ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

FACTORS AFFECTING THE GROWTH OF MICRO AND SMALL ENTRPRISES IN GULLELE SUB CITY OF ADDIS ABABA CITY ADMINISTRATION

BY

GIZACHEW ANIMAW

MAY, 2016

ADDIS ABABA, ETHIOPIA

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GIZACHEW ANIMAW (SGS/0219/2007A)

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APPROVED BY BOARD OF EXAMINERS

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External Examiner	signature	date
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Internal Examiner	signature	date

DEDICATION

This thesis is dedicated to my wife.

For her endless love, support and encouragement

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Most of all, thanks to God the Divine who continues to make the impossible possible

There are a number of people without whom this thesis might not have been written, and to whom I am greatly indebted

I offer my gratitude and appreciation to my Advisor, Dr Arega Seyoum, for the deft ways in which you brotherly challenged and supported me throughout the whole of this work

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LIST OF ABBREVIATIONS AND ACRONYMS USED

AACMSEDA	Addis Ababa City Micro and Small Enterprise Development Agency
AAU	Addis Ababa University
Art.	Article
ETB	Ethiopian birr (Local currency)
EFY	Ethiopian Fiscal Year
FY	Fiscal year
CSA	Ethiopian Central Statistics Authority
EU	European Union
FeMSEDA	Federal Micro and Small Enterprises Development Agency
GEM	Global Entrepreneurship Monitor
GTP	Growth and Transformation Plan
ICT	Information Communication Technology
ILO	International labor union
MFIs	Micro Finance Institutions
MN	Mean
MoTI	Ministry of Trade and Industry
MoWUD	Ministry of Works and Urban Development
MSDA	Micro and Small Enterprises Development Agencies
MSEs	Micro and Small Enterprises
MSMEs	Micro, Small and Medium Enterprises
NMSEDPS	National Micro and Small Enterprises Development Promotion Strategy
ReMSEDAs	Regional Micro and Small Enterprise Development Agencies
SD	Standard Deviation
SMU	St. Mary's University
SPSS	Statistical Package for Social Science
US$	United States Dollar
USA	United States of America

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ABSTRACT

This study aimed at identifying the major factors affecting the growth of MSEs in Gullele sub city, Addis Ababa city administration. The type of research design employed in this study was descriptive with mixed (qualitative and quantitative) research approaches. Primary data was obtained using questionnaires and interviews from a sample of 200 operators and face-to-face interviews were conducted with 20 selected operators and concerned government officials of MSEs. Secondary data was also collected from previous research works and official document. Stratified random sampling was used to divide the population into three sub population (strata) so as to produce a more homogeneous than the total population. Once the sampling frame was arranged by strata, the sample simple random sampling technique was used to select the final respondents from each stratum. The findings of this study proved that marketing, technological; management and financial factors are found the topmost four factors affecting the growth of MSEs in Gullele sub city of Addis Ababa city administration. In this study, growth (change in capital) was used as a dependent variable and the independent variables were politico-legal, working premises, technological, infrastructural, marketing, financial, management and entrepreneurial variables. The findings further indicated that there exists significant relationship between independent variables and dependent variable. Moreover, binary logistic regression results confirmed that entrepreneurship, financial and management factors have significant impacts on the growth of MSEs at 5% level of significance. SPSS version 20 and Microsoft excel 2007 were used to analyze the data. Based on findings of the study recommendations to government bodies, to operators of MSEs and suggestions for other researchers are forwarded.

Key Words: *Factors, Gullele sub city, MSEs.*

CHAPTER ONE

1. INTRODUCTION

1.1. BACKGROUND OF THE STUDY

The contribution of Micro and Small Enterprises (MSEs, hereafter) around the world has become unquestionable and especially in developing countries, where development in this sector is seen as a key strategy for economic growth, job generation and poverty reduction (Agupusi, 2007). It is generally recognized that MSEs have vital contribution to the economic development and creation of wider employment opportunity in developing countries with large number of unemployed people (Ibid).

Having understood the significant roles of SMEs, the Ethiopian government has given due attention to strengthen MSEs and took a decisive measure for the development of the sector. As a result of which, the Council of Ministers approved Regulation No.201/2011 and re-structured the Federal Micro and Small Enterprises Development Agency again to enable the agency achieves its objectives (FeMSEDA, 2015).

