; Mitra and Matlay ,2000 ; Shaw and Conway ; 2000) Moullin (2003).

Nanni et al. (1990) defined performance measurement as “a means of monitoring and maintaining organizational control which is the process of ensuring that an organization pursues strategies that lead to the achievement of overall goals and objectives”

Amaratunga and Baldry (2002) provided a more specific definition of performance measurement: “Measurement provides the basis for an organization to assess how well it is progressing towards its predetermined objectives, helps to identify areas of strengths and weakness, and decides on future initiatives, with the goal of improving organizational performance.”

Although much research has been conducted on the issues of performance measurement the definition of performance measurement is still debated. Neely (1998) and the lack of universally accepted standard performance measures left the door open to business organizations to decide and choose its own performance measure that might not truly reflect its performance (Alasadi and Abdelrahim, 2007).

There is a large volume of published studies describing the role of customer relationship management as a key factor in business performance (Dwyer et al., 1987; Morgan & Hunt, 1994; Berry, 1995; Sheth & Parvatiyar, 1995). Similarly, an increasing amount of literature has highlighted the effect of suppliers on the performance of businesses (Dollinger & Kolchin, 1986; Gelinias & Bigras, 2004; Morrissey & Pittaway, 2006). Other researchers have argued that an analysis of the role of competitors and counter-competition intelligence and actions are crucial for the survival of an SME (Ligthelm & Cant, 2002; Rwigema & Venter, 2004; Nieman, 2006).

2.1.3 Success Factors

In this section of the review of related works of previous researchers regarding each of the independent variables (success factors) of this study, they are presented and discussed under two main sub topics of managerial and business related factors.

2.1.3.1 Managerial Related Factors

2.1.3.1.1 Age

Age of the owners/managers was one of the most important characteristic that was repeatedly used to predict small business performance and success (Lussier and Pfeifer, 2001). Thus it may be argued that as a person gets older the more they will be wiser individuals learn not only from formal education but also from their walks of life thus with age they will have adequate level of accumulated knowledge or experience of a certain trade to try going into self-employment alone

Lussier (1995) also argued the relationship of the business owner's age and its effect on the performance of the enterprises. He reported in his study that, 'younger people who start a business have a greater chance to fail than older people starting a business.' Reynolds et al. (2000) found that individuals aged 25-44 years were the most entrepreneurially active

Similarly, Praag (2003), in his study of business survival and success of young small business owners, younger small business starters have a lower success and survival probabilities than older starters. The chance of both voluntarily and forced exit from the business is higher to young. Starter From this one can understand that the age of small business owners have its own contribution to the success and failure.

2.1.3.1.2 Education

Education is a means through which knowledge can be gained and includes all the teaching, formal and informal learning, tutoring and instructing individuals receive in their background years (Dahlqvist et al., 2000; Rwigema & Venter 2004; Ucbasaran et al., 2004)

Accordingly, some business owners are well educated and successful while some of them did not finish high school yet they are equally successful as a result it all depends on the person itself, however Education can provide the skills set and knowledge, which can help owner/managers with tools, like technology literacy, which helps to increase productivity and success hence it has an effect on performances of a business

(Mohan -Niell, 2009) argued If education cultivates comprehensive literacy, this would help owner/managers to integrate relevant information to do effective planning and to make well-informed decisions, which would ultimately enhance the organization's success ' While some studies noted the absence of a link between education of the entrepreneur and business performance (Brush & Chaganti, 1998),

The study of Lussier (1995) suggested that 'people without any college education who start a business have a greater chance of failing than people with one or more years of college education similar' Numerous authors established that the level of education of the manager has a positive impact on performance (Dunkelberg & Cooper, 1982; Storey et al., 1989; Hall, 1995; Westhead, 1995; Julien, 2000; Almus, 2002)

2.1.3.1 Business Experiences

Previous experience includes work experience, business management experience, and industry-specific experience (Rauch & Frese, 2000; Gundry & Welsch, 2001; Guzman & Santos, 2001; Ucbasaran et al., 2004)

Previous start-up experience and cross-functional experience seem to provide individuals with knowledge that improve their ability to recognize new venture opportunities. Previous small business management experience and varied management experience seem on the other hand to provide individuals with knowledge that increase their ability to handle liabilities of newness in the new venture creation process (Politis and Gabrielson,2002).

Thus, most new firms are started by people who have worked (prior to start-up) in other jobs that gave them the relevant experience to identify a business opportunity and the technical ability to produce the product or give the identified service (McCline et al., 2000; Rwigema & Venter 2004)

According to Deakins & Freel (1998), one of the key factors influencing the entrepreneurial process is the ability to assimilate experience and to learn from experience itself. While people lacking work experience have fewer capabilities and may find it more difficult to develop a good business idea (Robertson et al., 2003; Rwigema & Venter, 2004). although technical skills may guarantee the survival of a given SME, for an enterprise to truly thrive, founders need to enhance their capabilities in carrying out contemporary management concepts, such as satisfying employees' growth needs, delegating responsibility, and participative management'.

The main reason for failure is inexperienced management. Managers of bankrupt firms do not have the experience, knowledge, or vision to run their businesses. In diagnosing the root causes of small firm failure it should not be surprising that this turns out to be the management inefficiency of owner-managers (Zelege 2009).

In contrast, the study report of Rose, Kumar and Yen (2006), indicates 'management experience Prior owning business' was found not significant for the success of small enterprises. Apparently individuals who were found successful in their small business venture were less dependent upon their previous business skills. In addition their study shows that; marketing functions such as 'promoting company and its product and services', 'understanding market needs', 'customer feedback' and 'market analysis' ensure the long term success of business ventures.

2.1.3.4 Industry Experiences

Business Managers, who acquired entrepreneurial skills from prior experience, have opportunities to establish connections to the business in no time which make the Enterprise to perform better.

The study by Lussier (1995) also support Businesses managed by people with prior industry experience have a greater chance of success than firms managed by people without prior industry experience with the intention of in-depth knowledge of an industry can help the individual identify gaps in the current business offerings

According to Dahlvist et al. (2000), having professional experience in an organization that is in the same industry as the one in which the entrepreneur starts his new venture can increase the probability of survival and high performance.

Likewise Praag (2003) reported that experience as in the same industry as a business venture gives better chances and so does experience within the same occupation. Relevant experience helps to become a successful business owner and to survive, therefore they work in an industry they have knowledge and practice of the work that is done most importantly they work in an environment they are comfortable with.

2.1.4.1 Business Related Factors

2.1.4.1.1 Record Keeping and Financial Control

The study of Lusser (1995) reported that 'businesses that do not keep updated and accurate records and do not use adequate financial controls have a greater chance of failure than firms that do hence, Poor record keeping can also lead to strained relationships with suppliers and distributors which may result in difficulty in obtaining and receiving merchandise. Inadequate working capital decisions and accounting information have been referenced consistently as causes of small business failure

Nevertheless, the study of Rose, Kumar and Yen (2006) did not show any significant relationship between small business performances and the record keeping, and financial control practices of the enterprises

2.1.4.1.2 Planning

Planning was also recognized by several studies as a key factor to small business success such Lussier (1995), Lussier and Pfeifer (2001), Alasadi and Abdelrahim (2007). Business often begins with an idea that is acted upon with achievable goals and realistic time frames and it is vital for all businesses, no matter how large or small.

Ahmed, Shahbaz and Mubarak (2008) suggested that no one should start a business in today's economy without a business plan. They argued that success for small businesses is achieved through planning, commitment, and time, nurturing, financing, and positioning to seize opportunities. Many of these activities must be done on a continual basis as the environment in which businesses operate is continuously evolving.

Also Andreas, Michael and Sabine (2000) conducted a study on the predictability small business success with primary emphasis on planning as a significant determinant to small business success.

Another fact rarely considered is that the majority of new businesses fail within a few years mostly due simply to poor planning or no planning at all. Most people who go into business enter a field related to their current employment or a favorite hobby. They don't do a market study first to see whether the demand for their product or service is growing, declining or stagnating.

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2.1.4.1.3 Form of Ownership

The study of Lusseir (1995) supports the fact that enterprises which are owned by more than one owner have a higher chance of success than those enterprises owned and managed by a single owner

Enterprises with more than one manager have additional sources of venture which amplify the performances of the Enterprise.

