ST.MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

DETERMINANTS OF MICRO AND SMALL ENTERPRISES PERFORMANCE IN BATU TOWN ADMINISTRATION

By

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BY

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DECLARATION

I, the undersigned, declare that this thesis is my original work. All sources of materials used for this thesis has 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.

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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)   ------------------------

Advisor   Signature

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List of abbreviations/acronyms

CSA   Central Statistical Authority

EEA   Ethiopian Economics Association

GDP   Gross Domestic Product

GEM   Global Entrepreneurship Monitor

GTP   Growth and Transformation Plan

ICT   Information and communication Technology

ILO   International Labor Organization

MoI   Ministry of Industry

MoTI   Ministry of Trade and Industry

MSEs   Micro and Small Enterprises

OECD   Organization for Economic Cooperation and Development

R&D   Research and Development

ROI   Return on Investment

SMMEs   Small, Micro and Medium Enterprises

SPSS   Statistical Package for Social Sciences

TVETS   Technical, Vocational Education and Training

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ABSTRACT

The main objective of this study was to investigate determinants of micro and small enterprises performance in Batu town administration. In order to achieve the objectives of the study, primary data were collected using close- ended questionnaires from 119 MSEs through stratified systematic random sampling. Data were analyzed quantitatively using both descriptive and inferential techniques. Face- to- face interview was conducted with 10 MSEs operators, TVET college dean, vice head of Batu Town Urban Job Creation and Food Security Office and one senior expert from the same office. Responses from interviewees were analyzed using descriptive narrations. Results revealed that MSEs in Batu town administration lack adequate finance and working premises to carryout their businesses effectively. Marketing problems, politico-legal challenges like petty corruption, management problems, inadequate infrastructure, inability to select and use new technology and problems related to entrepreneurship were the major challenges of MSEs performance. Hence, the concerned government bodies and other stake holders have to work hand in hand in the areas of accessing finance, training, searching market opportunities, enhancing infrastructure and solving challenges of working premises.

Key words: performance, micro and small enterprises, Technical, vocational, education and training, determinants, Batu town administration.

Chapter One

Introduction

1.1. Background of the Study

The Government of Ethiopia has paid due attention to MSEs in its industry development plan because MSEs serves as vehicles for employment opportunities at urban centers and so they enhance economic development. (MSEDA, 2011:6). In GTP I, emphasis was given to micro and small enterprises development. The significant role of micro and small enterprises for job creation, entrepreneurship expansion and industrial development has been clearly indicated. Rent seeking, low level of entrepreneurial competency, low technology and skill capability, as well as finance and market related problems have been the major challenges of micro and small enterprises. Notwithstanding these challenges, enterprises have been expanding and jobs have been created across the country. In areas where there was encouraging performance, entrepreneurship, and small-scale trading and investment activities have expanded, leading to revitalizing of local economies and reduction of unemployment (National Planning Commission, 2015:29).

Micro and small enterprises development was given due emphasis in GTP II to enable them register rapid and sustainable growth and sustain rural development and lay the foundation for industry development. In GTP II, focus is on the expansion of enterprises by creating substantial developmental investors. Based on the small and micro enterprises development strategy, supporting frameworks and implementation strategies intensive work is undertaken to organize small and micro enterprises (SMEs) operators and support them to start business. Providing effective supports at different levels, expanding and strengthening monitoring and support areas, a strategy to broadening the base of selecting developmental investors is the direction of implementation in the plan. Making available adequate finance, creating market linkages/ networks and creating conducive climate for business activities are the main areas of focus in order to make these business operators profitable through enhancing their competitiveness in price, quality and quantity. On the other hand, making massive efforts to promote small and micro enterprises to the level of developing medium enterprises or company level is the key issue in the GTP II (National Planning Commission, 2015:148).

As ILO (2009:6) states, micro, small and medium-sized enterprises, 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.

According to Aynadis and Mohammednur (2014:149) nowadays MSEs are recognized as vehicles for economic growth and reduce poverty and unemployment. But some years ago MSEs were considered as unproductive enterprises contributing nothing for the growth and development of nations.

As ILO (2008) cited in Abera (2012:1) in developing countries, MSEs by virtue of their size, capital investment and their capacity to generate greater employment, have demonstrated their powerful propellant effect for rapid economic growth. The MSE sector has also been instrumental in bringing about economic transition by providing goods and services, which are of adequate quality and are reasonably priced, to a large number of people, and by effectively using the skills and talents of a large number of people without requiring high-level training, large sums of capital or sophisticated technology.

As per the study that was conducted by Shiferaw (2013:123-124) micro and small enterprises have significant roles in the Ethiopian economy. Their role is immense in terms of employment generation, powerful instrument in economic growth, source of income, quick production response, their adaptation to weak infrastructure and use of local resources, a means of realizing equitable income distribution and injecting a feeling of competition. The same researcher stated MSEs also have great value in Ethiopian socio-economic growth as it requires small capital, promote inter linkages as it is a base for medium and large scale enterprises, increased domestic saving and investment. He further explained MSEs help for balanced development provision of goods and services which are better adapted to local needs, access to improve quality of work and working conditions which may contribute to a better quality. MSEs increased economic participation of disadvantaged and marginalized groups in the society.

As clearly stated in El-Hamid (2011:3) the most commonly used measures of performance include profitability, growth in employees, and survival. Profitability (i.e. the excess of revenues over expenses) is an essential indicator of business performance.

According to Werotew (2010 as cited in Abera, 2012:3) micro and small enterprises in Ethiopia faced several factors that determine their performance. The major factors include financial problems, lack of qualified employees, lack of proper financial records, marketing problems and

lack of work premises, etc. Other environmental factors which affect the business include social, economic, cultural, political, legal and technological factors. In addition to the environmental factors there are internal factors that affect the performance of MSE. These are factors related to the person's individual attitude, training and technical know-how.

Despite having immense contribution in creating job opportunities and building the economy of developing countries, MSEs operation and performance have been persistently challenged by numerous internal and external factors. Investigating the impacts of these internal and external factors on MSEs performance is therefore essential. There were no previous studies on MSEs performance in Batu Town. This research, therefore, aims to investigate those internal (firm-specific) and external (out of the firm) factors determining the performance of MSEs in Batu town administration.

1.2. Statement of the problem

According to Kantis et al.,(2004 as cited in El-Hamidi, 2011:2) a global slowdown in GDP growth, drop in household incomes, changing consumption patterns, reduced access to external credit, and stagnating demand on exports have turned the attention to the one sector that is crucial to the survival and maintenance of any local economy. The same authors argued that domestic demand is now perceived as the target for recovering economies worldwide, and micro and small enterprises are viewed as the impulse of domestic demand. In recent years, developing countries have been undertaking a fundamental shift away from a largely governed economy towards an entrepreneurial economy.

Micro and small enterprises are not performing well because of various determinants. According to Ethiopian Economics Association (2015:2-3), during the last few years the performance of MSEs has fallen short of expectations due to various challenges. These include, problems related to finance, access to market and low competiveness, business information, working premises, poor acquisition of technical skills and managerial expertise, appropriate technology, and access to quality infrastructure. The above-named study further stated that micro and small enterprises lack the initial start-up capital. Even though working premises was considered in EEA research brief, standard of working premises as per the climate condition of a particular area was overlooked. Working premises for MSEs operators need to be constructed/prepared according to some known standard that suits hot and windy climate condition of the study area. That standardized working premises enhance performance of MSEs.

According to Mulugeta (2008 as cited in Mulugeta, 2014:3) the reasons for poor performance and stagnant growth of MSEs are unfavorable legal and regulatory frameworks, underdeveloped infrastructure, poor business development service, limited access to finance, ineffective and poorly coordinated institutional support. Almost similar problems were raised by Washiun& Paul (2011), Gurmeet& Rakesh (2008 as stated in Gezhahegn and Agarwal, 2016:86). These authors argued that poor performance of MSEs in Ethiopia is due to a number of factors such as unfavorable legal and regulation condition, lack of access to market, poor access to quality business infrastructure, problems of raw materials and lack of working capital.

Tarfasa et.al, (2016:9) concluded that the key factors for the growth of micro and small enterprises include characteristics of MSEs and managers, institution, location, the sectors in which the MSEs operate and innovation or competitiveness. Though he raised factors like characteristics of MSEs and managers, institution, location, the sectors in which the MSEs operate and innovation or competitiveness, he did not consider the effect of petty corruption on performance of micro and small enterprises. According to Anti corruption Resource Center (2017) petty corruption is a form of corruption which is pursued by junior or mid level agents who may be grossly underpaid and who depend on relatively small but illegal rents to feed and house their families and pay for their children's education. Anti corruption Resource Center further explains that petty corruption usually involves much smaller sums than those that change hands in acts of grand or political corruption. The amounts are not petty for individuals adversely affected. Such corruption type disproportionately hurts the poorest members of the society who may experience requests for bribes regularly in their encounters with public administration and seek services like hospitals, schools, local licensing authorities, police, taxing authorities and so on. Individuals who involve in MSEs operation are those poorest members of society in the Ethiopian context as well as in the context of the study area. Such individuals are victims of petty corruption directly or indirectly during seeking different services and supports from junior or mid level agents of the government. Therefore, understanding the impact of petty corruption on performance of MSEs is very important.

Ababiya (2013:44) in his study on performance of micro and small enterprises identified the following factors which hinder the performance of micro enterprises. These include lack of entrepreneurial skill of the operators, low amount of initial capital to inter into the business, low experience of managers in overall managerial activity. The author also includes low education level of the operators, limited access to training to initiate and capture knowledge, limited access

to market to exchange their products and services, low age of enterprises, low level attained age of operators and improper number of employees in the enterprises as factors which hinder the performance of micro enterprises. Even though he tried to mention about entrepreneurial skill of the operators, he did not exhaustively discuss what is behind entrepreneurial skill which hinders performance of micro and small enterprises. Cooper (1981) as cited in Das (2000-2001:68-73) proposed that three factors influence entrepreneurship antecedent influences. These are background factors such as family influences and genetic factors that affect motivation, skills and knowledge), the nature of the organization that the entrepreneur was employed in just prior to starting a business and experiences learned there and environmental factors such as economic conditions, access to venture capital and support services. The same author concluded that most of these women (51%) used their own funds or funds borrowed from spouse/family to set up their business. According to Miller (1983), Lumpkin and Dess (1996) and Wiklund and Shephared (2003 as cited in Ghebremichael and Kassahun, 2014:134) an enterprise is said to be entrepreneurial firm if it is engaged in product and market innovation, committed to allocate resources in order to undertake something risky business, and first to come up with proactive innovations and products/services, exploit market opportunities ahead of competitors which enables it to gain superior growth.

Furthermore, previous studies conducted in Ethiopia focused on the regional level and sub cities of Addis Ababa - Ethiopia. So that, this work contributes to fill the research gap of MSEs existed in the towns that are at the lower level and what factors mostly affecting at this micro level. In light of the above-mentioned fact, the purpose of this study is to investigate the major external and internal determinants of micro and small enterprises performance in Batu town administration. With the help of adequate and appropriate empirical data on the factors affecting the performance of MSEs, this study will test the following hypothesis:

Ha1: The business environments of Ethiopia aimed at MSE development do affect the performance of MSEs engaged in service, trade, construction and manufacturing sectors of Batu town administration.

Ho2: The business environments of Ethiopia aimed at MSE development do not affect the performance of MSEs engaged in service, trade, construction and manufacturing sectors of Batu town administration.

1.3. Research questions

On the bases of the above statements of the problem this research attempts to address the following questions.

1. What does the MSEs performance in Batu town look like?
2. What are the major internal (firm-specific) and external (out of the firm) factors that affect performance of micro and small enterprises?
3. How do internal (firm-specific) and external (out of the firm) factors determine the performance of micro and small enterprises?
4. What are the key strategies to be followed in order to make all MSEs actors in the government sectors play their role according to the MSEs strategy to improve performance of MSEs?

1.4. Objectives of the study

1.4.1. General objective

The general objective of the study is analyzing the determinants of performance of MSEs in Batu town administration.

1.4.2. Specific objectives

➢ To investigate what does the MSEs performance in Batu town look like?
➢ To identify the major external and internal determinants of performance of MSEs in Batu Town administration.
➢ To explain how internal and external factors determine the performance of micro and small enterprises.
➢ To indicate the key issues to be considered in order to make all MSEs actors in the government sectors play their role according to the MSEs strategy to improve performance of MSEs.

1.5. Significance of the study

Findings from this study will support interested individuals and institutions regarding performance aspect of micro and small enterprises. The study will provide an overview of understanding of the major determinants of MSEs performance. The findings of this study will help MSEs in Batu town and others, within an insight into the benefits of using different

factors studied in this research to predict determinants of MSEs performance. The government can use the findings of this study in policy formulation and for development framework for critical finance, marketing, work premises, ethical issues and other determinants that affect the performance of MSE. Moreover, the findings of this study will help the policy makers, financial institutions and other stake holders in indicating directions to follow to encourage MSEs.

1.6.   Delimitation and limitations
1.6.1. Delimitation of the study

The study assessed determinants of MSEs performance in Batu town administration. Although, there are different issues that can be researched in relation to MSEs, this study was delimited to the politico-legal, working premises, technological, infrastructural, marketing, financial, lack of support from nearby TVET institution, management and entrepreneurial factors. The scope of the study covered MSEs especially in the business sectors of service, trade, construction and manufacturing.

1.6.2. Limitations of the study

Like all research, this study has limitations. One of the problems that encountered in the study area was operator's reluctance to cooperate due to suspicion that disclosing information may lead to negative effect on their business. Instability in the region contributed something that made respondents reluctant to cooperate. It is very important to note that these limitations did not have significant effect on the outcome of the study.

1.7.   Organization of the Study
This study is organized in five chapters. The first chapter comprised of background of the study, problem statement, objectives of the study, research hypothesis and the scope of the study. Chapter two presents the theoretical and empirical related literature, while chapter three provides research methodology. Chapter four is data presentation, analysis and interpretation. Chapter five concludes the study and suggests some recommendations.

1.8.   Operational definitions of terms
Enterprise: it refers to a unit of economic organization or activity whether public or private engaged into the manufacturing of goods and delivering services.

Factors: factors are contributory aspects such as , standards of working premises, technologies, infrastructures, marketing, financial, ,support, petty corruption, support by the nearby TVETs and entrepreneurial influences that affect performance of micro and small enterprises.

Micro enterprise: means under industry sector (manufacturing, construction and mining) micro enterprise is an enterprise which operates with 5 people including the owner and/or its asset is not exceeding Birr 100,000(one hundred thousand).Under service sector (retailer, transport, hotel and Tourism, ICT and maintenance service) it operates with 5 persons including the owner of the enterprise and/or the values of total asset is not exceeding Birr 50,000(fifty thousand)..

