



**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

**FACTORS INFLUENCING THE PERFORMANCE OF MICRO AND
SMALL ENTERPRISES IN ADDIS ABABA: A STUDY OF SELECTED
MSE IN BOLE SUB CITY**

**BY
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ID NO: SGS/0184/2007**

**August, 2016
ADDIS ABABA, ETHIOPIA**

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**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY, SCHOOL OF GRADUATE
STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE
AWARD OF DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA
GENERAL)**

**AUGUST, 2016
ADDIS ABABA, ETHIOPIA**

DECLARATION

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

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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 & date

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ABSTRACT

Micro and Small Enterprises (MSEs) play an important economic role in many countries and recognized as an important vehicles of economic diversification, employment creation, income generation and distribution, and poverty alleviation. MSEs occupy a prominent position in the development agenda of many developing countries like Ethiopia. Currently, In Ethiopia, the Government has been promoting the development of MSEs through the formulation and implementation of Micro and Small Enterprises Development Strategy and the number of MSEs in the country is steadily growing. But, much more important than increase in their numbers, their current status, stage and pace of development is significant because most MSEs are hibernated from growing and faced with the threat of failure due to many factors. Little research exists that examines these factors influencing performance of MSEs in developing countries, especially in Ethiopia. The purpose of the thesis is therefore to describe the relationship between performance and personal related factors and business related factors on MSEs in Bole sub city of Addis Ababa. Primary data were collected from a sample of 82 randomly selected MSEs engaged in industry and service sector, through structured questionnaire by using stratified random sampling techniques. Data were analyzed using descriptive and inferential statistics with using a Statistical Package for Social Science (SPSS VERSION-20). Specifically, analysis of variance was carried out to examine the variation in the performance of enterprises related to the variation in each of the independent variables of the study. In terms of the result, descriptive statistics shows higher performance for enterprises owned by individuals with better education level, prior management experience, marketing skill and planning and record keeping. However, results from analysis of variance show no significance variation on the performance of MSEs in relation to the variations to each of the independent variables considered. But based on descriptive statistics result, MSEs should start using plan to their business activities and adopt a formal record keeping and financial control system in their internal practice. And also stake holders of the sector should work on preparing training programs on management issues and creating experience sharing opportunities especially to those enter into the sector without any management experience.

Key terms: MSEs, performance, factor

Acknowledgements

The successful completion of this study was done with the support of almighty God to whom I owe a great gratitude, as I shall continue to remain thankful to him.

My heartfelt thanks go to my advisor Chalachew Getahun (PhD) for his commitment on the thesis at each stage and for making invaluable comments and suggestion that guided me its good end.

I further wish to thank for Bole sub city micro and small enterprises office found in Megenagna for their cooperation and kindness in providing access to information regarding MSEs and to micro and small enterprises operators for giving their time to respond questionnaires

Finally, I remain indebted to my beloved sister Yemisrach Fantaye and my friends for their kind support during my study.

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List of Acronyms/Abbreviations

MSEs = Micro and Small Business Enterprises

MOTI = Ministry of Trade and Industry

CSA = Central Statistics Agency

ILO-International Labor Organization

FeMSEDA-Federal Micro and Small Enterprise Development Agency

CSA-Central Statistics Authority

GDP = Gross Domestic Product

UNIDO-United Nations Industrial Development Organization

MFI-Microfinance Institution

GEM-Global Entrepreneurship Monitor

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Micro and small enterprises play key role in economic growth and industrial development of a country. They make a vital contribution in improving economic and social development of a country through stimulating large employment, investment development of indigenous skill and promotion of entrepreneurship and innovativeness (Lidehelm, 2001).

Small enterprises are major drivers of both employment and economic contribution to more than 50% to GDP and 60% to employment in developed economies. These types of enterprises however, constitute less than 30% of employment and 17% of GDP in developing countries. Indeed a study conducted in Africa by ILO indicates that only 20% of the total population of working age group in many African countries was reported to have working in the small enterprise sector (ILO, 2003).

Micro econometrics studies using enterprise level data from MSEs sector has also indicated that many of these enterprises have low level of productivity, produce low quality products and grow when they are young (Mead and Liedhelm 1998, Tribute, 2000). This is surprising given that many developing economies are characterized by labor and land abundance that creates favorable condition to engage in labor intensive industrial activities. A question that would then arise is as to why the MSE sector has not expanded more by absorbing the cheaply available labor for adopting production organization that are suitable for low range economics.

This is mainly due to, micro and small enterprises in developing countries are affected by multiple factors that inhibited the sector. These factors include entrepreneurial and management capability of the owner, mentality skill and motivation in exploring opportunities, access to technology and capital. The regulatory and institutional environment in developing countries was also notoriously burdensome; it frequently hampered small enterprises growth, econometric analysis underscore how these challenges disproportionately harmed smaller enterprises (Beck 2006); for instance strict regulations and high taxes kept firm small and informal (Desoto,1989).

Due to those reasons; performance of MSEs in sub-Saharan Africa (SSA) is far below than the other developing countries.

In Ethiopia, according to the 2002 central statistics agency report in Ethiopia there were 974,676 micro and 31,863 small enterprises generating a means of livelihood for about 1.3million people. Another study conducted in 2003 also reveals that 1863 MSEs had created employment opportunities for about 97,782 citizensø(CSA, 2003).

However, having their contribution to employment in mind, according to Yordanos, Gebrehiwot and Wolday (2006), CSA(1995/2003), more than 11,000 MSEs were surveyed and about 65% of them admitted having main constraints like lack of working space for production and marketing, shortage of credit and finance, regulatory problems (licensing, organizing, illegal business), poor production techniques, input access constraints, lack of information, inadequate management and business skill, absence of appropriate strategy, lack of skilled manpower, low level of awareness of MSEø as job area, low level of provision and interest for trainings and workshops are factors that contribute for the low level performance and failure for MSEs as compared to other developing nations.

In addition to this studies, Ethiopia as one of sub-Saharan developing countries has also confronted with several factors that affect the performance of MSEs. The major factors include financial problems, lack of qualified employees, lack of financial records, marketing problems and lack of work premises, etc. Besides, environmental factors affect the business which includes social, economic, cultural, political, legal and technological factors. In addition there are also personal attitudes or internal factors that affect the performance of MSE which are related to the personø individual attitude, training and technological knowhow (Woretaw 2010).

1.2 Statement of the Problem

Micro and small enterprises (MSEs) play significant role in the creation of employment opportunity and generation of income for quite large proportion of population. Mead (1998) observes that the health of the economy as a whole has strong relationship with health and nature of MSEs.

Given the importance of micro and small business for an economy, the survival, success and performance of these enterprises in the sector is an issue of continuous concern. Research on identification and analysis of those factors associated with MSEs business performance is therefore of a great interest to policy makers, owners, manager and their advisors (Alasades and Abderahim, 2007).

So far, some studies have been done on the topic in question. For example, Gebrehiwot and Wolday (2004) examined factors hindering the development of MSE and found interruption of electric power, unreliability of water supplies and unavailability of adequate transportation and high taxes to be the major challenges for the development of micro and small enterprises. On the other hand, a study conducted by Solomon Worku (2004), which focuses on the determinants of enterprises growth, finds age of the entrepreneurs and the startup capital, the extent of diversification, availability of infrastructural facilities, availability of own working premises and availability of workers with vocational formal training as the major determinants for the growth of micro and small scale enterprises.

However, as shown above, these studies focused on the growth aspect of MSEs instead of their performance. In addition, the studies were conducted several years ago, and a lot must have been changed since then. Any good policies and strategies need to rely on timely information if they are to promote micro and small scale enterprises with the view to increasing their contribution to poverty reduction and economic growth. Therefore, the purpose of this mixed study is to examine the factors that influence the performance of micro and small enterprises, using data from a sample of 82 randomly selected micro enterprises in Bole sub city of Addis Ababa.

1.3 Research Questions

To guide the study towards the attainment of its objectives the following research questions were developed.

- What are the major personal related factors among age of owner, educational level, of owner influence the performance of micro and small enterprises?
- What are the major business related factors among planning, record keeping and financial control, management experience of owners, ownership form, and marketing skill influence the performance of micro and small enterprises?

1.4 Research Hypothesis

With the help of appropriate empirical data on the factors influencing the performance of micro and small enterprises the following hypothesis are developed.

- H1: There is significant difference on the performance of enterprises in relation to the difference in age of principal owner
- H2: There is significant difference on the performance of enterprises in relation to the difference on the educational level of the principal owner of the enterprise.
- H3: There is significant difference on the performance of enterprises in relation to the difference in the type of ownership of the principal owner of the business enterprises.
- H4: There is significant difference on the performance of enterprise in relation to the planning practice of enterprises.
- H5: There is significant difference on the performance of enterprises in relation to the difference in using record keeping and financial control mechanism of enterprises.
- H6: There is significant difference on the performance of enterprises in relation to the difference in the management experience of the enterprises owner.
- H7: There is significant difference on the performance of enterprises in relation to the difference marketing skill of owner of the enterprises.

1.5 Objective of the Study

The General objective of the study will focus on describing factors influencing the performance of micro and small enterprises.

1.5.1 Specific Research Objectives

- To describe the status of personal and business related factors influencing the performance of micro and small enterprises in bole sub city.
- To examine the relation of planning, record keeping and financial control, management experience of owners, ownership form, age, educational level and marketing skill with the performance of MSEs operating in Addis Ababa bole sub city.

