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**FACTORS DETERMINING THE FINANCIAL PERFORMANCE OF
MICRO AND SMALL ENTERPRISES IN ASELLA TOWN
ADMINISTRATION**

BY

ABDULLAHI HAMU GINBITE

**A Thesis submitted to the school of graduate studies of St Mary's University in partial
fulfillment of the requirements for the Master of Business Administration (MBA) degree**

St Mary's University

Addis Ababa, Ethiopia

June 2017

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CHALACHEW GETAHUN (PhD)

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SAINT MARY'S UNIVERSITY
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MBA PROGRAM

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APPROVED BY BOARD OF EXAMINERS

Dean, Graduate Studies

Signature

Advisor

Signature

External Examiner

Signature

Internal Examiner

Signature

DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Dr. Chalachew Getahun. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Abdullahi Hamu Ginbite

Name Signature

St. Mary's University, Addis Ababa June 2017

ENDORSEMENT

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

Chalachew Getahun(PhD)

A handwritten signature in blue ink, appearing to be 'CG', written over a horizontal line.

Advisor

Signature

St. Mary's University, Addis Ababa June 2017

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List of Acronyms

CSA	Central Statistical Authority
EEA	Ethiopian Economics Association
ETB	Ethiopian Birr
FDRE	Federal Democratic Republic of Ethiopia
GDP	Gross Domestic Product
GTP	Growth and Transformation Plan
ICT	Information and communication Technology
ILO	International Labor Organization
KSHs	Kenyan Shillings
MoFED	Ministry of Finance and Economic Development
MoI	Ministry of Industry
MoTI	Ministry of Trade and Industry
MSEs	Micro and Small Enterprises
MSMEs	Micro, Small and Medium Enterprises
OECD	Organization for Economic Cooperation and Development
OUPI	Oromia Urban Planning Institute
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for Social Sciences
UNIDO	United Nations Industrial Development Organizations

Abstract

This research aims to identify factors determining the financial performance of MSEs with a special attention to manufacturing, service, construction and trade sectors in Asella Town. Questionnaires are analyzed using statistical techniques such as descriptive and inferential analyses. The information gleaned through the questionnaire from a sample of 134 operators and face-to-face interviews were conducted with 12 operators of MSEs and 2 respondents from officers; i.e. process owner and another from expert working at the center of office of Asella Town Job Creation and Food Security. Furthermore the approach that was followed in this particular study was quantitative and qualitative. The technique applied was a standardized closed-ended questions and face-to-face interview. In addition, the data those were collected and analyzed using a statistical package for social sciences where tables were utilized for presentation of the results. The findings revealed that MSEs lacked financial support, technological, customer relationship and marketing skills in order for them to be competitive and well performed. The findings further revealed that the government was not doing enough in terms of the financial performance of SMEs in Asella town as most of the respondents were complaining about the stringency of the government support and regulations pertaining to MSEs. Hence the government bodies and other stake holders have to work in collaboration in order to solve problems of finance, working place, marketing and government support.

Keywords: *Micro and Small Enterprise (MSEs), performance, Entrepreneurship, Asella Town, Ethiopia*

Chapter One

Introduction

1.1. Background of the Study

It is generally recognized that micro and small enterprises (MSEs) have vital contribution to the economic development and creation of wider employment opportunity in developing countries with large number of unemployed people. As Habtamu, et al, (2013) noted, MSEs do serve as a means of bringing economic transition by using the skill and the talent of people without requiring high level training, much capital and sophisticated technology. This makes the sector more preferable to business entry, unemployment reduction, income generation, and poverty alleviation.

The micro and small enterprises (MSEs) are described as the natural home of entrepreneurship. Most big businesses in Ethiopia have started as SMEs and have grown to their maturity over long period by cumulating capital and business management experiences Ethiopian Economic Association (2015). In most developing countries MSEs, by advantages of their size, location, capital investment and capacity to generate greater employment became the main focused area.

According to ILO (2007:16) small and medium enterprises become more important as a proportion of GDP and informality less important as countries become wealthier. In the OECD countries over 95% of enterprises are classified as small and medium enterprises and account for 60–70% of the working population. MSEs, which account for over 90% of enterprises in all countries, are an important source of output and employment. They employ 33% of formal sector workers in low income countries and 62% of such workers in high income countries (ILO, 2009). Micro and small enterprises (MSEs) contribute about 18% of the Gross Domestic Product (GDP), employ millions of adult Kenyans and also consume and pay for public funded services through licenses and taxes Kenyan Institute of Economic Affairs (2012:3).

In the Ethiopian context, according to the new Federal Democratic Republic of Ethiopia MSEs strategy (2011) micro enterprise consist of employees (including the owner or family) not greater than 5 and total asset is less than 100,000 ETB for industrial sector and less than 50,000 ETB for

service sector; while small scale enterprise is an enterprise which has 6-30 employees and total asset 100,001-1,500,000 ETB for industrial sector and 50, 0001-500,000 ETB for service sector.

The sector has potential to provide the ideal environment for enabling entrepreneurs to optimally exercise their talents and to attain their personal and professional goals (MoTI, 1997:9). The country has registered an overall economic growth rate of 11.4 % and 8.5% in 2010/11 and 2011/12 respectively. The average performance of the economy in the first two years of the GTP period was 10 percent (MoFED, 2012). The micro and small scale enterprise contribution is undeniable in the development of the country. As indicated by FDRE Ministry of Industry (2013:2) the construction sector and the priority industries under medium and large-scale manufacturing and the achievements in micro and small scale enterprises (MSEs) were the major contributing factors for the growth.

In all successful economies, MSEs are seen as an essential springboard for growth, job creation and social progress. As documented in MoTI, (1997:9) The small business sector is also seen as an important force to generate employment and more equitable income distribution, activate competition, exploit niche markets, and enhance productivity and technical change and, through the combination of all of these measures, to stimulate economic development. This is not denying the importance of large industries and other enterprises for the growth of the Ethiopian economy, there is ample evidence to suggest that the labor absorptive capacity of the MSE sector is high, the average capital cost per job created is usually lower than in big business, and its role in technical and other innovative activities is vital for many of the challenges facing Ethiopia.

As indicated in GTP II (2015:29) the implementation of the micro and small scale enterprises development strategies has to be consolidated in order to unleash the potential of the sector in revitalizing local economic development, nurturing entrepreneurship and addressing unemployment and poverty over the coming planning periods. With regard to increasing the economic benefit of youth, 7.43 million youth will be engaged in small and micro enterprises and 1.35 million youths will be organized and benefit from social cooperative associations.

In spite of the fact that MSE's have been playing their roles in employment creation, poverty alleviation, creation of entrepreneurship and economic development; the sector has been confronting with many challenges whose severity varies across regions and cities. Therefore it is

necessary to identify the determinant factors which influence performance of MSE. Thus, this study will aim to identify the determinant factors for performance of MSEs in the study area.

1.2. Statement of the Problem

In most developing countries, MSEs face constraints both at start up phases and after their establishment. In Africa, for example, the failure rate of MSEs is 85% out of 100 enterprises due to lack of skills and access to capital (Fedahunsi, 1997). It is typical of MSEs in Africa to be lacking in business skills and collateral to meet the existing lending criteria of financial institutions (World Bank, 2004). According to micro-econometric studies using enterprise level data from MSEs by (Mead and Lieadholm, 1998) has indicated that many of these enterprises have low levels of productivity, produces low quality products and grows only when they were young.

Ethiopia is one of the developing countries which have taken measures to enhance the operation of MSEs by considering their contribution. The Government of the Federal Democratic Republic of Ethiopia has recognized and paid due attention to the promotion and development of MSEs for they are important vehicles to address the challenges of unemployment, economic growth and equity in the country (MoTI, 1997:5). Thus it evinced that the government exert much in ensuring the continuity of the MSEs for the growth and expansion of the enterprise in the sector.

Despite government effort to promote and expand the sector, it is not functioning to its best. According to Belay (2000 as cited in Eshetu and Mamo 2009), 98% of business firms in Ethiopia are micro and small enterprises, out of which small enterprises represent 65% of all businesses. The fact that the majority of firms are micro and small shows that established firms find it difficult to grow to the next higher level due to lack of an enabling environment for sustained growth. Moreover the study reveals that the majority of enterprises are micro and small indicates that established enterprises find it difficult to grow to the next stages of middle and large scale industries.

According to Mekonnen and Tilaye (2013) also stated that even though country have taken measures to enhance the operation of MSEs, there are MSE's in the country that have shown deteriorating performance and have been experiencing huge stumbling blocks with no significant

graduation from one enterprise level to the next. According to Wubshet (2016) MSEs have confronted with a number of obstacles and bottlenecks. The major constraints were market related problems, termination of government projects, institution related problems, disagreements among members of operators. Similarly as documented in Endalkachew (2008) regardless of the different promotional efforts made by the government the sector was highly constrained by poor productivity, poor performance and stagnant growth, these was mainly due to unfavorable legal and regulatory frameworks, underdeveloped infrastructure, poor business development service, limited access to finance, ineffective and poorly coordinated institutional support.

Therefore the findings of study and evidence above clearly state the problem of MSE performance. The government has surprisingly given strong support in the sector and the economies are characterized by labor and land abundance that creates favorable conditions to engage in labor intensive industrial activities. Consequently a question that would arise is that why the MSE sector has not expanded more by captivating existing policy, the cheaply available labor force and by adopting production organizations that are suitable for MSEs to expand.

While there is a rich study conducted on MSEs in Ethiopia focusing on factors affecting performances and the rare studies mostly focus on challenges of MSEs. Thus, critical assessment of the factors that determine financial performance of the sector is critically needed so as to enhance the function of the enterprise in economic growth and contribution in employments opportunity. From this perspective, the main purpose of this study is to identify the factors that determine performance of the MSEs in Asella Town Administration.

1.3. Research Questions

In light of the above mentioned problem statement, the following basic research questions will be addressed:

- What does the practice of financial performance in MSEs look like?
- What are the major factors that influence the financial performance of MSEs?
- How do the major factors determine the financial performance of MSEs?
- What should be done to enhance financial performance of MSEs operation?

1.4. Objective of the study

1.4.1. General objective

The main purpose of this study is to identify the determinant factors of micro and small scale enterprise financial performance.

1.4.2. Specific objectives

In order to handle the research questions and realize general objective stated above, the study deals with the following specific objectives:

- To assess the practice of financial performance in MSEs look like.
- To identify the major factors that influences the financial performance of MSEs.
- To determine the factors that can help financial performance of MSEs.
- To forward possible recommendations that would help enhance financial performance of MSEs.

1.5. Research Hypothesis

With the help of sufficient and appropriate empirical data on the factors the determining financial performance of MSEs, this study will test the following hypothesis:

Ha1: The business environments of MSEs do determine the financial performance of MSEs sector of Asella Town Administration.

Ho2: The business environments of MSEs do not determine the financial performance of MSEs sector of Asella Town Administration.

1.6. Significance of Study

Findings from this study will assist academicians in broadening of the prospectus with respect to this study hence providing a deeper understanding of the critical factors that determine the performance of MSE. The findings of this study will help MSEs in Asella town administration and others, within an insight into the benefits of using different factors studied in this research to predict the factors that determine the performance of MSE. The government can use the findings of this study to assist in policy formulation and development for a framework for critical finance, marketing, customer relationship, change of technology and other factors that affect the performance of MSE. Moreover, the findings of this study will help the policy makers and

financial institutions how to encourage establishing or expanding MSE. It also enables them to know what kinds of policies should be framed.

1.7. Scope and Limitations of the Study

The study is surrounded to individuals operating MSE activities or establishments in all kebele's of Asella Town. Moreover, due to limited human, financial and material capital, the study is restricted to a limited number of individual operators who are participating in the informal sector activities during the survey period.

The problem that was encountered during collection of primary data from operator due to suspicion that disclosing information leads to negative effect on their business. Another problem during the survey period was most of the documents that are concerned with micro and small enterprises are written in Afan Oromo and Amharic. It took longer time translate in to the required instruction language (English) in required period. Because of above factors, it is very important to note that these limitations had insignificant interference with the outcome of the study.

1.8. Organization of the study

The thesis is arranged in five chapters. The first chapter deals with the introductory part of the study. Here, the background of the study, Statement of the problem, Research questions, Objective of the study, Significance of the study, Organization of the study, and Scope and limitation of the study are included.

Discussion on the related literature is covered in chapter two. Here different theories applicable to the study, empirical review and theoretical framework are presented. In the third chapter, the research design and methodology is presented. Under this chapter the study setting, the research design, population and sampling procedures, sources of data, method of data collection, method of data analysis are discussed separately. Chapter four is deals with data presentation, discussion and analysis. Finally, research finding, conclusion and recommendation are presented in the last chapter – Chapter five.

Chapter Two

Review of Related Literature

2.1. Introduction

The growth of micro and small enterprise is a major economic driver as MSE contributes to employment growth at a higher rate than larger businesses do. The important economic contribution of MSE has aroused significant interest from both international organizations and academic researchers, whose goals include using national policies to generate growth in the MSE sector.

Despite the considerable attention paid to MSE growth, no theories have been able to effectively explain why certain MSEs grow and others fail (Farouk & Saleh, 2011:2). Overall, the performance of MSEs is considered as an essential ingredient for long term success, since the failure of having a culture of performance is seen as a source of competitive disadvantage (Eccles et al., 2012).

MSEs are considered to play a pivotal role in promoting grassroots economic growth and reasonable sustainable development. High prevalence of economic growth contributes to economic and social development. The quality of growth is also important and includes the composition of growth, the spread and distribution and the degree of performance and therefore it is important to understand various factors responsible for quality growth and the performance of MSEs (Pandya, 2012:427).