Performance: performance defined in terms of profitability of the MSEs.

Respondents: respondents are those individuals who are owner managers or operators of an enterprise and others.

Small enterprise: in industrial sectors (manufacturing, construction and mining) small enterprise is an enterprise which operates with 6-30 persons and/or with a paid up capital of total asset Birr 100,000(one hundred thousand) and not exceeding Birr 1.5 million. In Service sector (retailer, transport, hotel and Tourism, ICT and maintenance service) small enterprise is 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.

Profitability: is the excess of revenues over expenses.

Petty corruption: is the everyday corruption that takes place where bureaucrats meet the public directly or a form of corruption which is pursued by junior or mid-level agents.

Chapter two

Review of related literatures

2.1.   Introduction

This chapter reviews works on MSEs in Ethiopia and other countries in the world. Works on performance and determinants of performance were also reviewed. The chapter comprises definitions of MSEs, the role of MSEs in economy, the MSE sector in Ethiopia, the concept of business performance, empirical studies and the conceptual framework.

2.2.   Definition of micro and small enterprises

According to the Organization for Economic cooperation and Development Policy Brief, MSEs are defined as non-subsidiary, independent firms which employ fewer than a given number of employees. This number varies across national statistical systems. Some countries set the limit at 200 employees, while the United States considers MSEs to include firms with fewer than 500 employees. Small firms are generally those with fewer than 50 employees, while micro-enterprises have at most ten, or in some cases five, workers. (OECD, 2000:2).

As stated by Dabaneh and Tukan (2007:5) the definition of the European Commission takes into consideration three different indicators: staff headcounts, annual sales and assets. The Commission defines   medium enterprises are those enterprises that employ fewer than 250 people and have annual sales not exceeding \$67 million and/or total assets not exceeding \$56 million. Small enterprises are defined as those enterprises employing less than 50 persons and with annual sales or total assets that do not exceed \$13 million. Meanwhile, micro enterprises are defined as those which employ fewer than 10 persons and with annual sales or total assets that do not exceed \$3 million.

In Kenya, micro and small enterprise is defined by the number of workers, the turnover and assets of the enterprises. According to Kenya's Micro and Small Enterprises Act 2012,as stated in Institute of Economic Affairs Policy Brief pp.1,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 Kshs0.5 - 5 million, with the number of employees in the range from 10-50 people.

In the past the definition of Micro and Small Enterprises in Ethiopia was based on different criteria by different institutions. Ministry of trade and industry defined MSEs based on paid up capital only. According to MoTI, (1997:8) microenterprises are those small business enterprises with a paid-up capital of not exceeding birr 20,000 and excluding high technology consultancy firms and other high technology establishments. Similarly, small enterprises are those business enterprises with a paid-up capital of above 20,000 and less than or equal to birr 500,000, and excluding high technology consultancy firms and other high technology establishments.

 Central statistical agency as stated in (MSEDA, 2011:28-29) defined MSEs based on employment and favors capital intensive technologies as yardstick. MSEs are Cottage and handcraft industry that performs their activities by hand and using manpower driven machines. Besides the above, it defined small scale manufacturing enterprises as establishment employing less than 10 persons and using motor equipment.

The definition given by the ministry of industry does not provide information on the number of employees. It also overlooked the size of the total assets for MSEs and did not differentiate between manufacturing and services. The definitions given by CSA were focused on manufacturing by ignoring other sectors. It also failed to use the size of capital in the definition.

 However, the current definition takes in to consideration human capital and assets as the main measures of micro and small enterprises to fill the gaps overlooked by the old definitions.

The new definition of MSE is given as follows. Under industry sector (manufacturing, construction and mining) micro enterprise is an enterprise which operates with 5 people including the owner and/or its asset is not exceeding Birr 100,000(one hundred thousand).Under service sector (retailer, transport, hotel and Tourism, ICT and maintenance service) it operates with 5 persons including the owner of the enterprise and/or the values of total asset is not exceeding Birr 50,000(fifty thousand). Small enterprise in industrial sectors is an enterprise which operates with 6-30 persons and/or with a paid up capital of total asset Birr 100,000(one hundred thousand) and not exceeding Birr 1.5 million. In Service sector, small enterprise is 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 MSEDA, 2011:29-30).

Table 2.1 New MSE Definition (2011)

Level of the enterprise	Sector	Human power	Total asset
Micro enterprise	Industry	≤5	≤100000($6000 or E4500)
	Service	≤5	≤50,000($3000 or E2200)
Small enterprise	Industry	6-30	≤birr 1.5 million ($9000 or E70000)
	Service	6-30	≤birr 500,000($30000 or E 23000)

(MSEDA, 2011:29_30)

As we can understand from the above definitions, there is no uniform definition of MSEs. Different scholars define MSEs differently based on the context of the country under review. As indicted above, it is usual to see that different institutions define MSEs differently using their own parameters.

2.3. The role of MSEs in economy

Micro, small and medium enterprises account for over 90% of enterprises in all countries. They are an important source of output and employment (ILO, 2009:7). According to Mbuguaet al.(2014:1) micro and small enterprises have been identified the world over as the stepping stones for industrialization. Robust economies like the United States of America and the United Kingdom trace their development from growth and development of their MSEs. Cognizant of the role of MSEs in economy, the Ethiopian government continues paying attention to the development of MSEs. According to (MoI, 2013:20-25) particular emphasis is given to the

promotion of micro and small enterprises as well as supporting the development of medium and large-scale industries. Ethiopian Industrial Development Strategic Plan (2013-2025) emphasizes the role of MSEs to this country. According to this strategic plan MSEs stimulate economic growth, create employment opportunity and reduce poverty. The same document states that, in order to achieve the mentioned purpose, a comprehensive micro and small enterprises development strategy was devised and approved by the government in consultation with all relevant actors. The responsible federal agency for the execution of the strategy was reorganized to strengthen its institutional capacity.

2.4. Micro and small enterprises development in Ethiopia

Ethiopia is one of the countries which gives recognition to micro and small enterprise. This is clearly mentioned in the country's micro and small enterprise development strategy. As per this strategy MSE is one of the institutions that has been given recognition in the country's industry development plan. This is due to the fact that it serves as vehicles for employment opportunities at urban center. MSE serves as sources for sustainable job opportunities for developing and developed countries. Due to this, they should be given prior attention as they are important and serve for sustainable source of opportunities to our country (Federal Democratic Republic of Ethiopia MSEDA, 2011:6).

The same strategic document precisely states the core problems in the process of developing MSEs. These include technology, skill, capital, market challenges and backward attitude towards rent seeking. Besides the mentioned problems, Perceiving the MSE themselves as reflection of poverty and backwardness, waiting government for job rather than being innovative, failure in developing the culture of saving are some of the indicators of failure in improving productivity and being competent in market (Federal Democratic Republic of Ethiopia MSEDA, 2011:7).

2.5. MSE development strategy in Ethiopia

Ethiopia has developed the new micro and small enterprise development strategy in 2011 with the following major objectives. The first objectives are creating job opportunity and poverty reduction. The second objective is enabling the sector competent for industry development that facilitates economic growth. Expanding the sector's development in urban by creating developmental investors is the third objective. The short term program of MSE development strategy in Ethiopia is to ensure fast development by saving capital and thereby

benefiting the society from the development where as the medium and long term plans are targeted at serving as source of investors. Government of Ethiopia believes that the TVET systems should create and develop integration between education, training and development. It is the only TVET system that provides crucial support for the development of MSE. The TVET system is the best mechanism for promoting urban development (Federal Democratic Republic of Ethiopia MSEDA, 2011:12-15).

2.5.1. Organization of the federal MSE development agency

Learning from Previous experiences the country has reorganized MSE development agency in order to improve its serving and implementation ability. The agency is organized in a better way in terms of leadership, manpower etc. The institution is organized in two sectors, namely, capacity building and business development sectors. Councils of micro and small enterprise development were established at federal, region, district and town levels. Major activities for these parties were unequivocally indicated in the strategy.(Federal Democratic Republic of Ethiopia MSEDA, 2011:65-67).The main question here is whether the above mentioned bodies are actively accomplishing their duties as per the strategy to improve performance of micro and small enterprises.

2.6. Internal and external problems of small business

Among internal problems of small business failure to submit financial statements in time is one. Due to this failure financial institutions are not able to reschedule repayment of term loan. Lack of experience is another internal problem. An entrepreneur may have technical qualifications but may not have sufficient insight in to demand potential, financial management, raw material availability etc. Unfair competition from big firms, low risk bearing capacity and lack of adoption of modern sales promotion drives are also internal problems of small business.

Difficulty in obtaining variety of approval and clearance is one of the external problems of small business. Large amount of time of a small entrepreneur is spent in complying with the formalities prescribed by regulatory agencies. The red tapism dampens the enthusiasm of many a budding entrepreneurs. In adequate infrastructure is another external factor which hinders small business. Most of small firms heavily depend on guidance and scrutiny by promotional agencies and banks right from preparation of project profile to final execution. Non availability of adequate working

capital from banks in addition to delay in sanction or release of working capital and cold shouldering of ancillary by large units are additional external problems of small business (Bansal 1992:18_19).

2.7. The concept of business performance

Looking at various literature of small firm performance, it can be perhaps justifiable to deduce that performance of small firm is synonymous to success and growth. Thus, performance, success and growth of the firm are assumed to be synonyms due to the fact they would be measured using similar indicators, such as survival, profit; return on investment, sales growth, number of employees, happiness, reputation, and so on. Consequently, performance, success and growth of small firm can be used interchangeably (Tadeled and Viswanadham, 2016:532).

2.8. Business performance measurement

A business organization 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 SMEs have adopted a hybrid approach of using both the financial and non-financial measures. These measures serve as precursors for course of actions (Chong, 2008:1).

As briefly explained in El-Hamidi (2011:3) profitability is the excess of revenues over expenses. It is an essential indicator of business success. Recent research has cited firm's growth as an additional measure of performance. Growth, according to these studies, is likely in the form of higher earnings or employing a larger number of workers. Empirical evidence has documented a consistent and robust relationship between human and financial capital and the performance of the business. Higher levels of general human capital pave the way for a successful and a growing business. They raise the expectations of the businessperson and lower the likelihood of failure, enable the entrepreneur to identify and exploit opportunities, and empower him/her with tools necessary to succeed in securing external capital.

2.9. Empirical Study

The study conducted by Mbugua et al. (2014:1) concluded that access to finance and availability of management experience are the key socio-economic factors affecting the performance of MSE in Limuru Town Market of Kiambu County, Kenya. The other key factors that were found to affect businesses in Limuru Town Market positively are: access to business information, access to infrastructure and government policy and regulations.

According to Ellitananatan (2009) as precisely stated in Idris (2015) under conditions of intense competition and uncertain business environment, the company's performance is largely determined by competitive strategy that is supported by the company's internal capabilities. Doise (2008) as argued in Idris (2015) also found that independently, corporate culture and corporate strategy has been widely studied in connection with the performance of the company, but little is known about how the relationship between culture and strategy affects performance the company (Idris, 2015:15).

According to the GEM South Africa 2014 report, lack of access to finance and poor profitability, are among the chief reasons for business discontinuance in South Africa. The lack of access to physical infrastructure is a key impediment to business growth and adds significantly to the cost of doing business. In South Africa infrastructure is one of the key enablers for SMMEs development. Ease of access to communication infrastructure, utilities and transport, land or space at affordable prices can be instrumental to supporting new businesses. Building R&D capacities is important for small businesses, as it can help determine the feasibility of transforming ideas into actual businesses. Investing in this aspect of business also allows businesses to access innovative solutions through the process of discovery (seda, 2016:7-8).

In the study that was undertaken by Ebitu et al. (2015:72) marketing problems are simply those marketing factors that can impede, disrupt or hinder the growth, development and expansion of the firm in its effort to satisfy its target market and also create value for the organization. They also explained that small businesses face myriads of problems. Some of the problems which are relative to their size include epileptic power supply, lack of capital, inefficient management, difficulty in employing skilled manpower, fraud, inability to analyze market opportunities, advertising and marketing problems, research and production inefficiencies, problems of standardization, poor quality products, etc.

Duchesneau and Gartner (1990) identified three categories of factors that are thought to influence the likelihood of small business success: entrepreneurial characteristics, start-up behavior, and the firm's overall strategy. According to their findings, factors that contributed heavily to successful performance were: prior related experience, an effort to reduce business risk, long working hours, good and clear communication, superior customer service, proper planning, and a flexible, participative, and adaptive organizational culture (Rami and Ahmed,2007) .

According to Siropolis (1998 as mentioned in Gezahegn, Zewdie,and Amentie(2015:71) the most common reasons why small business succeed or fail are marketing skills of business owners, prior industry experience of the operator, initial capital, level of education, and age of business owners.

In the research mentioned above, marketing, experience, capital, education, and age can contribute to the success or failure of small business. But nothing was said about the effect of petty corruption and standard of working premises on success or failure of small business.

In Ethiopia MSEs have been confronted by many problems. According to the CSA Report (1994-1995) as showed in Mulugeta (2008:6) the major obstacles experienced by MSEs were lack of access to finance, working premises (at affordable rent), lack of skills and managerial expertise, infrastructure, information and technology. These problems result in failure of these businesses to expand and have the effect of preventing their expansion almost from the beginning of their operations.

According to Adam (2014:138)the constraints of enterprises' employment growth, variables such as current capital, current employment, start up employment, finance source, motivation of the enterprises, access to business service counseling, family size of the operator and education level of the operator, were found to be important in explaining growth of employment of the enterprises. But the paper failed to say anything about effects of petty corruption, standard of working premises and support system from nearby TVET institutions to micro and small enterprises. Besides other variables, this study emphasized the effects of petty corruption, standard of working premises and support system from the nearby TVET institutions.

In actual fact, literature on MSEs in Ethiopia is inadequate. Most of the available empirical studies were not conducted in line with performance dimensions of micro and small enterprises. Those which were done on performance have their own distinct purposes and

were done in their specific areas. However, this study tried to investigate determinants affecting the performance of micro and small enterprise holistically and by focusing on those MSEs operators engaged in service, trade, construction and manufacturing in Batu town administration.