1.6 Significance of the Study

This research is expected to be support entrepreneurs, academic scholars, investment group and researchers. They may use the finding of this research as additional information to address the problems uncovered in the development of MSEs and the micro and small enterprises development office and the owners of such enterprises may be able to know the real problems and then to seek solution for those problem. The study also could be seen as part of an element of growth effort in identifying the factors that influence the performance of small and micro enterprises towards their success. So it will serve as document to policy makers as well as MSEs in Ethiopia.

1.7 Delimitation and limitation the Study

The study assessed factors influencing the performance of MSEs in Addis Ababa city particularly in bole sub city. There are 10 sub city in Addis Ababa where a number of MSEs were operating. But due to time and finance constraints the researcher limited to only in bole sub city. Although, there are different factors that affect the performance of MSEs, this study is delimited to educational level, owners age, management experience ,ownership type, planning practice, marketing skill and record keeping practice. Moreover study was limited to a manageable sample size because of time and resource constraints. In addition difficulty during data collections & lack of up-to-dated information, the findings of this study can't necessarily represent for other MSEs Sectors & similar to these businesses in the country, because the sample is not a representation of the entire MSEs in the country. Therefore, the results cannot be taken as uniform to generalize for MSEs those were not part of this study. The instruments were developed by the researcher based on the literature & limited to descriptive statistics which needs more statistical tests in order to establish a more robust validity and reliability. Thus, the instruments could be further refined to more closely capture each of the problem areas identified in the literature. Replication of this study using larger samples, broader geographic, longitudinal nationwide study is suggested for cross- validation purposes.

1.8 Organization of the Study

The rest of the paper is organized as follows: chapter two presents theoretical and empirical related literature to the study. While chapter three discusses research designs and methodology. Chapter four outlines result and discussion and chapter five, concludes and suggest some recommendation.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Introduction

The review of related literature will begin by defining what micro and small business enterprises are in general and in Ethiopian context in particular. And discuss the criteria used to differentiate them from other business activities. Then the literature will focus on defining what performance means and how it is measured. Then the factors that are assumed to influence the performance will be discussed briefly.

Then performance related factors which will be discussed in the sections here after will be independent variables of the study in the future which is assumed to have relation and contribution to the performance of enterprises in Bole sub city. Then the literature will review those studies that will relate the independent variables and dependent variable of the study, finally empirical studies undertaken on micro and small business will be discussed briefly.

2.2. Micro and Small Enterprises (MSEs)

2.2.1. Definitions

There is a concern among policy makers, economists, and business experts that Micro and Small Enterprises (MSEs) are drivers of economic growth. A healthy MSEs contributes prominently to the economy through creating more employment opportunities, generating higher production volumes, increasing exports and introducing innovation and entrepreneurship skills.

As Gebreyesus (2009) cited in Dababneh and Tukan (2007), the characteristic of MSEs not only reflects the economic patterns of a country but also the social and cultural dimensions. These differing patterns are noticeably reflected within different definitions and criteria of MSEs adopted by different countries: whereas some refer to the number of employees as their distinctive criteria for MSEs, others use invested capital, and some other use a combination of the number of employees, invested capital, sales and industry type.

Rigorously defining small business has always been difficult, even controversial. The term covers a variety of firms and most writers use it rather loosely based on their purpose of study. As Gebreeysus (2009) adopted the definition of small business from Peterson, Albaum, and Kozmetskys (1986) "A small business is one which is independently owned and operated, and which is not dominant in its field of operation"

Researchers and other interested parties have used specific criteria to operate the small business as a construct value added, value of assets, annual sales, and number of employees. The latter two criteria are most often used to delimit the category.

In the case of Ethiopia, there is lack of uniform definition at the national level to have a common understanding of the MSE sector. While the definition by Ministry of Trade and Industry (MoTI) uses capital investment, the Central Statistical Authority (CSA) uses employment and favors capital intensive technologies as a yardstick.

The definition used by MoTI, which uses capital investment as a yardstick, has been developed for formulating micro and small enterprise development strategy in 1997.

According to MoTI

- Micro enterprises are those businesses enterprises, in the formal and in formal sector, with a paid up capital not exceeding Birr 20,000 and excluding high tech consultancy firms and other high tech establishments.
- Small enterprises are those business enterprises with a paid up capital of above Birr 20,000 and not exceeding Birr 500,000 and excluding high tech consultancy firms and other high tech establishments.

On the other hand, CSA categorizes enterprises in to different scales of operation on the size of employment and the nature of equipment.

According to CSA

- Establishments employing less than ten persons and using motor operated equipment are considered as small scale manufacturing enterprises.
- Enterprises in the micro enterprise category are subdivided in to informal sector operations and cottage industries: Cottage and handicraft industries are those establishments performing their activities by hand and using non power driven machines. The informal sector is defined as house hold type establishments or activities, which are non-registered companies and cooperatives operating with less than 10 persons. All enterprises employing ten or more workers are grossly considered as medium and large enterprises.

2.2.2 The revised definition of MSEs in Ethiopia

Based on the gathered experience by identifying the gaps of the existing definition of MSEs, ignoring the size of employees and by taking total asset as criteria and by dividing it into industry and service Sector; and considering the coming 5 years inflation and fluctuation of currency the definition was improved in January 2011 as follows.

Based on the revised sector both micro and small scale Enterprises are categorized into industrial sector and service sector. Under industrial sector (manufacturing, construction, and mining) microenterprise are defined as an enterprises that operates with 5 peoples including the owner and/or their total asset Is not exceeding birr 100,000.under service sector (retailers, transport, hotel and tourism, ICT and maintenance service micro enterprises are defined as an enterprises that operates with 5 persons including the Owner of the enterprises and/or the value of an total asset is not exceeding birr 50,000.

under industry sector(manufacturing, construction and mining)small enterprises are defined as operators with 6-30 persons and/or paid up capital of birr 100,000 and not exceeding birr 1.5 million.under service sector(retailer transport, hotel and tourism, ICT and maintenance service)small enterprises are defined as operates with 6-30 persones and/or total asset ora paid up capital is with birr 50,001 and not exceeding birr 500,000.When ambiguity is encountered between manpower and total asset as explained above total asset is taken as

primary yardstick (MSEDS,2011).

Table 2.1: The revised MSE Definition Table

Type of the enterprises	sector	Human power	Total asset
Micro enterprises	industry	<5	<100000(birr)
Micro enterprises	service	<5	<50000
Small enterprises	industry	6-30	<1.5million(birr)
Small enterprises	service	6-30	<500000(birr)

Source: MSED, 2011

2.5 DEFINITION OF BUSINESS PERFORMANCE

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

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

Global Entrepreneurship Monitor (GEM) defined Performance as the act of performing; of doing something successfully; using knowledge as distinguished from merely possessing it (GEM, 2004:10). However, performance seems to be conceptualized, operationalized and measured in different ways thus, making cross-comparison is difficult (Srinivasan et al., 1994:22). Among the most frequently used operationalization are survival, growth in employees and profitability. 23

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

2.3.2. Measures of performance

Business performance is usually measured in terms of economic performance. As Walker and Brown (2004), small business performance can be measured by financial and non-financial criteria although the former has been given most attention in the literature. Traditional measures of business success have been based on employee numbers or financial performance, such as profit, turn over or return on investment. Implicit in these measures is an assumption of growth that presupposes all small business owners want or need to grow their businesses.

For businesses to be deemed well perform or not these financial measurements require increases in profit or turn over and/or increased numbers of employees. As Walker and Brown (2004) cited from the study of Hall and Fulshaw (1993), "The most obvious measures of performance are profitability and growth". In economic terms this is seen as profit maximization. Economic measures of performance have generally been popular due to the ease with which they can be administered and applied since they are very much hard measures.

Furthermore Walker and Brown (2004) suggested, "all businesses must be financially viable on some level in order to continue to exist." However, given that some businesses have no interest in growth, thereby implying that financial gain is not their primary or only motivation, then there must therefore be other non-financial criteria that these small business owners use to measure their business performance.

In smaller, entrepreneurial and independent firms, measures of performance may have more complex dimensions than just financial performance (Mohan-Neill 2009). Non-financial measures of performance used by business owners, such as autonomy, job satisfaction or the ability to balance work and family responsibilities (Walker and Brown, 2004, Mohan-Neill 2009) are subjective and personally defined and are consequently more difficult to quantify. The hard measures previously mentioned therefore, are easier to understand and can be used in a comparative way against existing data and as benchmarks for future measures.

Non-financial measures are based on criteria that are personally determined by the individual business owner although commonalities within the partners of small business owners occur. These non-financial measures presume that there is a given level of financial security already established; it may be that this is within the business, or that the small business owner does not require the business to be the primary source of income (Walker and Brown, 2004).

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 measure that might not truly reflect its performance (Alasadi and Abdelrahim, 2007). 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, they are not always perfectly applicable to small businesses. In this study as MSEs concerned the financial measure of success that is the growth of total capital of the enterprises is used since it is better than non-financial measures in terms of reducing the subjectivity of the measurement results.

2.3 Factors influencing MSEs performance

Micro and small enterprises considered as a vital component of the socio-economic development of both developed and developing countries, usually some of these enterprises collapse within the first few years of their start-up. Of those operating, some grow rapidly, while others grow slowly. So, it is important to identify the cause factors of better performance because it helps new entrants of the sector consider the factors and use for their future in the business (Alasadi and Abdelrahim, 2007).