The other study report of Lafuente and Rabetino (2011) indicates the relationship between enterprises performance and forms of ownership. They reported that rather than those firms with a single-tier leadership structure (entrepreneur-manager), the presence of entrepreneurial teams increases firm's resources and capabilities, a fact that enhances employment growth indicating that the presence of entrepreneurial teams improve internal decision making processes leading to higher growth rates

2.2 Empirical Review

Studies conducted by Endalkachew (2008) also shows that the micro and small business sector is an important force to generate employment and more equitable income distribution, activate competition, exploit niche markets, enhance productivity, and bring technical change through the combination of all of these measures to alleviate poverty

Roy and Wheeler (2006) conducted study on four Western African countries namely Benin, Burkina Faso, Niger, and Togo to identify key factors shaping the micro-enterprise sector. The growth and success of micro-enterprise ventures indicated that MSE provide a substantial source of employment, thereby contributing to alleviate poverty, to the urban poor. According to them, the main reason for the urban poor to be absorbed in the MSE is due to the fact that the formal sector does not have the capacity to absorb this growing demand for jobs, and for this reason many have had to look for alternative means to generate a livelihood. The researchers pointed that the income generated from being engaged in MSEs primarily used to satisfy the poor's own physiological needs and those of their family, and then to provide a home and security for the household. They specifically claimed that MSEs help the urban poor by making them financially secure which in turn limits or reduces the misery, vulnerability and material and non-material hardships that come with poverty.

Moreover, Barkham, Gudgin, Hart and Hanvey (1996) adopted the methodological framework introduced by Storey (1994) in their study which investigated the success factors behind small business success in the UK between 1986 and 1990. They found that it was the characteristics of

the entrepreneur and the business strategies adopted that mainly determined the growth of small firms. Their study concluded that the firms with higher growth rates were those managed by relatively young entrepreneurs who had other business interests, market focus, profit oriented, and were members of professional organizations. Another important study on

Alasadi and Abdelrahim (2007), in their study of Small Business Performance in Syria also reported that, as the age of the business owner increase it contributes to the success of the enterprises performance.

Wijewardena and Tibbits (1999) examined a set of firm and industry related factors that affect the growth of small businesses in Australia. The study concluded that older firms have poor growth performance when compared to younger ones. Kangasharju (2000), in his study on the determinants of small business growth in different phases of the business cycle, agreed with Wijewardena and Tibbits (1999) that younger firms tended to have higher growth rates than older ones. In addition, Kangasharju pointed out that higher education and advanced training of small business owners/managers increased the likelihood of achieving business growth.

In Nigeria according John O. Okpara (2011), the most common constraints hindering small business growth and survival in Nigeria are lack of financial support, poor management, corruption, lack of training and experience, poor infrastructure, insufficient profits, and low demand for product and services.

Blackwood and Mowl (2000) carried out a study in Spain with the primary objective of identifying and describing patterns of success and failure among small businesses. They concluded that business success or failure is dependent not only on the behavior of business owners/managers, but also on the economical and social behaviors of environment in which these businesses operate. Statistical analysis of the data collected in their study suggested that successful businesses were likely to be managed by owners who had initially considered several alternative ventures, purchased the business as a going concern, prepared a financial plan, regularly maintained financial records, used financial targets to assess business performance, and have had previous experience managing private business.

Also, Andreas, Michael and Sabine (2000) conducted a study on the predictability small business success with primary emphasis on planning as a significant determinant to small business

success the investigated sample was for small businesses operating in Ireland and Germany. In Germany, planning had a positive influence on small business success, while it was negative in Ireland. Accordingly, they concluded that the cultural context and the surrounding environment in which small business firms operate, determine the key factors of small business success.

According to the study carried out by Kakooza Charles T(2006) it was reported that Once businesses are established, they confront competition from other businesses in either similar or related businesses. 112(84 %) of respondents agreed as towns expand, the number of entrepreneurs also increases. Therefore, the success of one business often comes at the expense of another. This necessitates advertising and price reductions so as to attract more customers, which in turn lead to a potential reduction of profitability

Ephrem (2010) indicated that MSEs are contributing a lot for poverty alleviation but they are facing multi-dimensional problems both at start up and operational levels. Considering the main problems of the enterprises in different sectors this researcher reveals that, startup capital, high interest rates, skilled personnel, production place, unaffordable tax and /or rent, inadequate support from Government/NGO, working capital or lack of credit facilities, lack of access for training were among the major impediments for operator/manager at the grass root level of MSEs activities. This study also revealed that, the severity of MSEs problem vary depending on the type of sector .i.e. Problems in one sector are different from the other

In general, the reviews from different studies explains that MSEs have economic, social and political significances that they need special attentions to be efficient and so that they may contribute a lot for development endeavors of developing countries thus understanding the key success factors is essential in general and in Ethiopia in particular. So, MSEs have great potential to achieve the desired development and to alleviate poverty and unemployment.

2.3 Conceptual framework

Previous Studies shows that the success rate of small business is highly global thus successful business leads to economic growth so it's rational to conclude that understanding why business succeed is a gain in every industry.

Prior to the success model, studies have been conducted by Carter and Van Auken (2006); Cooper, (1990); Cooper, Gascon, and Woo (1991); Dennis and Fernald (2001); Pompe and Bilderbeek (2005); Reynolds (1987); Reynolds and Miller (1989); van Gelder, de Vries, Frese, and Goutbeek (2007); Westhead et al. (2001).

The Lussier (1995) model was selected to be used in this study for the following reasons. Lussier was the most extensive model because the study examined the efficacy of 15 variables identified from 20 prior studies. The Lussier (1995) model has been published in more journals (Lussier 1995, 1996a, 1996b; Lussier & Corman, 1996; Lussier & Pfeifer, 2000) and has been used to predict success and failure cross-nationally in the USA (Lussier, 1995)

In this study the researcher choose seven independent variables from the lussier (1995) model analyze their relation to the dependent variable performances this independent variables are divided into managerial related factors and business related factors

Managerial Related Factors: The managerial factors include those variables that are specifically related to the owner of the small business. These encompass variables such as age of owner, education, management experience of owner, prior business and industry experience of owner.

Business-Related Factors: The business-related factors focus on those variables that are directly related to the daily operation and make-up of the business such as planning practices, record keeping and financial control, and ownership form of the business

Independent variables

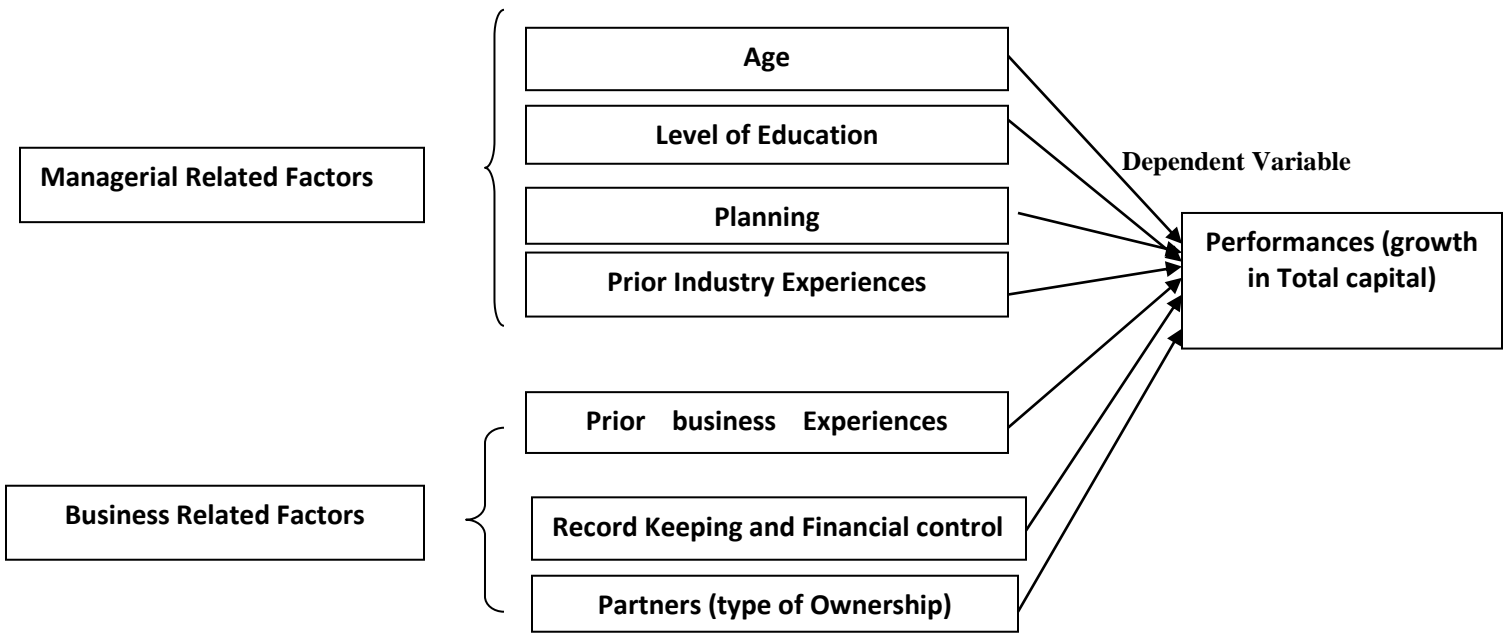


Figure 2.1 .Schematic diagram of conceptual frame work

CHAPTER 3

3. STUDY DESIGN AND METHODOLOGY

3.1 Introduction

Research can be described as a systematic approach to defining a problem, formulating a hypothesis (or a proposition), testing and gathering facts about the problem and finding and generalizing a solution (Kothari, 2011).