2.2. Definition of MSEs

The term MSE covers a wide range of definitions and measures, varying from country to country and varying between the sources reporting MSE definitions. Also based on the economic activity sectors the definitions are different. In the words Broom (1983) specifying any size standard to define small business is necessary arbitrary, for people adopts different standards for different purposes.

Some of the commonly used criteria are the number of employees, total net assets, sales and investment level, number of annual working hours, annual turnover, annual balance sheet or production volume, and independence of the company (Harjula, 2008). Among the various criteria, the number of employee and the annual turnover seem to be the most important criteria used to define MSEs (Peacock, 2004), and also (Broom, 1983) argues criteria number of employees is most widely used, the best criterion in only given case depends upon the user's purpose.

United Nations Industrial Development Organizations (UNIDO) gives alternative definition for developing countries. Accordingly, it defines micro enterprises as the business firms with less than 5 employees and small enterprises as the business firms with 5-19 employees (UNIDO, 2002:53).

According to Kenya's Micro and Small Enterprises Act (2012), micro enterprises are defined as a firm, trade, service, industry or a business activity whose annual turnover does not exceed Kshs. 500,000 and whose total employees are less than 10 people. The same statute defined a small enterprise as that which has an annual turnover of between Kshs 0.5 - 5 million, with the number of employees in the range from 10-50 people. In essence, the law classifies these enterprises based on employment and the annual turnover.

Similarly, in Ethiopia there is no uniform definition at the national level to have a common understanding of the MSE sector. Ministry of Trade and Industry (MoTI) and the Ethiopian Central Statistics Authority (CSA) have defined MSEs separately. While the definition by MoTI uses capital investment, the CSA uses employment and favors capital intensive technologies as a yardstick. The definition used by MoTI, which uses capital investment as a yardstick, has been developed for formulating MSEs development strategy in 1997 (MoTI, 1997:8-21). The recent definition of MSE development strategy of 2011 has improved the definition of the previous by taking into account number of employees' and current inflation rate after 13 years. The definition given on that time was only based on paid capital or capital investment as most business were confined to family man power basis and lack of availability of manpower information of the sector(MSEs strategy, 2011:28).

After gathering experience the Federal Democratic Republic of Ethiopia MSEs strategy, (2011:28 -31) taking number of employee and total assets as criteria and dividing the sector into industry and service by considering the coming 5 years inflation and fluctuation/irregularity of currency improved the definition as follow. Micro enterprise of industry operator is an enterprise which operates with not greater than 5 people including the owner and/or their total asset is not exceeding Birr100, 000 and for service an enterprise which operates with not greater than 5 persons including the owner and total asset is not exceeding Birr 50,000. Small enterprise for industry operators is an enterprise which operates with 6-30 persons and/or with a paid up capital of total asset Birr 100,000 and not exceeding Birr 1.5 million and for service an enterprise which 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 (Federal Democratic Republic of Ethiopia MSEs strategy, 2011:28 -31).

Table 2.1 Federal Democratic Republic of Ethiopia MSE development strategy classification

Level of the enterprise	Sector	Human power	Total asset
Micro enterprise	Industry	<5	<100,000
	Service	<5	<50, 000
Small enterprise	Industry	6-30	<birr1.5 million
	Service	6-30	<birr500,000

Source: 2011 MSEs Development strategy

2.3. The Role of small businesses for the economy

According to Edmiston (2007:87) the small businesses indeed create a substantial majority of net new jobs in an average year. On the same document it argues that small businesses are largely thought to be more innovative than larger firms for three reasons: a lack of entrenched bureaucracy, more competitive markets, and stronger incentives (such as personal rewards). The hope is that some of the small businesses can grow to become the large firms of tomorrow and offer the kinds of benefits that typically come with employment in a large firm. The small business sector is regarded as a fundamental ingredient in the establishment of a modern, progressive and vibrant economy. The presence of small firms in an economy is an expression of

healthy and necessary competition against the excesses of big business and monopoly power and exploitation (Anca, 2014: 170). According to (Asrat, 2014: 19) the importance of micro and small enterprises, which usually constitute the majority of the informal sector, has long been recognized, and increasingly support programs have emerged in Ethiopia to leverage the economic growth potential of this sector.

According to Ethiopia country Report (2014:19) the importance of micro and small enterprises, which usually constitute the majority of the informal sector, have long been recognized, and increasingly support programs have emerged in Ethiopia to leverage the economic growth potential of this sector. The MSEs sector have great roles in improving economy, especially in creating employment opportunity, improving the income level, empowering women capacity, making people intends to save money, developing the operators' skills and knowledge, improving people's living conditions and social issues, and contributing to integrating different business levels, establishment of larger businesses and partnership for the people in the study area (Shiferaw, 2013:134)

2.4. MSEs National Policies and Implementing Bodies of the Strategy Ethiopia

2.4.1. MSEs National Policies

The importance of small business is recognized internationally, and therefore countries can coordinate the relevant activities and prioritize goals by positioning the sector development policy against national targets. According to (OECD, 2004:7) some of the risks and complexities can be addressed by governments as they relate to the differing regulatory, administrative and policy environments that governments create. The barriers and impediments which inhibit an entrepreneur's access to international markets will be reviewed, along with the policy implications which they give rise to.

Specific objectives can be set regarding the MSE contribution to job creation, poverty reduction, the welfare of specific group and growth to add value. The focus of new small business development projects may also be improved by setting targets for MSE relative to competitiveness.

By recognizing the role of MSE's, Ethiopian government on the socio-economic development of the country and, giving due attention to the sector, MSE strategy and policy was formulated and has been implemented in the past years entitled - Federal Democratic Republic of Ethiopia MSE strategy (2011: 6). The government gives further attention to the sector as indicated, in GTP II (2010:36) as it is stated, the government will continue to initiate, promote and strengthens micro and small scale enterprise development through industrial extension services. So far, agencies have been established at both Federal and Regional levels. Strengthening the capacity of these institutions in implementing the initiation, promotion and strengthening activities will continue in a more coordinated manner. These developments are believed to create additional employment opportunities in the private sector.

2.4.2. Micro and Small Enterprise Development Strategy

The Ethiopian government released the country's first MSE development strategy in November 1997 E.C. The primary objective of the national strategy framework is to create an enabling environment for MSE. In addition to this basic objective of the national MSE strategy framework, the MoTI has developed a specific objective which includes, facilitating economic growth and bring about equitable development, creating long term jobs, strengthening cooperation between MSEs, providing the basis for medium and large scale enterprises, promoting export, and balancing preferential treatment between MSEs and bigger enterprises (MoTI, 1997:8-27).

The strategy outlines the policy framework and the institutional environment for promoting and fostering the development of MSEs and stimulating the entrepreneurial drive in the country. The second Micro and small enterprise strategy has released after 13 years in 2011 having similar objectives but with some additions. Enabling the sector to be competent, facilitate economic growth and lays foundation for industry development and expanding the sector's development in urban areas by creating developmental investors (GTP II, 2016:15).

2.4.3. The Implementing Bodies of the Strategy

The institutions that are involved in implementation of the strategy are identified in the strategic document briefly. The implementing bodies of micro and small enterprise development agency were established from federal to woreda levels. With national approach implementation, the federal and regional state executive bodies had undertaken their roles in identified and integrated ways (Federal Democratic Republic of Ethiopia MSE strategy, 2011:61). The second five year Growth and Transformation Plan (GTP II) has given particular attention to the expansion and strengthening of micro and small scale enterprises. As mentioned in GTP II (2016:148)) based on the small and micro enterprises development strategy, supporting frameworks and implementation strategies intensive work will be undertaken to organize Small and micro enterprises (SMEs) operators and support them to start business.

2.5. The Concept of Business Performance

According to Martin (2010:67) performance is defined simply in terms of output terms such as quantified objectives or profitability. Performance has been the subject of extensive and increasing empirical and conceptual investigation in the small business literature (Bidzakin, 2009:31). The issues that remain unresolved are the goals against which performance should be assessed and from whose perspective the goals should be established (Etzioni, 1996: 128).

According to Rami and Ahmed (2007:6-13) the most commonly adopted definition of success good performance is financial growth with adequate profits. Other definitions of success good performance are equally applicable. For example, some entrepreneurs regard success good performance as the job satisfaction they derive from achieving desired goals. However, financial growth due to increasing profits has been widely adopted by most researchers and practitioners in business performance models.

Owner-managers pursue a range of goals, emphasizing in particular survival and stability of the firm (Jarvis et al., 2000). Other goals pursued include efficiency, market share, liquidity, size, leverage, growth, customer satisfaction, quality of products, contribution to community development and employment of family members (Murphy et al., 1996). Assessment of performance in small firms must therefore take account of a range of goals, both financial and non-financial. Since research interest in the small business sector derives from its contribution to

economic development, performance of individual firms in the sector can be assessed by the extent to which they add value to the economy (Kotey & Meredith, 1997).

A business enterprise could measure its performance using the financial and non-financial measures. The financial measures include profit before tax and turnover while the non-financial measures focus on issues pertaining to customers' satisfaction and customers' referral rates, delivery time, waiting time and employees' turnover. Recognizing the limitations of relying solely on either the financial or non-financial measures, owners-managers of the modern small business has adopted a hybrid approach of using both the financial and non-financial measures (H Gin Chong, 2008:13).

2.6. Factors Determining Financial Performance of MSEs

MSEs are affected and influenced by a number of constraints that impede them to be financially performed well and competitive enough in the market in which they operate. Factors that determine the financial performance of MSEs are the management and expertise skills, customer relationship, marketing skills, entrepreneurship, finance, politico-legal, technological change, product/service features are outlined in the following section:

Management and expertise Skills

SME owners or managers with more experience (managerial, sector or previous small businesses experience) tend to have more growth potential than with a lack of expected potential and also the higher the level of education attained by the owner/manager, the higher the likelihood of growth of the enterprise (Woldie, et al., 2008). Managerial skills and experience affects businesses performance at certain level (Mbugua, et al., 2014).

Customer Relationship

Well focused sales methods and attention to individual detail are likely to encourage customers to become more loyal towards a business. Establishing coherent relations with consumers by keeping their records following up on behavior patterns, knowing what they want and improving knowledge of their characteristics. According to Forbes (2014) the basic problem of customer service is that many companies either don't know how to offer customer service, forget to

monitor the customer services its employees provide or identify the attributes that comprise customer service.

Marketing skills

Marketing activities such product/service marketing, marketing research and information and promotion impact negatively on the performance of MSEs due to lack of marketing skills by SMEs owners. Most SMEs in Ethiopia lack marketing skills such as market surveys or analysis hence they rely on their immediate daily community demands (Gebeyehu and Assefa, 2004). However, if the marketing analysis is done it is done on a limited scale because of scarce resources. Because SMEs at times compete for the same customers with large enterprises, sometimes it is difficult for SMEs to secure markets for their products. Hence resulting in obsolete inventory and ultimately leading to collapse of the business ventures.

Finance

MSEs are faced with a challenge of accessing financial means to get their businesses off the ground and make them grow and be sustainable. According to (Simeon and Lara, 2005:72) MSEs appear to be disproportionately afflicted by the underdeveloped nature of financial institutions in developing countries. For various reasons ranging from a lack of collateral to bias against small firms, MSEs tend to face greater financial constraints than do larger firms. In Ethiopia nearly half of micro enterprises, 40 percent of small firms, and 18.5 percent of medium firms reported access to finance to be a major constraint to daily operations (World Bank, 2015:35).

Entrepreneurship

Entrepreneurship is the phenomenon associated with entrepreneurial activity, which is the enterprising human action in pursuit of the generation of value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets (OECD (2016).

Technological Changes

According to Noghor (2015:77), the small business owner that recognizes the dynamic trend, with a strategy implemented for the application and insertion of technological tools in his or her business would be in an advantageous position to be competitive in the 21st century business environment. MSEs are facing challenges brought about by changes in technological environment; hence they are failing to keep abreast of these changes. Large businesses, because they have the advantage of being technologically advanced, end up poaching the MSEs market niche and resulting in MSEs being kicked out of the game. Failure not to employ the latest technology means producing at higher cost than do competitors in the market thus, eventually exiting the market due to tough competition.

Products and services

In many businesses' mission statements, a statement is included stipulating that the business will contribute to the costumers' satisfaction through the use of its products and/or services and customer services are an important concept that needs to be integrated in all types of businesses' operations (Bickle, 2012).

2.7. Empirical Studies

Study done in South Africa by JS Wiese (2014:100) on determinant factors of sustainability shows owners or managers with more experience (managerial, sector or previous SME experience) tend to have a greater inclination towards growth and was also considered essential criteria for sustainability. Woldie, et al., (2008:12) and Mbugua,et al., (2014:17) argue that SMEs owners or managers with more experience (managerial, sector or previous small businesses experience) tend to have more growth potential than those with a lack of expected potential and also the higher the level of education attained by the owner/manager, the higher the likelihood of growth of the enterprise. Managerial skills and experience affects businesses performance at certain level. Since small businesses account for sizeable proportions of economic activity, therefore, and since they are an importance source of dynamism and innovation, small business management skills should be a primary focus for economic policy in general and for innovation strategies in particular (Keith, 2001:41).