These factors could vary from one country to another due to the economic, geographical and cultural differences. This kind of investigation of the MSEs performance related factor is very important for developing countries like Ethiopia because the research conclusion could be useful for the economic development planners as well as to individual entrepreneurs and business owners in the countries concerned.

To date, there is no unified ethical model on firm performance. There are, however, several models that shed light to the issues from various perspectives. The performance of a firm is motivated by external opportunities, such as promising demand prospects for the firm's product, and/or internal inducements, such as a shift to a more efficient utilization of existing resources of the firm. On the other hand, external and internal factors may also function as obstacles to better performance. As far as external determinants of performance are concerned, demand for the firm's products is the major factor. Second, the market actions of competitors, the supply of production factors and the features of the local business environment are typically external to a small firm. Internal determinants include the features of the firm itself and the attributes of the business owners of the enterprises. In this research the internal factors of the enterprises are under consideration. There are also various factors like socio-economic, political and motivational factors that affect the performance of small business in general and MSEs in particular. Searching on the literature of MSEs performance across the world, we can find various factors affecting their performance. In the following section of the review of related works of previous researchers regarding each of the independent variables of this study, they are presented and discussed under two main subtopics of personal and business related factors.

2.4.1. Personal Related Factors

2.4.1.1. Education

Some business owners are highly educated and extremely successful whereas others have yet to complete their highschool but are equally successful. In many instances, it may depend on the individual himself/herself. Nevertheless, education level can have an effect on the performance of a business as noted in many studies.

A reason for supposing it would do so is that education improves literacy, quantitative training, and social and communication skills. And of course specialized education is necessary for many occupations. The study of Lussier (1995) suggested that people without any college education who start a business have a greater chance of failing than people with one or more years of college education.

Education can provide the skills set and knowledge, which can help owner/managers with tools, like technology literacy, which helps to increase performance and productivity. If education cultivates comprehensive literacy, this would help owner/managers to integrate relevant information to do effective planning and to make well-informed decisions, which would ultimately enhance the organization performance (Mohan-Niell, 2009).

Thapa, Goswami and Joshi (2008) in their study they found that the education of owners has positive effect on entrepreneurial and small business performance. Similarly Rose, Kumar and Yen (2006), in their study of the 'Dynamics of Entrepreneurs Success Factors' reported that, higher education level helps the business owners to have better knowledge and skills which contribute to the performance of their venture. Working experience also assists the entrepreneurs with information and understanding about the industry and thus, assisted them in venturing into the current business they are in. Another research by Charney and Libecap(2000), found that entrepreneurship education produces self-sufficient enterprising individuals. Furthermore, they found that entrepreneurship education increases the formation of new ventures, the likelihood of self-employment, the likelihood of developing new products, and the likelihood of self-employed graduates owning a high-technology business.

2.4.1.2. Age

Entrepreneurs vary in age from young to old in many instances; an individual may begin a business as a hobby or secondary source of income and have it grow into a profit-driven enterprise. A number of studies have focused on the entrepreneurial characteristics of the owners/managers of small businesses as key factors to small business performance. Ages of the owners/managers were one of the most important characteristic that was repeatedly used to predict small business performance and growth (Lussier and Pfeifer, 2001).

Lussier (1995) also argued the relationship of the business owner's age and its effect on the performance of the enterprises. He reported in his study that, younger people who start a business have a greater chance to fail than older people starting a business.

Similarly, Praag (2003), in his study of business survival and success of young small business owners, younger small business starters have a lower performance and survival probabilities than older starters. The chance of both voluntarily and forced exit from the business is higher to young starters. From this one can understand that the age of small business owners have its own contribution to the performance of MSEs because individuals learn not only from formal education but also from their walks of life.

Alasadi and Abdelrahim (2007), in their study of Small Business Performance in Syria also reported that, as the age of the business owner increase it contributes to the enterprises performance. From the study result of Alasadi and Abdelrahim, it may be argued that increased age brings with it a sufficient level of accumulated knowledge or experience of a certain trade to try going in to self-employment alone.

2.4.1.3. Management Experience

Management experience may provide entrepreneurs with prior knowledge of markets, ways to serve markets, and of customer problems.

Zelege (2009) conducts a study on the efficiency of management as a determinant of long-term survival in micro, small and medium enterprises in Ethiopia, and his research ascertains that high level of managerial skills significantly promotes long-term survival and profitability in small businesses and enterprises. Successful businesses are significantly associated with the ability to

generate profit on a sustainable basis. Profitability has enabled successful businesses to achieve their next level of growth as well as the potential to stay competitive in business.

The main reason for failure is unexperienced management. Managers of bankrupt firms do not have the experience, knowledge, or vision to run their businesses. In diagnosing the root causes of small firm failure it should not be surprising that this turns out to be the management inefficiency of owner-managers (Zelege2009).

Managerial effectiveness influences every aspect of a business and is often believed to be the most important factor contributing to small business performance. The management skills and management concepts of business founders are deemed much more important than their technical skills and their concern about production which has resulted in an overall positive organizational performance (Lin and Yeh-Yun1998).

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

In addition Temtime and Pansiri (2004) also reported in their study managerial background has less significance on the performance of the enterprises. This may arise from the fact that most managers of failed enterprises do not accept the fact that their lack of managerial education and experience is also responsible for failure.

Lin and Yeh-Yun (1998), in their study of Successfactors of small and medium sized enterprises, suggested that the management skills and management concepts of business founders are much more important than their technical skills and their concern about production which has resulted in an overall positive organizational performance. They argued in their study that, although technical skills may guarantee the survival of a given SME, for an enterprise to truly thrive, founders need to enhance their capabilities in carrying out contemporary management concepts, such as satisfying employees' growth needs, delegating

responsibility, and participative management.

Another study done by Okpara (2011), on MSEs operating in Nigeria supports the argument that, lack of management experience of the small business owners is the other major reason to small business failure. As the findings of this study shows that, most business owners who do not have management experience and adequate training and skills to operate a business faces a problem of collapse of their businesses.

2.4.2 Business Related Factors

2.4.2.1 Marketing Skill of Business Owners

The study of Lussier (1995) emphasizes on the importance of marketing skill of the business owners as one factor to the success and better performance of small businesses.

Marketing skills, such as identifying new prospects, showing effective corporate positioning, customer handling, finding ways to efficiently advertise, and the ability to come up with new ideas are very important factors that micro and small business enterprises should possess to be successful survival in the future.

Temtime and Pansiri (2004) also reported in their study of Small business Critical Success/Failure Factors in Developing Economies, in Botswana shows that marketing activities such as product marketing, market research, and demand forecast and so forth have greater impact on the performance of small businesses enterprises. In this study customer relationship also reported as one of the important factors of the small business owners performance. From this study report one can understand the importance of marketing skills of the business owners to be successful in their competitive environment.

Pulendran, Speed and Widing (2002), suggest that the quality of marketing planning is associated with higher level of market orientation. Perhaps one can argue that, better quality planning assists managers seeking to implement a market orientation to achieve their goal, or conversely, market orientation assists planning by providing a clear and unambiguous goal that serves to focus the planning effort.

This study also indicates that managerial functions in small enterprises are limited to routine short term focused activities, and very little emphasizes given for long-term competitiveness which in turn has an impact on the long-term performance and profitability of the enterprises.

2.4.2.2. Planning and Performance in Small Enterprises

Planning was also recognized by several studies as a key factor to small business performance such as Lussier(1995), Lussier and Pfeifer (2001), Alasadi and Abdelrahim(2007). A business often begins with an idea that is acted upon. However, to get from the ideas stage to the actual business start-up generally involves considerable Planning. In many cases, the amount of actual Planning done is dependent on the willingness of the entrepreneur to do it. Some entrepreneurs prepare business plans as a means to attain financing for their businesses while others use a plan to get all their ideas down on paper to assess whether their business idea is sound and viable.

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

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

2.4.2.2. Record Keeping and Financial Control

Poor record keeping can also lead to strained relationships with vendors which may result in difficulty in obtaining and receiving merchandise. Inadequate working capital decisions and accounting information have been referenced consistently as causes of small business failure.

In The study of Lusseir (1995), he reported that businesses that do not keep updated and accurate records and do not use adequate financial controls have greater chance of failure than firms that do. However, the study of Rose, Kumar and Yen (2006) did not show any significant relationship between small business performances and the record keeping, and financial control practices of the enterprises.

2.4.2.3. Form of Ownership

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

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

2.5 Empirical Study

According to Mead & Liedholm (1998) and Swierczek and Ha (2003), the main factors that affect the performance of MSEs in developing countries is not their small size but their isolation, which hinders access to markets, as well as to information, finance and institutional support. The argument that small businesses in Africa are crucial in the role they play in employment creation and general contribution to economic growth is not new. Although this may be true, the vast majority of new enterprises tend to be one-person establishments (Mwega, 1991). This has tended to ensure that the journey of the MSEs entrepreneur in many instances is short-lived, with the statistic of MSEs failure rate in Africa being put at 99 percent (Rogerson, 2000). Various reasons for these failures have been proposed by scholars including lack of supportive policies for MSE development (McCormick 1998), intense competition with replication of competition with replication of micro-businesses (Manning & Mashego, 1993); manager characteristics including lack of skills and experience (Katwalo & Madichie, 2008).