Having undertaken a systematic literature review and consequently developed a conceptual framework, the next stage of this research study is to provide a detailed explanation of how the research was conducted and processed. Thus, the purpose of this chapter is to provide the reader with an understanding of the methodology adopted in this research study to test the theoretical framework concerning the success factors of enterprises in relation to the performance of MSEs operating in Addis Ababa kirkos sub city.

3.2 Study Design and Approach

This study combines both descriptive and inferential static's methods that are proven to be more powerful than a single approach (Moffatt et al., 2006). Triangulation is a process of using more than one form of research method (Brannen et al., 1992). The main aim of using triangulation method is to improve the reliability and validity of the research outcomes ad to an accurate account of characteristics of a particular individual, event or group in real-life situations (Polit & Hungler, 1999). Burns & Grove (1993)

The purpose of a descriptive research is to provide the perceptions and views of the respondents about the phenomenon studied. This study is descriptive because it attempts to answer questions of the research study and eventually identify and describe the factors that contribute to the success of SMEs.

In this study, the growth in total capital of enterprises (the change in capital growth as ratio data) is used as dependent variable to measure performance of the enterprises involved in the survey.

This study used change in total capital as performance measurement is because enterprises are generally suspicious to disclose information related to revenue and profit and it would be difficult to get response from respondents as it is demanded.

3.3 Population and Sampling Technique

In Addis Ababa City Administration there are ten Sub City Administrations. Each of the Cities Administration has Micro and Small Business Development department. From the ten sub city administration kirkos sub city is chosen due to on their nearness and convenience to collect data.

In Kirkos sub City Administrations, there are 466 registered MSEs operating in wood and metal, food and beverage, merchandise and retail shops, textile and garment and leather and leather products.

To draw sample size from the population the researcher used the following sample determination method developed by carvalho (1984) a sample of 80 principal owners are selected from the target population of 466 which is between 281-500 intervals. The following table shows the breakdown of population range the small, medium, and large sample that can be drawn for the study.

Population size	Sample size		
	Small	Medium	Large
51-90	5	13	20
91-150	8	20	32
151-280	13	32	50
281-500	20	50	80
501-1200	32	80	125
1201-3200	50	125	200
3201-10000	80	200	315
10001-35000	125	315	500
35001-150000	200	500	800

Source: carvalho (1984),

From target study population 80 principal has the chance to be included in the sample based on simple random sampling method. This technique is preferred because it is used to assist in minimizing bias when dealing with the population. And to select those employees the researcher has access the record archive of kirkos Sub City Micro and Small Business Development Agency.

3.4 Sources of data

In this study, both primary and secondary data are gathered for comprehensive results to be produced

3.4.1 Primary Data

Pre-tested self-administered structured questionnaires are used in order to obtain data from the selected number of respondents. Interview guide are also designed to aid process of obtaining the primary field data.

3.4.2 Secondary Data

The secondary data are obtained from such sources as related literature reviews by different owners and data collected from pertinent institutions as Federal Micro and Small Enterprise Development Agency (FeMSEDA), Central Statistics Agency

3.5 Data Collection Instruments

3.5.1 Questionnaire

Bryman (2008) defined a questionnaire as a paper and pencil investigation in which information is obtained by asking participants to respond personally to a series of pre-determined questions. The questioner is distributed to the MSEs Principal owners of each of enterprise included in the sample to enhance the response rate and to obtain desired information on the perceived factors that affect the success of SMEs in Kirkos sub city.

The success of any questionnaire survey and the accuracy of data collected largely depend on the careful design of the questionnaire's contents, structure and form of response (Akintoye et al., 2000).

A structured questionnaire was adopted with modification from Tiruneh Abebe "factors for the success of Micro and small Business" The primary consideration, in adopting this questionnaire, is that, as a whole, it should adequately capture all the information needed to answer the research questions (Dunn & Huss, 2004) and it is modified since some of the objective are not in line with the objective of this study

A covering letter is attached to the questionnaire to explain the purpose and the importance of the study as well as to give instructions on how to complete the questionnaire. The questioner encompass two sections: the first part of the questionnaire is about the demographic information of the principal owners and profile information about the participant enterprises.

The second part of the questionnaire is about the dependent as well as the independent variables of the study. Both open ended and cloth ended questions is used to extract the required data from respondents. The questioners are delivered by hand to the enterprises identified for the study and collected by hand immediately after they completed the questionnaire. For those respondents not able to finish it immediately the questionnaire is collected on a scheduled pick-up date and the participants of this study fill up most of the questionnaires by themselves but when necessary the data collector (the researcher) gave assistance by elaborating and explaining the idea of the questions

3.5.2 Interview

The interview is qualitative to generate more precise information each of the Micro and Small Business Enterprise owners are subject to the Interview. it consist of an introduction, main questions, additional questions and clarifying questions .The main questions sought to explore how SME owner-managers in kirkos see business success factors in relation to their experiences. In order to obtain more information on the success factors, a question on the advice that the

participants would give to someone who wants to start his or her own business was included in the main questions. Clarifying questions are used in order to elicit the maximum amount of information

3.6 Method of data analysis

Data is analyzed by using descriptive and inferential statistics i.e. regression. Descriptive statistics involved the use of frequencies and mean. Inferential statistics is used to predict the values of one variable by using the values of another variable performance of enterprises in relation to the different levels of each of the explanatory (independent).

3.7 Model and variable specification

Of the inferential statics techniques multiple regression were employed and computed as follows

$$Y' = aY + bY1Xag + By2Xed + By3Xpl + By4Xie+ By5Xbe+ By6Xow+ By7Xre$$

Where,

Y' = predicted or estimated value of performances.

aY = Y axis intercept for minimizing errors in predicting performances.

bY = slope of the line for minimizing errors in predicting performances.

In= intention to use Ag=age of the principal, Ed= education level of the principal, Pl =planning practices, ie= industry experiences, be=business experiences, ow= form of ownership and re= record keeping practices

The statistical package for social sciences computer software version 20 was used specifically for the purpose of quantifying the qualitative data and presenting it inform of tables figures and charts.

3.8 Ethical Considerations

According to Bryman (2012), like any other approaches, quantitative research has been questioned in terms of ethical issues. These issues include confidentiality and integrity of survey design and the collection of data, as well as the analysis and reporting of data and the dissemination of research findings to interested project stakeholders. Punch (2005) stated that, when considering a questionnaire-based survey targeting project stakeholder perspective, it is important to consider all ethical concerns relating to those stakeholders. During the implementation of the three surveys, such ethical concerns were considered as follows: (1) informed consent; (2) pilot studies; (3) researcher awareness about current laws and standards applying to the community where field surveys were conducted; (4) treatment of collected information from the aspects of privacy and confidentiality; (5) avoiding the use of sensitive questions or statements that could cause embarrassment to respondents; (6) diversifying data collection and communication methods to reduce bias in responses; and (7) presenting the researcher, research objective and expected outcomes to interested organizations and project stakeholders

3.9 Pilot test

Instruments were initially piloted to small numbers of respondents to verify whether the questions are easy to understand, appropriate to the research topic, unambiguous (Fellows & Liu, 2008). It is also important to get feedback and input on other important issues that may be worthy of consideration that the initial instrument may have missed. This also gives the researcher an indication of whether the instrument is measuring the right concept.