SMEs are faced with a challenge of accessing financial means to get their businesses off the ground and make them grow and be sustainable. According to Simeon and Lara (2005:72) MSEs appear to be disproportionately afflicted by the underdeveloped nature of financial institutions in developing countries. For various reasons ranging from a lack of collateral to bias against small firms, MSEs tend to face greater financial constraints than do larger firms. The study done in Kenya related to financial management of MSEs identified the heavy investment in inventory ties up capital which in the end reduces firm' profitability therefore, there is need for a tradeoff between receivables and holding inventory if the firm is to attain the required profits (Charles et al., 2014:14).

Marketing activities such as product/service marketing, marketing research and information and promotion impact negatively on the performance of SMEs due to lack of marketing skills by SMEs owners. The study conducted in Nigeria by Ebitu et al., (2015:75) identified most of problems encountered MSEs are marketing related some of which include inability to apply modern marketing techniques and strategies, difficulty in managing the firm's advertising and other promotional tools, competition from large firms, lack of adequate research, poor and mundane production technology, lack of adequate financing of marketing activities, poor quality products and problems of standardization, warehousing, inventory control, and poor transportation facilities, branding/packaging, financing and credit facilities, and risk bearing among others. These problems are capable of impeding, disrupting and hindering the growth, development and expansion of the firms in its effort to satisfy its target market and also create value for the organizations.

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Though MSEs are considered an important source of job creation and economic growth, their survival is a difficult task for managers for they have typical characteristics that end up

becoming barriers to their development. According to Olawale, (2014:926) reason for failure are lack of management experience, lack of functional skills, poor staff training and development, poor attitudes towards customers, unavailability of a logistics chain and a high cost of distribution, competition, rising costs of doing business, lack of finance and crime. The reason for failure of MSE identified by Mariana, (2014:8-9) lack of customer, previous experience in the field of business, lack of knowledge or managerial experience, lack of government policies to support small business, the lack of bank credit.

A study has been conducted by Abera (2012:75-76) on Factors Affecting the Performance of Micro and Small Enterprises by using stratified random sampling of 261 MSEs from two major sub cities of Arada and Lideta in Addis Ababa. According to this study, the main internal factors identified were management factors which include poor selection of associates in business, lack of strategic business planning, and costly and inaccessible training facilities. The major entrepreneurial factors include lack of persistence and courage to take responsibility for one's failure and absence of initiative to assess ones strengths and weakness. He further noted that the contextual factors such as financial, workings premises, marketing and infrastructure had very high effects on the performance of MSEs compared to other factors in the research area and is prevalent to the businesses.

In a survey conducted on MSEs in selected cities in Ethiopia by MUDC (2013:104), they identified a number of factors including inadequate coverage of the support services, low level of education among the operators, limited relevance of the trainings and exclusion of the most of the private MSE operators from the support services provided by the government. The other study which has similar finding indicates Drbibe et al., (2013:25) poor infrastructural facilities, lack of access to finance, lack of knowledge and skills, lack of working premises, lack of access to market, lack of necessary support from relevant institutions, shortage of raw materials, and regulatory problems as major challenges.

The major constraints identified by various studies on MSEs in Ethiopia are associated with market and finance problems. According to Gebreyohannes (2015:85) Market is the major constraint that highly hinders the firms' performance for all sectors in the manufacturing MSEs. About 43% of the enterprises' sales performance is below their expectation level and in few

cases there is no sale at all. This problem is attributed to lot of factors as the location of the working premise and the display facilities is away from the main road, burden of tasks in the entrepreneurs, lack of competitive business skill, lower price of product offered by the informal sector and promotion of the sector is focused more on its role in poverty reduction than its business role as quality products and thus the customers came with expectation of lower price than to get quality products with fair price in the market. As clearly stated in Terfasa et al., (2016:30) the access to finance appears to be a very severe or major obstacle as reported by about 55% and 64% of micro and small scale enterprises respectively. The problem of access to finance is more severe for small enterprises compared with micro enterprise as the latter often have access to microfinance institutions (MFIs) as their loan requirement is within the capacity of MFIs. A large proportion of both micro and small enterprises have not applied for a loan or credit due to cumbersome bureaucracy, limited working premises, and high collateral requirement.

As indicated in survey of Assefa et al., (2014:18-19) the MSEs were inquired to identify the major business constraints hampering their business. Access to finance tops the constraint list where 37.7% of the MSEs reported it as a key constraint. The financial constraints facing MSEs is one of the critical bottlenecks for the growth of MSE. Some of the more common problems facing MSEs include failing to get the loan they applied for and when they do, it is after a very long loan procedure. Repeated delays in loan delivery affect their business. The upper loan limit set by the MFIs falls short of the loan requisite of MSE. Especially matured MSEs usually find it very hard to meet their loan requirements from MFIs. The MSEs feel that the interest rate and service charges are very high given the business environment MSEs operate with.

Literatures on MSEs, particularly those done in Asella, are not conducted on financial performance aspects of the sectors. This research is therefore, meant to address the factors determining the financial performance of MSEs in a holistic way by targeting and deeply investigating those operators engaged in construction, service, manufacturing and trade activities by capitalizing on operators in Asella town administration.

2.8. The Conceptual Framework

Since business performance is influenced by many different factors, operators need to understand factors that influence businesses performance of its operation as intended. Li et. al. (2005) uses three indicators to measure business performance, namely; efficiency, growth and profit. The company's performance is a multi-faceted phenomenon which is difficult to measure (Aragon-Sanchez and Sanchez-Marin, 2005).

Factors that affect the performance of MSEs include management and expertise skills, entrepreneurial factors, customer relationship, marketing skills, finance, technological change, politico-legal, working place and product/service features. Nevertheless, the factors must be closely monitored to ensure that stringent measures are taken within the best time to either take advantage of the opportunities or combat their threats. The relationship of independent and dependent variables can be expressed and shown in the figure below.

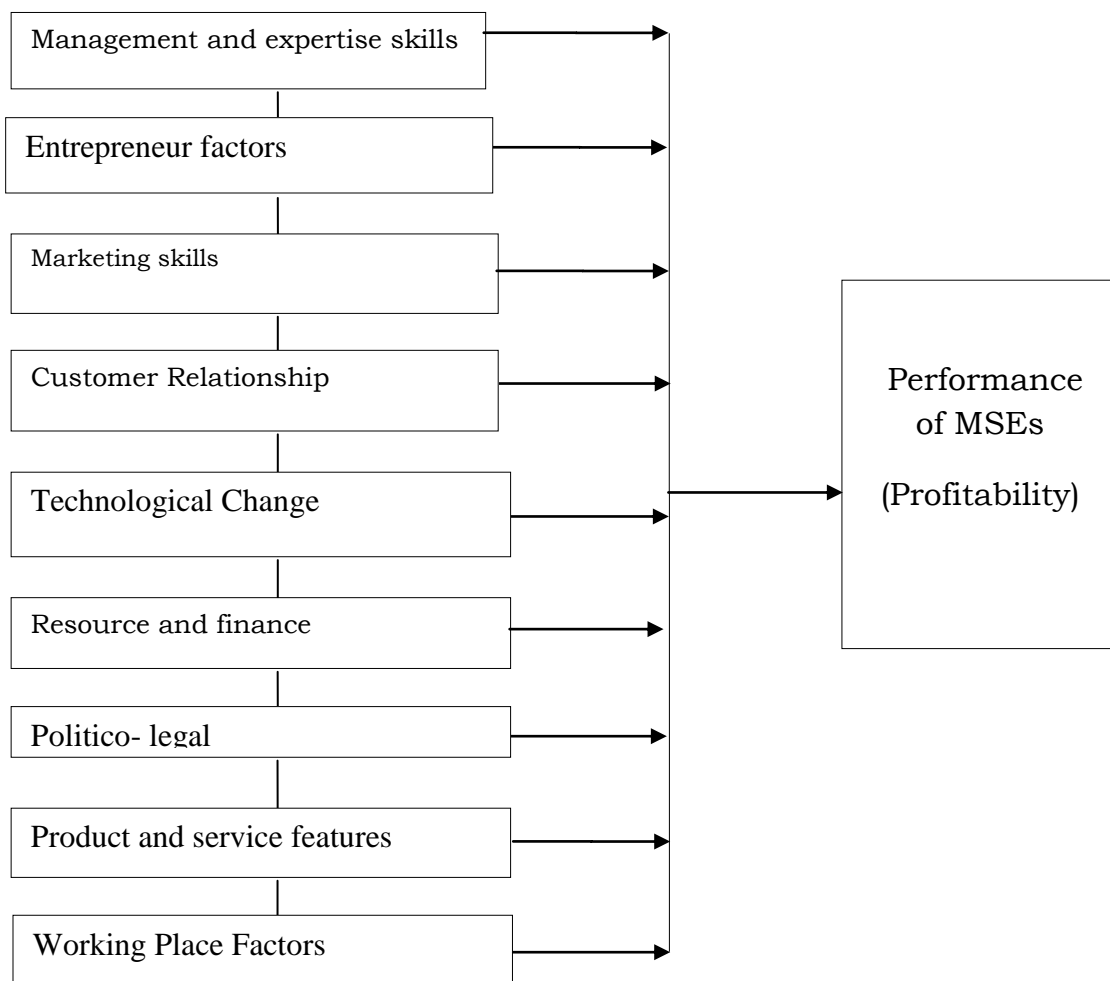


Figure 2.1. Conceptual frameworks (Own Model)

Chapter Three

The Research Methodology

3.1. Description of the Study Area

The study was carried out to see the factors determining the performance of micro and small enterprises in Asella town administration. Asella is one of towns of Oromia National Regional State. The town is located $7^{\circ}54'55''$ N and $8^{\circ}00'05''$ N latitude and $39^{\circ}06'10''$ E and $39^{\circ}10'00''$ E longitude. It is serving as capital of both Arsi administrative zone and Tiyo woreda. Asella is about 175 kilometer away from Addis Ababa and 75 kilometer from Adama to South direction along the highway to Bale Robe (OUPI, 2009).

According to CSA (2011) the total population of Asella town was counted to be 82,955. The numbers of male being about 41,720 while the number of female about 41,235. Afan Oromo is the working language in the region and Amharic in the federal government offices, while Amharic language is also widely spoken in the town. According to structural plan (2009), Asella town has a total area coverage 4,623 hectares of land. The town is subdivided into eight urban kebele administrations. Asella is situated under the foot of mount Chilalo which is 4139 meters above sea level and the highest point of Arsi administrative zone (OUPI, 2009)

3.2. Research Approach

The approach used in this research is a mixed research approach which makes the use of both qualitative and quantitative approach. According to Kothari (2004:5) the quantitative approach involves the generation of data in quantitative form which can be subjected to rigorous quantitative analysis in a formal and rigid fashion. However, qualitative approach to research is concerned with subjective assessment of attitudes, opinions and behavior. Research in such a situation is a function of researcher's insights and impressions. Interviews were used as the qualitative tool to explore the themes and apply the knowledge and beliefs of the respondents about the performance of MSE.

3.3. Research design

Research design is a master plan specifying the method and procedures for collecting and analyzing the need of information. Research design is needed because it facilitates the smooth sailing of the various research operations, thereby making research as efficient as possible yielding maximal information with minimal expenditure of effort, time and money (Kothari, 2004:32). It helps the study to be relevant to the problem and it uses economical procedures. It specifies which approach will be used for gathering and analyzing the data.

The types of research employed under this study were descriptive and explanatory research. The major purpose of descriptive research is description of the state of affairs as it exists at present. Then this study describes and critically assesses the factors affecting the financial performance of MSEs in Asella Town Administration. Second, the study employs explanatory in that the relationship between variables is correlated with an aim of estimating the integrated influence of the factors on performance.

3.4. Research Methods

3.4.1. Data collection techniques and procedures

The population for this study comprises all micro and small enterprises operators that are organized by government. The survey population for this study was obtained from The Office of Asella Town Administration Urban Job Creation and Food Security. The population of study constitutes 874 MSEs that have been in operation. The study population is composed of MSE operators working in construction, service, manufacturing and trade in the town.

The questionnaire were completed by the owner managers/or operators of the enterprises. Besides, face-to-face interviews were conducted with the MSE operators/and the relevant owner managers who heads the enterprises in the selected sectors. For face-to-face interview separate interview guide was prepared. The interview involves unstructured and generally open-ended questions that are few in number and intended to elicit views and opinions from the participants (Creswell, 2014:294). Through interviews, clarification of issues is easily achievable leading to accuracy of data from the respondents.

To undertake the study both primary and secondary sources of data were used.

i. Primary Sources

The primary data was collected through questionnaires and face-to-face interview. To encourage meaningful participation of respondents the questionnaire was kept simple and precise. The questionnaire was prepared in English language, and translated into Amharic to facilitate the response. A letter of assurance was provided for the respondents to maintain confidentiality of the information as an attachment to the questionnaire.

ii. Secondary Sources

Various print and electronic contents like journals, proclamation and regulations, office manuals, variety of books, published and/or unpublished government documents, reports, newsletters, and websites were reviewed to develop the study.

3.4.2. Sampling Techniques and Sample Size

Stratified random sampling was utilized to get information from different sizes of the MSEs. This technique is preferred because it is used to assist in minimizing bias when dealing with the population. If a population from which a sample is to be drawn does not constitute a homogeneous group, stratified sampling technique is generally applied in order to obtain a representative sample (Kothar, 2004:62). The strata's are sectors including: construction, service, manufacturing and trade. Although there are no general rules, the sample size usually depends on the population to be sampled. In this study to select sample size, a list of the population formally registered MSEs in operation are used. The sample size which was selected from MSEs of construction, service, manufacturing and trade is considered as representative and also large enough for precision, confidence and generalizability of the research findings.