2.10.   The conceptual framework

To align the conceptual framework with the research objectives, enterprise performance is the dependent variable whereas politico-legal, working premises, support, technological, infrastructural, marketing, financial, management and entrepreneurial factors are all independent variables. The relationship can be shown below.
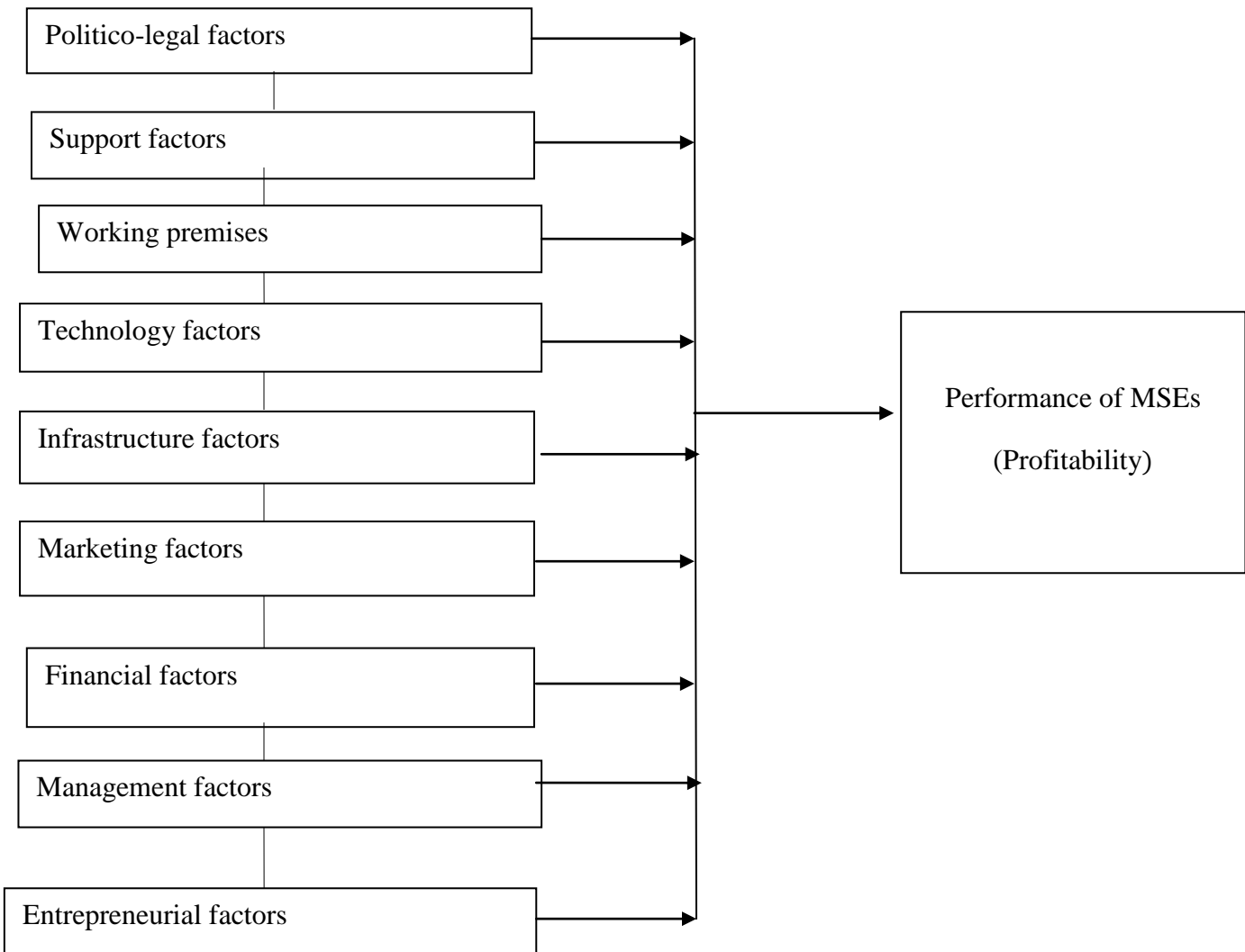
Figure 2.1Conceptualframework (own model)

Chapter three

The research methodology

3.1. Introduction

In order to investigate determinants of micro and small enterprises performance, this study used research methodology. The methodology Includes research approach, research design, research methods, Sampling techniques, data collection techniques and procedures, variables and measurements, data processing and analysis, ethical issues to anticipate and the study area profile.

3.2. Research approach

The researcher followed mixed approach to research. Mixed approach includes both quantitative approach and qualitative approach. The former involves the generation of data in quantitative form which can be subjected to rigorous quantitative analysis in a formal and rigid fashion. Qualitative approach to research is concerned with subjective assessment of attitudes, opinions and behavior. Such an approach to research generates results either in non-quantitative form or in the form which are not subjected to rigorous quantitative analysis (kothari, 2004:5).The data collection involves survey questionnaire and interview. Mixed approach is selected because it helps to minimize the weakness of relaying on one approach, and so better helps to investigate determinants of micro and small enterprises performance.

3.3. Research design

Research design is essentially a statement of the object of the inquiry and the strategies for collecting the evidences, analyzing the evidences and reporting the findings (Kumar, 2006:78). The types of research designs used under this study were descriptive and explanatory research. Descriptive research has the major purpose of describing the state of affairs as it exists at present. This study describes and assesses the determinants of the performance of MSEs in Batu town administration. Explanatory research design helps the researcher to explain how MSEs are performing and why they are performing in such a way. Explanatory research design also helps to determine the cause and effect relationships.

3.4. Research methods

Research methods may be understood as all those methods that are used for sampling, data collection and analysis of data (kothari, 2004:7-8).

3.4.1. Sampling techniques

Regarding sampling techniques the researcher used stratified systematic random sampling to get information from MSEs managers/operators in the study area. Stratified random sampling is more preferred because it is suitable in minimizing bias. With this technique, the sampling frame can be organized into relatively homogeneous groups (strata) before selecting elements for the sample.

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

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

Where n = sample size=139

N = population size=433

e = sampling error/level of precision=7%

This total sample size is proportionally distributed to each stratum.

Accordingly, 139 respondents were selected from the total of 433 MSEs which is 32% of the sample population. These 139 respondents were selected from service, trade, construction and manufacturing sectors on proportional basis. Therefore, 148x0.32= 47,124x0.32=40, 75x0.32=24, 86x0.32=28 for service, trade, construction and manufacturing respectively. Face-to-face interviews were conducted on the sample of 10 operators. Besides the 10 operators, Batu TVET college dean, Batu town urban job creation and food security office vice head and one senior expert from this office were purposively interviewed. These bodies can provide sufficient information as they have immediate exposure to MSEs in Batu town.

3.4.2. Data collection techniques and procedures

The study employed both primary and secondary sources of data collection**.**

I. Primary source

The study used questionnaire and interview guide as instrument of primary data collection. Regarding the administration the researcher conducted face-to-face interview with the MSEs operators, TVET college dean and other personnel from related sectors. During conducting interview, questions were asked in face-to-face contact with interviewee. Interview as method of data collection is preferred because of its high response rate. Questionnaires were distributed to the respondents concerned with a request to answer the questions on their own and return the questionnaire back. From the two commonly used types of questionnaire items close ended items were used. The questionnaires were designed in English and translated in to Amharic. The purpose of translating from English to Amharic helps to utilize those respondents who could not clearly understand English language. The interview questions were also designed in English and translated in to Afan Oromo.

II. Secondary sources

Secondary data were collected from, files, office manuals, policy and strategy papers were used to provide additional information where appropriate. Besides, books published and/or unpublished papers, government documents, website and others to enrich the study with secondary data.

3.5. Variables and measurements

According to Murphy et al, (1996 as cited in Rami and Ahmed, 2007:6) 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. 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 some might argue that most of these performance measures are appropriate for large corporations, the

researcher selected change in profit as dependent variable to measure the performance of MSEs. From the observation it can be understood that, MSEs focus more on profitability than other modes of performance measures. As recommended by Rami and Ahmed (2007:6) change in profit has been widely adopted by most researchers and practitioners in business performance models. Because of the above reasons the researcher selected change in profit as dependent variable to measure the performance of MSEs.The independent variables are politico-legal, working premises, support, technological, infrastructural, marketing, financial, management and entrepreneurial factors.

3.6. Data processing and analysis
3.6.1. Data processing

Data processing in this study was done manually and by computer. In the data processing procedure the raw data collected were edited, coded, classified and tabulated. Data processing has two phases namely: data clean-up and data reduction. During data clean-up the collected raw data were carefully edited to check, errors and omissions in responses.

3.6.2. Data analysis

The Statistical Package for Social Science (SPSS) version 20 was used to analyze the data obtained from primary sources. Descriptive statistics and inferential statistics were done by the help of this software. Tables and pie charts were used to summarize and present the data.

3.7. Ethical issues to anticipate
The purpose of the study was clearly described to the participants in a rational manner. During data collection proper care was taken in order not to put participants at risk. The researcher strictly followed other procedures during data collection that involved gaining the permission of individuals in authority to provide access to study participants at research sites. Regarding the right to privacy of respondents, the study maintained the confidentiality of the identity of the respondents. Names of participants are kept confidential. Collective names such as the interviewees and the respondents were used in the research.

3.8. The study area profile
Batu town is located in the state of Oromia. The town was established in 1950. It is 163 km to the South of Addis Ababa. The average elevation of Batu town is 1,646 meters above sea

level, and it has hot and windy climate. Geographically, the town is located between $7^0 56'$ latitude North and $38^0 43'$ East longitude in the Great Rift Valley. Its total area is 5,306.73 hectares with total population of 73,312. For administrative reasons, the town is structured at three administrative kebeles.Batu01, Batu02 and Abbosa.(Source, Batu town administration).

Chapter four

Results and discussion

4.1.   Introduction

This chapter presents the analysis; presentation and discussion of the data collected.139 questionnaires were distributed.119 were completed and returned. From this it can be understood that the response rate is 85.6%.A number of questionnaires returned from service, trade, construction and manufacturing are 39,32,24and 24 respectively. This represents a response rate of 82.9%, 80%, 100% and 85.7% for service, trade, construction and manufacturing respectively.

4.2.   Background characteristics of the Respondents

4.2.1.   Demographic characteristics of the respondents

4.2.1.1.Sex composition of the respondents

Figure 4.1 Sex composition of the respondents
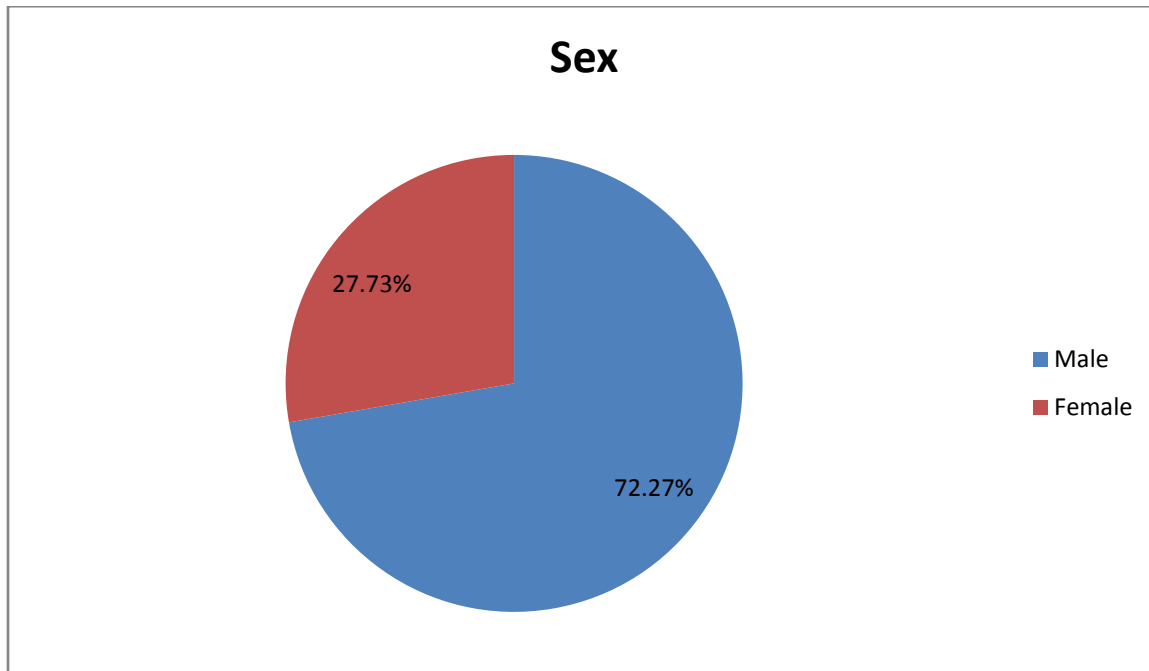
As indicated in the figure above 72.3% of participants in the study were males where as 27.7% were females. From this it can be understood that majority of managers are male. This implies that MSEs were dominated by males. Women operators are not proportionally

participated in the managing position in MSEs in Batu town administration. Because of male dominance women cannot contribute their knowledge and skills in managing the enterprises. Furthermore issues of equity can be raised by women in the enterprises. Issues of equity have negative influence on business performance as women can be reluctant in accomplishing their duties properly and carefully.

4.2.1.2.Age composition of the respondents

Figure 4.2 Age composition of the respondents
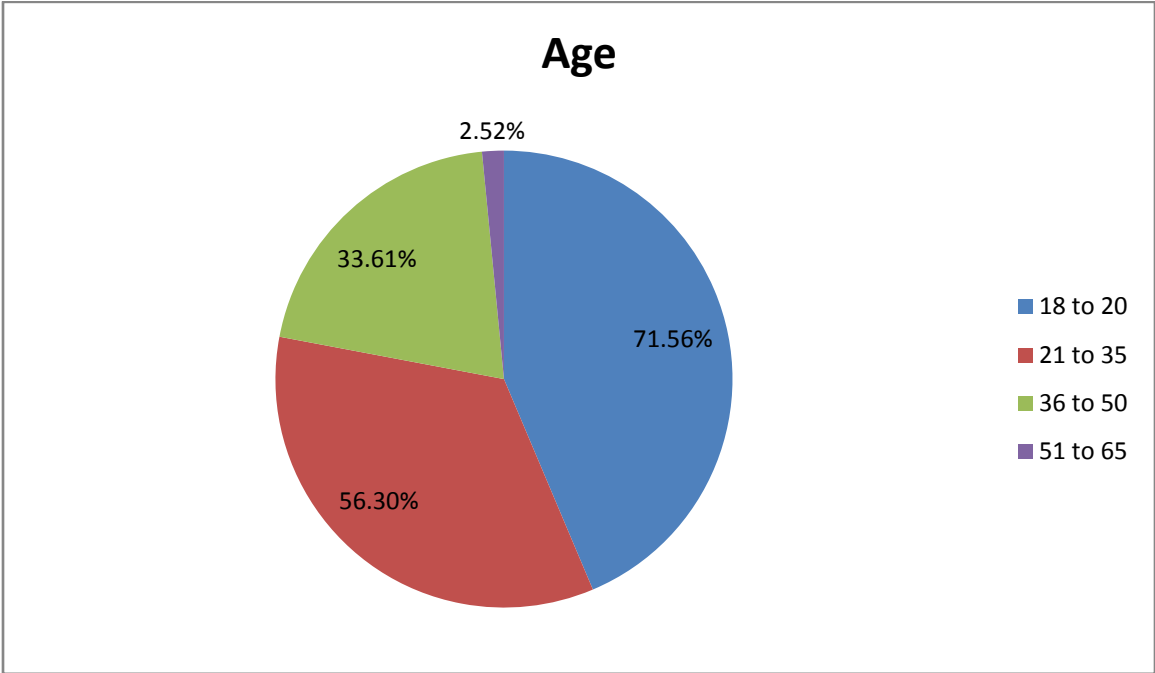
Regarding age of the respondents 71.6%, 56.3%, 33.6%, and 2.5% are between 18-20, 21-35, 36-50 and 51-65 respectively. This indicates that majority of the managers are between 21-35 age. Individuals in this age group are active and productive citizens. They can contribute a lot for the performance of MSEs in the town.