The contemporary Ethiopian government has introduced MSEs with the major objectives of:

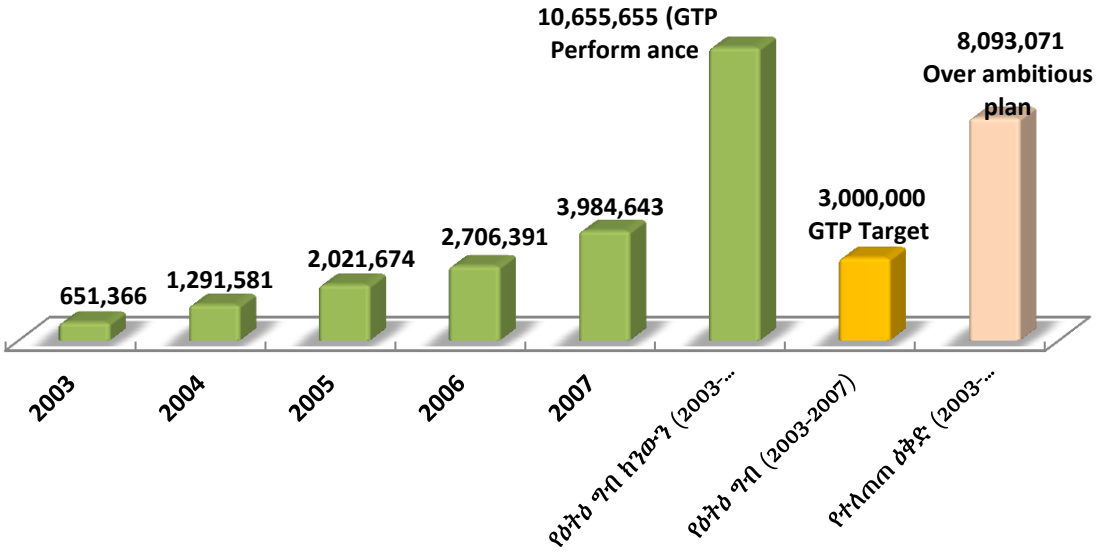
- Creating job opportunity, bringing equitable development, improving income of the society and poverty reduction.
- Enabling the sector to be competitive, facilitate economic growth and lays foundation for industry development.
- Expanding the sector's development in urban areas by creating developmental investors (Ibid)

In Ethiopia, MSEs are the second largest employment-generating sector next to agriculture (CSA, 2005). A national survey conducted by Central Statistics Agency (CSA, 2003) indicated that more than 1.3 million people in the country are engaged in informal sector and small manufacturing businesses.

Currently, the Ethiopian government has been using SMEs as a strategy towards development and creating employment by having overall objective of the strategy of creating an enabling environment for SMEs (Assefa, 2005).

The comprehensive support provided to micro and small enterprises has helped the enterprises to create temporary and permanent employment opportunities by themselves for about ***10 million citizens*** in the first GTP implementation period i.e.(2010/11-2014/15 FY) (FeMSEDA, 2016).

Figure1.1: Shows the growth of job opportunities in the 1st GTP



Source: FeMSEDA, 2016

This has contributed to the decline of urban unemployment rate from 18 percent in 2010/11 to 17.5 percent in 2011/12 and further to 17.4 percent in 2013/14. When we see the distribution of job opportunities created in the past four years across regions: Tigray 496,062 (11.73%), Afar 3,300 (0.08%), Amhara 617,276 (14.60%), Oromia 2,000,366 (47.30%), Somali 22,782 (0.54%), Gambella 6,500 (0.15%), Benshangul Gumuz 11,352 (0.27%), SNNP 407,961 (9.65%), Harari 15,552 (0.37%), Dire Dawa45,868(1.08%) and Addis Ababa 602,183 (14.23%) (Ibid)

According to the Ministry of Urban Development and Construction (MUDC, 2013) the licensing and supervision of micro financing institution proclamation No. 40/1996 was enacted in 1996; the Federal and Regional Micro and Small Enterprises Strategy (FRMSEs) was formulated in