Based on Yemane (1996) sample size determination formula, it is possible to determine the sample size, at 93 % confidence level and 0.07 precision levels.

$$n = \frac{N}{1 + N(e)^2}$$

Where: n is number of respondents

N = population size =874

e = sampling error/level of precision = 0.07

The total sample size of respondents based on the above sample size determination is 165

This total sample size is proportionally distributed to each stratum. The face to face interviews were randomly conducted with the sample of 12 operators from the population and 2 respondents from officers; i.e. process owner and another from expert working at the center of office of Asella Town Job Creation and Food Security.

Table 3.1 Number of Samples from each Sector

Stratum	Total number (population)	No. of sample
Construction	181	34
Manufacturing	130	26
Service	246	48
Trade	305	57
Total	874	165

3.4.3. Data Analysis Techniques

3.4.3.1. Descriptive Statistics

The raw data collected through questionnaire (close ended) were carefully cleaned, coded and entered into computer for processing by using the SPSS version 20.0. Quantitative data were analyzed through the use of statistical techniques such as percentages, arithmetic means, and standard deviations. Thematic categorization was employed to properly document data obtained through qualitative means. According to Kumar (2011), in order to analyze qualitative data, the researcher needs to do content analysis. This is a process that involves analyzing the contents of questionnaires and interviews so as to identify main themes and effort was made to carefully understand and interpret the information.

3.4.3.2. Linear Regression Analysis

The study used multivariate regression analysis to establish relationship between the independent variables and the dependent variable by use of the following regression formula:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + \beta_9 X_9 + \epsilon$$

Where:

Y = Financial performance (Dependent Variable)

X₁ – X₉ = Independent Variables

X₁ = Availability of Management Experience

X₂ = Availability of entrepreneurial skills

X₃ = Customer relationship

X₄ = Availability of marketing

X₅ = Access to Finance

X₆ = Politico-legal

X₇ = Availability of technology

X₈ = suitability of working place

X₉ = product/service features

β₀ = Coefficient of the model

β₁ – β₉ = Beta Coefficient of Determination

ϵ = Stochastic Error Term

3.5. Variables and Measurement

The selection of performance measures that reflect the true situation of small businesses with some degree of certainty and reliability is indeed a crucial process (Rami and Ahmed, 2007:6). The lack of universally accepted standard performance measures left the door open to business organizations to decide and choose its own performance measures that might not truly reflect their performance. Such performance measures include but not limited to: market share, sales volume, company reputation, return-on-investment (ROI), profitability, and established corporate identity. While most of these performance measures are appropriate for large corporations, they are not always perfectly applicable to small businesses.

In this study, change in profit is used as a dependent variable to measure the performance of MSEs. Here the change in profit ratio data is used as the measure of the dependent variable performance of the enterprises involved in the survey. This is mainly because of the following three reasons. First, as the pilot study clearly indicates, MSEs are more focuses on profitability than other modes of performance measures. Second, as recommended by Rami and Ahmed (2007:6) change in profit has been widely adopted by most researchers and practitioners in business performance models.

Despite the lack of universally accepted standard, performance measurement of most studies used profitability. It is due to the above reasons that the researcher used financial performance as dependent variable to measure the performance of MSE. The independent variables for this study are management and expertise skills, entrepreneur factors, customer relationship, marketing skills, finance, technological change, and politico-legal, working place and product/service features factors.

3.6. Ethical Consideration

The title of the study was approved by Ethical Review Committee of College of Business Administration of St. Mary's University, before the conduct of the study. Any relevant data for the study was collected by issuing an official letter to the concerned organizations. All the study

participants were informed about the purpose of the study and finally their consent was obtained before collecting data. The respondent had the right to refuse or terminate at any point of the data collecting process. Concerning the right to anonymity and confidentiality, the participants were not required to write their names on the questionnaire and assured that their responses are not in any way linked to them. The dissemination of the finding was not referring to specific respondent. In any case, the confidentiality of information supplied and the anonymity of respondents were respected.

Chapter four

Data Presentation, Analysis and Interpretation

4.1. Introduction

In this chapter, data collected from sample respondents are presented and interpreted. To facilitate ease in conducting the empirical analysis, the results of descriptive analyses are presented first, followed by the inferential analysis. For the sake of convenience, related questions were treated together. Interview responses obtained from MSE managers and the town Job Creation and Food Security officers were incorporated to substantiate the data obtained using questionnaire

One hundred sixty five questionnaires were distributed across the four MSE sectors of the Asella town, out of which 134 were completed and collected back successfully, representing 81.2% response rate. Out of the 165 questionnaires administered 26, 48, 34 and 57 were distributed to manufacturing, service, construction and trade respectively. The numbers of questionnaires retrieved from manufacturing, service, construction and trade are 21, 38, 26 and 49 respectively. This represents a response rate of 80.8%, 79.2%, 76.5% and 86% for manufacturing, service, construction and trade respectively.

Generally, this section is organized in the following manner: First, the general information about MSEs were presented and analyzed. Second, data collected through questionnaires and interviews were analyzed concurrently. Moreover, the results of regressions analysis were analyzed.

4.2. Background characteristics of the respondents

4.2.1. Demographic characteristics

Table 4.1 Demographic characteristics of respondents

Sex	Frequency
Male	68.66%
Female	31.34%
Age	
Under 20 years	-
20 – 35 years	77.61%
36 – 50 years	20.90%
Above 50 years	1.49%
Educational qualification	
Read and write	10.45%
High school complete	30.07%
Certificate	5.97%
Diploma	21.64%
Degree and above	26.87%
Marital status	
Single	40.01%
Married	47.76%
Divorce	2.24%
Widowed	2.99%
Work experience	
0 – 5 years	62.69%
6 -10 years	24.63%
11 -20 years	9.70%
Above 20 years	2.99%

Source: Field survey, 2017

In this study 68.7% of the participants are male, whilst 31.3% are female. This result reveals that more men are highly engaged in their own ventures than females. This Male 68.7% Female 31.3% could be pointing out the reality that customarily men are the providers for their households; female take care of their families. According to Woldle, Leighton and Adesua (2008:6), research on gender of owner/manager tends to focus on the male owner/managers, as the proportion of businesses owned by men exceeds those owned by women with most studies reporting that failure rates for businesses owned by females are higher than those for male.

Reasons for this include limited access to finance, stringent collateral requirements, women's double duties.

As shown in table 4.1 above, 77.6% of respondents are in the 20-35 age categories, 20.9% of respondents are found in between age of 36-50 and 1.5% of respondents are over 50 years. The respondents under age of 20 years were not found. Majority of the respondents are found in between age of 20-35 which indicates MSEs which organized by governments are found in the young age. According to Woldle, Leighton and Adesua (2008:6), the influence of the age of the owner/manager advocates the younger owner/manager because the younger owner/manager has the necessary motivation, energy and commitment to work and is more inclined to take risks, whereas the older owner/manager is likely to have reached his/her initial aspiration. Hence, younger owners/managers are more likely to sustain and grow their ventures than their older counterparts.

As shown in table 4.1 above, 30.1% of the respondents have completed high school education, 26.9 % of the respondents have degree and above, 21.7% of respondents' are diploma holders, 10.5 % of respondents can read and write and 6% of have certificate level of education.

The result displays that majority of respondents are found at a satisfactory education levels. The bulk of respondents are university graduates, armed with diplomas, degrees and above qualifications.

Educational background of owners/managers are widely believed to be a key source of innovative efforts because his/her attained education level is attributed to cognitive ability, capacity for information processing, tolerance for ambiguity and propensity or receptivity to innovation (Umidjon, et al, 2014:13).

Pertaining to marital status of the respondents, 47.8% are married, 47.0% are single, 2.3% widowed and 2.2% divorced. Married and Single owners happened to be 47% each. Revealing that, marital status doesn't affect ownership of an MSE.

Regarding work experience 62.69% of respondents have experience on their businesses for the past five years, 24.63% of respondents are in existence for six to ten years. The respondents of

9.70% and 2.99% have business experience of eleven to twenty years and above twenty years respectively.

The result basically indicates that most of the MSEs are young in existence with less than five years in the sector which is difficult evaluate their performance. Literatures assert that the failure rate for start-ups is higher than for existing businesses. In coincidence to this, the one year rate is around 85%, but drops to 50% at five years which would indicate that it's tough to establish a new small business (Lord, 2015:9).

4.2.2. Business Characteristics of the respondents

Table 4.2 Business characteristics of respondents

	Frequency
Business sectors	
Manufacturing	15.67%
Service	28.36%
Construction	19.40%
Trade	36.57%
Numbers of employees	
0 -5 employees	76.12%
6 – 30 employees	20.90%
Above 30 employees	2.99%
Sources of finance	
Personal savings	32.09%
Family	31.34%
Friends/relatives	5.97%
Iqub/idir	8.96%
NGOs	5.22%
Micro financial institutions	15.67%
Banks	0.75%

Source: Field survey, 2017

Among the sampled sectors of SMEs the majority of them were engaged in trade 36.57% followed by service which constitute 28.36%, construction and manufacturing constitute 19.40%, 15.67% respectively.

Dividing MSEs by sector is believed to be very helpful in studying factors determining the performance of the MSEs. This is because firms in different sectors of the economy face different types of problems. That means the degree of those critical factors in manufacturing sector may differ from the factors that are critical to service, construction and trade sectors.

The majority of enterprises having 0-5 employees constitute 76.12%, 20.9% of the enterprises employ 6-30 staff and only 2.99% enterprise have more than 30 employees. From this it can be understood that the study covers 97% of the study samples were indeed micro and small enterprise. Micro enterprise, according to the strategy in use, consist of employees (including the owner or family) not greater than 5 and while small scale enterprise is an enterprise which has 6-30 employees (Federal Democratic Republic of Ethiopia MSE strategy, 2011).

As can be seen from the table 4.2 personal saving (32.09%) are the most frequently used sources, followed by family (31.34%), micro finance institutions (15.67%) Iqubi/Idir (8.96%), friends/relatives (5.97%), NGOs (5.22%) and banks (0.75%) are used by MSEs as sources of their finance. The results depicts that most of the respondents have sacrificed by saving their hard earned money with a view of starting their own ventures to provide for their families and create jobs.

Besides, interview responses reveal that majority of MSEs in the study area use informal sources. The formal financial institutions have not been able to meet the credit needs of the MSEs. According to majority interviewee, the reason for emphasizing on informal sector is that the requirement of collateral/guarantor is relatively rare since such sources usually take place among parties with intimate knowledge and trust of each other.

But the supply of credit from the informal institutions is often so limited to meet the credit needs of the MSEs. To wind up, such constraint of finance for MSE affects their performance directly or indirectly. There are studies which support this finding. Lack of financial resources is often reported as the major obstacle and limiting factor that is experienced by SMEs in developing countries. Therefore, funding is a problem (Millicent & Reginald, 2014:61). Moreover financial institutions find it difficult to provide funding to SMEs because most small businesses do not have assets to secure collateral securities (Moaisi, 2005:18). However, according to Wiese

(2014:37), the ultimate source of finance was gained through spouse/partner salary, government pension, income from another job, and family contributions.

4.3. Analytic study on Factors Determining the financial performance of MSEs

4.3.1. Results from descriptive statistics

Respondents were asked different questions regarding the factors determining the financial performance of MSEs in Asella town and their responses are organized in the following manner.

There are a number of challenges that determine the performance of MSEs in association with different factors. This part explains the descriptive statistics calculated on the basis of the factors that determine the performance of MSE. The results of measures of central tendency and dispersion were obtained from the sample of respondents of manufacturing (M), service(S), construction(C) and trade (T) are presented in the following table.

4.3.1.1. Management and expertise skills that determine the financial performance of MSEs

Table 4.3 Management and expertise skills that determine the financial performance of MSEs

Item	M		S		C		T		Total	
	M	SD	M	SD	M	SD	M	SD	M	SD
Management and Expertise Skills										
Lack of clear division of duties and responsibility among employees	3.81	1.21	3.89	1.37	4.50	1.10	3.59	1.32	3.95	1.25
Poor organization and ineffective communication	3.38	1.66	3.58	1.52	4.19	1.13	3.67	1.21	3.71	1.38
Lack of well trained and	3.52	1.40	3.71	1.54	4.53	0.99	3.53	1.22	3.82	1.29

Item	M		S		C		T		Total	
experienced employees										
Lack of low cost and accessible training facilities	3.71	1.31	4.05	1.18	4.38	1.02	3.69	1.16	3.96	1.17
Lack of strategic business planning	3.57	1.50	3.73	1.18	3.58	1.70	3.76	1.11	3.66	1.37
Grand mean/standard deviation									3.82	1.29

As shown in table 4.3 above, lack of low cost and accessible training facilities is the main problem that challenges the performance of MSE. It shows a mean score of 3.71, 4.05, 4.38 and 3.69 with a standard deviation of 1.31, 1.18, 1.02 and 1.16 for MSEs engaged in manufacturing, service, construction and trade respectively. In relation to lack of clear division of duties and responsibility among employees, the mean scores are 3.81, 3.89, 4.5 and 3.59 with standard deviation of 1.21, 1.37 and 1.10 MSEs engaged manufacturing, service, construction and trade respectively. Regarding lack of well trained and experienced employees, the mean score of 3.52, 3.71, 4.53, 3.53 and 3.82 with standard deviation 1.40, 1.54, 0.99, 1.22 and 1.29 of MSEs engaged manufacturing, service, construction and trade respectively. With respect to Poor organization and ineffective communication, the mean score of 3.38, 3.58, 4.19, 3.53 and 3.67 with standard deviation 1.66, 1.52, 1.13, and 1.21 of MSEs engaged manufacturing, service, construction and trade respectively. With regard to strategic business planning the mean scores are 3.57, 3.73, 3.58 and 3.76 with standard deviation of 1.5, 1.18, 1.7 and 1.11 for operators engaged in manufacturing, service, construction and trade respectively.