4.2.1.3.Marital statuses of the respondents

Figure 4.3 Marital statuses of the respondents
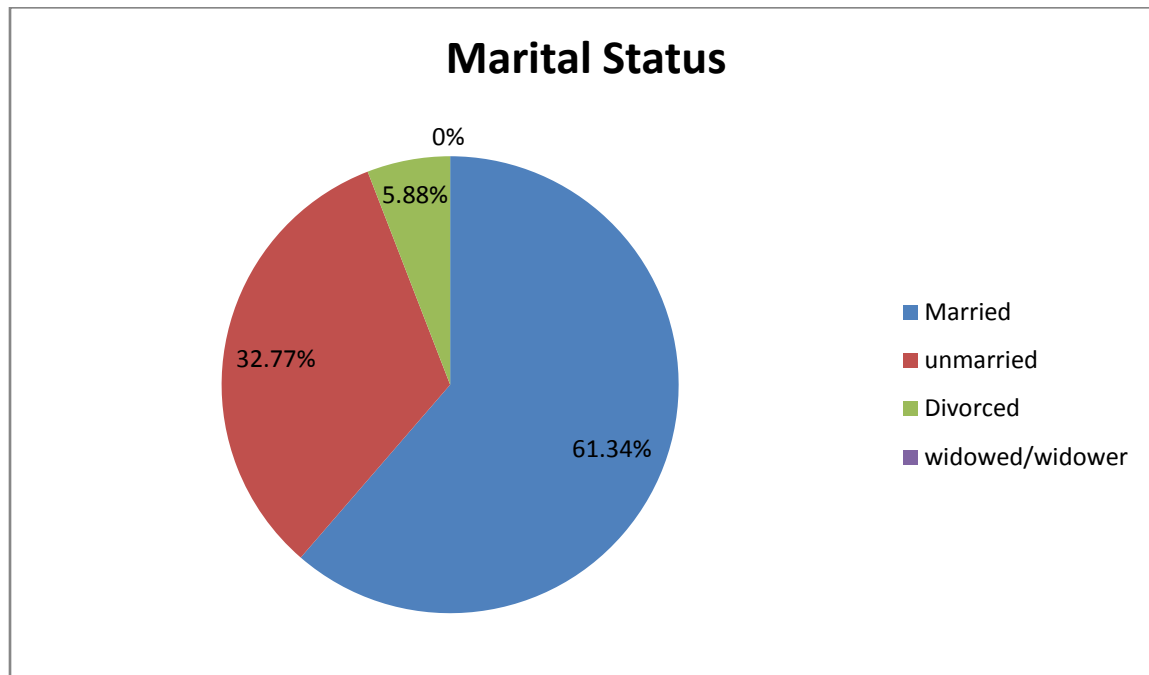
From the above figure 32.8%, 61.3% and 5.9% of the respondents were unmarried, married and divorced respectively. Majority of the MSEs managers were married. This indicates that they have the responsibility of managing their family. Such responsibility has positive influence on managing the business because married individuals have big burden of managing their family by generating income from their business. In order to generate income they can exert maximum effort to make the business profitable. This can lead to better performance of MSEs in Batu town administration.

4.2.1.4.Education levels of the respondents

Figure 4.4 Education levels of the respondents

Level of Education

- Below Primary
- 1 to 8
- 9 to 12
- Certificate
- Diploma and above

2.52%
20.21%
43.70%
10.08%
23.53%
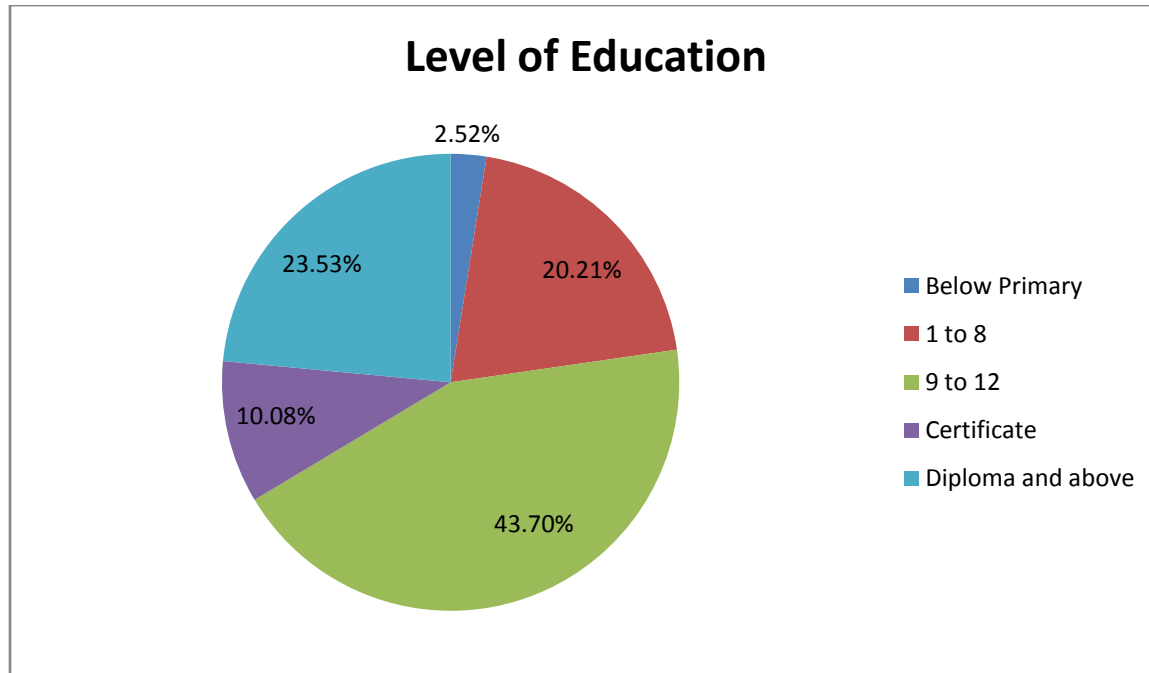
Majority of the respondents are from grade 9-12.This consists 43.7% of the respondents. Diploma and above holds the second large number which accounts 23.5% of the respondents. Respondents with education level below primary are only 2.5%.Those respondents with education level between1-8 are 20.2%.The rest of the respondents falls on certificate education level which accounts 10.1%.When the aggregate statistics is looked at majority (77.3%) of the managers are above grade 9 in their level of education. Individuals at this academic level have better know how in managing business. Better business management leads to profitability of business which is the measurement of performance of business.

4.2.2. Business Characteristics of the respondents

   4.2.2.1.Business activities of respondents

Figure 4.5 Business activities respondents

Business Activities

- Service 32.77%
- Trade 26.89%
- Construction 20.17%
- Manufacuring 20.17%
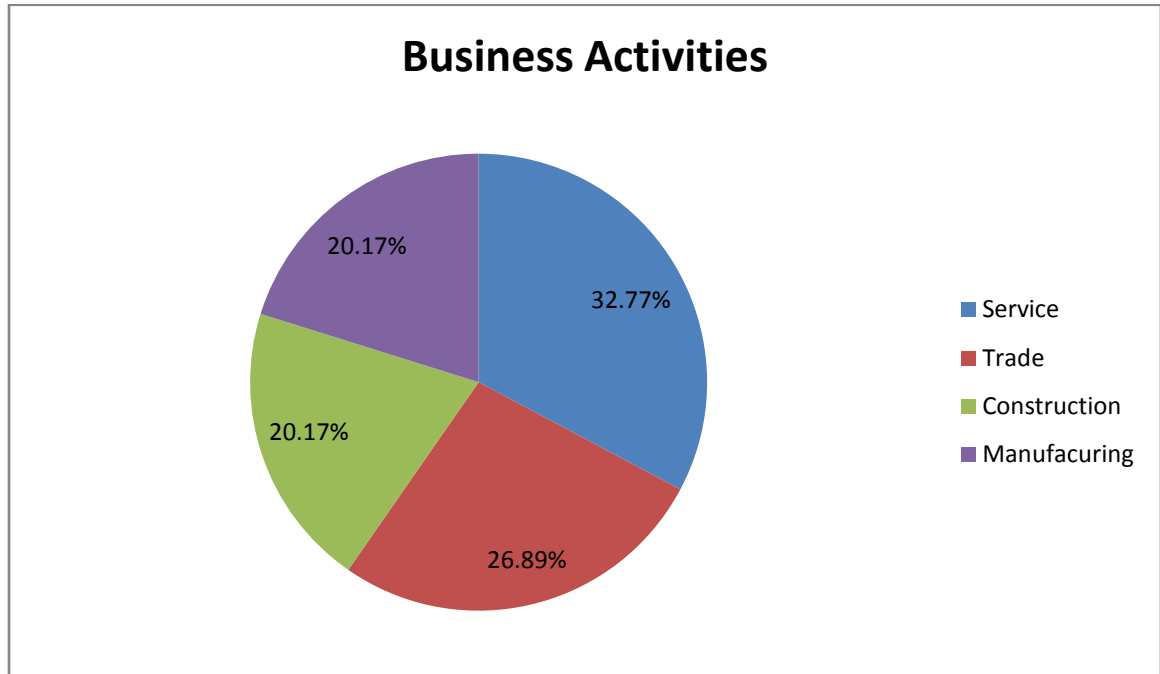
From the above figure majority (32.77%) of the operators were engaged in service sector. The second majority (26.89%) of the operators were participated in trade sector. The remaining portion (20.17%) was equally occupied by construction and manufacturing sectors. Categorizing MSEs in to different sectors has advantage of studying the critical determinants of MSEs the performance. This is due to the fact that business firms in different economic sectors encounter different problems. Critical determinant for one sector may not be critical for the other. For instance, change in the business environment which affects construction and manufacturing critically may not hold true for service and trade.

4.2.2.2.Number of employees in the enterprises

Figure 4.6 Number of employees in the enterprises
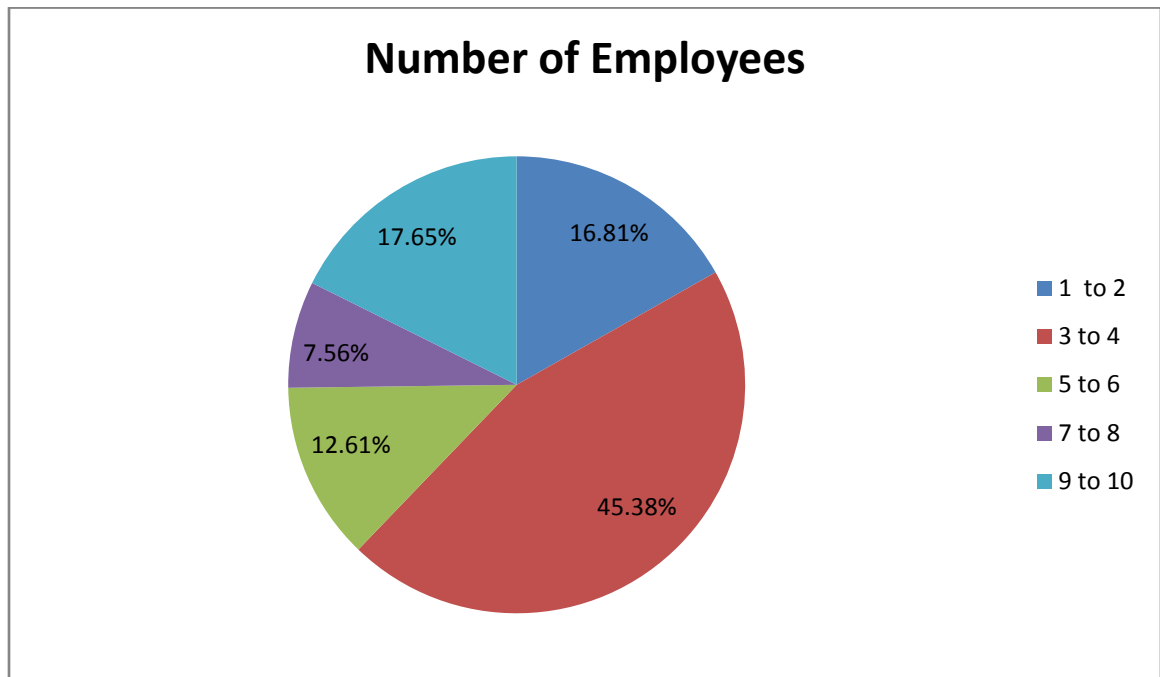
From 119 enterprises which took part in the study 16.8% of them have 1-2 employees. Enterprises with 3-4 employees are 45.4%.The remaining enterprises with employees 5-6, 7-8 and 9-10 are12.6%, 7.6%, and 17.6% respectively. From this it can be understood that majority of the enterprises hold 3-4 employees which consists 45% of the enterprises took part in the study whereas those enterprises with the number of employees 7-8 are 7.6%only.Majority of MSEs are running their activities by holding small number of employees. Because human resource is necessary for any organization to achieve its goals, working with small number of employees has negative impact on MSEs performance.