1997; and the Federal and Regional Micro and Small Enterprises Development Agencies (FRMSEDA) was established by regulation No.33/1998. All these institutional platforms are created in order to promote the growth and development of MSEs, which in turn are expected to contribute their part in national growth and transformation. UNDP (2012) has indicated that the development of MSEs is the key component of Ethiopia's industrial policy direction that will contribute to the industrial development and economic transformation of the country. Even the country's latest grand plan (Growth and Transformation Plan-GTP, 2011-2015) has stressed the need for providing support to MSEs. Based on these efforts, the Government has tried to promote the development of the sector through workable laws and regulations, facilitation of startup and working capitals, managerial and technical assistance, working premises and infrastructure, market-enterprises linkages. As a result of which, many MSEs have played their roles to employment creation, poverty alleviation, creation of entrepreneurship and national economic development (MoFED, 2010). In spite of the fact that MSEs have been playing their roles in employment creation, poverty alleviation, creation of entrepreneurship and economic development in the country, the sector has been confronting with many challenges whose severity varies across regions and cities. The purpose of this research is, therefore, to identify the factors for the growth of MSEs in Gullele sub city of Addis Ababa city Administration.

1.2. STATEMENT OF THE PROBLEM

The Ethiopian government has adopted the national Micro and Small Enterprise Development policy for the first time in November 1997 (FeMSEDA, 2015). The policy identified a number of constraints hampering the development of the sector. These identified constraints include: unfavorable legal and regulatory frameworks, underdeveloped infrastructure, poor business development services, limited access to finance, ineffective and poorly coordinated institutional support (Ibid).

On top of poverty reduction strategy MSEs development program has aimed at unemployment reduction by creating 80% permanent employment and 20% temporary employment opportunities; that is exactly 100% (Ibid).

Despite the positive contribution of MSEs towards employment creation and overall economic development, the sector has been challenged by various problems. For example, a study by Bowen, Morara and Mureithi (2009) cited in Mekonnen and Tilaye, (2013) revealed that in Kenya, three out of five micro and small businesses failed within the first few months of operation due to competition, managerial inefficiency, insecurity, debt collection, lack of working capital, power interruptions, political uncertainty, cost of materials and low demand of their products. The problem confronting MSEs appears to be similar in least developed or developing countries. Currently, there are many internal and external challenges facing MSEs in their operations and hinder their growth in Ethiopia (MUDC, 2013). A hard look at various studies has revealed a number of deterrents to the growth and survival of the MSEs.

As far as the current study is concerned, there is still a research gap showing whether those factors identified in 1997 are still continuing factors affecting the growth of Handicraft enterprises or not in Ethiopia in general and in Addis Ababa in particular.

According to CSA's 2003 Cottage/Handicraft Manufacturing Industries Survey, the textiles industry has the second highest number of establishments in the cottage and handicraft manufacturing industry (221,848), representing 23% of the total number of cottage and Handicraft, with almost 55% of these located in rural areas. Across the nation the textile industry employs the second highest number of people among the cottage and handicraft manufacturing industries, following food products and beverages. This industry accounts for 23% of the total

employment in the cottage and handicraft manufacturing industries, and 20% of the rural employment in the cottage and handicraft manufacturing industries. MSEs make up 73.2% of the textile industry in number of establishments, and 42.8% in total number of workers (CSA, 2003). Despite handicraft enterprises have been playing such significant roles in the Ethiopian economy and way of life for centuries, there are a very few studies that identified the factors affecting the growth of these enterprises.

In addition to this rationale, Handicraft enterprises manufacture a decorative border called ***Tibeb*** *which is a distinctive feature of Ethiopian textiles unlike other African fabrics* (Mekdes, 2011).

In light of the significant contributions of handicraft enterprises to the Ethiopian economy and being the source of indigenous cultural identity in African context, the researcher, therefore, would like to study and describe the factors affecting the growth of MSEs in terms of change in capital in Gullele sub city of Addis Ababa. Why did Gullele sub city become the preference for the researcher? Because, the three woredas, (1, 2, 3) in the sub city are dominantly resided by the Dorzie community. It is obvious that the Dorzie community has been very much known by its *Tibeb* manufacturing or handicrafts for centuries. Despite producing such amazing traditional clothes, many of them are still living a subsistence way of life. The researcher witnessed such severe life of the community since 2008 joining AAU for undergraduate program and now living in the same area. Because of the assumption that a research on their business activity would add value in terms of improving their impoverished life, the researcher took their case as another pretext to conduct the study on the handicraft enterprises.