It can be inferred from table 4.3 that there is no accessible training facilities with reasonable cost, lack of trained and experienced employees and problem of developing and implementing the strategic planning activities successfully. It is clear that lack of managerial and expertise skills are bottlenecks for MSEs in Asella town which could be seen as problem for their performance.

Other findings argue that managerial skills are very important growth of the MSEs. Woldie, et al., (2008:12) and Mbugua,et al., (2014:17) argue that SMEs owners or managers with more experience (managerial, sector or previous small businesses experience) tend to have more growth potential than with a lack of expected potential and also the higher the level of education attained by the owner/manager, the higher the likelihood of growth of the enterprise.

From an interview conducted with operators of MSEs, it was understood that there are several management related problems which arise from insufficient training, lack of relevant qualification, lack of transparency among owners of enterprise and lack of proper job division. As interviewees indicated due to lack of proper division of duties and responsibilities, most of the time sales and expenses are not properly recorded. At the end of the day sales of the enterprise may be embezzled by single or few of the members and finally they find it hard to pay their obligations back.

To conclude, all these managerial and expertise skills constraints were confirmed by the respondents in this survey who indicated that their businesses were constrained by poor management practice, mistrust among business associates and lack of proper job division, insufficient training and lack of relevant qualifications among employees.

4.3.1.2. Entrepreneurial factors that determine the financial performance of MSEs

Table 4.4 Entrepreneur factors that determine the financial performance of MSEs

Item	M		S		C		T		Total	
	M	SD	M	SD	M	SD	M	SD	M	SD
Entrepreneur factors										
Lack of motivation and drive	3.81	1.30	3.69	1.41	4.35	1.02	3.27	1.34	3.78	1.27
Lack of tolerance to work hard	3.76	1.60	3.75	1.44	4.42	0.94	3.41	1.44	3.84	1.36
Lack of persistence and courage to take	3.57	1.28	3.83	1.34	4.46	0.80	3.63	1.17	3.87	1.15

Item	M		S		C		T		Total	
responsibility										
Absence of initiative to assess strengths and weakness	3.95	1.34	3.94	1.19	4.58	0.64	3.86	1.22	4.08	1.10
Lack of entrepreneurship training	3.91	1.43	3.83	1.21	4.35	0.90	3.80	1.10	3.97	1.16
Lack of information to exploit business opportunities	3.52	1.28	3.83	1.16	4.38	0.78	3.90	1.14	3.91	1.09
Grand mean/standard deviation									3.91	1.19

Among the entrepreneurial factors, absence of initiative to assess ones strengths and weakness scores the highest mean as 3.95, 3.94, 4.58 and 3.86 with standard deviation of 1.34, 1.19, 0.64 and 1.22 for operators engaged manufacturing, service, construction and trade respectively. It can be seen that absence of initiative to assess their strength and weakness is the main problem in entrepreneurial factor. Regarding lack of information to exploit business opportunities have a mean score of 3.52, 3.83, 4.38 and 3.90 with standard deviations of 1.28, 1.16, 0.78 and 1.14 for operators engaged in manufacturing, service, construction and trade respectively. Furthermore, the arithmetic mean and standard deviation indicates that lack of persistence and courage to take responsibility shown that a mean score of 3.57, 3.83, 4.46 and 3.63 with standard deviation of 1.28, 1.34, 0.80 and 1.17 for MSEs manufacturing, service, construction and trade respectively.

Regarding lack of tolerance to work hard the mean score of 3.76, 3.75, 4.42 and 3.41 with standard deviation of 1.60, 1.44, 0.94 and 1.44 for an operator manufacturing, service, construction and trade respectively. In relation to lack of motivation it has arithmetic mean

scores of 3.81, 3.69, 4.35 and 3.27 with standard deviations of 1.30, 1.41, 1.02 and 1.34 for operators engaged in manufacturing, service, construction and trade respectively.

Since most of micro and small enterprises are organized by government, they have low initiative to join business. The absence of initiative to assess their strength and weakness is critically seen entrepreneurial factor. Similarly according to Abera (2012:75-76) the major entrepreneurial factors include lack of persistence and courage to take responsibility for one's failure and absence of initiative to assess ones strengths and weakness.

In an interview conducted to an operator of MSEs, they replied that since MSEs are organized by governments there is lack of motivation and drive to work together in order to achieve their goals. A study by Bark H. (1992:53) shows a positive relation between motivation of the entrepreneur(s) and the performance of the firm; in other words the more positive motivation of the entrepreneur(s) the more likely the business will grow.

4.3.1.3. Marketing skills factors that determine the financial performance of MSEs

Table 4.5 Marketing skills factors that determine the financial performance of MSEs

Item	M		S		C		T		Total	
	M	SD	M	SD	M	SD	M	SD	M	SD
Marketing skills factors										
Inadequate market for product/service	3.86	1.28	4.28	1.09	4.38	0.64	4.00	1.08	4.13	1.02
Searching new market is so difficult	4.05	0.81	4.22	0.80	4.38	0.90	3.84	1.01	4.12	0.88
Lack of demand forecasting	3.71	1.06	3.86	1.07	4.27	0.78	3.65	1.16	3.87	1.02
Lack of market	3.71	1.31	3.92	1.20	3.96	0.96	3.80	1.22	3.85	1.17

Item	M		S		C		T		Total	
information										
Absence of relationship with an organization that conduct marketing research	3.67	1.24	3.94	1.22	3.96	0.99	3.88	1.27	3.86	1.18
Lack of promotion to attract potential users	3.71	1.27	3.89	1.11	3.92	1.20	3.92	1.13	3.86	1.18
Grand mean/standard deviation									3.95	1.08

The mean scores and standard deviations of respondents on market variables shown as follow. The mean scores of inadequate market for product/service are 3.86, 4.28, 4.38 and 4.00 with standard deviations of 1.28, 1.09, 0.64 and 1.08 for MSEs engaged manufacturing, service, construction and trade respectively. The respondents of manufacturing, service, construction and trade agree with a mean of 4.05, 4.22, 4.38 and 3.84 with standard deviation of 0.81, 0.80, 0.90 and 1.01 that there is difficulty of searching new market respectively.

Lack of demand forecasting have mean scores of 3.71, 3.86, 4.27, and 3.65 with standard deviation of 1.06, 1.07, 0.78 and 1.16 for MSEs engaged in manufacturing, service, construction and trade respectively. Lack of market information factor affects performance has the mean scores of 3.71, 3.92, 3.96 and 3.80 and standard deviations are 1.31, 1.20, 0.96 and 1.22 for business enterprises engaged in manufacturing, service, construction and trade respectively. Similarly, majority of respondents agreed with they have no relationship with an organization and/association that conduct marketing research. This agreement is justified by the mean scores of 3.67, 3.94, 3.96 and 3.88 with standard deviation of 1.24, 1.22, 0.99 and 1.27 for an operators engaged in manufacturing, service, construction and trade respectively. With regarding to lack of promotion to attract potential users as the main factor that determine the financial performance of

MSEs engaged manufacturing, service, construction and trade have the mean score 3.71, 3.89, 3.92, and 3.92 with standard deviations of 1.27, 1.11, 1.20, and 1.13 respectively. The respondent operators agree on their inability to promote potential users.

The survey shows inadequate market is the main problem for Asella town MSEs in doing business. According to Gebreyohannes (2015:85) Market is the major constraint that highly hinders the firms' performance for all sectors in the manufacturing MSEs. About 43% of the enterprises sales performance is below their expectation level and in few cases no sale at all.

In an interview conducted with an operator of the sectors, it was confirmed that insufficient market and inaccessible working place to get new customers are the main problems for MSE. On the other hand, the case of MSEs to do business they have to get registered and licensed. Every registered business has to record their costs, revenues and give receipt for customers. But other small businesses initiated by owners do not go through those processes which gives them advantages of paying tax random estimation. But for MSEs organized by government, everything is difficult to get receipt for merchandise or material purchase which leads to generalization of least costs and high revenue. Finally this shows high false profit. Due to this, majority of MSEs prefer not to continue in such manner, but either to leave the work or to return the license.

4.3.1.4. Customer Relationship factors that determine the financial performance of MSEs

Table 4.6 Customer Relationship factors that determine the financial performance of MSEs

Item	M		S		C		T		Total	
	M	SD	M	SD	M	SD	M	SD	M	SD
Customer Relationship factors										
Lack of previous experience in the business	3.52	1.47	3.58	1.30	4.35	0.98	3.88	1.28	3.83	1.28
Lack of cares about	3.33	1.39	3.53	1.25	3.92	1.16	3.45	1.29	3.56	1.27

Item	M		S		C		T		Total	
customer satisfaction										
Poor relationship building	3.43	1.33	3.56	1.38	4.19	0.98	3.68	1.33	3.72	1.26
Lack of making use of customer feedback	3.62	1.28	3.58	1.25	4.12	0.77	3.24	1.38	3.64	1.17
	Grand mean/standard deviation								3.69	1.25

With regard to lack of previous experience in the business, the mean score of respondents are 3.52, 3.58, 4.35 and 3.88 with standard deviations of 1.47, 1.30, 0.98 and 1.28 for manufacturing, service, construction and trade respectively. Among the customer relationship factors, lack of previous experience in the business scores has the highest mean scores of 3.33, 3.53, 3.92 and 3.45 with standard deviation of 1.39, 1.25, 1.16 and 1.29 for operators engaged manufacturing, service, construction and trade respectively.

Regarding poor relationship building the mean scores are 3.43, 3.56, 4.19 and 3.68 with standard deviations of 1.33, 1.38, 0.98 and 1.33 for operators engaged manufacturing, service, construction and trade respectively. Furthermore, the arithmetic mean and standard deviation indicates that lack of making use of customer feedback have shown that a mean score of 3.62, 3.58, 4.12 and 3.24 with standard deviation of 1.28, 1.25, 0.77 and 1.38 for MSEs manufacturing, service, construction and trade respectively.

From the table it can be seen that, lack of previous experience in the business and poor relationship building are identified as main problems. Additionally from interview it was understood that measures focus on issues pertaining to customer's satisfaction and customer's referral rates, delivery time, waiting time are important issues in customer relationships. From this study report one can understand the importance of customer handling in the business is important to owners to be successful in their competitive environment.

4.3.1.5. Financial factors that determine the financial performance of MSEs

Table 4.7 Financial factors that determine the financial performance of MSEs

Item	M		S		C		T		Total	
	M	SD	M	SD	M	SD	M	SD	M	SD
Finance factors										
Inadequacy of credit institutions	3.90	1.14	4.39	1.37	4.69	0.68	4.27	1.02	4.31	1.05
Lack of cash management skills	3.52	1.21	3.63	1.24	4.27	1.00	3.47	1.22	3.72	1.17
Shortage of working capital	3.90	1.26	4.39	0.89	4.50	0.86	4.00	1.12	4.20	1.03
High collateral requirement from lending institutions	3.76	1.30	3.74	1.25	4.08	1.32	4.00	1.34	3.90	1.30
High interest rate charged by lending institutions	4.29	0.84	4.37	0.88	3.81	0.90	4.04	1.15	4.13	0.94
Loan application procedures are too complicated	4.14	0.91	4.61	0.59	3.58	1.10	4.18	1.09	4.13	0.92
Grand mean/standard deviation									4.07	1.07

With regard to inadequacy of credit institutions, the mean scores are 3.90, 4.39, 4.69 and 4.27 with standard deviations of 1.14, 1.37, 0.68 and 1.02 of those operators engaged in

manufacturing, service, construction and trade respectively. From this it can be inferred that the inadequacy of credit institution is a main problem in performance of MSE.

In relation to shortage of working capital, the mean score are 3.90, 4.39, 4.50, and 4.00 with standard deviation of 1.26, 0.89, 0.86, and 1.12 for operators engaged manufacturing, service, construction and trade respectively. However, with regard to factors like high interest rate charged by lending institutions and complicated loan application procedures of institutions have the same grand mean scores of 4.13. When they are separately seen, the mean scores are 4.29, 4.37, 3.81 and 4.04 and with standard deviations of 0.84, 0.88, 0.90, and 1.15 for high interest rate charged by lending institutions and 4.14, 4.61, 3.58, and 4.18 with standard deviations of 0.91, 0.59, 1.10, and 1.09 for manufacturing, service, construction and trade respectively. The interest rate charged by banks and other lending institutions is high with a mean score of 3.76, 3.74, 4.08, and 4.00 with standard deviation of 1.30, 1.25, 1.32, and 1.34 for operators of manufacturing, service, construction and trade respectively. However, lack of cash management skills is considered as a least factor in determining performance of MSEs by respondents. It has mean score of 3.52, 3.63, 4.27 and 3.47 with standard deviation of 1.21, 1.24, 1.00 and 1.22 for operators of manufacturing, service, construction and trade respectively.

Operators were interviewed to give their opinion on the nature of problem related to financial factors. It was found that, mainly the operators usually suffer of shortage of cash leading to their inability to cover their daily needs adequately. The shortage of cash leads not to use their potential in the market. The other cause of this low cash presence at the disposal of the operators could be the increasing expense incurred by their respective MSEs in relation to purchase of raw materials and services such as transportation, in addition to cost of utilities consumed both at home and work place. The operators frequently mitigate this problem of cash shortage through borrowing and lending each other. The other mechanism of easing such cash shortage is through diversification of income generating activities.