4.2.2.3.Source of initial capital to start business
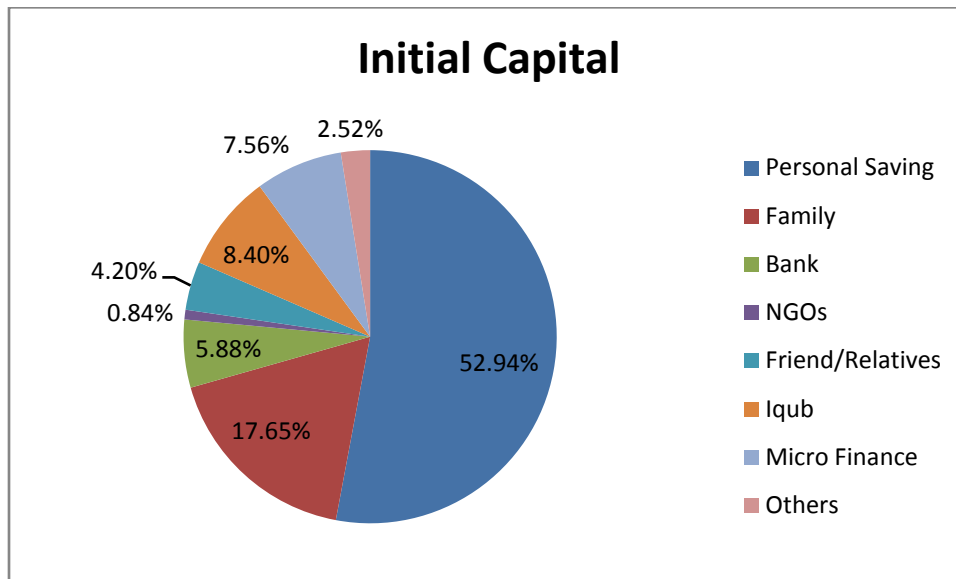
 The above figure indicated that (52.9%) of the enterprises used personal savings of their members as initial capital to start business. Enterprises which gained initial capital from family consists (17.6%).Those enterprises which accessed banks as source of their initial capital accounts (5.88%). NGOs, friends/relatives, iqub, micro finance institutions and others consist of (0.84%), (4.20%), (8.4%), (7.6%) and (2.5%) respectively. From this fact it is easy to understand that majority of the enterprises (52.9%) in Batu town administration used personal savings as initial capital to start their business. This finding agrees with the previous study conducted by Cooper (1988). According to Cooper (1981) as cited in Das (2000-2001:68-73) these women (51%) used their own funds or funds borrowed from spouse/family to set up their business. Those enterprises which account (5.9%) used banks as source of initial capital to set up their business. From this evidence it is understandable that MSES in Batu town administration are not exhaustively using banks as source of fund to start their business. The contribution of NGOs (0.8%) is insignificant source of fund for MSEs in Batu town administration.

4.2.2.4.The most Important Aspects for Business Success
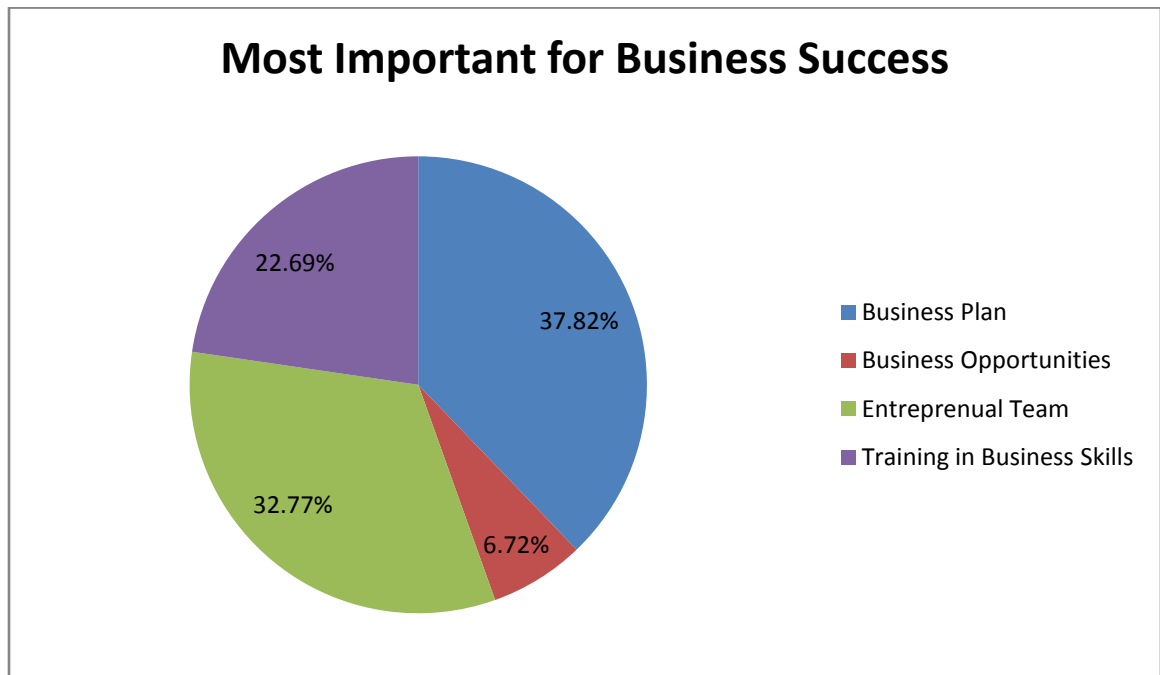
According to the above figure, majority (37.8%) of the respondents agreed that a business plan is the most important contributor for the success of their business. Respondents which consists (32.8%) revealed that the entrepreneurial team is important for the success of their business. The third majority (22.7%) of the respondents   clearly indicated that training in business skills is essential for the success of their business. The least number (6.7%) responded that business opportunities are important for the success of their business. The result pointed out that business plan is the most important aspect for the success of any business. Beside business plan the entrepreneurial team and training in business skills are also important aspects for the success of business.

According to the interview result, majority of the interviewees reflected that they did not give due attention to business plan. They also responded that they remember business plan when regulatory organs appear to their working places.

4.3. Descriptive statistics of determinants of the performance of micro and small enterprises

4.3.1. Results of measures of central tendency and dispersion

There are a number of determinants that affect performance of MSEs. This part explains the descriptive statistics calculated on the basis of the determinants that affect the performance of MSEs. The results for measures of central tendency and dispersion were obtained from the sample of respondents from service(S), trade(T),construction(C) and manufacturing(M) sectors are shown in the following tables.

4.3.1.1. Politico-legal factors that affect the performance of MSEs

Table 4.1. Politico-legal determinants that affect the performance of MSEs

Item	S		T		C		M		Grand Total	
Politico-legal determinants	M	SD	M	SD	M	SD	M	SD	M	SD
Petty corruption is as facilitator in business	3.61	1.65	4.31	1.09	3.79	1.38	4.21	.66	3.98	1.20
Bureaucracy obstacles in company registration and licensing	3.23	1.37	3.41	1.27	2.58	1.38	2.33	1.27	2.89	1.32
Lack of appropriate policy	2.41	1.37	2.69	1.62	3.12	1.51	2.08	1.35	2.58	1.46
Political intervention from officials	3.15	1.27	3.53	1.24	3.42	1.44	2.75	1.36	3.21	1.33
The tax levied on my business is beyond its financial capacity	3.31	1.47	3.47	1.57	3.50	1.35	3.04	1.57	3.33	1.49
Grand mean/standard deviation									3.20	1.36

Source: field survey, 2017

MN=mean, SD=standard deviation

As it is clearly indicated in the table above, petty corruption has a grand mean score of 3.98 and the standard deviation of 1.20 which shows that there is a petty corruption. Trade and manufacturing sectors are with mean scores of 4.31 and 4.21 and standard deviation 1.09 and 0.66 respectively. This shows that petty corruption in these sectors is chronic. Bureaucracy obstacles in company registration and licensing is with grand mean score of 2.89 and standard deviation of 1.32.This shows that bureaucracy obstacle in company registration and licensing is not a serious problem for MSEs performance in the town. But when individual sectors are looked at, especially trade and service sectors with mean scores of 3.41 and 3.23 and standard deviation of 1.27 and 1.37with their respective order show that bureaucracy obstacles are hindrances to lesser extent for MSEs performance. Such obstacles make MSEs in Batu town administration to sit idle till they complete legal formalities in lengthy period of time. Time MSEs stay idle can affect MSEs performance

Furthermore, the table indicates that political intervention is another problem that affects the performance of enterprises engaged in trade, service and construction with the mean scores of 3.53, 3.15 and 3.42 and standard deviation of 1.24, 1.27 and 1.44 respectively. On the contrary, respondents of manufacturing sector disagreed with the factors related to taxes levied on them. The mean score and standard deviation clearly show their disagreement.

When the above responses are compared with the interview responses from operators of MSEs, it was confirmed that there are problems related to petty corruption at the town level. Such petty corruption can hurt MSEs as such amount is great amount of money for MSEs to their financial capacity. This can make MSEs not perform better. The interviewees have pointed out that implementation problems are widely exercised at the lower level experts. There is lack of responsiveness to the demands of MSEs operators. This is deliberately done by experts. Government officials at higher position overlooked problems of MSEs as they run after seasonal issues. The interviewees further revealed that, still there exists very tough bureaucratic system that hinders easy facilitation of licensing; getting working places and registration of their business cumulative effect of these hindrances negatively affect performance of MSES. Specially, the response that was given by TVET college dean confirmed that acting as per government policies and strategies are the major problems for MSEs in Batu town. These challenges not only discouraged many MSEs operators but also

pushed some of them to facilitate their issues informally by giving benefits that are sought by the facilitators at the town level. Operators of MSEs interviewed additionally exposed that MSEs who refused to give what was asked by MSEs experts have no other chance than being kicked out of the business.

4.3.1.2.Working place determinants of MSEs performance

Table 4.2 Working place determinants of MSEs performance

Item	S		T		C		M		Grand Total	
Working premises.	M	SD	M	SD	M	SD	M	SD	M	SD
The rent of house is too high	2.13	1.39	1.94	1.34	3.04	1.55	1.08	.28	2.05	1.14
Current working place is not suitable to conduct business effectively	3.56	1.33	3.38	1.48	3.33	1.43	4.17	.87	3.61	1.28
Shades are not built as per the standard suit with the climate of the area.	3.95	1.10	4.06	1.13	3.71	1.30	4.21	1.02	3.98	1.18
Grand mean/standard deviation									3.21	1.20

Source: field survey, 2017

MN=mean, SD=Standard deviation

From the above table inconvenience of working premises is with the mean scores of 3.56, 3.38 and the standard deviations are 1.33and 1.48 for service and trade sectors respectively. The mean scores are 3.33, 4.17 and the standard deviations are 1.43 and 0.87 for the sectors construction and manufacturing respectively.

With regard to the standards of shades that were built by the town administration the mean scores are 3.95, 4.06, 3.71and 4.21for the sectors service, trade, construction and manufacturing respectively.

Regarding high house rent, the mean scores are 2.13for service, 1.94 for trade, 3.04 for construction and 1.08 for manufacturing. The standard deviations are 1.39, 1.34, 1.55 and .28for service, trade, construction and manufacturing respectively.

The mean scores and the standard deviations above show that, the premises determinants that hinder MSEs performance in Batu town administration are inconvenience of working premises. Shades that were built for MSEs did not consider the hot and windy climate condition of the area. But the house rent factor is in significant.

An interview conducted with operators of service clearly pointed out that the place of work is not convenient. As most of them are engaged in food services the places are much suffocated. Shades that were built by the town administration have no any defined standard. It does not suit with the hot and windy climate of the area. Toilet rooms and customers seats are almost the same. Some shades do not have toilet rooms at all. The interview response of college dean unequivocally confirmed what the operators reflected.

4.3.1.3.Technological determinants that affect the performance of MSEs

Table 4.3 Technological determinants that affect the performance of MSEs

Item	S		T		C		M		Grand Total	
Technological determinants	M	SD	M	SD	M	SD	M	SD	M	SD
Lack of efficient machinery and equipment	3.26	1.55	3.75	1.14	3.50	1.29	3.96	.99	3.62	1.24
Lack of skills to use new technology	3.08	1.40	4.00	1.05	3.04	1.60	3.71	1.12	3.46	1.29
Unable to select appropriate technology	3.10	1.29	3.66	1.29	3.13	1.36	3.58	1.02	3.37	1.24
Grand mean/standard deviation									3.48	1.26

Source: field survey, 2017

It is clearly seen in the table 4.3 above that, lack of skills to use new technology has moderate effect on MSEs Performance engaged in service sector in Batu town administration. The mean score is3.26.Regardinglack of efficient machinery and equipment the mean scores are 3.96, 3.75, 3.50 and3.26 and with standard deviation of 0.99, 1.14, 1.29 and 1.55 for manufacturing, trade, construction and service respectively. From the facts mentioned above almost all sectors are affected by the lack of efficient machinery and equipment. This can lead to inefficiency and production of low quality goods which are not competitive in the market. If business enterprises are not completive in the market it is obvious that they cannot perform as intended.

When lack of skills to use new technology and inability to select appropriate technology are considered, manufacturing and trade sectors with mean scores of 3.71, 3.58 and 4.00, 3.66respectively are significant sectors where skills to use new technology and challenges to select appropriate technology is boldly seen.

According to the interview conducted with the operators, MSEs in the construction and manufacturing sectors lack efficient machineries and equipment to produce quality and differentiated products. Problem of selecting appropriate technology is the challenge of all MSEs in Batu town administration. These obstacles hinder MSEs performance by restricting their competition in the volatile business environment. Response from Batu TVET college dean revealed that selecting new technology is challenging as technological dynamism is frequently changing. The dean further added that, unless MSEs in the construction and manufacturing sectors cope up with the new technology their products will be out dated. Such old products will reduce their market share which clearly affects their performances negatively.

4.3.1.4.Support determinants that affect the performance of MSEs

Table 4.4 Support determinants that affect the performance of MSEs

Item	S		T		C		M		Grand Total	
Support related determinants	M	SD	M	SD	M	SD	M	SD	M	SD
Nearby TVET did not give adequate training regarding business	3.79	1.13	3.78	1.26	3.62	1.24	4.04	1.27	3.81	1.23

management									
Nearby TVET did not give adequate training regarding usage new technologies	3.59	0.99	4.00	1.08	3.50	1.25	4.13	0.95	3.81	1.07
Other concerned bodies did not adequate training regarding changes in the business environment	3.72	1.07	4.03	0.99	3.54	1.32	4.25	0.61	3.89	1.00
Grand mean/standard deviation									3.84	1.1

In the table 4.4 above, regarding inadequacy of training to be given by the nearby TVET institution on business management, the mean score is 3.81 and the standard deviation is 1.23. When inadequate training to be given by the same body on usage of new technologies are considered, the mean score is 3.81and the standard deviation is 1.07.When the training to be given by other concerned bodies on changes in the business environment is looked at, the mean score is 3.89 and the standard deviation is 1.00.

From the above results it can be concluded that all the support related factors negatively affect performance of the MSEs in all sectors under this study. Particularly the negative effect of inadequate training regarding changes in the business environment is the highest determinant factor. This is supported by Ellitananatan (2009) as precisely stated in Idris (2015).Under conditions of intense competition and uncertain business environment, the company's performance is largely determined by competitive strategy that is supported by the company's internal capabilities. Therefore, support to be given by different concerned bodies should be given regularly in order to capacitate MSEs.