Selection of growth measures that reflect the true situation of MSEs, with some degree of certainty and reliability is indeed a crucial process. The lack of universally accepted standard growth measures left the door open to business organizations to decide and choose its own growth measure that might not truly reflect its growth (Alasdair and Abdelrahim, 2007). Such growth measures include but not limited to: market share, sales volume, company reputation, return-on-investment (ROI), change in capital, profitability, and established corporate identity. While some might argue that most of these growth measures are appropriate for large corporations, they are not always perfectly applicable to small businesses (Ibid). Growth in employment level of the enterprises would not be another appropriate alternative measure of growth because these MSEs are primarily established as a source of self-employment.

1.3. RESEARCH QUESTIONS

To clearly identify the key factors affecting the growth of MSEs, the following basic research questions are very crucial for the study.

(1) What are the internal factors affecting the growth of handicraft enterprises?

(2) What are the external factors affecting the growth of handicraft enterprises?

1.4. OBJECTIVE OF THE STUDY

1.4.1. GENERAL OBJECTIVE

The general objective of the study was to identify factors affecting the growth of MSEs in *Gullele* sub city.

1.4.2. SPECIFIC OBJECTIVES

Specifically, this study attempted to:

- Describe the internal and external factors for the growth of MSEs
- Examine the sources of finance for the start-up of MSEs

1.5. DEFINITION OF TERMS

Conceptual definition of terms refer to the definition of concepts/terms or variables from the theoretical perspective and such definitions should be cited where as operational definition of terms include practical definition of terms given by the researcher as they appear to be in the text. If the researcher is sure that his definition of terms are operational, i.e., if they are his own definitions, there is no need of mentioning any source (SMU, 2012).

Cotton Spin: the process of making yarn by twisting and winding together (Researcher's own definitions).

Embroidery: the process of making a design on a cloth by using needlework (Researcher's own definitions).

Enterprise: It refers to a unit of economic organization or activity whether public or private engaged in the manufacturing of goods (FeMSEDA, 2015).

Factors: A factor is a contributory aspect such as politico-legal, working premises, technologies, infrastructures, marketing, financial, management and entrepreneurial influences that affect the growth of micro and small enterprises (Researcher's own definitions).

Growth: in this paper growth is defined in terms growth of capital of the MSEs (Researcher's own definitions).

Informal sector: in this paper the concept of informal sector is used alternatively with micro enterprises, because it is consistently and widely accepted, and comparative data are available for Ethiopia (ILO, 2002).

Micro enterprise*:* means commercial enterprise whose capital is not exceeding birr 100,000 and 50,000 for industry and service respectively (other than high technology and consultancy services) (FeMSEDA, 2015).

Respondent: respondents are those individuals who are owner managers or operators of an enterprise (Researcher's own definitions).

Small enterprise*:* means a business engaged in commercial activities whose capital is not exceeding birr 1.5 million and 500,000 for industry and service sector respectively, (other than high technology and consultancy service institutions) (FeMSEDA, 2015).

Weaving: The process of making woven on a loom (Researcher's own definitions)

1.6. SIGNIFICANCE OF THE STUDY

Understanding the factors affecting the growth of MSEs in this sub city helps:

- Governmental Policy Makers

The findings of the study enable to design targeted policies and programs as well as helping those policy makers to support, encourage, and promote MSEs for unemployment and poverty alleviation through minimizing the constraints hindering the growth of the enterprises.

- Micro and Small Enterprises

For MSEs, this study offers alternative actions to counteract against to the factors identified.

- Academics/Researchers

Findings from this study will assist academicians in providing a deeper understanding of the critical factors that affect the growth of MSEs

1.7. SCOPE OF THE STUDY

The scope of the study was delimited to identify the internal and external factors affecting the growth of SMEs in terms of change in capital, in Addis Ababa city administration, Gullele sub city handicraft enterprises. These factors affecting the growth of SMEs in terms of change in capital include: politico-legal factors, working space factors, technological factors, infrastructural factors, marketing factors, financial factors, managerial factors and entrepreneurial factors.