A study by Hall (1992) has identified two primary causes of small business failure appear to be a lack of appropriate management skills and inadequate capital (both at start-up and on a continuing basis). There search undertaken in Tanzania by surveying 160 micro enterprise showed that high tax rates, corruption, and regulation in the form of licenses and permits, are found to be the most important constraints to business operations of microenterprises (Fredland et al, 2006 cited in Mulugeta, 2011).

A view expressed by Freed and Morris (2009) argued that the causes of failure cannot be isolated and that any attempt to do so is at bottom futile exercise. However, they suggested that The issue of causation is clarified somewhat by classifying causes as endogenous (internal to the firm and presumably within its control) and exogenous (external to the firm and beyond its control). Such a classification has the merit of providing a somewhat better policy handle since if causes are endogenous, appropriate policy helps firms help themselves if exogenous, appropriate policy may seek to change the economic environment.

Previous evidence suggests that, although endogenous factors were the main cause of Failure exogenous factors had a significant effect in approximately one third of small business failures (Peterson et al., 1983).

Roy and Wheeler(2006) identified that the level of training of micro entrepreneurs(both formal and informal); experience and number of years in operation; knowledge of the market level of differentiation (in terms of price, quality or other) and diversification of products access to the necessary resources and/or technologies; level of planning; vision for the future; and the entrepreneurs level of poverty are among the factors contributing to success of MSEs while lack of market knowledge and training, limited access to capital, and lack of co-operation among possible business partners are some of the factor inhibiting the growth and development of the micro enterprise sector.

2.5.1. Previous Studies on Ethiopian Micro and Small Enterprises

Eshetu and Zeleke (2008) conducted longitudinal study to assess the impact of influential factors that affect the long-term survival and viability of small enterprises by using a random sample of 500 MSEs from 5 major cities in Ethiopia. According to this research, that lasted from 1996-2001, the factors that affect the long term survival of MSEs in Ethiopia are found to be adequacy of finance, level of education level, poor managerial skills, level of technical skills, and ability to convert part of their profit to investment. This is so because the findings of the study revealed that businesses that failed, during the study period were characterized by inadequate finance (61%), low-level of education (55%), poor managerial skills (54%), shortage of technical skills (49%), and inability to convert part of their profit to investment (46%). The study further indicated that participation in social capital and networking schemes such as Iqub was critically helpful for long-term survival of the enterprises. Businesses that did not participate in Iqub schemes regularly were found to be 3.25 times more likely to fail in comparison with businesses that did, according to the study.

In their study, based on the survey covering 123 business units in four Kebeles of Nifas Silk-Lafto and Kirkos sub-cities of Addis Ababa, and aimed to investigate the constraints and key determinants of growth, particularly in employment expansion, Paul and Rahel (2010) found out

that the studied enterprises registered 25% increment in the number of total employment they created since their establishment with an average annual employment rate of 11.72%. With regard to the sources of initial capital of the studied enterprises, the study indicated that, the main ones were loan from MFI (66.7%), personal savings/Iqub (17.5%), and loan from family/friends (17.1%). Moreover, the concrete problems that the targeted MSEs faced at their startup were lack of capital (52.8%), skills problem (17.9%) and lack of working space (17.1%). Moreover, Daniel (2007), identified that lack of raw material, stiff competition and shortage of working capital.

Major cities of Ethiopia namely Adama, Hawassa, Bahirdar and Mekelle, Tegegne and Meheret's research (2010) was conducted with the intention of assessing the contribution of the MSE strategy to poverty reduction, job creation and business development. The raised causes for this gloomy prospect of business were not growing (33%), lack of finance (13%), lack of market (11%), and lack of working space (4%).

The major constraints identified by various studies on MSEs in Ethiopia are associated with market and finance problems. The causes of market-related problems of MSEs engaged in metal and wood work are shortage or absence of marketing skills, poor quality of products, absence of marketing research, shortage of market information, shortage of selling places, and absence of sub-contracting (FMSEDA, 2006). The product line of MSEs activities in Ethiopia is relatively similar (Assegedech, 2004). Accordingly she states that: "Lack of product diversity, however, is prevalent and as a result similar products are over-crowding the market. Some micro enterprises shift from one product to another, and in doing so, capture better market opportunities. Nevertheless, as soon as the market has established itself, a multitude of further microenterprises start to find the same business and this causes the selling price to fall immediately." According to Assegedech (2004) "Shortage of funds discourages the smooth operation and development of MSEs. Even if there are credit facilities, some of the MSEs do not use the money for the intended purpose. They rather divert it for other unintended and unproductive expenditures. Consequently, the enterprises fail to return the money back to the lender on time. This can result in a loss of credibility to get repeated loans when needed."

In addition competition is also another problem that hinders the performance of MSE. She explained it as: "As is mostly the case and common recognition, "Competition is Cruel", which implies that some larger companies in relation to MSEs have advantages due to: selling at reduced price without reducing product quality using economies of scale, customer targeting capacity, proper and intensified product/service advertising capacity, good personal contacts and networks, sound industry reputation and sufficient information regarding existing market and capacity to exploit more market opportunities."

In his research Dereje (2008) studied the nature, characteristics, economic performance, opportunities and challenges of MSEs in the construction sector based on 125 sample enterprises. The results of the study revealed that the main constraints of the MSEs were shortage of capital, lack of raw materials, absence of government support, lack of market, lack of credit facilities and high interest rate. Studies were also conducted specifically with a purpose of identifying the problems that MSEs encounter. For instance, Workneh (2007) research undertaken in Kolfe Keraneo sub-city of Addis Ababa indicated that lack of capital, lack of market, unfavorable policy, and inadequate infrastructure, absence of adequate and relevant training, bureaucratic structure and procedures are among constraints faced by MSEs. Similarly, Adil (2007:63) research carried out in Addis Ababa shows that inappropriate government intervention, shortage of capital, location disadvantage, and lack of market and lack of display room are the major challenges that obstruct MSEs.

Mulugeta (2011) has also identified and categorized the critical problems of MSEs into market-related problems, which are caused by poor market linkage and poor promotional efforts institution-related problems including bureaucratic bottlenecks, weak institutional capacity, lack of awareness, failure to abide policies, regulations, rules, directives, absence of training to executives, and poor monitoring and follow-up; operator-related shortcomings including developing dependency tradition, extravagant and wasting behavior, and lack of vision and commitment from the side of the operators; MSE-related challenges including lack of selling place, weak accounting and record keeping, lack of experience sharing, and lack of cooperation within and among the MSEs and finally, society-related problems such as its distorted attitude about the operators themselves and their products.

Finally ,based upon the literature review as it is clearly indicted there are various factors that influence the performance of micro and small enterprises, which is undertaken by different researchers. But still in Ethiopia the sector need more researches to be done. The reason for this is most of the studsø conducted several years ago and a lot must have been changed since then it is vital to undertake research in the sector because any good policy and strategies need to rely on timely information. to promote micro and small scale enterprises, with the view to increase their contribution to poverty and unemployment reduction and economic growth. Based on this fact the objective of this study focus on describing factors influencing the performance of micro and small enterprises in Addis Ababa particularly bole sub city.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

It involves a blueprint for the collection, measurement and analysis of data. Moreover, the chapter reveals an overall scheme, plan or structure conceived to the researcher in testing the research hypothesis. In this stage most decisions about how research was executed and how respondents were approached, as well as when, where and how the research was completed is discussed. Therefore in general this part of the study describes the research design and methodology that were used to guide under the following sub-heading: the research design, target population, sample technique and sampling size, data collection instrument, variables and measures, data analysis technique and ethical considerations.

3.2. Research Design

According to Kerlinger (1986) research design is the plan and structure of investigation conceived so as to obtain answers to research questions or test the research hypothesis. The plan represents the overall strategy used in collecting and analyzing data in order to test research hypothesis.

In this study, a descriptive research design was used, the major purpose of descriptive research is description of the state of affairs as it exists at present. Then this study describes and critically assesses the factor affecting the performance of some selected MSEs in Bole sub city of Addis Ababa.

3.3. Target population

Target population is the specific population about which information is desired. According to Ngechu (2004), a population is well defined or set of people, service, elements, and events, group of things or households that are being investigated. Mugenda and Mugenda, (1999), explains that the target population should have some observable characteristics, to which the researcher intends to generalize the results of the study. There are 871 MSEs which are registered in Bole sub city MSEs Office which are engaged construction, food and beverage, textile and garment, merchandise and retail shops and repair and maintenance shops

Table 3.1 Target populationTable 1

Target population	Frequency	Percentage
Construction	297	34.10%
Food and beverage	106	12.17%
Textile and garment	223	25.60%
Merchandize and retail shop	129	14.81%
Repair and maintenance svc.	116	13.32%
Total	871	100%

Source: Bole sub city MSEs Office 2016

3.4 Sampling Techniques and Sample Size

To select sample of enterprise from the total population of MSEs a stratified random sampling was applied to get a representative number of enterprise from each sector that was considered in this study this technique was preferred because it was used to assist in minimizing bias when dealing with the population with this technique. The sample frame was organized into a relatively homogeneous group (Strataø), before selecting elements for the sample. The strataø were sectors of MSEs including construction, food and beverage, textile and garment, merchandize and retail shops, repair and maintenance service, which are commonly available in all sub cities of Addis Ababa.

Sample of MSEs operators from each strataø (sectors) simple random sampling method applied from a complete list of enterprises operated in the sub city. Since Negachu (2004) underscore the imperative of selecting a representative sample through making a sampling frame. From the required number of subjects, respondentsø elements or firms was selected in order to make a sample.