Validity is the degree to which an instrument measures what it is supposed to measure. The reliability of a research instrument is the extent to which the instrument yields the same results on repeated measurements. The tendency toward consistency found in repeated measurements is referred to as reliability (Carmines & Zeller, 1979). The researcher used cronbach alpha the retest method to determine the reliability of the instruments by giving the same test to the same people. This was achieved by asking the same question in a slightly different way at a later time or in a different part of the questionnaire. The reliability of the instrument was estimated by

examining the consistency of the results between the two measurements, therefore to measure the reliability of the questions the cronbach's alpha is used from the table below the cronbach's alpha shows 0.78 this is greater than the minimum requirement for the test i.e. 0.68.

Reliability Statistics

Cronbach's Alpha ^a	N of Items
0.78	8

CHAPTER 4

RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents analysis and interpretation of data and the major findings of the study obtained through questionnaire from principal owner of the enterprise operating in Kirkos sub city the methodology to collect data for this research were described in the previous chapter. The data collected included both quantitative and qualitative data. This chapter aims to report the empirical research results of the quantitative data analysis. The analysis of data of the quantitative phase aims to answer research questions of this study; hence the discussion under this session includes Demographic information of the respondents and enterprises characteristics

A total of 80 questionnaires were distributed, and 76 questionnaires returned, representing 95 % response rate. From the 76 questionnaires returned, 6 questionnaires are not included in the analysis because the responses received were incomplete. The rest of the responses, representing 70 MSEs, were used in the study.

4.2 Demographic backgrounds of the principal business owners

Table 4.1: Demographic background of the respondent

Indicators	Value	Frequency	Percentage
Gender	Male	30	42.9
	Female	40	57.1
	Total	70	100
	No formal Education	8	11.6
	Primary School	31	44.9
	Secondary School	10	14.5

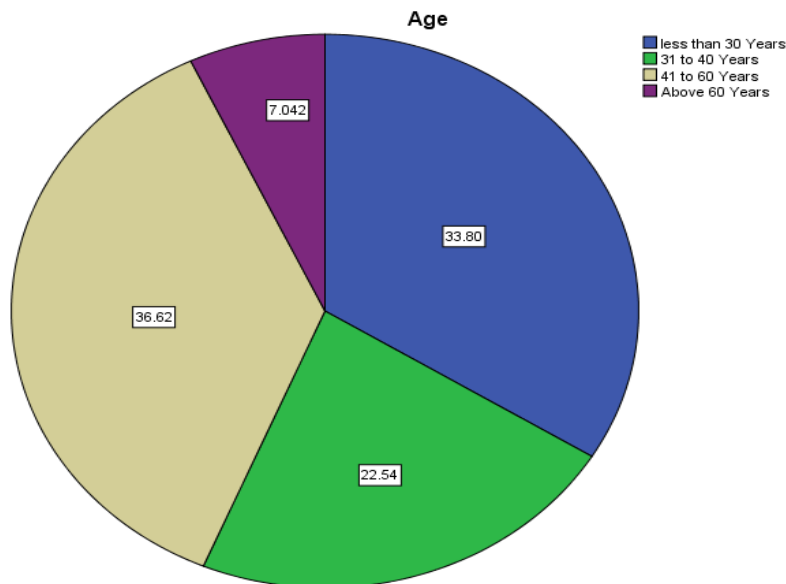
Educational level	Preparatory	12	17.4
	Diploma	5	7.2
	Degree and above	3	4.3
	Total	70	100

Source : (field survey)

As it is depicted in Table 4.1 the respondent includes 30 (42.90%) were male business owners while 40 (57.1%) were female business owners which makes the respondents in this study a bit diversified in terms of sex.

In regard to the level of Education of respondents 8(11.6%) of the respondent did not have any formal education whereas 31 (44.9%) have completed primary school and 10(14.5%) of the respondents attained secondary Education moreover 12(17.4%) finished preparatory educational level while 5(7.2%) and 3(4.3%) have attain diploma and degree and above levels respectively. this shows that most of the respondents knows how to read and write.

4.2 Graphic representation of age of principal owners



Source : Field survey

In relation to age, the majority of entrepreneurs are in two age groups, less than 30 years and 41 – 60 years, representing 33.80% and 36.62% of the respondents respectively. The age between 31- 40 years a group is the third group accounting for 22.54%, whereas the above 60 years only accounted for 7.042% of the respondents thus majority of the respondent are adults and capable of working.

Table 4.3 type of business form of ownership, and current Employees of the Enterprise

Type of business		
Indication	Frequency	Percentage
Leather products	5	7.1
Wood and Metals	5	7.1
Food and Beverage	13	18.6
Merchandise and retail	24	34.3
Textile and Garment	23	32.9
Total	70	100
Current Employees		
One Employees	35	50
2-10 employees	25	35.7
11 to 30 employees	5	7.1
More than 30 employees	5	7.1
Total	70	100

Source: field survey

From Table 4.3 one can easily identify that enterprise that are engaged in leather products composed 5(7.1%) of the respondents while wood and metals with food and beverage compose of 5(7.1%) and 13(18.6%) respectively and 23(32.9%) of the respondents are engaged in Textile and garment plus 24 (34.3%) of the respondents are involved in Merchandise & Retail Business thus those enterprise that are involved in Merchandise & retail and Textile and Garment are somewhat proportional as compared to the other sub sector .

When we classify the enterprises involved in this study on the bases of the number of employees as they initially established, Table 4. below 25 (35.7%) were started their business with 2 to 10 employees including the principal owners of the enterprises but majority of the enterprises 35(50%) s were operated only by the principal owner of the business as self-employed or sole business owner. The remaining enterprises in the sample of 5(7.1%) and 5 (7.1%) have started

their business with 11-30 employees and more than 30 employees including the principal owner of the business correspondingly

4.2.1 Descriptive statistics of the main variables

The first variable considered in this study as the success factor for performance of MSEs is the age of the principal owner of the enterprises. To examine the variation in the performance of the enterprises in different age categorizes, the sample is grouped into four age groups as depicted in below

Table 4.4 Enterprises Capital Growth In relation to Different Age Categories of Owners

	N	Mean capital growth	Std. Deviation (CG)	Std. Error(CG)	95% Confidence Interval for Mean		Minimum (CG)	Maximum (CG)
					Lower Bound(CG)	Upper Bound(CG)		
less than 30 Years	23	189254.3043	326995.33574	68183.24083	47850.9175	330657.6912	500.00	900000.00
31 to 40 Years	16	428675.0000	1134921.33208	283730.33302	-176081.8894	1033431.8894	0.00	3999000.00
41 to 60 Years	26	57382.6923	131510.99645	25791.42835	4264.2513	110501.1333	150.00	594500.00
Above 60 Years	5	48080.0000	82304.14327	36807.53184	-54114.0916	150274.0916	800.00	194000.00
Total	70	184914.2714	584834.59421	69901.10387	45465.3847	324363.1581	0.00	3999000.00

As it is indicated in the table, from the total sample taken 23 enterprises are possessed by principal owners with the age of 30 years old and below. When we look at the capital growth of the enterprises in this age category on average they show a total capital growth of 189,254.30 birr from the time of establishment to date. 16 MSEs in this study are owned by individuals with the age range of 31 to 40 years which roughly shows the adult age group of the population in Ethiopia. The performance of MSEs under this age category in terms of average capital growth is about 428,675 birr from the year they have been established to date.

The other 26 MSEs in this study are owned by individuals between age 41-60 which their average capital growth is 57,382.69 and the remaining 5 enterprises have owners with age above 60. In terms of the total capital growth of the enterprises possessed by individuals in this age category, on average they grow by 48,080 since establishment to date.

Over all from this descriptive statistics result, those MSEs owned by individuals with the age of Less than 30 years shows higher average capital growth than those enterprises owned by individuals with age 31-40, 41-60 and those individuals with age above 60 years old.