The presence of affordable credit is essential for enterprise growth. With regard to credit access and availability, there are both formal and informal sources serving the operators in the studied area. The informal sources consisted of loan from other fellow operators, family, relatives and friends. According to responses from the operators, the capital generated from such sources,

along with a loan secured from friends and own savings constitute a portion of the start-up capital of the MSE. Oromia credit and saving association MFI is the formal source of credit used by operators, though there are other financial service providers like state-owned and private commercial banks.

Even if many writers including Vandenberg support the already established opinion on micro-finance that holds a view that micro-finance is a useful way of channeling finance to the poor and overcoming the difficulties, they face challenges in securing credit from formal financial institutions such as banks (Vandenberg, 2006:33). It was identified from interviewee that the terms of credit of Oromia credit and saving share company is not suitable to the operators as the its fixes short repayment period with higher interest rate and service charge of total up to 20% which is very difficult for MSEs to afford. Obviously, such high loan cost further damages the already low market share and revenue of the enterprises. On the other hand, the interviewees' pointed that the short repayment period scheduled by the MFI put them in worrisome state as they face shortage of market resulting in their inability to repay the loan with in the period stipulated by the MFI. Given the market problem of the MSEs, it is fair to suggest the MFI to effectuate a 'grace period policy'.

Majority of interviewees stated that they frequently use informal sources as main sources of fund suggesting the requirements of collateral and loan application procedures are relatively low or none in case of informal sources. Intimacy and trust of each other used as security in the form of collateral guarantee.

In conformity with the finding, according to Terfasa et al., (2016:30) the problem of access to finance is more severe for MSEs as the loan requirement of microfinance institutions (MFIs) is complicated. A large proportion of both micro and small enterprises do not apply for a loan or credit due to cumbersome bureaucracy, limited working premises, and high collateral requirement. Similar to this finding supported by other study, most SMEs prefer to use personal savings and contributions from relatives because they find it very difficult to access financing from micro financial institution and commercial banks due to strict requirements such as collateral security and high repayment costs Mbugua (2014:18).

4.3.1.6. Technological change factors that determine the financial performance of MSEs

Table 4.8 Technological change factors that determine the financial performance of MSEs

Item	M		S		C		T		Total	
	M	SD	M	SD	M	SD	M	SD	M	SD
Technological change factors										
Lack of appropriate machinery and equipment	3.76	1.09	4.26	0.79	3.88	0.82	3.92	1.27	3.96	0.99
Lack of skills to handle new technology	3.62	1.24	3.74	1.13	4.04	1.11	3.57	1.17	3.74	1.16
Lack of money to acquire new technology	4.10	1.09	4.37	0.63	4.27	0.93	4.37	0.78	4.28	0.86
Unable to select proper technology	3.38	1.50	3.53	1.25	3.75	1.03	3.38	1.31	3.51	1.27
Grand mean/standard deviation									3.87	1.07

According to table 4.8 above, lack of money to acquire new technology is the main problem of MSEs engaged in Manufacturing, Service, Construction and trade activities. Their mean scores are 4.10, 4.37, 4.27 and 4.37 and with standard deviations of 1.09, 0.63, 0.93 and 0.78 respectively. From this it can be seen that lack of finance is the critical problem to acquire technology for their operation.

With regard to lack of appropriate machinery and equipment, the mean scores are 3.76, 4.26, 3.88, and 3.92 with standard deviations 1.09, 0.79, 0.82 and 1.27 for operators of manufacturing, service, construction and trade respectively.

In relation to lack of skills to handle new technology, the mean scores are 3.62, 3.74, 4.04, and 3.57 with standard deviations of 1.24, 1.13, 1.11 and 1.17 for operators of manufacturing, service, construction and trade respectively.

With regard to ability to select proper technology, the arithmetic mean scores are 3.38, 3.53, 3.75 and 3.38 with standard deviations 1.50, 1.25, 1.03 and 1.31 for manufacturing, service, construction and trade respectively.

From the finding it can be inferred that, MSEs do not have financial capacity to acquire new technology that make them efficient and competent in their business. Similar to this finding Noghor (2015:77) claimed that large businesses have the advantage of being technologically advanced, end up poaching the MSE market niche and resulting in MSEs being kicked out of the game. Failure not to employ the latest technology means producing at higher cost than do competitors in the market thus, eventually exiting the market due to tough competition.

According to the interviewees of the respondents, lack of money to acquire new technology (equipment, machinery, tools, etc) is difficult thing to overcome. Moreover, respondents replied that, if new and appropriate technologies obtained, the presence of important materials will result in increasing their competency.

4.3.1.7. Politico legal factors that determine the financial performance of MSEs

Table 4.9 Politico - legal factors that determine the financial performance of MSEs

Item	M		S		C		T		Total	
	M	SD	M	SD	M	SD	M	SD	M	SD
Politico legal factors										
Bureaucracy in company registration and licensing	4.05	1.20	3.92	1.40	3.92	1.06	3.98	1.09	3.97	0.99
Lack of government support	3.71	1.35	3.85	1.26	3.92	0.87	4.06	1.07	3.89	1.16
Lack of accessible	3.90	1.18	3.82	1.11	4.42	0.76	3.73	1.24	3.97	0.86

Item	M		S		C		T		Total	
information on government policies and regulations										
Corruption used as facilitator in business	3.62	1.28	3.82	1.29	4.50	0.86	3.80	1.22	3.94	1.16
Grand mean/standard deviation									3.94	1.04

As indicated in table above, we can observe that response for lengthy bureaucratic processes in company registration and licensing has a mean score of 4.05, 3.92, 3.92 and 3.98 with a standard deviation of 1.20, 1.40, 1.06 and 1.09 for manufacturing, service, construction and trade respectively. Therefore, it may be concluded that bureaucracy in company registration is the main factor that affects the performance of all sectors. For statement lack of accessible information on government policies and regulations, the mean scores are 3.90, 3.82, 4.42 and 3.73 with standard deviations of 1.18, 1.11, 0.76 and 1.24 for operators of manufacturing, service, construction and trade respectively. Regarding to corruption used as facilitator in business, the mean scores are 3.62, 3.82, 4.50 and 3.80 with standard deviations of 1.28, 1.29, 0.86 and 1.22 for operators engaged in manufacturing, service, construction and trade respectively. In relation to lack of government support, the mean scores are 3.71, 3.85, 3.92 and 4.06 with standard deviations of 1.35, 1.26, 0.87 and 1.07 for operators engaged in manufacturing, service, construction and trade respectively.

When the above responses are compared with the interview conducted with operators of MSEs, it was confirmed that there are problems related to government bodies at different levels. The interviewees are pointed out the implementation problems widely observed in the preparation of convenient place for MSE operators, market related, and source of fund issues, etc. According to interviewee market facilitation issues and bidding issues especially as per construction and service sectors opinion, it is not free of corruption.

Furthermore, the politico-legal environments were mentioned among the 3rd key constraints to enterprises in the field survey, it is recognized that some respondents are classified as the major constraints to enterprises (especially in Asella town). Even when opportunities have been created, MSEs have not been able to draw the full advantage due to absence of appropriate support. According to interviewees, there still exists an overly bureaucratic government system that often results in unnecessary delays in compliance and is excessively costly. This includes a complex system, lengthy procedures and rules. For example, registration of a business, getting working places, payment of stamp duty among others. For enterprises found in Asella, this poses a major challenge and cost as the owners of the business would need to close for days in order to travel to concerned governmental offices to access these services sometimes without success. Operators believe that these requirements force enterprises to operate informally, which greatly limits their opportunities for growth, or to go out of business.

4.3.1.8. Working place factors that determine the financial performance of MSEs

Table 4.10 Working place factors that determine the financial performance of MSEs

Item	M		S		C		T		Total		
	M	SD	M	SD	M	SD	M	SD	M	SD	
Working place factors											
Absence of own premises	4.00	1.26	4.05	1.31	4.12	0.95	4.06	1.21	4.06	0.99	
Working place is not convenient	4.10	0.99	3.71	1.33	3.81	0.98	3.59	1.48	3.80	1.16	
The rent of house is too high	3.76	1.33	3.68	1.45	3.80	1.20	3.88	1.26	3.78	0.86	
Grand mean/standard deviation									3.88	1.00	

As table 4.10 above shows, the response of respondents indicates absence of own premises has important role in performance of MSE. The arithmetic mean scores are 4.00, 4.05, 4.12 and, 4.06 with standard deviation of 1.26, 1.31, 0.95 and 1.21 of operators engaged in manufacturing, service, construction and trade respectively. Working place is not convenient is selected as second challenging factor by respondents having mean scores of 4.10, 3.71, 3.81 and with standard of 0.99, 1.33, 0.98 and 1.48 for respondents engaged in manufacturing, service, construction and trade respectively. With regard to high rent of house, the mean scores are 3.76, 3.6, 3.80 and 3.88 and standard deviations are 1.33, 1.45, 1.20 and 1.26 for owner managers engaged manufacturing, service, construction and trade respectively.

It can be concluded that the majority of enterprises don't have their own working places. The Working place factors are highly interlinked with each other and the short fall of the absence of working premises directly expose the MSE operators for house rent and inconvenient working place this could affect business effectiveness (Mulugeta, 2014).

In an interview conducted with an operator manufacturing, service and trade were confirmed that, the working places are not convenient for work. Most of the shades built for MSEs were not properly identified on the demand of market assessment where enough buyers are found.

4.3.1.9. Product and service features that determine the financial performance of MSEs

Table 4.11 Product and service features that determine the financial performance of MSEs

Item	M		S		C		T		Total	
	M	SD	M	SD	M	SD	M	SD	M	SD
Product and service features										
Lack of product quality	3.62	1.20	3.42	1.42	4.38	0.75	3.67	1.28	3.77	1.16
Service delivery problem	3.57	1.21	3.45	1.40	3.88	1.27	3.63	1.25	3.63	1.28
Lack service after sale	3.33	1.39	3.63	1.28	3.88	1.20	3.67	1.24	3.62	1.20
Grand mean/standard deviation									3.67	1.21

Regarding to the statement lack of product quality has impact on performance of MSEs; the mean scores are 3.62, 3.42, 4.38 and 3.67 with standard deviations of 1.20, 1.42, 0.75 and 1.28 for operators engaged in manufacturing, service, construction and trade respectively. The arithmetic means of respondents for the statement service delivery problem has effect on performance of MSEs are 3.57, 3.45, 3.88 and 3.63 with standard deviations of 1.21, 1.40, 1.27 and 1.25 for operators engaged in manufacturing, service, construction and trade respectively. Finally with regarding to lack service after sale, the respondents give list mean scores of 3.33, 3.63, 4.88 and 3.67 with standard deviations of 1.39, 1.28, 1.20 and 1.24 for operators engaged in manufacturing, service, construction and trade respectively.

From the above finding it is possible to conclude that quality of product has effect on performance of MSEs. Service delivery problem and lack of service after sales are identified next factors.

4.3.1.10. Profitability rating based

Table 4.12 Profitability rating based

Item	M		S		C		T		Total	
	M	SD	M	SD	M	SD	M	SD	M	SD
Indicators of financial performance										
The business is Profitable	3.87	1.10	3.42	1.32	3.68	0.95	3.97	1.18	3.74	1.14
There is a good Sales turnover	3.67	1.31	3.55	1.20	3.78	1.25	3.73	1.23	3.68	1.25
There is capacity to pay obligations	3.33	1.24	3.43	1.12	3.48	1.24	3.37	1.30	3.40	1.22
Grand mean/standard deviation									3.61	1.20

From the table 4.12 above it can be understood that all the sectors agreed on the profitability of the business they are engaged in this was demonstrated by the mean score observed of 3.74 and the standard deviations showed that there is variation in among the responses. Whereas the respondents showed their agreement on good sales turnover and capacity to pay obligations showed with score of above 3 point. From this it can be concluded that regardless of other factors the business engaged by operators are profitable.

4.4. Comparison of Factors

Even though, all the management and expertise skills, entrepreneurial, marketing, financial, customer relation, technology, politico-legal, working place and product/service features factors determining the financial performance of MSEs, this does not necessarily mean that all factors

have equal impact. The following table clearly compares the overall impact of all key factors discussed in detail above.

4.4.1. Ranking of the major factors that determine the financial performance of MSEs

Table 4.13 Ranking of the major factors that determine the financial performance of MSEs

No.	Factors	Grand Mean	Rank of Problems
1	Management and expertise skills	3.82	7 th
2	Entrepreneur factors	3.91	4 th
3	Marketing skills	3.95	2 nd
4	Customer Relationship	3.69	8 th
5	Finance	4.07	1 st
6	Technological Change	3.86	6 th
7	Politico- legal	3.94	3 rd
8	Working Place Factors	3.88	5 th
9	Product and service features factors	3.67	9 th

It can now be seen that financial, marketing and politico - legal factors have the biggest potential to determine the financial performance of MSEs, followed by entrepreneur, working place, technological, management and expertise skill, customer relation and product and service feature factors. In another word, the result shows that financial, marketing and politico - legal factors are the three top most factors that determine the performance of MSE in the selected area. This result is supported by Berihun et al. (2009:84-86) who found that lack of finance and working space rank on top being reported as the major constraints by a large proportion of the enterprises. It can, therefore, be concluded that finance, marketing and politico-legal factors do largely determine the performance of MSEs.

4.5. Results from Inferential Statistics

4.5.1. Regressions Analysis

For the purposes of determining the extent to which the explanatory variables explain the variance in the explained variable, regression analysis was employed. The results of such analysis are narrated as follows.