1.8. LIMITATIONS OF THE STUDY

The problem that encountered in the study had to do with the operator's reluctance to cooperate due to suspicion that disclosing information might lead to negative effect on their business activities. But my wife, who was eerily an expert in MSEs office helped me in convincing them that the research would be conducted for purely academic purposes. Three respondents did not totally return the questionnaire despite this did not have any significant effect with the outcome of the study since the returned questionnaires represent 98.5% rate of response. Another limitation of the study was that some production sites were located around the peripheral regions of Addis Ababa so this will make the researcher difficult to find MSEs operators within reasonable period of time.

1.9. STRUCTURE OF THE STUDY

The research report has been organized as per the standard of the university. The rest of the paper is structured as follows: chapter two reveals the conceptual and empirical related literature to the study, while chapter three provides research methodology. Chapter four outlines data presentation, analysis and interpretation and chapter five concludes and suggests some viable recommendations.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

2.1. INTRODUCTION

This section presents the theoretical framework, conceptual framework and the empirical literature review. Each of the three is presented briefly below.

2.2. DEFINITION OF MSEs

There is no universally accepted and agreeable definition of micro and small enterprises across the world. This is so because the criteria and ways of categorizing enterprises as micro and small differ from institution to institution and from country to country depending essentially within the same country, definitions also change overtime due to changes in price levels, advances in technology or other considerations (Agupusi, 2007).

2.2.1. Experiences on International Definition of MSEs

According to the FeMSEDA (2015), the MSE definition is generally consisted of three basic criteria as to other countries experience. These are:

a) Full timer employed manpower /head count staff/

b) Total asset, net asset and paid capital, and

c) Annual turnover. And they use these criteria independently or in combination

Some countries and international organization use legal entity in addition to the above mentioned criteria. The legal definition of Small and Micro Enterprises often varies from country to country and from industry to industry. In the United States, SMEs are generally defined as institutions that consist of fewer than 100 employees while fewer than 50 employees in the European Union (Endalkachew, 2008)

In Kenya, MSEs are defined as those non-primary enterprises (excluding agricultural production, animal husbandry, fishing, hunting, gathering and forestry), whether in the formal or informal sector which employ 1-50 people (Ronge et al., 2002, cited in Mulugeta, 2011)

2.2.2. Definition of MSEs from Ethiopian Context

The definition of MSEs in Ethiopian context generally is consisted of three basic criteria as to other countries experience including: Full timer employed manpower /head count staff/, Total asset, net asset and paid capital, and Annual turnover (FeMSEDA, 2015).

2.2.2.1. Micro Enterprises

A micro enterprise in the industrial sector (manufacturing, construction and mining) is one which operates with up to five people including the owner and/or has total assets not exceeding Birr 100,000 (approx US$5,000). Similarly, for activities in the service sector (retailer, transport, hotel, tourism, ICT and maintenance), a micro enterprise is one which operates with up to five people including the owner and/or has total assets not exceeding Birr 50,000 (approx US$2,500) (Ibid).

2.2.2.2. Small Enterprises

A small enterprise in the industrial sector is one which operates with between 6 to 30 persons and/or has paid up capital or total assets not exceeding Birr 1.5 million. Similarly, a small service sector enterprise is one that has between 6 and 30 persons and/or has total assets or paid up capital of Birr 500,000 (Ibid)

Table 2.1: Definitions of Micro & Small Enterprises in Ethiopian context

Type of Enterprises	Sector	Man power	Total asset
Micro Enterprise	Industry	≤5	≤ birr 100,000
	Service	≤5	≤ birr 50,000
Small Enterprise	Industry	6-30	≤birr 1.5 million
	Service	6-30	≤birr 500,000

Source :(FeMSEDA, 2015)

2.3. APPROACHES TO DEFIINE MSEs

There are two approaches to define SMEs.

2.3.1. The Qualitative Approach: This approach looks into the operation styles, degree of specialization, and the relationship with the community to coin a definition of SMEs. This approach is subjective, broad based and less precise than quantitative approach (Andualem, 1997).

2.3.2. Quantitative Approach: The quantitative approach relies on clearly defined parameters like asset, capital, net worth and the like (Ibid). Because of the absence of universality to define SMEs , all use range of terms to describe SMEs, for example, small businesses, small manufacturing enterprises, small firms, small enterprises, small-scale industries, micro enterprises, tiny businesses ,other income generating activities. This lack of consistent definition of SMEs led to confusion to distinguish between one segment and the other (Gebrehiwot and Wolday, 2004).