Thus, the better performance of those enterprises owned by individuals with this age group would be, first business owners in this age category would have better chance to increase their performances since they are more propose different scheme for their business the finding of Reynolds et al. (2000) stats that individuals aged 25-44 years were the most entrepreneurially active

The second independent variable is education. Education is a means through which knowledge can be gained and it is the backbone of a country thus to see the difference in the performance of enterprise with respect to education level of principal owners whereas, the sample enterprises in this study is grouped into six categories

Table 4.5 Education of MSEs Owners by Average of Total Capital Growth

	N	Mean capital growth	Std. Deviation (CG)	Std. Error(CG)	95% Confidence Interval for Mean		Minimum (CG)	Maximum (CG)
					Lower Bound(CG)	Upper Bound(CG)		
No formal Education	9	33877.7778	61048.33695	20349.44565	-13048.1280	80803.6836	400.00	194000.00
Primary School	31	190598.3871	727172.60863	130604.05600	-76130.6792	457327.4533	0.00	3999000.00
Secondary school	10	152555.0000	277895.74829	87878.35167	-46239.6427	351349.6427	500.00	750000.00
TVET	12	22333.2500	22020.89779	6356.88563	8341.8391	36324.6609	500.00	75000.00
Degree	3	1433333.3333	923760.43070	533333.33333	-861414.789	3728081.4559	900000.00	2500000.00
Diploma	5	127400.0000	135795.06618	60729.39980	-41211.8448	296011.8448	15000.00	348000.00
Total	70	184914.2714	584834.59421	69901.10387	45465.3847	324363.1581	0.00	3999000.00

Source :field survey

As it is indicated in Table 4.5 a sample of 9 enterprises have principal owners with no formal education level. When we see the performance of these enterprises in terms of total capital growth in relation to the education level of the principal owners of the business enterprises, on average they scored a 33,877.77 birr in growth of total capital in their stay in the business from the time they have established to date.

31 enterprises or enterprise owners of this study have an education status of primary school which means they have completed grade 1 to 8th educational level Enterprises owned by owners with this education level or status on average scored 190,598.38 birr growth in total capital from their establishment time to the time of data collection whereas 10 sample enterprise have finished secondary school which incorporate 9th to 10th education level on average they scored 152,555 birr growth in total capital from their establishment time to the time of data collection

The other 12 MSEs involved in this study are owned by individuals with an education level in technical and vocational this educational status category of the principal owners includes those completed level 10+1, 10+2, 10+3 Regarding performance of the enterprises in this category of the educational status of the principal owners of the enterprises; on average they showed a 22,333.25birr in growth of total capital since establishment in addition 5 sample enterprise involves in this study have an education level in diploma with average total capital growth of 127,400 since establishment the remaining 3 sample Enterprise have an Degree with an average total capital growth of 1,433,333.3birr

Generally, MSEs owned by individuals with a Degree level shows better performance compared to those enterprises with owners education status below primary, secondary , TVET and diploma holders research shows that basic education is key to a nation's ability to develop and achieve sustainability targets (UNESCO, 2006).thus education improves literacy, quantitative training, and social and communication skill and in turn increases the chance of success to the enterprises to better performance of the enterprise

The third independent variable of this study is form of ownership of enterprises. As Table 4.5 described 51(72.9%) are owned by the principal business owners while 7(10%) of the Enterprise are owned by partners and 12(14.3%) is owed by corporative thus most of the Enterprise are run by the principal owners of the Enterprise.

Table 4.6 Form of Ownership by Total Capital Growth

	N	Mean capital growth	Std. Deviation (CG)	Std. Error(CG)	95% Confidence Interval for Mean		Minimum (CG)	Maximum (CG)
					Lower Bound(CG)	Upper Bound(CG)		
Sole proprietor	51	193204.88	596430.89	83517.03	25455.99	360953.77	0.00	3999000.00
Cooperative	12	40483.33	53333.97	15396.19	6596.55	74370.12	1000.00	194000.00
Partnership	7	372107.14	938374.17	354672.10	-495744.2	1239958.50	4750.00	2500000.00
Total	70	184914.27	584834.59	69901.10	45465.38	324363.16	0.00	3999000.00

Sources :field survey

According to (FeDRE 2013) the term sole proprietorship is defined as the sole trader or simply a proprietorship, which is a type of business enterprise or entity that is owned and run by one individual. In sole proprietorship there is no legal distinction between the owner and the business. The owner receives all profits (subject to taxation specific to the business) and has unlimited responsibility for all losses and debts .On the other hand “Partnership” in Amharic (ሸርክኛ) is defined as “an enterprise established by more than one person with legal status. The responsibility/liability is equal for all the partners irrespective of their share and can consist of 2 or more people and Cooperative or (የህብረት ስራ ማህበር) is a society established by individuals on voluntary basis to collectively solve their economic and social problems. It is also an enterprise owned by a group of persons who take full part in the activity of the enterprise by coordinating their knowledge and assets. Co-operative society can contain 10 or more members. Thus ownership form of the enterprises would have relation to the performance of MSEs and determine their success in the business environment they are working in.

A 38 years old female working in the textile and garment said

“She was a housewife when her husband died and she had no idea about Micro and small enterprises but after taking some training she took a loan from the micro finances moreover there their living a condition has improved while their income is sufficient to cover their family expenses or demands.”

As shown from Table 4.6, 51 MSEs are owned and operated by one person as sole proprietorship business. When we look at the performance of the enterprises under this category ownership type in terms of capital growth, on average they show 193,204.88 birr growth since establishment to date while enterprise's owned by two or more owners either as partnership or private limited company Shows on average birr 372107.14 in terms of total capital to date.

On the other hand, from the same Table 4.6, 12 sample enterprises are owned by a group of person's owners, up to date the performance of the enterprises in terms of the growth in total capital, on average show a 40483.33 growth in total capital to date.

Generally from this statistical data, those enterprises owned by partnership are better performer in total capital growth compared to those possessed by sole proprietor and cooperative. The possible reason for the better performance of those enterprises owned by more than one individual is that the pooled entrepreneurial capacity and skill of different individuals may positively contribute to the performance of the enterprises.

The fourth independent variable of this study which is expected to have relation to the performance MSEs is the internal practice of planning in advance for different activities to be executed in the day to day operation of the enterprises for attaining pre-established goals.

7

	N	Mean capital growth	Std. Deviation (CG)	Std. Error(CG)	95% Confidence Interval for Mean		Minimum (CG)	Maximum (CG)
					Lower Bound	Upper Bound		
No plan	26	13482.6	11126.94875	2182.17418	8988.42	17976.96	500.00	37000.00
below 1 Year	6	1113499.83	1721208.391	702680.3833	-692797.5	2919797.26	15000.00	3999000.00
1-3 Years	15	145823.33	309068.9537	79801.26071	-25333.3	316980.01	0.00	900000.00
3 -5 Years	20	154340	256145.5803	57275.89297	34460.17	274219.82	400.00	750000.00
more than 5 years	3	212766.6	330662.7637	190908.2356	-608645.1	1034178.50	15000.00	594500.00
Total	70	184914.2	584834.5942 1	69901.10387	45465.38	324363.15	0.00	3999000.00

Sources: field survey

As it is indicated in Table 4.6, from the total sample enterprises in this study, 26 MSEs do not use any kind of plan in their day to day operation of business at a glance to the performance of

this enterprises the total capital growth of the enterprises as a measure of performance, on average they show 13482.6birr growth in total capital from the year they have established to date.

Moreover 6 enterprises in the sample taken have planning practice in their day to day business operation that covers below 1 year. In terms of performance using capital growth as a measure, enterprises which uses below 1 years plan for their business activities have scored 1,113,499.83 average capital growth While 15 enterprises with a plan that covers 1 to 3 years the performance of the enterprises in this category in terms of average capital growth is about 145,823.33 birr

On the other hand 20 enterprises in the sample uses 3-5 years internal planning which can be considered as a medium term plan in terms of performances their average total capital growth sums up to 154,340 birr since establishment date, whereas 3 enterprises with 5 year and above plan have an average total capital of 212,766.06.

Generally from the descriptive statistics result about enterprises performance and their planning practice shows that, those enterprises using a plan covering below 1 years performs better in terms of total capital growth when compared with those enterprises that do not use any kind of plan, 1 to 3 years, using 3 to 5 years and those above 5 years plan in their day to day operation of business.

The possible justification to the importance of using plan is that, planning in advance what needs to be done helps enterprises to act strategically to realize established development goals rather than moving in a random and unsystematic way to the opportunities as well as unfavorable situation that will happen in their business operations. This proactive move of the enterprises increases their chance of success in the dynamic environment. And this also works to the enterprises that use a short term plan of 1 to 2 years for their business activities.

The other independent variable is use of formal record keeping and financial control mechanism in the enterprises day to day business operation is considered as another variable that would result difference in performance between those use the system and those do not use.