Table 4.14 Regress financial performance on the selected variables using multiple regressions

Model Summary	R	R square	Adjusted R square	Std. Error of the Estimate		Sig.
		0.783 ^a	0.612	0.584	0.52096	
Coefficients	Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	Variables	B	Std. Error	Beta		
	Constant	0.658	0.243		2.709	008
	Management	-0.032	0.053	-0.048	-0.608	0.544
	Entrepreneurial	0.063	0.052	0.098	1.212	0.228
	Marketing skills	0.130	0.057	0.174	2.295	0.023
	Customer Relationship	0.127	0.049	0.184	2.575	0.011
	Finance	0.155	0.062	0.211	2.520	0.013
	Technology	0.128	0.059	0.173	2.176	0.031
	Politico-legal	0.026	0.060	0.037	0.424	0.672
	Working place	0.115	0.062	0.155	1.842	0.068
	Product/service feature	0.082	0.057	0.114	1.434	0.153

Source: Field survey, 2017

Table 4.14 above displays the estimates of the multiple regression of financial performance against its variables for the sample of 134 operators. The hypothesis which states that the business environments of MSEs do not affect the financial performance of MSEs sectors of Asella Town is tested p-value is less than 0.05, it was discovered that the business environments of MSEs do play a significant role in determining the financial performance of MSEs. Thus, the null hypothesis may therefore be rejected and it is accepted that, the business environments of MSEs do affect the financial performance of MSEs in the selected sector of Asella Town Administration.

Table 4.14 further shows that, all the explanatory variables included in this study can significantly explain at 99% confidence level to the variation on the dependent variable. In a model summary, the “R” value is used to indicate the strength and direction of the relationship between the variables. The closer the value gets to 1, the stronger the relationship. In this case as shown above, $R = 0.783$. This means there was an overall strong and positive relationship between the variables. The R-Square in the study was found to be 0.612. This value indicates that the independent variables (management, entrepreneurial, marketing, customer relationship, finance, technology, politico-legal, working place, product/service feature) can explain 61.2% of the variance in the financial performance of businesses in Asella town. The remaining 38.8 % of the variance is explained by other variables not included in this study.

The Unstandardized Coefficients of determination under the B column in table 4.13 were used to substitute the unknown beta values of the regression model. The beta values indicated the direction of the relationship. A positive or negative sign indicates the nature of the relationship. The significant values (p-value) under sig. column indicate the statistical significance of the relationship or the probability of the model giving a wrong prediction. A p-value of less than 0.05 is recommended as it signifies a high degree of confidence.

In this case, the predictor variables with $p < 0.05$ are availability of management experience ($p = 0.544$), entrepreneurial (0.228), politico-legal (0.672), working place (0.068) and product/service features (0.153). The predictor variables produced statistically significant results $p < 0.05$

customer relationship ($p=0.011$) access to Finance ($p= 0.013$), accessibility of marketing skills ($p=0.023$) and availability of technology ($p=0.031$).

From the results it can be seen that a p-value of customer relationship, finance, marketing skills and technology factors scores are less than 0.05. These variables have direct relationship with micro and small enterprises financial performance. On the other hand management and expertise skills, politico – legal, entrepreneurial factors have insignificant relationship with financial performance of MSEs.

Table 4.14 further shows that, all the explanatory variables included in this study can significantly explain at 99% confidence level to the variation on the dependent variable. The standardized beta coefficient column shows the contribution that an individual variable makes to the model. The beta weight is the average amount the dependent variable increases when the independent variable increases by one standard deviation (all other independent variables are held constant). As these are standardized we can compare them. Thus, the largest influence on the financial performance of MSEs is from the financial factor (0.211) and the next is customer relationship factor (0.184). On the other hand marketing skills with the beta value of (0.174) and technological factor has the beta value of (0.173). Management skill factor has the poorest predictor of performance with (-0.048) when it is compared with the other explanatory variables under study.

Chapter Five

Conclusions and Recommendations

5.1. Introduction

This final chapter of the thesis presents conclusion and forwards recommendations on the basis of research objectives and findings. Recommendations are believed to be considered by government bodies, owners and/or operators of MSEs and further suggestion for other researchers in the area.

5.2. Conclusions

This research was conducted with the main objective to identify the factors determining the financial performance of micro and small scale enterprises in Asella Town Administration. Since the financial performance of micro and small enterprises have a crucial contribution in the economy and it will further reduce the unemployment rate and increase the number of products or services offered to the society. Taking the data analysis and the findings in to account the following conclusions could be reached. The study used both quantitative and qualitative approaches and a research mainly used explanatory types of research design. Based on the objectives and findings of the study, the following conclusions were drawn.

Informal financial sources like personal savings, iqub/idir, family and friends/relatives pockets are main sources for startup and expansion of MSE in Asella town. The formal financial institutions have not been able to meet the credit needs of the MSEs. Since there is high interest rate and collateral requirement, most MSEs have been forced to use the informal institutions for credit. But the supply of credit from the informal institutions is often limited to meet the credit needs of the MSEs.

Further this study indicates that, marketing factor includes inadequacy of market, difficulty of searching new market, lack of demand forecasting, lack of market information and absence of relationships with an organization/association that conduct marketing research are the major obstacles of financial performance of MSEs.

The finding shows that majority of MSEs operators in the study area do not have convenient working places. Because of this, the MSEs operators do not perform their business related activities effectively and efficiently. And also, the location of the working premises is not suitable for attracting new customers. This means the working places restricts access to market.

Lack of sufficient support from government in the preparation of convenient place for MSE operators, market related and source of fund issues, etc are serious problems for MSEs performance. Even if there is support it was not free of corruption.

MSE businesses were constrained by lack of skills to handle new technology, lack of capital to acquire new technology, unable to select proper technology, lack of appropriate machinery and equipment for their business.

Finally, the research clearly illustrates that, even if the degree of those critical factors are not uniform across the sectors, most of the factors are considerably common for all sectors. It has been noted that the factors that are prevalent to the financial performance of businesses such as financial, customer relationship, technological and marketing factors had very high effect on the financial performance of MSEs compared to other factors in the research area.

5.3. Recommendations

On the basis of the major findings of the study, the following recommendations are forwarded with the view to improve the contributions of MSEs to the country in general and to the study area in particular.

- ❖ The major sources of finance or funds for most of MSEs operators at the study area are informal sources. The reason for emphasizing on informal sector is that the requirement of collateral/guaranty is relatively rare or none when compared to the formal sectors like MFIs and banks. But the formal sectors are unable to provide/supply enough credit to them as they want. Therefore, Oromia regional government in cooperation with other government bodies should develop sufficient sources of finance for MSEs by organizing and supporting the performance of MFIs and other sources.
- ❖ The government through various relevant departments should specialize more in taking up a facilitative role. To solve problems of enterprises traveling many kilometers to centralized registration process, it is better to make registration online. Conducive environment should be established to protect MSEs from unfair competitions.
- ❖ The MSEs operators are better to enhance their marketing skills through proper training and experience sharing with other successful medium and large scale enterprises. In addition to this marketing skills, such as setting competitive price for their products, are creating good interpersonal relationship with customers and the way of promoting their outputs to the customers in an effective manner. Moreover, the government bodies such as Asella town Job Creation and Food Security office and the other stakeholders are better to assist them by searching market for their products which is produced by the MSEs operators, by doing this, they can try to save them from losses.
- ❖ Working place is a crucial issue to address objectives of MSEs in making accessible a product/service to customer. Therefore, critical attention should be given by government in selecting proper working places which are convenient and easily accessible for market and also attention should be given the way shades transferred to prospect MSEs.

Providing selling and display places in areas close to working area. Working places/shades occupied by previous MSEs should be identified and transferred to new ones.

- ❖ To make MSEs competitive and profitable, increase the capacity, knowledge and skill of the operators, experience sharing from successful enterprises, and provision of advice and consultancy, continuous capacity building initiatives and accessibility of relevant technologies should be availed by the government.

Finally, investigating different factors based on the right information are vital for the performance of any business venture. This can be achieved by conducting more researches in related areas. The focus for this study was on the identifying factors determining the performance of micro and small enterprise. It is the researcher's view that future research could therefore investigate the other MSEs that are initiated by owners without government support and medium level enterprises come up with specific findings which will potentially contribute a lot in the development of the country in general. This study dealt with factors that determine the performance of MSEs. Further research could target the MSEs initiated by owners without government support and medium level enterprises that have dominated the markets. The field of MSEs is large and very diverse. It is an interesting area with many unresolved issues. It would be encouraging to get more solutions to many issues arising.

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APPENDIX

QUESTIONNAIRE

SAINT MARY'S UNIVERSITY

SCHOOL OF BUSINESS ADMINISTRATION

GENERAL MBA PROGRAM

1. Introduction

I am a graduate student in the department General MBA, Saint Mary's University. Currently, I am undertaking a research entitled '**Factors Determining the Financial Performance of Micro and Small Enterprise in Asella Town Administration**'. You are one of the respondents selected to participate on this study. I would like to express my warm appreciation in advance for the cooperation you will show in completing the questionnaires.

Your identity will be maintained strictly confidential and your response will be merging and analyze with the other respondents for better result. Your support in answering the questionnaire is helpful for doing the right and meaning full problem solving research. Thank you in advance!

Part Two: Biographic details

1. State your gender below:

Male Female

2. In what age group below do you belong?

Under 20 years 36 - 50 years
21 - 35 years over 50 years

3. Indicate your educational qualification below:

Read and write Diploma
High school complete Degree and above
Certificate

4. Marital status

Single Divorced
Married Widowed

5. How many years work experience do you have?

0-5 11-20
6-10 20 above

Part Three: Status of the enterprise

1. In which sector your business is operating?

Manufacturing Service
Construction Trade

2. Indicate the number of employees working in your business

0-5 above 30
6 – 30

3. How did you raise funds to start-up your business?

A. Personal saving D. NGOs G. Micro finance institutions
B. Family E. Friends/Relatives H. Others (specify) -----
C. Banks F. Iqub/Idir

The major factors that determine the financial performance of MSEs are listed below. Please indicate the degree to which these factors are affecting the financial performance of your business enterprise. After you read each of the factors, evaluate them in relation to your business and then put a tick mark (√) under the choices below. Where, 5 = strongly agree, 4 = agree, 3 = undecided, 2 = disagree and 1= strongly disagree.

4. Please indicate the degree to which you agree with the following statements concerning Management and expertise skills factors.

No	Management and expertise skills	5	4	3	2	1
4.1.	Lack of clear division of duties and responsibility among employees					
4.2	Poor organization and ineffective communication					
4.3	Lack of well trained and experienced employees					
4.4	Lack of low cost and accessible training facilities					
4.5	Lack of strategic business planning					

5. Please indicate the degree to which you agree with the following statements concerning Entrepreneur factors.

No	Entrepreneur factors	5	4	3	2	1
5.1	Lack of motivation and drive					
5.2	Lack of tolerance to work hard					
5.3	Lack of persistence and courage to take responsibility for ones failure					
5.4	Absence of initiative to assess ones strengths and weakness					
5.5	Lack of entrepreneurship training					
5.6	Lack of information to exploit business opportunities					

6. Please indicate the degree to which you agree with the following statements concerning Marketing skills factors.

No	Marketing skills	5	4	3	2	1
6.1	Inadequate market for my product					
6.2	Searching new market is so difficult					
6.3	Lack of demand forecasting					
6.4	Lack of market information					
6.5	Absence of relationship with an organization that conduct marketing research					
6.6	Lack of promotion to attract potential users					

7. Please indicate the degree to which you agree with the following statements concerning Customer Relationship factors.

No	Customer Relationship	5	4	3	2	1
7.1	Lack of previous experience in the business					
7.2	Lack of cares about customer satisfaction					

7.3	Poor relationship building					
7.4	Lack of making use of customer feedback					

8. Please indicate the degree to which you agree with the following statements concerning Resource and finance factors.

No	Resource and finance	5	4	3	2	1
8.1	Inadequacy of credit institutions					
8.2	Lack of cash management skills					
8.3	Shortage of working capital					
8.4	High collateral requirement from banks and other lending institutions					
8.5	High interest rate charged by banks and other lending institutions					
8.6	Loan application procedures of banks and other lending institutions are too complicated					

9. Please indicate the degree to which you agree with the following statements concerning Technological Change factors

No	10. Technological Change	5	4	3	2	1
9.1	Lack of appropriate machinery and equipment					

9.2	Lack of skills to handle new technology					
9.3	Lack of money to acquire new technology					
9.4	Unable to select proper technology					

10. Please indicate the degree to which you agree with the following statements concerning Politico- legal factors.

No	Politico- legal	5	4	3	2	1
10.1	Bureaucracy in company registration and licensing					
10.2	Lack of government support					
10.3	Lack of accessible information on government policy and regulations that are relevant to my business					
10.4	Corruption is as facilitator in business					

11. Working Place Factors

No	11. Working Place Factors	5	4	3	2	1
11.1	Absence of own premises					
11.2	Current working place is not convenient					
11.3	The rent of house is too high					

12. Product and service features factors

No	Product and service features factors	5	4	3	2	1
12.1	Lack of product quality					
12.2	Service delivery problem					
12.3	Lack service after sale					

13. How do you rate the profitability of the MSEs

No	Indicator of financial performance	5	4	3	2	1
13.1	The business is Profitable in Asella					
13.2	There is a good Sales turnover					
13.3	There is capacity to pay obligations					

14. Please indicate the degree to which you agree with the following factors that have a direct influence on the financial performance of your business?