From the interview conducted with the TVET dean there is lack coordination among all the stakeholders regarding supports to be given to MSEs as per the government strategies. Responses from operators also confirmed that supports to be given to MSEs are not in coordinated manner. TVET institutions try to give technical support without planning. This idea is supported by micro and small enterprises development strategy (2011).According to

this strategy it is the only TVET system that provides crucial support for the development of MSE. The TVET system is the best mechanism for promoting urban development. The dean further added that business training to be given to MSEs by TVET colleges is not based on business knowledge as trainers in the college are not specialized in the business fields.

4.3.1.5. Marketing determinants that affect the performance of MSEs

Table 4.5 marketing determinants that affect the performance of MSEs

Item	S		T		C		M		Grand Total	
Marketing determinants	M	SD	M	SD	M	SD	M	SD	M	SD
Inadequate market for my product or service	3.59	1.27	3.72	1.22	4.08	1.02	3.83	1.27	3.81	1.20
Searching new market is too difficult	3.56	1.02	3.78	1.07	3.42	1.32	3.96	0.99	3.68	1.1
Lack of demand forecasting	3.64	1.11	3.81	1.18	3.71	1.20	3.71	1.16	3.72	1.14
Lack of market information	3.38	1.09	3.78	1.10	3.88	1.19	3.63	1.17	3.67	1.14
Lack of promotion to attract potential users	3.23	1.18	3.81	1.03	3.75	1.26	3.96	0.86	3.69	1.08
Poor in potential customer identification	3.00	1.34	2.88	1.34	3.29	1.33	2.46	1.44	2.91	1.36
Grand mean/standard deviation									3.58	1.17

As indicated in the table above inadequate market for product or service is with the grand means score of 3.81 and standard deviation of 1.20. Difficulty in searching new market scores grand mean of 3.68 and standard deviation of 1.10. Whereas lack of demand forecasting has grand mean of 3.72 and grand standard deviation of 1.14. Lastly lack of market information and lack of promotion to attract potential users have the grand mean scores of 3.62 and 3.96 and grand deviations of 1.14 and 1.08 respectively.

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Inadequate market for product or service and difficulty in searching new market shows significance towards the problems related to marketing determinants. These challenges strongly affect MSEs performance in the town administration. On the other hand poor in potential customer identification with grand mean of 2.91 and grand standard deviation of 1.36 for the four sectors affects performance of MSEs to a lesser extent. But the above significance is not uniform throughout the four sectors. For instance, inadequate market for products for the construction sector is the highest with the mean score of 4.08 and standard deviation of 1.02.The second significant determinant factors with the mean scores of 3.96, 3.96 and standard deviation of 0.99, 0.86aredifficulty of searching new market and lack of promotion to attract potential users respectively for the sector manufacturing. In the study that was undertaken by Ebitu et al. (2015:72) marketing problems are simply those marketing factors that can impede, disrupt or hinder the growth, development and expansion of the firm in its effort to satisfy its target market and also create value for the organization. The findings agree with the previous studies.

4.3.1.6.Financial determinants that affect the performance of MSEs

Table 4.6 Financial determinants that affect the performance of MSEs

Item	S		T		C		M		Grand Total	
Financial determinants	M	SD	M	SD	M	SD	M	SD	M	SD
Shortage of working capital	4.05	1.15	4.63	0.83	4.29	1.16	4.71	0.69	4.41	0.96
Lack of cash management skills	3.31	1.28	2.97	1.40	3.71	1.30	2.25	1.33	3.06	1.33
Inadequacy of credit institutions	3.33	1.24	3.44	1.54	3.92	1.32	3.54	1.41	3.56	1.38
High collateral requirement from banks and other lending institutions	3.59	1.12	4.31	0.86	4.42	0.93	4.38	0.88	4.18	0.95

High interest rate charged by banks and other lending institutions	3.85	0.99	4.31	0.97	4.46	0.98	4.54	0.51	4.29	0.86
Loan application procedures of banks and other lending institutions are too complicated	3.90	0.94	4.13	1.16	4.42	1.02	4.46	0.88	4.23	1.00
Grand mean/standard deviation									3.96	1.08

The results in the table 4.6 above showed that shortage of working capital is with the mean scores of 4.05, 4.63, 4.29, and 4.7 with standard deviations of 1.15, 0.83, 1.16, and 0.69 for service, trade, construction and manufacturing respectively. Lack of cash management skills are with mean scores of 3.31, 2.97, 3.71and2.23 with standard deviation scores of 1.28, 1.40, 1.30, and 1.33 for service, trade, construction and manufacturing respectively. Regarding inadequacy of credit institutions the mean scores are 3.33, 3.44, 3.92 and 3.54 with standard deviations of 1.24, 1.54, 1.32 and 1.41 for the sectors service, trade, construction and manufacturing respectively. High collateral requirement from banks and other lending institutions are with mean scores of 3.59,4.31,4.42 and 4.38 with standard deviations of 1.12,0.86,0.93 and 0.88 for the sectors service, trade, construction and manufacturing respectively. High interest rate charged by banks and other lending institutions are with mean scores of 3.85, 4.31, 4.46 and 4.54 with standard deviations of 0.99, 0.97, 0.98 and 0.51 for service, trade, construction and manufacturing respectively. The results in table 4.6 above indicated that complexity of loan application procedures of banks and other lending institutions are with mean scores of 3.90, 4.13, 4.42 and 4.46 with standard deviation scores of 0.94, 1.16, 1.02 and 0.88 for trade, service, construction and manufacturing respectively.

The above results showed that Shortage of working capital is the greatest determinant for MSEs performance .When compared across the sectors it is the most critical in manufacturing. The study conducted by Mbugua et al. (2014:1) concluded that access to finance and availability of management experience are the key socio-economic factors affecting the performance of MSE in

Limuru Town Market of Kiambu County, Kenya. High collateral requirement from banks and other lending institutions is the second greatest factor affecting MSES performance. The degree is highest for construction sector. Inadequacy of credit institutions is the third critical problem for MSEs performance. The least determinant is inadequacy of credit institutions.

All the interviewed operators aggressively responded that shortage of working capital is their incomparable challenge to operate their business. Batu Town Urban Job Creation and Food Security Office deputy head and one senior expert from the same office assured that shortage of working capital is the critical challenge for the success of MSEs in the town. They further added that lack of capital for expansion of business is the bottle neck for all micro and small enterprises in Batu town administration.

4.3.1.7.Infrastructural determinants that affect the performance of MSEs

Table 4.7 Infrastructural determinants that affect the performance of MSEs

Item	S		T		C		M		Grand Total	
Infrastructural determinants	M	SD	M	SD	M	SD	M	SD	M	SD
Frequent power interruptions is challenge for the enterprise	4.56	0.63	4.47	0.92	3.54	1.38	4.63	0.49	4.30	0.86
Insufficient water supply is challenge for the enterprise	4.08	0.87	4.31	0.93	4.04	1.23	4.42	0.78	4.21	0.95
Lack of business development services	3.87	0.95	3.53	1.22	3.96	1.27	4.38	0.72	3.94	1.04
Grand mean/standard deviation									4.15	0.95

Results in the table 4.7 above clearly showed that frequent power interruption challenge is with mean scores of 4.56, 4.47, 3.54 and 4.63 with standard deviations of 0.63, 0.92, 1.38 and 0.49 for service, trade, construction and manufacturing respectively. Whereas

insufficient water supply challenge is with mean scores of 4.08, 4.31, 4.04 with standard deviations of 0.87, 0.93, 1.23, 0.78 for service, trade, construction and manufacturing respectively. Lack of business development services are with mean scores of 3.87, 3.53, 3.96 and 4.38 with the standard deviations of 0.95, 1.22, 1.27 and 0.72 for service, trade, construction and manufacturing respectively.

From the facts mentioned above, all the three determinants affect MSEs performance negatively. But frequent power interruption is the critical challenge for MSEs performance in the study area. This critical factor can negatively affect the performance MSEs in Batu town. Insufficient water supply is the second critical obstacle under the infrastructure determinants. Lack of business development services is the least determinant when compared with the other two determinants. This result is supported by the GEM South Africa 2014 report. The report revealed that lack of access to physical infrastructure is a key impediment to business growth and adds significantly to the cost of doing business. In South Africa infrastructure is one of the key enablers for SMMEs development. Ease of access to communication infrastructure, utilities and transport, land or space at affordable prices can be instrumental to supporting new businesses.

Interview responses from operators, Batu town urban job creation and food security office deputy head and Batu TVET college dean confirmed that frequent power interruption and insufficient water supply are the serious challenges to be solved.

4.3.1.8.Management determinants that affect the performance of MSEs

Table 4.8 Management determinants that affect the performance of MSEs

Item	S		T		C		M		Grand Total	
management determinants	M	SD	M	SD	M	SD	M	SD	M	SD
Lack of appropriate planning	3.21	1.47	3.31	1.51	3.71	1.20	3.79	1.02	3.51	1.30
Inadequate on the spot follow up and control	3.23	1.29	3.50	1.14	3.88	1.08	3.29	1.30	3.48	1.20
Poor organization and ineffective	3.23	1.25	3.53	1.11	3.67	1.09	3.42	1.14	3.46	1.15

communication										
Lack of transparent division of labor among workers	3.31	1.32	3.25	1.46	3.46	1.50	2.38	1.38	3.10	1.42
Grand mean/standard deviation									3.39	1.27

Results calculated for management determinants in the table 4.8 above showed that lack of appropriate planning has the mean scores of 3.21,3.31,3.71,3.79 and with the standard deviations of 1.47,1.51,1.20,1.02 for the sectors service ,trade, construction and manufacturing respectively. For inadequate on the spot follow up and control the mean scores are 3.23,3.50,3.88,3.29 with the standard deviation scores of 1.29,1.14,1.08,1.30 for service, trade, construction and manufacturing respectively. Poor organization and ineffective communication as a factor is with mean scores of 3.23, 3.53, 3.67, and 3.42with standard deviation of 1.25, 1.46, 1.50, and 1.38 for service, trade, construction and manufacturing respectively. Lack transparent division of labor among workers is with the mean scores of 3.31, 3.25, 3.46, and 2.38 with standard deviation scores of 1.32, 1.46, 1.50, and 1.38 for service, trade, construction and manufacturing respectively.

When the above results are observed, lack of appropriate planning is the most serious factor that negatively affects MSEs performance. Especially, lack of appropriate planning is the top critical problem for the manufacturing sector. Inadequate on the spot follow up and control is the second obstacle under the management determinants. Lack of transparent division of labor among workers is the least determinant of MSES performance.

Almost all of the interviewed respondents said that planning is not emphasized as critical for their business performance. The prepared plan is not looked at as an important guide for business improvement.

4.3.1.9.Entrepreneurship determinants that affect the performance of MSEs

Table 4.9 Entrepreneurship determinants that affect the performance of MSEs

Item	S		T		C		M		Grand Total	
Entrepreneurship determinants	M	SD	M	SD	M	SD	M	SD	M	SD
Lack of entrepreneurship training	4.03	0.84	3.66	1.31	4.16	1.24	4.71	0.46	4.14	0.96
Lack of innovation to introduce new techniques of production or new forms of business organizations	3.56	0.99	3.59	1.19	3.63	1.13	4.17	0.70	3.74	1.00
Lack of taking the initiatives of controlling the resources that are used to produce goods and services	3.15	1.14	3.09	1.38	3.75	1.03	3.63	1.01	3.41	1.14
Lack of persistence and courage to take responsibility for ones failure	3.18	1.21	3.31	1.38	3.75	1.07	2.54	1.53	3.20	1.30
Lack of taking experiences from similar enterprises which are successful	4.26	0.72	4.19	0.86	3.88	1.33	4.00	1.14	4.08	1.01
Grand mean/standard deviation									3.77	1.08

Among the entrepreneurial determinants, lack of entrepreneurship training scores the highest mean for the manufacturing sector. Mean scores for the four sectors are 4.71, 4.16, 4.08 and 3.66 with standard deviation scores of 0.46, 1.24, 0.84 and 1.31 for manufacturing, construction, service and trade respectively. Lack of innovation is the factor with the mean scores of 3.56, 3.59, 3.63and 4.17 with standard deviations of 0.99, 1.19, 1.13and 0.70 for service, trade, construction and manufacturing respectively. As determinant factor, lack of taking the initiatives of controlling the resources that are used to produce goods and services is with the mean scores of 3.15,3.09,3.75,and 3.63 with standard deviations of 1.14,1.38,1.03 and 1.01 for the sectors service, trade ,construction and manufacturing respectively. The fourth factor which is the lack of taking experiences from similar enterprises is with mean scores of 4.26, 4.19, 3.88 and 400 with standard deviation of 0.72, 0.86, 1.33 and 1.14 for service, trade, construction and manufacturing respectively.

From the facts above, it can be understood that lack of entrepreneurship training is the first most important factor that affects performance of MSEs.The second most important factor that affects performances of MSEs in Batu town is lack of taking experiences from similar enterprises which are successful in their performances. Whereas lack of innovation to introduce new techniques of production or new forms of business organizations is the third factor that determines MSEs performances. Lack of taking the initiatives of controlling the resources is not significant problem for operators of MSEs engaged in the four sectors.

According to the interview conducted with operators it was proved that entrepreneurship training is not known by many of the enterprises. Some of the interviewees further confirmed that they did not hear the name entrepreneurship. The findings of this study agreed with previous studies as follows. Cooper (1981) as cited in Das (2000-2001:68-73) proposed that three factors influence entrepreneurship antecedent influences .These are background factors such as family influences and genetic factors that affect motivation, skills and knowledge), the nature of the organization that the entrepreneur was employed in just prior to starting a business and experiences learned there and environmental factors such as economic conditions, access to venture capital and support services

4.3.1.10. Summary of factors that affect performance

Table 4.10 Comparison of the major factors

No	Determinants	Grand mean	Rank	
1	Politico-legal	3.2	9th	
2	Working premises	3.21	8th	
3	Technology	3.48	6th	
4	Support	3..84	3rd	
5	Marketing	3.58	5th	
6	Finance	3.96	2nd	
7	Infrastructure	4.15	1st	
8	Management	3.39	7th	
9	Entrepreneurship	3.77	4th	

Regarding the major determinants of MSEs performance, infrastructure and financial factors have the highest potential to enhance the performance of MSEs in Batu town administration. Support, entrepreneurship and marketing are the third, fourth and fifth potential contributors to the performances of MSEs in Batu town. Technology and management hold the sixth and seventh position in terms of their contribution to performances of MSEs in the town. Working premises and politico-legal factors occupied the eighth and ninth positions respectively. The results clearly showed that infrastructure, financial, support, entrepreneurship and marketing factors are the most important determinants of MSEs performance in Batu town administration. This result is supported by the Ethiopian Economics Association (2015:2-3).According to EEA, during the last few years the performance of MSEs has fallen short of expectations due to various challenges. These include, problems related to finance, access to market and low competiveness, business information, working premises, poor acquisition of technical skills and managerial expertise, appropriate technology, and access to quality infrastructure.