One of the respondents said:

“I started this business after I took a training , it was not easy because of so many factors though and I want to expand my business though I did not have any knowledge on how to use record keeping and financial statements but if they train us on record keeping maybe my plan will be fruitful “

Table 4.8 Total capital Growth by Record Keeping of MSEs Owners

	N	Mean capital growth	Std. Deviation (CG)	Std. Error(CG)	95% Confidence Interval for Mean		Minimum (CG)	Maximum (CG)
					Lower Bound	Upper Bound		
no rec keeping	46	111823.8913	588428.77017	86759.08893	-62917.8837	286565.6663	150.00	3999000.00
Record daily	12	353216.6667	393526.34389	113601.27029	103181.9566	603251.3767	2000.00	900000.00
Income statement	8	105812.5000	200599.80371	70922.74076	-61893.1328	273518.1328	0.00	594500.00
Balance sheet	4	678750.0000	1214168.95447	607084.47724	-1253263.7516	2610763.7516	70000.00	2500000.00
Total	70	184914.2714	584834.59421	69901.10387	45465.3847	324363.1581	0.00	3999000.00

Sources: field survey

As it is depicted in Table 4.8 below from the total sample enterprises considered in this study, 46 enterprises do not use any kind of formal record keeping and financial control mechanisms related to their day to day operation. When we look at the performance of enterprises in this category in terms of total capital growth from the time they have established to date, on average they have shown 111823.89 birr growth in total capital.

The remaining 44 sample enterprises included in this study use record keeping and financial control system to facilitate their day to day business activities. From the remaining 44 sample 12 of the enterprise record their daily transaction In terms of their performance in total capital growth they amounted up to 353216.66 as 8 of the enterprise use income statement to measure their performance in terms of total capital growth they accounted to 105,812.50 birr while 4 enterprises apply balances sheet with an average total capital of 678.750 birr since their establishment.

In general the average performance of those enterprises using record keeping and financial control system in their operation is better than those do not use. This system helps enterprises to

distinguish the financial expenses as well as revenues and asset, liability and equity generated by the business operation

The other independent variable is prior business experience in related business areas is considered here in this study as another variable that may result difference on the performance of MSEs which in turn determines their success in operation.

Table 4.9 Total Capital Growth by Business Experiences of MSEs Owners

	N	Mean capital growth	Std. Deviation (CG)	Std. Error(CG)	95% Confidence Interval for Mean		Minimum (CG)	Maximum (CG)
					Lower Bound	Upper Bound		
Yes	27	186224.0741	507467.72375	97662.20897	-14523.471	386971.6197	0.00	2500000.00
No	43	184091.8372	634419.26042	96748.03021	-11153.592	379337.2668	500.00	3999000.00
Total	70	184914.2714	584834.59421	69901.10387	45465.3847	324363.1581	0.00	3999000.00

Source: field survey

As it is shown in Table 4.9, 43 owners of MSEs in this study have established and run the current business without any prior experience of establishing and operating business of their own which was related to the business enterprises currently operating. In terms of the performance measurement of the enterprises without any prior industry experience, on average shows 184,091.83 increases in total capital since establishment to date.

The remaining 27 owners of the MSEs in this study have a prior experience of establishing and running at least one business of their own similar to the business they are operating currently. The performance of these enterprises owned by owners having prior industry experience, on average shows increase in 186, 224.07 birr total capital.

Overall SMEs owned and run by individuals who have prior business expertise shows better performance in capital growth compared to those enterprises operated by individuals without any prior industry experiences. The possible argument for this better performance of enterprises with prior industry experience of the owners is because prior business experience is useful training to utilize opportunities that maximize performance and minimize the risk of failure, while experience is embedded within the accumulated learning of owner-managers and in their

decisions and actions. The finding of El Hamzaoui (2006) who found that poor professional experience was a strong failure factor for SMEs in Morocco supports this.

The last independent variable in this study is the management experience of the principal owners of the business which is expected creates variations on the performance of MSEs.

Table 4.10 Prior Industry Experiences of MSEs Owners by Change of Capital Growth

	N	Mean capital growth	Std. Deviation (CG)	Std. Error(CG)	95% Confidence Interval for Mean		Minimum (CG)	Maximum (CG)
					Lower Bound	Upper Bound		
no industry Experiences	32	125276.5625	268528.98353	47469.66630	28461.53	222091.58	400.00	900000.00
1 to 5 years Experiences	17	26476.4118	24327.28862	5900.23415	13968.4741	38984.3494	400.00	75000.00
> 5 years Experiences	21	404050.0000	995147.62925	217159.02	-48935.76	857035.7699	0.00	3999000.00
Total	70	184914.2714	584834.59421	69901.10387	45465.3847	324363.1581	0.00	3999000.00

Sources field survey

From Table 4.10 the sample of 21 principal owners of MSEs in this study have no any prior management experience acquired either being employed in other organizations and working in a management position or managing their own independent enterprises before the current one. In terms of performance of enterprises owned by individuals without any prior management experience, they show on average total capital growth of 125,276.56 birr

From the same Table 4.10, 17MSES are owned and managed by owners which have a prior management experience of 1 to 5 years. Regarding the performance of the enterprises in this category on average they show 26,476.41 increases in total capital.

The other 6 MSEs in this study are owned and managed by individuals who have a prior management experience of more than 5 years. The performance of the enterprises in this category in terms of average total capital growth is 404 050 increase throughout their stay in the business and the finding of Yusuf (1995) which revealed that good management skills are one of the factors most critical to the success of South Pacific islanders" entrepreneurial activities.

Generally from the descriptive statistics results in Table 4.10, the performance of those enterprises owned and managed by those individuals having more than 5 years management experience is better than the others. This is because, management experience may provide entrepreneurs with prior knowledge of markets, ways to serve markets, and of customer problems and this kind of exposures in turn increases the chance of the enterprises' success in their business environment

4.3 Result and Discussion

To examine the significances prediction in relation of the success factors on the performance of the Micro and small Enterprises measured by capital growth i.e. the dependent variable performances is measured by total capital growth. The output reveals that all the independent variables except education do not have any significant prediction on the performances of MSEs measured by capital growth

4.3.1 Multicollinearity test

To check whether there is severe multicollinearity in the model, the simple correlation coefficients between the explanatory variables have been examined. As shown in table 4.1 the values of all the correlation coefficients between the explanatory variables are lower than 0.90 which implies that the test does not detect the existence of severe multi collinearity of explanatory variables in the model

Table 4.11 multicollinerity

	Age	Education	Business experiences	Planning practices	Industry Experiences	Record keeping	Form of ownership
Age	1	-0.398	-0.181	0.405	0.142	-0.043	0.309
Education	-0.398	1	-0.063	-0.584	0.130	0.179	-0.052
Business experiences	-0.181	-0.063	1	0.217	-0.411	0.000	-0.075

Planning practices	0.405	0.584	0.217	1	-0.345	-0.278	-0.122
Record keeping	-0.043	0.179	0.00	-0.27	0.455	1	0.163
Form of ownership	0.309	-0.052	-0.75	-0.122	0.238	0.163	1

4.3.2 Normality test

To measure the normality of the independent variables the skewness and kurtosis are computed the range for normality is (-1.0 to +1.0), since all the independent variable meets the assumption of normality is supported by the total sample, we can proceed with our analysis

Table 4.12 normality

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Age of owner	70	.416	.287	-.801	.566
Education level	70	0.293	.287	0.833	.566
Form of ownership	70	0.781	.287	0.240	.566
Industry experiences	70	.045	.287	-0.818	.566
Planning practices	70	-.245	.357	-.477	.702
Record keeping	70	.669	.472	-.896	.918
Business experiences	70	-.480	.287	-1.823	.566

4.3.3 Independences of residual

The independent of residual shows is used to test for the presence of serial correlation among the residuals the Durbin-Watson statistic is one of the tools to measure from the table 4.13 below the

independent of residual shows 2.257 as a general rule, the residuals for Durbin-Watson statistic ranges is an acceptable range is 1.50 - 2.50 thus the hypothesis is accepted.

Table 4.13 independences of residuals

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.643 ^a	.412	.673	517403.73093	2.257

4.3.4 Regression results

To examine the significances relation of the success factors on the performance of the Micro and small Enterprises measured by capital growth .the Dependent variable performances is measured by total capital growth. The statistic results are summarized in table 4.14 below. The output reveals that all the independent variables does not have any significant on the performances of MSEs measured by capital growth.

Table 4.14 regression statics result

Independent value	Coefficient	Standard error	p-value
Age	-168706.141	144923.83	0.261
Business experiences	-293137.14	233187.27	0.227
Education	-118970.23	82348.15	0.006
Form of ownership	-239049.78	150770.40	0.132
Industry experiences	-410.820.76	282145.52	0.165
Planning	286854.71	168315.51	0.185
Record keeping	98919.78	170891.643	0.571
No. of observation	70		
F-stat	1.611		
R2 (adj. R-square)	0.67		

The first hypothesis states that;

H0: There is no significant difference on the performance of enterprises operated by owners with different age group.