A sample is a smaller and more accessible subset of the population that adequately represents the overall group thus enabling one to give an accurate picture of the population as a whole with respect to the particular aspect of interest of the study.

In this study to select sample size a list of the population formally registered by Bole sub city until July 2016 was used. A list of containing names, address and the type of MSEs business engaged. The total population of the study area was found from Bole sub city MSEs Office. A total population of 871 enterprises that comprised of 297 (34.10%), 106 (12.17%), 223(22.60%), 129(14.81%) and 116(13.32%). The sample size selected here was considered as a representative of construction, food and beverage, textile and garment, merchandize and retail shop, and repair and maintenance respectively.

To estimate the sample representative the following formula was applied. Since it is relevant to studies were a probability sampling method is used. Slovin's sampling formula:-

$$n = \frac{N}{1 + Ne^2}$$

Where e^2 ó Margin of errors/error margin 10%
 N ó Population size
 n ó Sample size

$$n = \frac{871}{1 + 871 * 0.1^2} = 87.07$$

The total of 87 questionnaires was distributed to be filled out and 82 questionnaires were properly filled and returned back, representing 94 percent response rate. The purpose of the study was to analyze factors that influence the performance of MSEs which is found in bole sub cities.

Accordingly descriptive statistics analysis and interpretation of the sample enterprises responses with regard to the seven main research variables of this study is performed and ANOVA is used to test the null hypothesis.

3.5. Data Collection Instrument

In order to achieve the research objectives, both primary and secondary data was collected through questionnaires and specifically questionnaires was designed and distributed to MSEs engaged in different economic activates (manufacturing, construction, merchandise and retail shops, repair and maintenance services) and the questioner distributed for those enterprises includes both open and close ended questions. The questionnaire was used because they are

straight forward and less time consuming for both the researcher and the participants (Owens, 2002).

Consequently questionnaire was the main instrument of the study; the research questionnaire was administered to a stratified random sample of 87 Micro and Small Business owners. The sample frame of the study in which the enterprises were chosen at random was accessed from a record archive of bole Sub City Micro and Small Business Development office. To enhance the response rate, the questionnaires were delivered by hand to the enterprises randomly approached and convinced to participate on this study. The participants of this study fill up most of the questionnaires by themselves but when necessary the data collector (the researcher) gave assistance by elaborating and explaining the idea of the questions.

This kind of distribution and collection has done to minimize the problems of non-response error of respondents to some questions which they considered sensitive as well as to those questions they do not understand in a way as they intended to be in the questionnaire.

The questionnaire was designed as to encompass two sections: the first part of the questionnaire is about the personal profile of the principal owners and the rest is on business related information about the participant enterprises. Both open ended and cloth ended questions were used to extract the required data from respondents.

Performance of the enterprises is the dependent variable of this study. Total capital growth of MSEs is used to measure the performance of the sample enterprises from their establishment to date. To this end open ended questions about the enterprises total initial capital used to start the venture and the amount of the total capital enterprises currently have was included in the questionnaire. Then based on the data from these two questions, the capital growth of each participant enterprises from establishment to date were calculated and then this growth index as a ratio data was taken as indicator of enterprises performance.

The independent variables in this study are seven factors obtained from the literatures of small business: age of the principal owner, education level of the principal owner, prior management experience of the owner, marketing skill of the owners, planning practice, record keeping and financial control and forms of ownership of the enterprises.

Validity of the Research Instrument

To ascertain the validity of the questionnaire a pilot test was carried out. This was done by administering the questionnaire into the pilot group. The content validity of the research instrument was evaluated through the actual administration of the pilot group. In validating the instrument 3 MSEs was selected from each strata, which was constituted a total of 15 MSEs. The population units in the pilot study were not included in the final sample. The study was used both face and content validity to ascertain the validity of the questionnaires. Face validity is actual validity at face value, to check the instrument face validity test/survey items were sent to the pilot group to obtain suggestion for modification. Content validity is concerned with sample population representativeness i.e. the knowledge and skills covered by the test items should be representative to a larger domain of knowledge and skills.

The instrument were administered by the researcher after which a discussion was made to determine the suitability, clarity and relevance of the instrument for the final study ambiguous and inadequate items were revised in order to elicit the required information and to improve equality of the instrument.

3.6. Variables and Measures

To make each of the independent variables selected for this study more clear, one can see the explanations and research finding reported by Lussier (1995). He has discussed these variables in relation to their effect on small business performance as follows:

Record keeping and financial control: Businesses that keep updated and accurate records and uses adequate financial control shave perform better than firms that do not

Management Experience: Businesses managed by people with prior management experience have a greater chance to perform better than firms that are managed by people without prior management experience.

Planning: Businesses that develop specific business plan shave a greater chance of success than firms that do not.

Education: People without any college education who start a business have a greater chance of failing than people with one or more years of college education.

Age: Younger people who start a business have a greater chance to fail than older people starting a business.

Partners: A business started by one person has a greater chance of failure than a firm started by more than one person.

Marketing: Business owners without marketing skills have a greater chance of failure than owners with marketing skills.

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 (Alasadi and Abdelrahim, 2007). 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, they are not always perfectly applicable to small businesses.

In this study, the growth in total capital of enterprises is used as dependent variable to measure performance. Here the change in capital growth as ratio data is used as the measure of the dependent variable performance of the enterprises involved in the survey. The reason to use this change in total capital as performance measurement is because enterprises are generally suspicious to disclose information related to revenue and profit and it would be difficult to get response from respondents as it is demanded.

3.7. Data Analysis Techniques

Data were analyzed by using descriptive and inferential statistics. Descriptive statistics involved the use of frequencies and mean. Inferential statistics were used to see the variation in the performance of enterprises in relation to the different levels of each of the explanatory (independent) variables with the aid of Statistical Packages for Social Science (SPSS VERSION-20). Analysis of variance (ANOVA) is used to test the hypotheses stated in this study regarding the performance of enterprises in relation to each of the independent variables of the study.

3.8 Ethical consideration

All the research participants included in this study were appropriately informed about the purpose of the research and their willingness and consent was secured before the commencement of distributing questionnaires. The right to privacy of the respondents, the study maintained the confidentiality of the identity of each participant. In all cases, names are kept confidential thus collective names like 'respondents' were used.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents analysis and interpretation of findings from data that were gathered from the MSEs found within Bole sub city. The data was obtained through questionnaires. To obtain more dependable information, diversified groups of respondents which engaged in construction, manufacturing, merchandise and retail shops and service were involved to give information for the study.

4.1.1 Response rate

The researcher targeted a sample of 87 MSEs of which 82 of them were responded. This represent a 94% response rate as table 1 below clearly revealed.

Table 4.1: Response Rate

Number	Respondent category	Frequency	Percentage
1	Responded	82	94
2	Didn't respond	5	6
	Total	87	100

Source: - Own survey 2016

4.2 Demographic characteristics of MSEs owners.

Regarding the gender of the respondents Table 4.2 shows 64(78.04) of respondents are male the rest 18(21.96) respondents are female. This shows the number of male and female involvement in such enterprises are not equal or most of MSEs owners are male.

As it is indicated in the Table 4.2, from the total sample taken 30 (36.6%) enterprises are possessed by principal owners with the age of 20-30 years old. The other 46 (56.1%) MSEs in this study are owned by individuals with the age range of 31 to 40 years which roughly

shows the adult age group of the population in Ethiopia and the remaining 6(7.3%) enterprises have owners with age above 41 years and above.

The other measurement is educational level of the respondents or owners in this regard 17 (20.7%) of the respondents were below grade 10 and 32 (39%) below 10+3. First degree graduate business owner is only 10(12.2%) of the total sample and the rest 23(28%) have completed 10+3.

Table 4.2 profile of the respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Respondent Sex	Female	18	21.96	21.96	21.96
	Male	64	78.04	78.04	100.0
	Total	82	100.0	100.0	
Respondent Age	20 ó 30	30	36.6	36.6	36.6
	31 ó 40	46	56.1	56.1	92.7
	41 ó 50	6	7.3	7.3	100.0
	Total	82	100.0	100.0	
Respondent Education	10+1	23	28.0	28.0	28.0
	10+2	9	11.0	11.0	39.0
	10+3	23	28.0	28.0	67.1
	Below 10	17	20.7	20.7	87.8
	Degree	10	12.2	12.2	100.0
	Total	82	100.0	100.0	

Source: - Own survey, 2016

4.3. Business Related characteristics

Also from Table 4.3 one can easily identify the type of planning practice that the enterprises short term and long term period planning. The majority of the enterprises 60 (73.2%) have a tradition of planning for less than a year and 11 (13.4%) has a planning tradition for 1 to 2 years a head of the current business period, and the remaining 11 (13.4%) enterprises had 3-5 years future plan for their business. This data reveals majority of respondents MSEs owners has poor trends regarding their planning practice.

Regarding ownership as shown in table 4.3 of the total respondents 40 (51.2%) MSEs are owned and operated by one person as sole proprietorship. And the remaining 42 (48.8) are owned by more than one person as a partnership.

Regarding industry and service type which MSEs are engaged in one can easily identify the type of the industry that the enterprises engaging in under Table 4.3. Majority of the enterprises 58(70.7%) are involved in a business that can be included in three major industry type namely construction, Food and Beverages, Textile & Garment. While the rest of the enterprises in the sample 24 (29.3%) are engaged in different business activities such as internet rent service, barber shops, mobile maintenance, gift shops, video rentals, electronics equipment service, home appliance production and maintenance business Which are included under service sector.