4.3.1.11. Performance rating based on business activities

Table 4.11 Performance rating based on business activities

Item	S		T		C		M		Grand Total	
Performance determinants	M	SD	M	SD	M	SD	M	SD	M	SD
The business is Profitable	2.64	1.37	2.78	1.41	3.71	1.27	3.54	1.53	3.17	1.40
There is a good Sales turnover	2.79	1.24	2.84	1.14	3.33	1.37	3.46	1.06	3.11	1.20
There is good customer retention	2.94	1.28	2.38	1.04	3.21	1.32	3.29	1.20	2.96	1.21
There is business expansion	2.28	1.28	1.91	1.06	3.21	1.44	2.42	1.50	2.46	1.32
Grand mean/standard deviation									2.93	1.28

From the table above it is clear that all the four sectors expressed their agreement on the profitability of the businesses they are engaged in. The grand mean score and the standard deviations are 3.17 and 1.40 respectively. But the extent to which the respondents agreed on the profitability is weak. This can be seen from grand mean and standard deviation. Profitability looks better for the construction sector in the town. Even though there is indication of profitability, that profitability is not adequate for MSEs in the town administration to expand their business.

4.3.2. Results from inferential statistics

This is the section where the result of inferential statistics regression analysis was performed. Using regression statistical techniques, conclusions were drawn.

4.3.2.1.Regression analysis

The researcher conducted regression analysis to explain the effect of various factors on the performance of MSEs in Batu town administration. The results were explained in table 4.13 below.

Table 4.13 Model Summary

Model	R	R square	R adjusted	Std. Error of the estimate	Sig
1	.678[a]	.460	.415	075161	000

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	Variables	B	Std. Error	Beta		
	(Constant)	.647	.408		1.587	.115
	Politico- legal	.095	.072	.119	1.319	.190
	working premises	-.017	.067	-.024	-.260	.795
	Technological factors	.105	.072	.134	1.454	.149
	Support determinants	.058	.075	.076	.780	.027
	Marketing determinants	.162	.093	.167	1.735	.017
Coefficients	Financial determinants	.247	.089	.276	2.784	.006
	Infrastructure determinants	.159	.067	.191	2.372	.019
	Management determinants	.007	.090	.007	.082	.935
	Entrepreneurship determinants	.043	.069	.047	.614	.030
a. Dependent Variable: Performance						

** P<0.05

Source: Field survey, 2017

a. Predictors :(constant) Entrepreneurship determinants, marketing determinants, technological determinants, infrastructure determinants, management determinants, politico-legal, working premises, support determinants, financial determinants.

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 in model summary table 4.13, above= 0.6780 this means there was an overall strong and positive relationship between the variables. The R-square in the study was found to be 0.460.This value indicates that the independent variables (Entrepreneurship, marketing, technology, infrastructure, management, politico-legal, working premises, support and finance) can explain 46% of the variance in the performance of MSEs in Batu town administration. The remaining 54% of the variance can be explained by other variables not included in this study.

Table 4.13 above displays the estimates of the multiple regression of performance against its variables for the sample of 119 managers of MSE. The hypothesis which states that the business environments of Ethiopia aimed at MSE development do not affect the performance of MSEs engaged in service, trade, construction and manufacturing sectors of Batu town administration is tested at 5% level of significance, it was discovered that the business environments of Ethiopia aimed at MSE development do play a significant role in determining the performance of MSEs. Thus, the null hypothesis may therefore be rejected and it is accepted that, the business environments of Ethiopia aimed at MSE development do affect the performance of MSEs engaged in service, trade, construction and manufacturing sectors of Batu town administration.

Table 4.13 further shows that, all the explanatory variables included in this study can significantly explain at 95% 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). The largest influence on the performance of MSEs in Batu town is from the financial factor (.276) and the next is infrastructure factor (0.191). The third is

marketing determinant (0.167). On the other hand working premises with the beta value of(-0.024)   and management   with the beta value of (.007) are the poorest predictor of performance when it is compared with the other explanatory variables under this study.

Chapter five

Conclusions and recommendations

5.1.   Conclusion

This research was conducted with the main objective of investigating the determinants of MSEs performance in Batu town administration. Based on the objectives and findings, the following conclusions were drawn.

The main sources of initial capital for most of the MSEs are personal savings followed by family, iqub and friends. The formal financial institutions such as banks and micro finance institutions are not serving adequately to satisfy the credit needs of the MSEs in Batu town. Because   of their high interest rate and collateral requirements, majority of MSEs in the town are not exhausting these formal institutions for their financial needs. Rather they are forced to use informal financial institutions as sources of their initial capital.

The study concludes that financial factors such as shortage of working capital, high collateral requirements from banks and other lending institutions and high interest rate that are charged by banks and other financial institutions are affecting the performance of MSEs in Batu town administration.   Marketing determinants which include inadequate market, difficulties of searching new market and lack of demand forecasting are negatively affecting the performances of MSEs in Batu town administration. Previous studies on MSES in Ethiopia made the same conclusion. According to Mulugeta (2008) the major obstacles experienced by MSEs were lack of access to finance, working premises (at affordable rent), lack of skills and managerial expertise, infrastructure, information and technology. These problems result in failure of these businesses to expand and have the effect of preventing their expansion almost from the beginning of their operations.

 Frequent power interruption and insufficient water supply are the major challenges for MSEs in Batu town. Politico legal determinants such as petty corruption, political intervention and tax issues are obstacles for the performance of MSEs in Batu town administration. The effect of petty corruption is gravest in trade and manufacturing sectors. Micro and small enterprises in Batu town administration lack efficient machinery and equipment besides the lack of skills to use the new technology. Without efficient technology it is very difficult to produce quality product and to provide quality service for which today's customers are sensitive. These technological constraints hinder the performance of MSEs in

the town. Inadequacy of supports to be delivered to MSEs by the nearby TVET institutions and other concerned bodies made MSEs in Batu town administration not to be well equipped in knowledge, skills and attitudes.

Lack of entrepreneurship training and lack of taking experiences from similar successful enterprises are problems for MSEs in Batu town administration. Lack of appropriate planning, inadequate on the spot follow up and poor organization and ineffective communication are management determinants which affect the performance MSEs in Batu town administration. Previous studies on MSEs in Ethiopia reached the same conclusion Tarfasa et.al, (2016:9) concluded that the key factors for the growth of micro and small enterprises include characteristics of MSEs and managers, institution, location, the sectors in which the MSEs operate and innovation or competitiveness.

Even though there are clearly designed MSEs development strategies, micro and small enterprises are not competitive in their performance. Challenges which hinder their performances are prevalent. Policies, strategies and programs are not implemented as designed. The study revealed that the lack of coordination among different government bodies and MSEs operators, lack of support, proper and regular follow up from appropriate bodies are the main reasons for MSEs not performing as intended. Finally, the study identifies that financial, marketing, and infrastructure factors show strong negative impact on the performance of MSEs in Batu town compared to other factors.

5.2. Recommendations

Results of the study show that most of the MSEs in Batu town administration prefer to use personal savings, contributions from relatives/friends and iqub as sources finance. Because they find it very difficult to access financing from banks and other financial institutions due to strict collateral requirement and high interest rate. The study therefore recommends that banks and other financial institutions should come up with appropriate policies and legal frame works that make it easy for MSEs to access finance for their business.

 There is scarcity of market for products and services of MSEs in Batu town administration. The town administration in collaboration with the regional government should create market chain for products and services of MSEs. Micro and small enterprises development council at the town level should be strengthened to play important roles in the development of MSEs as

stated in MSEs development strategy. The town administration should encourage MSEs to take part in exhibitions and bazaars to promote their products and services.

Access to infrastructure affect the performance of micro and small enterprises in Batu town administration. The study recommends that Ethiopian Eclectic Utility Service should solve frequent power interruption problem which is the greatest obstacle for MSEs engaged in all sectors. Batu town Water supply Service Office should diligently follow and solve problems related to insufficient water supply for MSEs in the town. Micro and small enterprises in the town administration are underperforming due to the lack of efficient machinery and equipment besides the lack of skills to select and use the new technology. These constraints hinder the performance of MSEs in the town. The study therefore recommends that Batu town administration and MSEs operators in the town should work in collaboration with the nearby TVET institutions in order to solve problems related to skill gaps to select and use new technology.

Lack of entrepreneurship training and resistance to take experiences from similar successful enterprises are factors which impedes the performance MSEs in Batu town administration. The town administration should start offering entrepreneurship training to MSEs in the town administration. The town administration should encourage MSEs to take experiences from similar successful enterprise. Entrepreneurship training should be given by professionals in the area of business fields rather than pushing it to TVET institutions where professionals in TVET are specialized in the technical fields of study. Entrepreneurship will enable MSEs to be competitive by exploiting the available business opportunities.

5.3. Areas for further research

As this study focused on internal and external determinants of MSEs performance, further study can be conducted on the issues related to attitudes of MSEs operators towards the business. In the future, micro and small enterprises in other towns should be involved in the study to observe deviations of the conclusions.

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QUESTIONAIRES

SAINT MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES
DEPARTMENT OF MBA GENERAL
INTRODUCTION:

Dear respondent,

I am a graduate student in the department of MBA General, at Saint Mary's University. Currently, I am undertaking a research entitled 'Determinants of the Performance of Micro and Small Enterprises in Batu Town Administration. 'You are one of the respondents selected to take part in this study. Please assist me in giving correct and complete information to come across genuine finding regarding the Determinants of the Performance of Micro and Small Enterprises in Batu Town Administration. I confirm you that the information that you share me will be kept confidential and only used for the research purpose. Thank you in advance for your kind cooperation and dedicating your time.

Sincerely;   Abu Berki

Instructions:

No need of writing your name.

For Likert scale type statements and multiple choice questions indicate your answers with a check mark (√) in the appropriate box.

Part 1:Data about the respondent

1. Sex
    A. Male [   ]   B. Female [   ]
2. Age:
    A. 18-20 [   ]   B. 21-35 [   ] C. 36 – 50 [   ]   D. 51-65   [   ] above 65   [   ]

   3. Marital status:

     A. Single [   ]   B. Married C. Divorced [   ]   D. Widowed [   ]   E. Separated [   ]

   4. Level of education
    A. Below primary [   ]   B. 1-8 [   ]   C. 9-12 [   ]   D. Certificat [   ]   E. Diploma and above   [   ]

Part 2: General Information on Business Enterprises

1. What is the main activity of your enterprise?
A. service [   ]   B. trade [   ]   C. construction [   ]   D. manufacturin   [   ]
2. What is the number of employees in your enterprise?
A.1-2 [   ]   B.3-4 [   ]   C .5-6 [   ]   D 7-8 [   ]   E.9-10 [   ]
3. What was the source of your 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 ☐

4. Which one of the following is the most important for the success of your business activities?

A. A business plan ☐   C. An entrepreneurial awareness ☐

B. Business opportunities ☐   D. Experience sharing from similar enterprises ☐

Part 3: Determinants of the Performance of Micro and Small Enterprises

The major determinants of the performance of MSEs are listed below. Please indicate the degree to which these determinants are affecting the performance of your business enterprise. After you read each of them carefully, 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.

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

S.No	Politico- legal	5	4	3	2	1
5.1	Petty corruption is as facilitator in business					
5.2	Bureaucracy obstacles in company registration and licensing					
5.3	Lack of appropriate policy					
5.4	Political intervention from officials					
5.5	The tax levied on my business is beyond its financial capacity					

6. Please indicate the degree to which you agree with the following statements regarding the working premises.

S.No	Working premises.	5	4	3	2	1
6.1	The rent of house is too high					
6.2	Current working place is not suitable to conduct business effectively					
6.3	Shades are not built as per the standard suit with the climate of the area.					

7. Please indicate the degree to which you agree with the following statements regarding technological factors.

S.No	Technological determinants	5	4	3	2	1
7.1	Lack of efficient machinery and equipment					
7.2	Lack of skills to use new technology					
7.3	Unable to select appropriate technology					

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8. Please indicate the degree to which you agree with the following statements regarding support from concerned bodies.

S.No	Support related determinants	5	4	3	2	1
8.1	Nearby TVET did not give adequate training regarding business management					
8.2	Nearby TVET did not give adequate training regarding usage new technologies					
8.3	Other concerned bodies did not adequate training regarding changes in the business environment.					

9. Please indicate the degree to which you agree with the following statements regarding marketing determinants
.

S.No	Marketing determinants	5	4	3	2	1
9.1	Inadequate market for my product or service					
9.2	Searching new market is too difficult					
9.3	Lack of demand forecasting					
9.4	Lack of market information					
9.5	Lack of promotion to attract potential users					
9.6	Poor in potential customer identification					

10. Please indicate the degree to which you agree with the following statements regarding financial determinants.

S.No	Financial determinants.	5	4	3	2	1
10.1	Shortage of working capital					
10.2	Lack of cash management skills					
10.3	Inadequacy of credit institutions					
10.4	High collateral requirement from banks and other lending institutions					
10.5	High interest rate charged by banks and other lending institutions					
10.6	Loan application procedures of banks and other lending institutions are too complicated					

11. Please indicate the degree to which you agree with the following statements regarding infrastructure.

S.No	Infrastructural determinants	5	4	3	2	1
11.1	Frequent power interruptions is challenge for the enterprise					
11.2	Insufficient water supply is challenge for the enterprise					
11.3	Lack of business development services					

12. Please indicate the degree to which you agree with the following statements regarding management determinants.

S.No	management determinants	5	4	3	2	1
12.1	Lack of appropriate planning					
12.2	Inadequate on the spot follow up and control					
12.3	Poor organization and ineffective communication					
12.4	Lack of transparent division of labor among workers					

13. Please indicate the degree to which you agree with the following statements regarding entrepreneurship determinants.

S.No	Entrepreneurship determinants	5	4	3	2	1
13.1	Lack of entrepreneurship training					
13.2	Lack of innovation to introduce new techniques of production or new forms of business organizations					
13.3	Lack of taking the initiatives of controlling the resources that are used to produce goods and services					
13.4	Lack of persistence and courage to take responsibility for ones failure					
13.5	Lack of taking experiences from similar enterprises which are successful					

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

No	General Factors	5	4	3	2	1
1	Politico- legal					
2	working premises					
3	Technological factors					
4	Support determinants					
5	Marketing determinants					
6	Financial determinants					
7	Infrastructure determinants					
8	Management determinants					
9	Entrepreneurship determinants					

15.How do you rate the performance of your business profitability?