From the unstandardized coefficient value and p-value is -168706.141 and 0.260 respectively for age of the principal business owners, these values show that age of the principal business had no any significant contribution for performances measured by capital growth so the null hypothesis is retained, since the p-value 0.261 greater than the level of coefficient 0.05.

The β coefficient is negative this show for every one unit increase in age there will be a decrease in 168706.14 in capital growth from this one can conclude that age is not a significant prediction of performances measured by capital growth

Though the result do not show a statistically significant prediction in the performance of MSEs in terms of owner's age difference, those enterprises run by individuals with age Below 30 shows better average performance in capital growth than the other three categories (see Table 4.4). Reynolds et al. (2000) who found that individuals aged 25-44 years were the most entrepreneurially active supports this result.

To sum up about the variable age of the business owners as one factor that contribute to the success of MSEs, the statistical result do not show a significant prediction on the performance of enterprises owned by individuals in the four age categories. Based on this it can be conclude that, age of the principal owners is not the factor that determines the success of MSEs.

The second hypothesis states that;

HO2: There is no significant difference on the performance of enterprises in relation to the difference on the education level of the principal owners of the business.

The acceptable p – value is 0.05 but from the above table the p value for level of education of principal owners is 0.006 these values shows that education level of the principal business is a significant prediction for performances of MSEs measured by capital growth so the null hypothesis is accepted, since the p-value 0.168 greater than the 0.05

The β coefficient from the above table is -118970.23 this show for every one unit increase in education level there will be a decrease in 118970.23 in capital growth from this one can conclude that educational background is a significant prediction of performances of MSES operating in Kirkos sub city.

The result indicates there is significant difference on the performance of Micro and Small Enterprises run by owner and education is one of the prediction for the performance among these four categories of the owners, thus the finding supports the study of Gray (2006) who found that education level of Moroccan entrepreneurs was associated with successful performance of their firms in Morocco Furthermore, it is consistent with the findings of El Hamzaoui (2006), who showed that poor education of the entrepreneur was a factor in the failure of firms in Morocco.

Generally education level of owners is one of the success factors of MSEs operating in kirkos sub city since the result shows that education is statically significance for performances.

The third null hypothesis states that:

HO3: There is no significant difference on the performance of enterprises in relation to the difference in the management experience of the principal owner of the business

prior managerial experiences is found to be insignificant in relation to performances as p- value is 0.227 which is greater than the maximum requirement $\alpha = 0.05$ thus the null hypothesis is retained.

From Table 4.9, the performance of MSEs owned by individuals with experience of establishing related business areas shows higher capital growth than those enterprises owned by individuals without prior experience, nevertheless this result is not supportive to conclude having prior business experience assist small business owners to be successful. City From the table 4.14 the β coefficient is negative which means one percent (decrease) in industry experiences results in a 293137.14 percent increase capital growth.

To sum up MSEs owners who do have prior business experiences or those who do not shows no statically significant thus, prior business experiences is not one the success factors that contribute to the performances of MSEs operating in kirkos sub

The other hypothesis assumes that;

HO4: There is no significant difference on the performance of enterprises in relation to the difference in prior industry experience of the principal owner of the business.

the unstandardized coefficient value and p-value is -410.820.76 and 0.165 correspondingly for prior industry experiences these values shows that prior industry experiences of business owners had no any significant contribution for performances of MSEs operating in Kirkos sub city measured by capital growth so the null hypothesis is retained, since the p-value 0.165 is greater than the level that we are willing to be wrong in our evaluation i.e. 0.05

the study result supports shows prior industry experiences is not a prediction for performances and is not statistically significant although, enterprises operating with owners above 5 years prior management experience better succeed in their operation than those enterprises owned by individuals with prior experience below 5 years. The study report of Rose, Kumar and Yen (2006), indicates „management experience Prior owning business“ was found not significant for the success of small enterprises

The β coefficient from the above table is -410.820.76 this show it have an inverse relation with performances for every one unit increase in prior industry experiences that there will be a decrease in 118970.23in capital growth from this one can conclude that educational background is not a significant prediction of performances of MSES operating in Kirkos sub city.

To conclude the performance of those MSEs owned by individuals with a management experience of more than 5 years shows higher average capital growth than those enterprises owned by individuals without any management experience as well as those with 1 to 5 years of management experience (see Table 4.10) though, prior management experiences is not one of the success factors for MSEs operating in Kirkos sub city.

The fifth hypothesis assume with the aim of;

HO5: There is no significant difference on the performance of enterprises in relation to the difference in planning practice of the enterprises

The acceptable p – value is 0.05 but from the above table the p value for level of planning practices of principal owners is 0.185 these values shows planning practices of the principal business owner had no any significant contribution for performances of MSEs measured by capital growth so the null hypothesis is accepted, since the p-value 0.185 greater than the 0.05

The β coefficient from the above table is 286854.71 has a positive effect this show for every one unit increase in planning practices there will be an increase by 286854.71 capital growth from this one can conclude that planning practices though it is not a significant prediction of performances of MSES operating in Kirkos sub city.

Thus the result, shows the null hypothesis which states here is no significant difference on the performance of enterprises in relation to the difference in planning practice of the enterprises is rejected since the study

The performance of enterprises in each category individually shows MSEs using a plan below 1 years shows better average performance in capital growth than the other four groups of MSEs in this study (see Table 4.7) though it is not one of the prediction for the performances of MSEs operating in Kirkos sub city

Thus the result demonstrate that the planning practices of MSEs owners have a insignificance contributes on the performance of MSEs as a result planning practices is not one of the success factors to MSES operating in kirkos sub city

The sixth hypothesis states that;

HO6: There is no significant difference on the performance of enterprises in relation to the difference in using record keeping and financial control mechanism within them.

The regression test for record keeping and financial control mechanism shows that the p- value is 0.571 which is greater than the alpha value i.e.0.05 thus it shows there is no significant relation between performances and record keeping and financial control mechanisms in their day to day activities accordingly, the result supports the null hypothesis and it is retained.

The finding shows those enterprises using record keeping and financial control system and those do not keeping financial control mechanism are not a prediction for the performances of MSEs

operating in Kirkos sub city. The study of Rose, Kumar and Yen (2006) also did not show any significant relationship between small business performances and the record keeping, and financial control practices of the enterprises

The beta under standardize coefficient shows 98919.18 thus has a positive effect this show for every one unit increase in record keeping and financial control mechanism there will be an increase by 98919.78 capital growth from this one can conclude that planning practices is not a significant prediction of performances of MSES operating in Kirkos sub city.

Though the findings of the study clearly demonstrate that the performance of the MSEs that uses record keeping and financial control mechanism in their daily operation shows much better performance in average capital growth than those enterprises that do not use record keeping and financial control mechanism in their operation (see Table 4.8) it is not one of the prediction for performances.

The last but not least hypothesis state that

HO7: There is no significant difference on the performance of enterprises in relation to the difference in the type of ownership of the enterprises.

The p-value for form of ownership is 0.132 which is less than $\alpha = 0.05$ therefore this shows that there is no significant relation between performances and form of ownership accordingly, the null hypothesis is retained thus, there is no significant difference on the performance of enterprises in relation to the difference in the type of ownership of the enterprises is accepted. But it is not to mean the performance is the same for MSEs owned and run by single owner and those owned by more than one owner, it indicate the form of ownership is not a prediction for performance of enterprises..

The beta coefficient under standardize coefficient shows -239049.78 thus has a positive effect this show for every one unit increase in form of ownership there will be a decrease by 239049.78 capital growth though it is not a significant prediction of performances of MSES operating in Kirkos sub city.

To summarize, performance between these three groups of enterprises based on ownership form of the business is not statistically significant, the performance of those enterprises owned by more than one individual shows higher average capital growth than those MSEs owned by single owner (see Table 4.6).

The overall significance of the model is tested by the value of R² which shows the variation in the dependent variable explained by the variation in the explanatory variables. Accordingly, 67 percent of the performance measure in this model is explained by the included explanatory variables such as age, education level form of ownership planning practices, prior planning experiences, prior business experiences and record keeping and financial control system.