The other variable In this study included for the analysis are the record keeping tradition and financial control in this regard the majority 68 (82.9%) enterprise have a uses record keeping for their day to day business operation and the remaining 14 (17.1%) enterprises has no record keeping practice in their business activities.

When we classify the enterprises involved in this study on the bases of managerial experience only 27 (32.9%) of the enterprises owners have managerial experience and the remaining 55 (67.1%) have no managerial experience and they lack most managerial skills.

The last variables is related to marketing skill of owners from the respondents about 63 (76.8%) have agreed that they have marketing skill which is obtained from different training programs facilitated by bole sub city micro and small business development agency. The remaining 19(23.2%) respondents have agreed that they have no marketing related skill.

Table 4.3: Frequency and percentage of the respondents (MSEs) business related data of enterprise Table 3

Variables		Frequency	Percent	Valid Percent	Cumulative Percent
Do you prepare future plan	Yes	60	73.2	73.2	73.2
	No	22	26.8	26.8	100.0
	Total	82	100.0	100.0	
Time span of the plan	1 - 2 years	11	13.4	13.4	13.4
	3 - 5 years	11	13.4	13.4	26.8
	Below 1 year	60	73.2	73.2	100.0
	Total	82	100.0	100.0	
Form of ownership	Sole proprietorship	40	48.8	48.8	48.8
	Partnership	42	51.2	51.2	100.0
	Total	82	100.0	100.0	
Business type	Construction	26	31.7	31.7	31.7
	Food and Beverage	10	12.2	12.2	43.9
	ICT and Maintenance	12	14.6	14.6	58.5
	Merchandise and retail shop	12	14.6	14.6	73.2
	Textile and Garment	22	26.8	26.8	100.0
	Total	82	100.0	100.0	
Record keeping and financial control system	No	14	17.1	17.1	17.1
	Yes	68	82.9	82.9	100.0
	Total	82	100.0	100.0	
Owners management experience	No	55	67.1	67.1	67.1
	Yes	27	32.9	32.9	100.0
	Total	82	100.0	100.0	
Marketing related skill of the principal	No	19	23.2	23.2	23.2
	Yes	63	76.8	76.8	100.0
	Total	82	100.0	100.0	

Source: - Own survey, 2016

On the other hand the dependent variable (capital growth of the MSEs) is computed by considering the difference between initial capital and current capital. Accordingly the highest capital growth is 1223% and the lowest capital growth is 213%. Also from the total MSE sample of 82 taken in this research 44 of them is between 200% - 799% and the remaining 38 MSEs is between 800% - 1299%.

Table.4.4 Percentage change of MSEs capital growth Table 4

Capital Growth of MSEs	200 - 799 %	44	53.7%	53.7
	800 - 1299 %	38	46.3%	46.3
	Total	82	100.0	100.0

Source: - Own survey, 2016

Descriptive statistics result of total capital growth vs. the main variables

The discussion here after is related to the descriptive statistic result of the seven independent variable in relation to the performance of MSEs in Addis Ababa bole sub city.

The first variable considered in this study as factor for percentage capital growth which measures the performance of MSEs is the age of the principal owner of the enterprises. To examine the variation in the capital growth of the enterprise in different age categories the sample is grouped into three age group as depicted in Table 4.4 below.

Table 4.5. Capital growth change of MSEs to different age categories of owners Table 5

Respondent Age frequency	Mean capital growth	N	Std. Deviation	Std. Error of Mean	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
20 ó 30 Years	6.416	30	3.547	.648	5.090	7.740	2	12
31 ó 40 Years	6.844	46	2.664	.393	6.050	7.630	2	12
41 ó 50 Years	4.270	6	3.336	1.362	0.770	7.770	2	11
Total	6.499	82	3.094	.342	3.970	7.713	2	12

Source: - Own survey, 2016

As it is indicated in the tables from the total sample taken 30 enterprises are possessed by principal owners with the age of 30 years old and below. When we look at the percentage capital growth of the enterprises in this age categories on average they show a total capital growth of 641.6% from the time of establishment to date.

When we look at the percentage capital growth of enterprises in all age categories on an average they show a total percentage capital growth of (649.9%) from the time of establishment to date.

The second group of age of passed by principal owner with the age between 31 to 40 years old are 46 MSEs when we look at the percentage capital growth of the enterprise in this age categories on average, they show a total capital growth of 684.4% from the time line of establishment to date.

The remaining 6 MSEs in this study are owned by individuals with the age range of 41to50 years which roughly shows the adult age group of the population in Ethiopia. The performance of MSEs under this age category in terms of average capital growth is about 4.27 from the year they have been established to date.

Overall from this descriptive statistics result, those MSEs owned by individuals with the age of 30to40 shows higher average capital growth than those enterprises owned by individuals with age 29 and below and those individuals with age above41years old. The possible argument for the better performance of those enterprises owned by individuals with this age bracket would-be, first business owners in this age category would have better chance of acquiring business experience compared to those 30 years and below on the other hand relative to business ownerø above the age of 41 this age category would be more energetic to spend more time in their business. These two conditions may in turn makes enterprises owned by those individuals in this age category perform better.

The other independent variable of this study is the educational level of the principal owner of the enterprises which is expected to have a relation with the percentage capital growth of the enterprises and in return determines their performance. Some business owners are highly educated and extremely successful in their performance whereas others have got to complete their high school but are equally successful. In many instancesit may depend on the individual himself/herself. Nevertheless, educational level can have an effect on the performance of the business as noted in many studies.

To see the difference in the capital growth of enterprise with respect to the difference in the educational level of the owners of the enterprises, the educational status of the principal owners of the sample enterprises in this study grouped into four categories.

Table 4.6 Enterprises Total Capital Growth by Education level of the Owners Table 6

Respondent Education	Mean Capital growth	N	Std. Deviation	Std. Error of Mean	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
10+1	6.606	23	2.865	.597	5.37	7.84	2	11
10+2	6.429	9	4.218	1.406	3.19	9.67	2	12
10+3 and Above	7.090	33	6.819	1.811	5.37	8.17	2	12
Below 10	6.550	17	2.488	.603	5.27	7.83	2	9
Total	6.499	82	3.094	.342	4.45	8.43	2	12

Source: - Own survey, 2016

As it is indicated in Table 4.6 23 sample enterprises have principal owners below 10th grade in terms of their education level. When we see the performance of these enterprises in terms of total capital growth in relation to the educational status of the principal owners of the business enterprises, on average they scored a 6.55% growth of total capital in their stay in the business from the time they have established to date.

The other 32 enterprises or enterprise owners of this study have an education status of 10th to 10+2 which mean those completed 10th grade and have 2 years additional education either in technical and vocational or preparatory classes. Enterprises owned by owners with this education level or status on average scored 6.60% or 6.42% respectively growth in total capital from their establishment time to the time of data collection.

The remaining 33 MSEs involved in this study are owned by individuals having an education level 10+3 and above. These educational status categories of the principal owners includes that completed 10th grade and have stayed three additional years in further education and those completed their preparatory class and have one year additional education. In addition this category also includes those owners having first-degree and above.

Regarding performance of the enterprises in this category of the educational status of the principal owners of the enterprises; on average they showed a 7.09% growth in total capital since establishment.

Over all, MSEs owned by individuals with an education level of 10+3 and above shows better performance compared to those enterprises with owners education status below 10th grade and those 10 to 10+2. A reason for this better performance of enterprises owned by owners would do so is that education improves literacy, quantitative training, and social and communication skills and this in turn increases the chance to be successful in their performance of enterprises.

The third variable of this study is the ownership form of enterprises. This ownership form of enterprises are passed by a single individual (sole partnership) or owned by more than one owner (partnership) and this ownership form of enterprises would have relation to the percentage capital growth of MSEs and determine their performance in the business environment they are working in.

As shown from Table 4.7, of the total respondents 40 MSEs are owned and operated by one person as sole partnership business. When we look at the percentage capital growth of the enterprise under this category ownership type in terms of capital growth, on average they show 5.66% growth since establishment to date.

On the other hand from Table 4.7, the remaining respondents 42 sample enterprises in this study are owned by two or more owners either as partnership or private limited company. Looking to the capital growth of the enterprises in terms of the percentage growth in total capital on average they show a 7.30% growth in total capital to date.

Generally from this statistical data these enterprises owned by more than one owner perform better in total percentage capital growth compared to these passed by only one owner. The possible reason for the better capital growth of these enterprises owned by more than one person is that the passed entrepreneurial capacity and skill of different individuals may positively contribute to the capital growth of the enterprise. This finding is consistent with the study of Lussier (1995), it supports the fact that enterprises which are owned by more than one owner have a higher chance of success than these enterprises owned and managed by a single owner.

Table 4.7: Capital growth change of MSEs to different ownership form

Form of ownership	Mean Capital growth	N	Std. Deviation	Std. Error of Mean	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Partnership	7.30	42	3.008	.476	6.36	8.23	2	12
sole proprietorship	5.66	40	2.996	.462	4.7	6.63	2	12
Total	6.50	82	3.094	.342	5.53	7.43	2	12

Source: - Own survey, 2016

The other variable in this study is the management experience of the principal owners of the business which is expected to create variations on the performance of MSEs operating in Addis Ababa.