No	Performance determinants	5	4	3	2	1
1	The business is Profitable					
2	There is a good Sales turnover					
3	There is good customer retention					
4	There is business expansion					

የቅድስት ማርያም ዩኒቨርስቲ

የድህረ ምረቃ ት/ት ቤት

አጠቃላይ ቢዝነስ አስተዳደር ዲፓርትመንት

ክፍል አንድ፦ መግቢያ

ውድ የጥናቱ ተሳታፊዎች፦

እኔ በቅድስት ማርያም ዩኒቨርስቲ የቢዝነስ አስተዳደር የድህረ ምረቃ ተመራቂ ተማሪ ስሆ ን በአሁን ጊዜ የመመረቂያ ድሑፌን በማዘጋጀት ላይ እገኛለሁ፡፡ የጥናቱ ርዕስም "በባቱ ከተማ አስተዳደር የሚገኙ የጥቃቅንና አነስተኛ ተቋማት አፈፃፀም ላይ ተፅእኖ የሚያሳድሩ ተግዳሮቶችን" ይመለከታል፡፡ እርስዎም በዚህ ጥናት እንዲሳተፉ ተመርጠዋል፡፡ እርስዎ የሚሰጡትን ትክክለኛውን መረጃ ለጥናቱ ውጤታማነት በጣም አስፈላጊ መሆኑን በመገንዘብ መጠይቁን በጥንቃቄ እንዲሞሉ በትህትና እጠይቃለሁ፡፡ ተሳትፎዎ በእርስ በገ ፈቃደኝነት ላይ የተመሰረተ ነው፡፡ በመጨረሻም የሚሰጡት መረጃ ሚስጥራዊነቱ የተጠበቀና ለዚህ ጥናት አላማ ብቻ እንደሚውል አረጋግጣለሁ፡፡ ሁሉም መረጃዎች ለትምህርታዊ ዓላማ ብቻ ይውላል፡፡ ጊዜዎን ሰውተው ስለሚያደርጉልኝ ትብብር በቅድሚያ አመሰግናለሁ፡፡

<div align="right">አቡ ብርኪ</div>

ማሳሰብያ፦ በመጠየቁላይ ስም መፃፍ አያስፈልግም፡፡

መልስዎትን በሳጥኑ ውስጥ የእርማት ምልክት "✓" ያስቀምጡ

ክፍሉ ሁለት የመላሾች ግላዊመረጃ

1. ጾታ

ሀ. ወንድ ☐   ለ. ሴት ☐

2. ዕድሜ

18-20 ☐   ለ. 21-35 ☐   ሐ. 36-50 ☐   መ. 51-65 ☐

3. የጋብቻ ሁኔታ

ሀ. ያላገባ ☐   ለ. ያገባ ☐   ሐ. የፈታ ☐   መ.የሞተባትው ☐ ኑታ/ታች   ☐

4. የትምህርትሁኔታ

ሀ. ከ1ኛ ደረጃ በታች ☐   ለ. 1-8 ሐ. ☐ 2   ☐

መ. ሰርተፍኬት ☐   ሠ. ዲፕሎማእና በላይ

ክፍልሶስት

ስለ ቢዝነስ ተቋማት አጠቃላይ መረጃ

1. የሰማሩበት የሥራመስክ ምንድነው?

ሀ. አገልግሎት ☐   ለ. ንግድ ☐

ሐ.ኮንስትራክሽን ☐   መ.ማምረቻ/ ማኒፋቸርኒግ ☐

2. በድርጅታዎ ስንት ሰራተኞች አሉ?

ሀ. 1-2 ☐ ለ. 3-4 ☐ ሐ 5-6 መ. 7-8 ☐ ሠ. 9-10 ☐

3. በዘርፍ ለመንቀሳቀስ መነሻ ብር ከየት አገኑ?

ሀ. ከግል ቁጠባ ☐   ለ. ከቤተሰብ ☐   ሐ. ከባንክ ☐

መ. መንግስታዊ ካልሆኑ ድርጅቶች ☐   ሠ. ከጓደኛ ☐   ረ.ዕቁብ/እድር ☐

ሰ. ከማይክሮ ፋይናንስ ☐   ሸ ሌላ ካለ ይግለጹ -----------------------

4. ከሚከተሉት ዉስጥ ለስራዎ ስኬት በጣም ወሳኝ የሆነዉ የቱ ነዉ ?

ሀ. የቢዝነስ ዕቅድ ☐   ለ. የቢዝነስ አጋጣሚዎች ☐

ሐ. የስራ ፈጠራ ቡድን ☐   መ. የቢዝነስ ክህሎት ስልጠናዎች ☐

ክፍል አራት

በጥቃቅንና አነስተኛ ተቋማት የስራ እንቅስቃሴ ላይ ተጽእኖ የሚያሳድሩ ጉዳዮች

ከዚህ በታች ለጥቃቅንና አነስተኛ ተቋማት የአፈጻጸም ችግር ሊሆኑ የሚችሉ ነገሮች ተዘርዝረዋል፡፡ ከተዘረዘሩት ችግሮች በእርስዎ የሥራ ዘርፍ ላይ ይበልጥ ተፅእኖ የሚያሳድሩትን በደረጃ ያመልክቱ፡፡ ለእያንዳንዲ ጥያቄ ከአማርጩ አንድ ጊዜ ብቻ የ "✓" ምልክት በማድረግ ምላሽ ይስጡ፡፡

5. በጣም አስማማለሁ

4. እስማማለሁ

3. ለመወሰን እ□ገራለሁ

2. አልስማማም

1. በጣም አልስማም

ተ.ቁ	5. ህጋዊና ፖለቲካዊ ጉዳዮች	5	4	3	2	1
5.1	ሥራን ለማቀላጠፍ የሚደረጉ ድጋፎች በአነስተኛ ደረጃ ሙስና አለባቸው፡፡					
5.2	በቢሮክራሲያዊ ማነቆ የተተበተብ የምዝገባና የንግድ ፈቃድ አሰጣጠት ሂደት፡፡					
5.3	የሚያሰራ ፖሊስ አለመኖር፡፡					
5.4	ተገቢ ያልሆነ የፖለቲካ ጣልቃ ገብነት፡፡					
5.5	ተመጣጣኝና ምክንያታዊ ያልሆነ ሥራግብር፡፡					

ተ.ቁ	6. የሥራ ቦታደረጃና ተዛማጅ ችግሮች፡፡	5	4	3	2	1
6.1	ከፍተኛ የሆነ የቤት ኪራይ መጠን፡፡					
6.2	አሁን ያለሁብት ቦታ ለሥራ አመቺ አይደለም፡፡					
6.3	የሚገነቡ ሼዶች ከአካባቢው የአየር ጠባይ ጋር በሚስማማ					

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	መልኩ ደረጃቸውን የጠበቁ አይደለም፡፡					

ተ.ቁ	6. ቴክኖሎጂና ተዛማጅ ችግሮች	5	4	3	2	1
7.1	ለሥራዬ ተገቢ የሆነ የቴክኖሎጂ ግብአት አለመኖር					
7.2	ቴክኖሎጂ ለመጠቀም በቂ የሆነ የቴክኒክ ክህሎት አለመኖር፡፡					
7.3	ለሥራዬ ተገቢ የሆነ የቴክኖሎጂ ውጤት መምረጥ አለመቻል፡፡					

ተ.ቁ	8 ድጋፍና ተዛማጅ ችግሮች	5	4	3	2	1
8.1	በቅርበት ያሉ የቴክኒክና ሙያ ኮሌጆች የቢዝነስ አስተደደርን በሚመለከት በቂ የሆነ ሥልጠና አለመስጠት፡፡					
8.2	በቅርበት ያሉ የቴክኒክና ሙያ ኮሌጆች በአዳዲስ ቴክኖሎጂዎች አጠቃቀም ዙሪያ በቂ ሥልጠና አለመስጠት፡፡					
8.3	ሌሎች ጉዳዩ የሚመለከታቸው የመንግስት ተቋማት ተለዋዋጭ የሥራ አካባቢን ባገናዘበ መልኩ በቂ የሆነ ሥልጠና አለመስጠት፡፡					

ተ.ቁ	9 ግብይትና ተዛማጅ ችግሮች	5	4	3	2	1
9.1	በቂ የሆነ የገቢያ ዕድል አለመኖር፡፡					
9.2	አዲስ የገባየ አማራጮችን የመፈለግ አደጋችነት፡፡					
9.3	የወደፊት የገበያ ፍላጎትን መተንበይ አለመቻል፡፡					
9.4	በቂ የሆነ የግብይት መረጃ አለመኖር፡፡					
9.5	ምርቶችን በአግባቡ ማስተዋወቅ አለመቻል፡፡					
9.6	የደንበኛ አያያዝ ደካማ መሆን፡፡					

ተ.ቁ	10 ከገንዘብ ጋር የተያያዙ ችግሮች	5	4	3	2	1
10.1	የስራ ማንቀሳቀሻ ገንዘብ እጥረት፡፡					
10.2	የገንዘብ አያያዝና ክህሎት ችግር፡፡					
10.3	በቂ የአበዳሪ ተቋማት አለመኖር፡፡					
10.4	ባንኮችና ሌሎች አበዳሪ ተቋማት ለማበደር የሚጠይቁት ከፍተኛ የማስያዣ መጠን፡፡					
10.5	ባንኮችና ሌሎች አበዳሪ ተቋማት የሚጥሉት ከፍተኛ የብድር ወለድ መጠን፡፡					
10.6	ባንኮችና ሌሎች አበዳሪ ተቋማት ገንዘብ ለማበደር የሚከተሉት ውስብስብና አሰልቺ ሂደት፡፡					

ተ.ቁ	11 ከመሰረተ ልማት ጋር የተያያዙ ችግሮች	5	4	3	2	1
11.1	የኤሌክትሪክ ሀይል መቆራረጥ					
11.2	የተቆራራጠና በቂ ያልሆነ የውሃ አቅርቦት					
11.3	የቢዝነስ ስልማት አገልግሎት እጥረት					

ተ.ቁ	12 ከስራ አመራር ክህሎት ጋር የተያያዙ ችግሮች፡፡	5	4	3	2	1
12.1	በአግባቡ አለማቀድና በዕቅድ አለመመራት ችግር					
12.2	ፈጣን የሆነ የክትትልእና የቁጥጥር ሥርዓት አለመዘርጋት፡፡					
12.3	ደካማ አደረጃጀትና ውጤታማ ያልሆነ የግንኙነት አሰራር፡፡					
12.4	በሰራተኛ መካከል ግልጽ የሆነ የሰርና የሀላፊነት ክፍፍል አለመኖር፡፡					

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ተ.ቁ	13 የስራ ፈጠራ ክህሎትና ተዛማጅ ችግሮች	5	4	3	2	1
13.1	በቂ የሆነ የስራ ፈጠራ ስልጠና አለማግኘት፡፡					
13.2	አዲስ የስራ አደረጃጀት፣ የአመራረትና የአገልግሎት አሰጣጥን ተቀብሎ ከመተግበር እንጻር የፈጠረ ክህሎት ውስንነት መኖር፡፡					
13.3	ያለውን ሀብት በአግባቡ ተቆጣጥረው ለውጤት ከማብቃት አኳያ ተነሳሽነት አለመኖር፡፡					
13.4	ለሚፈጠሩ ተደጋጋሚ ውድቀቶች ፀንቶ ሀላፊነትን አለመውሰድ፡፡					
13.5	በተመሳሳይ ዘርፍ የስራ ፈጣሪነታቸው ከተሳካላቸው ኢንተርፕራይዞች ልምድ አለመውሰድ፡፡					

ተ.ቁ	14 ከዚህ በታች ከተዘረዘሩት አጠቃላይ ጉዳዮች በቀጥታ የእርስዎን የስራ ዘርፍ አፈፃፀም ላይ ይበልጥ ጠቃሚ የሆኑትን በመጠን ያመልክቱ	5	4	3	2	1
14.1	ከመንግስት ህጎች ፖሊሲዎችና ስትራቲጂዎች ጋር የተያያዙ ጉዳዮች					
14.2	የስራ ቦታ ደረጃና መሳል ጉዳዮች፡፡					
14.3	ቴክኖሎጂና መሳል ጉዳዮች፡፡					
14.4	ደጋፍና ተዛማጅ ጉዳዮች፡፡					
14.5	ገበያና መሰልጉዳዮች፡፡					
14.6	ፋይናንስእና ብድር ጉዳዮች፡፡					
14.7	የመሰረተ ልማት አቅርቦት፡፡					
14.8	የአመራር ክህሎትእና መሰልጉዳዮች፡፡					
14.9	የሥራ ፈጠራ ክህሎትእና መሰልጉዳዮች፡፡					

ተ.ቁ	15 ከዚህ በታች የተዘረዘሩትን የቢዝነስ አፈጽፀም ትርፋማነት አመልካቶችን በደረጃ ያመልኩቱ	5	4	3	2	1

1	ቢዝነሱ ትርፋማ ነው፡፡					
2	የሸያጮ መጠኑ በጥሩ ደረጃ ላይ ይገኛል፡፡					
3	የደንበኛ አያያዝ ጠንካራ ነው፡፡					
4	ያለውን ቢዝነስ ማስፋፋት ተችለዋል፡፡					

እመሰግናለሁ!

Interview questions:

Date of interview_____

Name of the Organization_____

Name of interviewee_____

Position_____

Time of interview: Started at _____

Ended at _____

      I.   Interview questions with MSE operators:

1. What problems did you face while running MSEs in relation to?

A. External factors

- Government policies, bureaucracies, taxation, petty corruption and the like.

- Premises factors (Premises standards, Current working place is not suitable to conduct business effectively).

-Support(Nearby TVET did not give adequate training regarding business management, Nearby TVET did not give adequate training regarding usage new technologies, Nearby TVET did not give adequate training regarding changes in the business environment)

- Technology factors (Lack of efficient machinery and equipment, lack of skills to use new technology, unable to select appropriate technology).

- Infrastructure (power, transportation, water supply and the like)

- Marketing factors (Inadequate market for my product or service, Searching new market is too difficult, Lack of demand forecasting, lack of market information, Poor in potential customer identification.).

- Financial factors (Shortage of working capital, lack of cash management skills, High collateral requirement from banks and other lending institutions, High interest rate charged by banks and other lending institutions, Loan application procedures of banks and other lending institutions are too complicated).

B. Internal factors

- Management and related factors (Lack of appropriate planning, inadequate on the spot follow up and control, poor organization and ineffective communication).

- Entrepreneurial factors (Lack of entrepreneurship training, lack of innovation to introduce new techniques of production or new forms of business organizations, etc.)

2. What are the major problems that hinder the performance of micro and small enterprises in Batu town administration?

      I.   Interview questions with TVET dean and MSEs officials

  1. What kind of support is expected from your institution/Office to micro and small enterprises as per the policy and strategies of the government?

 2. Is your institution/Office providing necessary support to micro and small enterprises as per the policy and strategies of the government? If your answer is no, what prevents you from giving such support?

 3. What are the major problems that hinder the performance of micro and small enterprises in Batu town administration?