The F test shows the role of the independent variables to explain the evolution of the dependent variable

4.4 Interview discussions

The interview of the principal owners in regarding to the success factors of small and Micro enterprise contribution common theme suggestion summarized as follows

Most of the principal owners express that Enterprises Development Agencies do not provide the capacity to the enterprise owners and provide assistances in the area of training such as preparing plan or record keeping or increase their startup capital which enables them to be more familiar with the major business concepts and boosted up they revenue

They also suggested that the working areas of the operators in particular should be overseen since the shades are located far from administration offices and market. In some areas, infrastructural facilities (roads) are neglected.

CHAPTER 5

CONCLUSION AND RECOMMENDATION

5.1 summary of findings

The study was aimed at discovering the success factors for the MSES operating in Kirkos sub city. Both qualitative and quantitative methods of research were employed to arrive at the results of the study. The study areas of this research are particularly those MSES operating in the manufacturing sector i.e. leather and leather product, textile and garment, merchandise and retail shop, food and beverage and wood and metal and the respondents included MSES principal owners; This chapter shall address specific conclusions and recommendation as drawn from the research findings.

MSEs Sector is pronounced as the natural ground of entrepreneurship. In all successful economies, MSEs are seen as essential springboard for growth, job creation, and social progress. Studies conducted by Endalkachew, (2008) also shows that the small business sector is an important force to generate employment and more equitable income distribution, activate competition, exploit niche markets, enhance productivity, and bring technical change through the combination of all of these measures, to stimulate local economic development.

Yet, what factors contribute to a business success in the MSEs is not explored not only in the study area, but also in Ethiopia. As the general objective of this research is to explore to analyze the success factors of MSEs the case of kirkos sub city Addis Ababa the findings of the survey will pave way for further research.

Seven independent variables were taken in this study to examine the variation in the performance of Micro and Small Enterprises in response to each of the independent variables

The statistical result indicates that, there is no significant relation on the performance of MSEs operating in kirkos sub city in relation to the age difference of the principal owners though, enterprises owned by individuals with the age of below 30 shows higher performance than the other three groups of enterprises.

Also this study indicates that, there is no significant relationship between performance of MSEs operating in Kirkos sub city in relation to the difference in management experience although, in relation to management experience of owners, those enterprises owned by those individuals with more than 5 years management experience shows better performance.

In relation to business experience, those enterprises owned by individuals who established at least one independent business of their own before the current enterprises shows better performance nevertheless, the variation in performance is insignificant

The other indication of this study is educational level of principal owners shows a significant relationship between the performances of MSEs operating in Kirkos sub city and individual owners with education level of a degree and above shows higher performance

The findings of the quantitative phase illustrate that record keeping and financial control do not have any significant variation on the performances of MSEs owners however those enterprises that use record keeping and financial control, shows better performance than those enterprises that do not use.

With regard to the form of ownership of enterprises, those owned by more than one owner show better performance than those owned by one owner, though form of ownership have no significant contribution to the performances of MSEs operating in Kirkos sub city.

The last result in this study shows internal planning practices have a significant contribution to the performances of MSEs the descriptive statistics showed those enterprises with a plan below 1 year's shows better performances.

5.2 .limitation and Future Research Suggestions

- The problems that the researcher faced in undertaking this study the survey is the lack of related and up to date literature study
- Another limitation of this present study is that the SMEs studied were selected from the manufacturing sector. Some of the findings may therefore be sector-specific and therefore

generalization of such findings to other sectors is inappropriate. In broad terms, while cultural issues are more likely to be pervasive across all sectors, while those that relate to regulatory, financial and competitive issues are more likely to be sector-specific.

- A further limitation of this study is only on the bases of the descriptive statistics result of each of the seven independent variables in respect to their relation to the average capital growth of the enterprises.

The following suggestions are forwarded based on the results of the study to strengthen the success of Mses Success.

- In this respect enterprise owners should focus on up grading themselves in education by using alternative programs and As training and capacity building plays important role for better production, marketing and profitability, the newly joined partners of MSE operators should get training. Moreover, those who have already taken the training also require refresher trainings. Any other additional trainings are often given to the representatives of MSEs, those who trained should cascade the training to others for they are there for common interest
- The result shows those enterprises that use planning and those enterprises using record keeping and financial control mechanism shows better performance. If that is so, MSEs should start using plan to their business activities and also adopt a formal record keeping and financial control system in their internal practice. On the other hand stake holders of the sector like Enterprises Development Agencies should work on increasing the capacity of enterprise owners by providing assistances in the area of training which enables them to prepare their own plans to their business activities as well as making enterprise owners' literate on basic book keeping skills.
- The development of MSEs in the study area needs various improvements in general and the working areas of the operators in particular. The shades are located far from administration offices and market. In some areas, infrastructural facilities (roads) are

neglected. Governmental and non- governmental organizations should facilitate the improvement of those important infrastructure

- This instrument needs to be subjected to more statistical tests in order to establish a more robust validity and reliability. Replication of this study using larger samples size and a broader geographic base is suggested for cross-validation purposes
- Another approach could be to conduct a longitudinal nationwide study in order to identify the factors that facilitate the success of MSEs.
- The researcher also suggests assessing the contribution of other sectors as service and construction MSE sectors to gain more in-depth insights as a future research agenda

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APPENDIX I

QUESTIONNAIERS FOR THE RESPONDENTS

St Mary University

School of Graduate studies

Questionnaire

Dear respondents;

The purpose of this questionnaire is to gather primary data in order to assess the success factors of Micro and Small Enterprises regarding the case of manufacturing enterprises operating in Kirkos Sub city. The researcher is grateful for your cooperation and assures you that all the information gathered will be kept confidential. You don't need to write your name on the questionnaire and since the data is processed and analyzed in aggregation your individual answer cannot be separately identified.

Your cooperation in giving genuine and frank answers in the questionnaire is highly crucial to obtain relevant and reliable information for the success of this study. Thank you for your cooperation

1. Demographic information of the principal business owners.

1. Gender:

Male Female

2 Age of the principal business owner(s)

3. Education level of the principal business owner(s)

No formal education

Primary school Diploma

Secondary school Degree and above

Preparatory

4. If your education level is not mentioned in the above levels, please write the highest grade level you have completed.....

2. Enterprise characteristics

1. What is the age of your business under the current ownership?
.....

2. What is the form of ownership in this business?

Sole proprietorship Partnership

Cooperative

If other, specify.....

3. What is the type of business you are involved in?

Leather products Merchandise and retail shop

Wood and metal work Textile and Garment

Food and beverage

If other, specify.....

4. What was the amount of total capital invested in Birr to start this business?
.....

5. Currently how much the total capital of your business in Birr?
.....

6. Do you prepare a plan for your future operations of the enterprise?

Yes No

7. If your response for question 8 is yes, what is the time span your plan covers?

Below 1 year 3 to 5 years

1 to 2 years above 5 years

8. Do you have a recordkeeping and financial control system?

Yes No

9. If your response for question 10 is yes, what kind of record keeping and financial control system you are using?

Recording the daily transaction Balance sheet

Income statement

If others specify.....

10. Do (se) the principal owner manager(s) of the enterprise have/has any management? Experience before establishing this business?

Yes No

11. If your response for question 10 is yes, how many years?

18. How did you primarily obtain relevant experience of this enterprise?

Government training centers as TVET inherited from family

Non-government training centers Gathering information

Previous experience as an employee School education

Other, please specify_____

12. Do (se) the principal owner(s) of this enterprise have/has experience on establishing similar business in the industry before establishing the current business?

Yes No

13. If your response for question 12 is yes, how many similar businesses did you establish and operate before this one?

APPENDIX II

AN INTERVIEW GUIDE FOR THE RESPONDENTS

A study about the success factors of MSEs operating in Kirkos sub city. Its purpose is to evaluate which factors have an effect on the transition from Micro and Small enterprises to medium Enterprises. You are humbly invited to a brief interview by responding to the few set questions to provide your views and opinions. Your information is taken confidential for academic purposes.

Demographic information

What is your age?

What is your gender?

What is your education level?

The type of business enterprise you run?

Questions

- Explain briefly what you know about the concept of micro-finance?
- Do you think age and education have an effect on the performances of your enterprise?
- What is your comment on prior industry and business Experiences of the owners?
- What is your comment on planning for an Enterprise?
- What is your comment on growth rate on the small and medium enterprises?
- How has the microfinance services contributed to the growth your enterprises?
- What other factors do you think have impact on the success of MSEs?
- What advice would you give to someone who wants to start his or her own business?

Clarify questions

- Could you expand a little on this?
- Could you tell me anything else?
- Could you give me some examples?