Table 4.8 Enterprises Total Capital Growth in relation to Management Experience of Principal Owners

Years of management experience	Mean Capital Growth	N	Std. Deviation	Std. Error of Mean	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
No experience	6.18	44	3.173	.478	5.21	7.14	2	12
1- 3	6.75	30	3.048	.556	5.61	7.89	2	12
3 ó 5	7.53	4	2.665	1.332	3.28	11.77	4	9
Above 5	7.11	4	3.633	1.816	1.33	12.89	2	11
Total	6.50	82	3.094	.342	3.86	9.92	2	12

Source: - Own survey, 2016

From Table 4.8 principal owners of MSEs in this study have no any prior management experience acquired either being employed in other organizations and working in management position or managing their own independent enterprises before the current one. In terms of performance of enterprises owned by individuals without any prior management experience, they show on average total capital growth of 6.18%.

From the same Table 4.7 MSEs are owned and managed by owners which have prior management experience of 1to3 years. Regarding the performance of the enterprises in this category on average they show 6.75% increase in total capital. The remaining 4 MSEs in this study are owned and managed by individuals who have a prior management experience of 3-5 years. The performances of the enterprises in this category in terms of average total capital grow this 7.53% increase throughout their stay in the business. The other 4 respondents are owned and managed by individuals who have a prior management experience above 5 years when we see the performance and the percentage change in their capital 7.11% from their of establishment

Generally from the descriptive statistics results in Table 4.8, the performance of those enterprises owned and managed by those individuals having more than 3-5 Years and above 5 years management experience is better than the others. This is because; management experience may provide entrepreneurs with prior knowledge of markets, ways to serve markets, ability to solve customer problems and this kind of exposures interns increases the chance of the enterprises performance in their business environment.

Table 4.9: Capital growth change of the MSEs to future planning

Do you prepare future plan	Mean capital Growth	N	Std. Deviation	Std. Error of Mean	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Yes	6.69	60	3.193	.412	5.86	7.51	2	12
No	5.99	22	2.813	.600	4.74	7.23	2	11
Total	6.50	82	3.094	.342	5.3	7.37	2	12

Source: - Own survey, 2016

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

As it is indicated in Table 4.8, from the total sample enterprises in this study, 22 MSEs do not use any kind of plan in their day to day operation of business. Looking to the performance of the enterprises that do not use any plan using total capital growth of the enterprises as a measure of performance, on average these enterprises show 5.99% growth in total capital from the year they have established to date.

On the other hand 60 enterprises in the sample taken have planning practice in their day to day business operation as well as a plan that cover one up to three years and three up to five years. In terms of performance using capital growth as a measure, enterprises which have plan for their business activities have scored 6.69% average capital growth.

The possible justification to the importance of using plan is that, planning in advance what needs to be done helps enterprises to act strategically to realize established development goals rather

than moving in a random and unsystematic way to the opportunities as well as unfavorable situation that will happen in their business operations. This proactive move of the enterprises increases their chance of success in the dynamic environment. And this also works to the enterprises that use a short term plan of 1 to 2 years for their business activities.

Table 4.10: Capital growth change of the MSEs to different record keeping

Record keeping and financial control system	Mean Capital growth	N	Std. Deviation	Std. Error of Mean	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
					No	6.30		
Yes	6.54	68	3.125	.379	5.78	7.30	2	12
Total	6.50	82	3.094	.342	5.16	7.68	2	12

Source: - Own survey, 2016

Use of formal record keeping and financial control mechanism in the enterprise day to day business operation is considered as another variable that would result difference in performance between those use the system and those don't use.

As it is depicted in Table 4.10 above from the total respondents enterprises considered in this study, 14 enterprises don't use any kind of formal record keeping and financial control mechanisms related to their day to day operation. When we look at the percentage capital growth of enterprises in this category in terms of total percentage capital growth from the time they have established to date, on average they have shown 6.3% growth in total capital.

The remaining 68 respondents enterprises included in this study use record keeping and financial control system to facilitate their day to day business activities. In terms of their performance in percentage capital growth enterprise in this category on average shows 6.54% increase in total capital since their establishment.

Overall the average performance of those enterprises using record keeping and financial control system in their operation is better than those don't use. This system helps enterprises to distinguish financial expenses as well as revenues generated by the business operation. The study

of Lussier (1995) supports this fact. In his study, he reported that business that do not keep updated and accurate records and do not use adequate financial control have a greater chance of failure than firms that do.

The last variable considered in this study is the marketing skill of the business owners which is expected to create variations in the performance of MSEs.

Table 4.11. Capital growth change of the MSEs to marketing skill of owners

Marketing related skill of the principal owner	Mean Capital growth	N	Std. Deviation	Std. Error of Mean	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Owners without marketing skill	6.48	19	2.830	.649	5.21	7.94	2	11
Owner with marketing skill	6.57	63	3.190	.402	5.67	7.28	2	12
Total	6.50	82	3.094	.342	5.44	7.61	2	12

Source: - Own survey, 2016

As is indicated from Table 4.11 about 19 MSEs in this study are owned and run by individuals without any marketing skill acquired either in their formal education or informal ways like training. In terms of performance, enterprises run by individuals without marketing skill on average show 6.48% increase in total capital since their establishment to date.

The remaining 63, MSEs involved in this study are owned and run by individuals with marketing skill. In terms of performance enterprises in this category shows on average a 6.57% increase in total capital throughout their stay in the business when compared those enterprises run by individuals without marketing skill, the performance of owners who have marketing related skill show better performance in terms of capital growth. This result lead us to say marketing skills, such as identifying new prospects, showing effective corporate positioning, customer handling, finding ways to efficiently advertise, and the ability to come up with new ideas are very important factors that micro and small business enterprises should possess to be successful long term survival in the future.

4.4 ANOVA Results and Discussion

The second part of this data analysis and discussion section deals with the analysis and interpretation of the ANOVA table results in relation to the mean variation in each of the independent variable of the study and the related mean variations in the performance of enterprises capital growth.

Table 4.12 Analysis of mean variance in performance in relation to the different levels of to each of the independent variables Table 12

Variables	source of variation	Sum of Squares	Df	Mean Square	F	Sig.
Capital growth of MSEs * Respondent Age frequency	Between Groups(Combined)	35.490	2	17.745	1.895	.157
	Within Groups	739.879	79	9.366		
	Total	775.369	81			
Capital growth of MSEs * Respondent Education frequency	Between Groups(Combined)	9.468	4	2.367	.238	.916
	Within Groups	765.901	77	9.947		
	Total	775.369	81			
Capital growth of MSEs * Form of ownership	Between Groups(Combined)	54.551	1	54.551	6.054	.166
	Within Groups	720.818	80	9.010		
	Total	775.369	81			
Capital growth of MSEs * Do you prepare future plan	Between Groups(Combined)	7.874	1	7.874	.821	.368
	Within Groups	767.495	80	9.594		
	Total	775.369	81			
Capital growth of MSEs * Record keeping and financial control system	Between Groups(Combined)	.669	1	.669	.069	.793
	Within Groups	774.700	80	9.684		
	Total	775.369	81			
Capital growth of MSEs * Years of experience	Between Groups(Combined)	12.189	3	4.063	.415	.743
	Within Groups	763.180	78	9.784		
	Total	775.369	81			
Capital growth of MSEs * Marketing related skill of the principal	Between Groups(Combined)	.136	1	.136	.014	.906
	Within Groups	775.233	80	9.690		
	Total	775.369	81			

*Significant level =0.05 df:-degree of freedom

Source: - Own survey, 2016

A) Enterprises performance and Age of Business Owners

Table 4,12 shows there is no significance difference between MSEs performance (as defined by capital growth) with respect to the difference in the age of the principal owners of the enterprises ($F=1.895$, $p=.157$, $df 2, 79$) at 5 percent significance level . The null hypothesis which is that, there is no significant difference on the performance of enterprises operated by owners with different age group can be accepted and we reject (H1) which states, There is significant difference on the performance of enterprises in relation to the difference in age of principal owner. But it doesn't mean that there is no difference in the performance of the enterprises in the three age categories, but the variation in performance is not statistically significant among these three age categories of the owners.

To sum up about the variable age of the business owners as one factor that contribute to the performance of MSEs, the statistical result do not show a significant variation on the performance of enterprises owned by individuals in the three age categories. Based on this it can be conclude that, age of the principal owners is not the factor that determines the performance of MSEs operating in Addis Ababa bole sub city.

B) Performance and Owners' Education

Table 4,12 shows there is no significance difference among the performance of MSEs (as it is defined by capital growth of the enterprises) and the difference in the education level of the principal business owners($F=.238$, $p=.916$, $df 4, 77$) at 5 percent significance level. Hence the null hypothesis which is, there is no significant difference on the performance of enterprises in relation to the difference on the education level of the principal owners of the business is accepted and reject (H2) of this study. Even though the ANOVA result indicates absence of statistically significant variation in the performance of MSEs in relation to the difference in the education level of the principal owners of the business, MSEs owned and run by individuals having education level of 10+3 and above shows better performance in average capital growth compared to the other two categories of enterprises. But in this case also the statistical result do not support to conclude, enterprises owned by individuals with an education level of 10+3 and

above are successful. Better education of the owners of the business is not proofed by this study as the factor that contributes to the success of business enterprises in Addis Ababa bole sub city.