No	General Factors	5	4	3	2	1
1	Management and expertise skills					
2	Entrepreneur factors					
3	Marketing skills					
4	Customer Relationship					
5	Resource and finance					

6	Technological Change					
7	Politico- legal					
8	Working Place Factors					
9	Product and service features factors					

የቅድስት ማርያም ዩኒቨርሲቲ

ቢዝነስ አስተዳደር ድህረምረቃ ት/ቤት

የአጠቃላይ ቢዝነስ አስተዳደር ዲፖርትመንት

ክፍል አንድ:- መግቢያ

ውድ የጥናቱ ተሳታፊዎች:-

እኔ በቅድስት ማርያም ዩኒቨርሲቲ የቢዝነስ አስተዳደር ትምህርት ክፍል የቢዝነስ አስተዳደር የድህረ ምረቃ ተመራቂ ተማሪ ስሆን በአሁን ሰዓት የመመረቂያ ፀሐፊጌን በማዘጋጀት ላይ እገኛለሁ። የጥናቴ ርዕስም “በአሰላ ከተማ የሚገኙ የጥቃቅንና አነስተኛ የንግድ ተቋማት አፈጻጸም ላይ ተፅእኖ የሚያሳድሩ ተግዳሮቶችን” ይመለከታል። እርስዎም በዚህ ጥናት እንዲሳተፉ ተመርጠዋል። እርስዎ የሚሰጡትን ትክክለኛውን መረጃ ለጥናቴ ውጤታማነት በጣም አስፈላጊ መሆኑን በመገንዘብ መጠይቁን በጥንቃቄ እንዲሞሉ እጠይቃለሁ። የሚሰጡት መረጃ ሚስጥራዊነቱ የተጠበቀና የእርስዎ ምላሽ ከሌሎች መላሾት ጋር ለተሻለ ውጤት በመወሀድ የሚተነተን ይሆናል።

ውድ ጊዜዎን ሰውተው መጠይቁን ሊሞሉልኝ ፈቃደኛ በመሆንዎ በቅድሚያ አመሰግናለሁ።

አብዱላሂ ሐሙ

- ማሳሰቢያ:-** - በመጠይቁ ላይ ስም መፃፍ አያስፈልግም።
- መልስዎን በሰጥኑ ውስጥ የእርማት ምልክት “✓” ያስቀምጡ

ክፍሉ ሁለት:- ግላዊ መረጃ

1. ያታ

ወንድ

ሴት

2. የዕድሜ ወሰን

ከ 20 ዓመት በታች

ከ 36-50 ዓመት

ከ 20-35 ዓመት

ከ 50 ዓመት በላይ

3. የትምህርት ዝግጅት

መፃፍ እና ማንበብ ዲፕሎማ

ሁለተኛ ደረጃ ት/ትያጠናቀቀ ድግሪ እና በላይ

ሰርተፍኬት

4. የጋብቻ ሁኔታ

ያላገባ/ች

የፈታ/ች

ያገባ/ች

በሞት የተለየ/ች

5. ያሎት የሥራ ልምድ

ከ 0-5 ዓመት

ከ11-20 ዓመት

ከ 6-10 ዓመት

ከ20 ዓመት በላይ

ክፍል ሶስት:- ስለቢዝነስ ተቋማት አጠቃላይ መረጃ

1. በየትኛው የቢዝነስ ዘርፍ ተሰማርተው ይገኛሉ ?

ሀ. በማምረቻ

ለ. በአገልግሎት

ሐ. በግንባታ

መ. በንግድ

2. በድርጅቶ በመሥራት ላይ የሚገኙ የሰራተኛ ብዛት?

ከ 5 ያለነሱ ከ30 በላይ

ከ 6-30

3. ቢዝነሱን ለመጀመር ገንዘብ ከየት አገኙ?

የግልቁጠባ መንግስታዊ ካልሆኑ ድርጅቶች

ቤተሰብ ከአነስተኛ የገንዘብ ተቋማት

ከጓደኛ ከባንክ

ዕቁብ ሌላ ካለ ይግለፁ -----

ክፍል አራት:-በጥቃቅንና አነስተኛ ተቋማት የስራ እንቅስቃሴ ላይ ተጽእኖ የሚያሳድሩ ጉዳዮች

ከዚህ በታች ለጥቃቅንና አነስተኛ ተቋማት ቀጣይነት ችግር ሊሆኑ የሚችሉ ነገሮች ተዘርዝረዋል።ከተዘረዘሩት ችግሮች የእርስዎ የሥራ ዘርፍ ላይ ይበልጥ በቀጣይነቱ ላይ ተፅእኖ የሚያሳድሩትን በደረጃ ያመልክቱ። ለእያንዳንዱ ጥያቄክ አማርጮች አንድጊዜ ብቻ የ "✓" ምልክት በማድረግ ምላሽ ይስጡ።

- 5. በጣምአስማማለሁ 2. አልስማማም
- 4. እስማማለሁ 1. በጣምአልስማም
- 3. ለመወሰን እቻገራለሁ

ተ.ቁ	4. የሥራ አመራር እና ክህሎት	5	4	3	2	1
4.1	በሰራተኞች መካከል ግልጽ ያስራና ሀላፊነት ክፍፍል አለመኖር					
4.2	ደካማ አደረጃጀትና ውጤታማ ያልሆነ የግንኙነት አሰራር					
4.3	የሰለጠኑ እና ልምድ ያላቸው ሰራተኞች አለመኖር					

4.4	በዋጋቸው ተመጣጣኝና ተደራሽ የሆኑ የስልጠና እጥረት					
4.5	የረጅም ጊዜ የቢዝነስ እቅድ አለመኖር					

ተ.ቁ	5. የሥራ ፈጠራና ተዛማጅ ችግሮች	5	4	3	2	1
5.1	ለሥራ ፈጣሪነት አለመነሳሳት					
5.2	ጠንክሮ አለመስራት					
5.3	ለሚፈጠሩት ጊዜያዊ ውድቀቶች ፀንቶ ሀላፊነትን አለመውሰድ					
5.4	የራስን ጠንካራና ደካማ ጎን አለመፈተሽ					
5.5	በቂ የሆነ የሥራ ፈጠራ ስልጠና አለማግኘት					
5.6	በተመሳሳይ ዘርፍ በስራ ፈጣሪነታቸው ውጤታማ ከሆኑ ተቋማት ልምድ አለመቅሰም					

ተ.ቁ	6. የግብይትና ተዛማጅ ችግሮች	5	4	3	2	1
6.1	በቂ የሆነ የገበያ ዕድል አለመኖር					
6.2	አዲስ የገበያ አማራጭነት የመፈለግ አደጋችነት					
6.3	የወደፊት የገበያ ፍላጎትን መተንበይ አለመቻል					
6.4	በቂ የሆነ የግብይት መረጃ አለመኖር					
6.5	ግብይትን በተመለከተ ጥናትና ምርምር ከሚያካሂዱ					

	ተቋማት ጋርግንኙነት አለመፈጠር					
6.6	ምርቶችን በአግባቡ አለማስተዋወቅ					

ተ.ቁ	7. የደንበኞች አያያዝና ተዛማጅ ችግሮች	5	4	3	2	1
7.1	በቢዝነስ ውስጥ ልምድ ማጣት					
7.2	በደንበኛ እርካታ ላይ ትኩረት ማነስ					
7.3	ከደንበኛ ጋር ያለ ደካማ ግንኙነት					
7.4	ከደንበኛ የሚመጣውን ግብረመልስ /ሀሳብ/ አለመጠቀም					

ተ.ቁ	8. ከገንዘብ ጋር ተዛማጅ ችግሮች	5	4	3	2	1
8.1	በቂ የሆኑ የብድር ተቋማት አለመኖር					
8.2	የብር አያያዝ ክህሎት ችግር					
8.3	የሥራ ማንቀሳቀሻ ብር እጥረት					
8.4	ባንኮችና ሌሎች አበዳሪ ተቋማት ለማበደር የሚጠይቁት ከፍተኛ የማስያዣ መጠን					
8.5	ባንኮችና ሌሎች አበዳሪ ተቋማት የሚጥሉት ከፍተኛ የብድር ወለድ መጠን					
8.6	ባንኮችና ሌሎች አበዳሪ ተቋማት ለማበደር የሚከተሉት ወስብስብና አሰልጅ ሂደት					

ተ.ቁ	9. ቴክኖሎጂ ተዛማጅ ችግሮች	5	4	3	2	1
9.1	ለሥራ ተገቢ የሆነ ቴክኖሎጂ ግብዓተ አለመኖር					
9.2	በቂ የሆነ የቴክኒክ ክህሎት አለመኖር					
9.3	በገንዘብ እጥረት ምክንያት አዳዲስ ቴክኖሎጂ ውጤቶች አለማግኘት					
9.4	ለስራ ተገቢ የሆነ የቴክኖሎጂ ውጤት መምረጥ አለመቻል					

ተ.ቁ	10. ህጋዊና ፖለቲካዊ ጉዳዮች	5	4	3	2	1
10.1	በድርጅት ምዝገባ ወቅት የተጓዛዛ የምዝገባና የንግድ ፈቃድ ሂደት					
10.2	የመንግስት ድጋፍ ማነስ					
10.3	ከስራ ጋርተዛማጅ የሆኑ ህጎች ደንቦችና አዋጆች ተደራሽ አለመሆን					
10.5	ብልሹ አሰራር ለቢዝነስ መቀላጠፊያ መጠቀም					

ተ.ቁ	11.የሥራ ቦታ ተዛማጅ ችግሮች	5	4	3	2	1
11.1	ስራን ለማካሄድ የግል ቦታ አለመኖር					
11.2	ለሥራ አመቺ ያልሆነ ቦታ					
11.3	ከፍተኛ የሆነ የቤት ኪራይ መጠን					

ተ.ቁ	12.የምርትና የአገልግሎት መለያ ባህርያት ችግሮች	5	4	3	2	1
12.1	የምርት/የአገልግሎት ጥረት ችግር					
12.2	ምርትን/አገልግሎትን በተባለው ጊዜ አለማድረስ					
12.3	ከሽያጭ በኋላ የሚሰጥ የአገልግሎት አለመኖር					

No	የጥቃቅንና አነስተኛ ተቋማት ትርፋማነት በተመለከተ	5	4	3	2	1
13.1	ቢዝነስ በአሰለ ትርፋማ ነው					
13.2	ጥሩ የሽያጭ ሁኔታ አለ					
13.3	እዳን መክፈል አደጋች አይደለም					

ተ.ቁ	እባክዎትን ከዚህ በታች ከተዘረዘሩት አጠቃላይ ጉዳዮች በቀጥታ የስራ ዘርፍ ቀጣይነት ላይ ይበልጥ ጠቃሚ የሆኑትን በመጠን ያመልክቱ	5	4	3	2	1

14.1	የሥራ አመራር እና ክሎት ተዛማጅ ጉዳዮች					
14.2	የሥራ ፈጠራና ተዛማጅ ጉዳዮች					
14.3	የግብትና ተዛማጅ ጉዳዮች					
14.4	የደንበኞች አያያዝና ተዛማጅ ጉዳዮች					
14.5	ከገንዘብና ተያያዥ ጉዳዮች					
14.6	ቴክኖሎጂ ተዛማጅ ጉዳዮች					
14.7	ህጋዊና ፖለቲካዊ ጉዳዮች					
14.8	የሥራ ቦታ ተዛማጅ ጉዳዮች					
14.9	የምርትና የአገልግሎት መለያ ባህርያት ጉዳዮች					

አመሰግናለሁ፡፡

APPENDIX B

Interview Questions

Interview questions with MSE operators

1. What problems did you face while running MSEs in relation to:
 - Management and expertise skills (lack of clear division of duties and responsibility among employees , lack of well trained and experienced employees, lack of strategic business planning , poor organization and ineffective communication)
 - Entrepreneur factors (lack of motivation and drive, lack of persistence and courage to take responsibility for ones failure, lack of entrepreneurship training , absence of initiative to assess ones strengths and weakness)
 - Customer relationship(lack of cares about customer satisfaction, poor relationship building ,lack of making use of customer feedback)
 - Marketing skills(searching new market is so difficult , lack of demand forecasting, poor customer relationship and handling, lack of relationship with an organization that conduct marketing research)
 - Resources and finance(inadequacy of credit institutions, shortage of working capital , Lack of cash management, high collateral requirement from banks and other lending institutions skills ,high interest rate charged by banks and other lending institutions
 - technological change(lack of appropriate machinery and equipment , Lack of skills to handle new technology, lack of money to acquire new technology, unable to select proper technology
 - Politico-legal (bureaucracy in company registration and licensing, corruption is as facilitator in business,)
2. What are other problem(s) faced regarding the overall functioning of business activity?

APPENDIX C

Regressions Tables

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.783 ^a	.612	.584	.52096

a. Predictors: (Constant), Product and service features factors, Marketing skills, Technological Change, Customer Relationship, Management and expertise skills, Working Place Factors, Resource and finance, Entrepreneur factors, Politico- legal

Coefficients a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.658	.243		2.709	.008
Management and expertise skills	-.032	.053	-.048	-.608	.544
Entrepreneur factors	.063	.052	.098	1.212	.228
Marketing skills	.130	.057	.174	2.295	.023
Customer Relationship	.127	.049	.184	2.575	.011
Resource and finance	.155	.062	.211	2.520	.013
Technological Change	.128	.059	.173	2.176	.031
Politico- legal	.026	.060	.037	.424	.672
Working Place Factors	.115	.062	.155	1.842	.068
Product and service features factors	.082	.057	.114	1.436	.153

a. Dependent Variable: Financial Performance