C) Performance and Ownership Type

As it is indicated in Table 4,11 there is no significance difference in the performance of MSEs (as defined by capital growth) in relation to the type of ownership of the enterprises; those owned by one individual and those owned by more than one individual ($F= 6.054$, $p= .166$, $df= 1, 80$) at 5 percent level of significance. Hence based on this ANOVA result the null hypothesis of this study which is, there is no significant difference on the performance of enterprises in relation to the difference in the type of ownership of the enterprises is accepted and reject (H_3). But it is not to mean the performance is the same for MSEs owned and run by single owner and those owned by more than one owner is the same, but it means the variation in performance of enterprises is not statistically significant.

To sum up the ANOVA result does not enable us to conclude those enterprises owned by more than one individual are successful and establishing enterprises in partnership or private limited company form is important to the successful performance of the enterprises. Because the variation in performance between enterprises in these two groups is statistically insignificant.

D) Performance and plan

The other variable in this study is the internal practice of preparing plan for business activities and the related variation in the performance of enterprises with respect to the enterprises practice of planning. As Table 4,11 shows there is no significance difference in the performances of MSEs among those enterprises that do not use plan at all, those use 1 to 2 years plan and those enterprise use 3 to 5 years plan for their business activities with ($F= .821$, $p = .368$, $df 1, 80$) at 5 percent level of significance. Thus the ANOVA result helps to reject (H_4) and to accept the null hypothesis which is, there is no significant difference on the performance of enterprises in relation to the difference in planning practice of the enterprises. So, this ANOVA result could not enable us to proof a short term plan of 1 to 2 contributes to the performance of MSEs as a result of this planning is not one of the success factors to MSES operating in Addis Ababa bole sub city.

E) Performance and Record Keeping and Financial Control

Record keeping and financial control practice of the enterprises is considered as one variable that creates variation on the performance of MSEs. Then the variation in performance between those enterprises using record keeping and financial control system and those do not, is indicated in Table 4,11 the ANOVA result in the table implies, there is no significance variation in the performance between MSEs, ($F=.069$, $p = .793$, $df=1/80$) 5 percent level of significance, that uses record keeping and financial control mechanism to facilitate their day to day operation and those do not use record keeping and financial control mechanism. This result supports the null hypothesis which is there is no significant difference on the performance between those enterprises that use record keeping and financial control and those do not use record keeping and financial control mechanism in their day to day operation. And reject (H5) that states there is significant difference on the performance of enterprises in relation to the difference in using record keeping and financial control mechanism of enterprises.

Generally the ANOVA result does not support the argument, using record keeping and financial control mechanism makes MSEs successful in their day to day operation and this internal practice of using record keeping and financial control mechanism is one not the factor that contribute to the performance of MSEs operating in Addis Ababa bole sub city.

F) Performance and Management Experience of the Principal Owners'

Difference in management experience of business owners in considered as one variable that results variations on the performance of MSEs, But as it is indicated in Table 4,11, there is no significance difference between the performances of MSEs and the difference in the management experience of the principal owners of the enterprises ($F= .415$, $p= .743$, $df=3/78$) at 5 percent level of significance. This statistical result supports to the null hypothesis of the study which states that, there is no significant difference on the performance of enterprises in relation to the difference in the management experience of the principal owner of the business and to reject (H6) which states There is significant difference on the performance of enterprises in relation to the difference in the type of ownership of the enterprises.

G) Performance and Marketing Skill of the Owners

The last variable in this study is the marketing skill of the business owners. The ANOVA Table 4,12 shows there is no significance difference between the performances of MSEs related to the difference on the marketing skill of the owners of the enterprises ($F=.014$, $p= .906$, $df= 1/80$) at 5 percent level of significance. This ANOVA result enables the researcher to reject (H7) and accept the null hypothesis, there is no significant difference on the performance of enterprises in relation to the difference in the marketing skills of the principal owner of the business.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATION

5.2 Conclusions

This research was conducted in *bole* sub-cities of Addis Ababa with the prime intent of describing factors influencing the performance of MSE operators engaged in construction, food and beverage, manufacturing and maintenances and repair service. Specifically, the study attempted to examine a personal and business related factors in relation to the performance of micro and small business enterprises and to alleviate the problem of MSEs. Based on the objectives and findings of the study, the following conclusions are drawn.

The statistical result indicates that, there is no significant variation on the performance of MSEs operating in Addis Ababa bole sub city in relation to the age difference of the principal owners. In this study, enterprises owned by individuals with the age of 30 to 40 shows higher performance than the other two groups of enterprises but the ANOVA result does not support us to say this age bracket of owners is the most important to the performance of MSEs.

Moreover, this study indicates that, there is no significant variation in the performance of MSE operating in Addis Ababa bole sub city in relation to the difference in education level, management experience, marketing skill. But as education level of the owners concerned, those enterprises owned by individuals who have an education level of 10+3 and above shows higher performance. In relation to management experience of owners, those enterprises owned by those individuals with 3-5 years management experience shows better performance.

The other result obtained in this study is that, there is no significant variation on the performance of MSEs operating in Addis Ababa in relation to the deference in their internal practice of using or not using plan, use record keeping and financial control system or not using and the difference in terms of the type of ownership of the enterprise as possessed by single owner or more than one owners. But in terms of average capital growth, those enterprises who have planning practice shows higher performance than those who don't plan. In terms of record keeping and financial control, those enterprises using this system shows better performance. With regard to the

ownership of enterprises, those owned by more than one owner show better performance than those owned by one owner.

5.3 Recommendation

The following possible recommendation is suggested mainly based on the descriptive statistics result in each of the seven independent variables and its impact on the performance of MSEs. Because the ANOVA result show there is no significant variation in capital growth of the enterprises and the researcher independent variables which include planning, age, educational level, management experience, marketing skill, form of ownership and record keeping and financial control.

In relation to the education level of the owners, those enterprises owned by individuals with education level of 10+3 and above shows better performance. In this respect enterprise owners should focus on up grading themselves in education by using alternative programs. Also other stakeholders of the sector, especially Micro and Small Development Agencies should work on providing short term training that helps enterprises in their business work.

The other two areas that this study wants to suggest based on the descriptive statistics result are issue of planning and record keeping and financial control practices of the enterprises. The result shows those enterprises that have planning practice and those enterprises using record keeping and financial control mechanism shows better performance. If that is so, MSEs should start using plan to their business activities and also adopt a formal record keeping and financial control system in their internal practice. On the other hand stake holders of the sector like Enterprises Development Agencies should work on increasing the capacity of enterprise owners by providing assistances in the area of training which enables them to prepare their own plans to their business activities as well as making enterprise ownersø literate on basic book keeping skills.

In relation to management experience of owners and marketing skill enterprises owned by individuals with previous management and marketing skill shows better performance. So the stake holders of the sector should work on preparing training programs on management issues and creating experience sharing opportunities especially to those enter into the sector without any management experience.

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APPENDIX

St. Mary's University

School of Graduate Studies

Department of Business Administration

Questionnaire

The purpose of this questionnaire is to collect information on Factors influencing the performance of Micro and Small Enterprises in Addis Ababa bole sub city. The study is only for academic purpose and cannot affect you in any case. So, your genuine, honest and timely response is vital for accomplishment of this study on time. Therefore, I kindly ask you to give your response to each items/questions carefully.

Personal information of the principal business owners

1. **Gender:** Male () Female ()

2. Age of the principal business owner(s)

A) 20-30 ()

B) 31-40 ()

C) 41-50 ()

D) Above 50 ()

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

A. Below 10th grade

B. 10+1 ()

C. 10+2 ()

D. 10+3 ()

E. Degree ()

F. Masters ()

Business Related Information

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

- A. 2 - 5 years ()
- B. 6-10 years ()
- C. 10-15 years ()
- D. 15 and above year()

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

- A. Sole proprietorship ()
- B. Partnership ()

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

- A. Construction ()
- B. Merchandise and retail shop ()
- C. Textile and Garment ()
- D. ICT and maintenance ()
- E. Food and beverage ()
- F. If other, specify ()

7. How many employees did the enterprise have when first established including the Principal owner?

- A. 2 ó 5 employees
- B. 6 ó 10 employees
- C. 11 ó 20 employees

8. How many employees are working currently in the enterprise including the principal owner?

- D. 2 ó 5 ()
- E. 6 ó 10 ()
- F. 11 ó 20 ()
- G. 21 ó 30 ()

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

.....

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

.....

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

A. Yes ()

B. No ()

12. If your response for question 11 is yes, what is the time span your plan covers?

A. Below 1 year ()

B. 1 to 2 years ()

C. 3 to 5 years ()

D. above 5 years ()

13. Do you have a record keeping and financial control system?

A. Yes ()

B. No ()

14. If your response for question 13 is yes, what kind of record keeping and financial control system you reusing?

A. Recording the daily transaction ()

B. Balance sheet ()

C. Income statement ()

D. If other specify í í í í í í í

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

- A. Yes ()
- B. No ()

16. If your response for question15 is yes, how many years?

- A. No experience ()
- B. 1 ó 3 ()
- C. 3 ó 5 ()
- D. Above 5 ()

17. Do you have any marketing related skill that you obtain either through your formal education or any kind of informal education and marketing training?

- A. Yes ()
- B. No ()

18. If your response for question18 is yes, what is the specific advantage you gained?

- A. How to price your products ()
- B. How to handle customers ()
- C. How to sale your products ()
- D. How to create market linkages ()
- E. If others, specifyí í í í í í í í í

THANK YOU!