2.4. THEORIES ABOUT THE EMERGENCE OF MSEs

2.4.1. The Labor and Supply Theory

This theory argues that the driving force behind the emergence MSEs is the presence of excess labor supply which cannot be absorbed by the public sector or large private enterprises. According to this theory SMEs are the response to the growth of unemployment (Sileshi, 2014).

The orientation of the contemporary government of Ethiopia towards MSEs is directly in line with this theory of using MSEs as a viable solution to absorb the extended unemployment throughout the country.

2.4.2. The Output Demand Theory

This theory assumes that the development of SMEs is that there is the market demand for their products. As a result of which, SMEs are there in the economy because their products are accepted by consumers (Ibid).

2.4.3. The Firm Growth Theory

It asserts that SMEs are more likely to disappear and be replaced by modern large scale industries. This is because they do not normally compete directly with large multinational companies (Ibid)

2.5. LEGAL ORGANIZATION OF MSEs

To have a legal entity and engage in different economic activities MSEs are expected to:

a) Get support from the concerned organ so as to prove their legal entity.

b) Be organized based on their interest, trade law and proclamation of cooperatives (FeMSEDA, 2015).

2.6. CLASSIFICATION OF MSEs

Based upon the area of business engagement, MSEs can be classified in five different classes.

Table 2.2: Classification of MSEs

Service	**Construction**	**Trade**	**Manufacturing**	**Agriculture (urban)**
Small and rural transport service	Sub-contracting	Whole sale of domestic products	Textile and garment	Modern livestock raring
Product design & development service	Prestigious goods	Raw materials supply	Agro-processing	Animal food processing
Maintenance service	Cobble stone	Retailer sale of domestic products	Wood works	Modern irrigation
Beauty salon	Traditional mining works	Not mentioned	Metal works and engineering	Vegetables and fruits
Electronics soft ware development	Building materials	Not mentioned	Food processing and beverage	Modern forest development

Source: (FeMSEDA, 2013)

2.7. FACTORS AFFECTING THE GROWTH OF MSEs

MSEs have been confronted with a number of factors that affect their Growth. In particular, the study made by Mekonnen and Tilaye (2013) had pinpointed factors like inadequate infrastructure facilities, inadequate finance, poor managerial and technical skills, and inadequate working premises as the major factors of MSEs successful operations followed by marketing

problems, low support from respective institutions, inadequate supply of raw materials, and regulatory issues.

Although improvements have been registered during the last few years, the growth of SMEs has fallen short of expectations due to various challenges. These include, problems related to finance, access to market and low competiveness, business information, working premises, poor acquisition of technical skills and managerial expertise, appropriate technology, and access to quality infrastructure (EEA, 2015).

2.8. THE CONCEPT OF BUSINESS GROWTH OF SMEs

According to Mekonnen and Tilaye (2013) growth is defined simply in terms of output terms such as quantified objectives or profitability.

Global Entrepreneurship Monitor (GEM) defined Growth as the act of performing; of doing something successfully; using knowledge as distinguished from merely possessing it (GEM, 2004). However, growth seems to be conceptualized, operationalise and measured in different ways thus, making cross-comparison is difficult. A business enterprise could measure its growth 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.Chong, 2008)

The growth targets set in the growth and transformation plan (GTP) have been clearly presented in government policy documents i.e. employment creation, market linkage, technical and financial support, availing sales and manufacturing premises and the like (FeMSEDA, 2015).

2.9. THE CONCEPTUAL FRAMEWORK

The researcher attempts to develop a conceptual framework for this study by reviewing the previous works. Since business growth is influenced by both internal and external (contextual) factors, operators need to understand what influences businesses to reach peak growth. The

contextual factors include politico-legal, working premises, technological, infrastructural, marketing and financial factors. The internal factors that influence the firm's growth can be classified as management and entrepreneurial factors. To align the conceptual framework with the research objectives, business growth (change in capital) has been made to be the dependent variable whereas politico-legal, working premises, technological, infrastructural, marketing, financial, management and entrepreneurial factors have become the independent variables of the study. In this study capital growth was opted to measure growth of these MSEs.

2.10. EMPIRICAL LITERATURE RIVIEW

As noted in the preliminary pages, the research conducted in Kenya by Bowen et al., (2009) cited in Mekonnen and Tilaye, (2013) revealed that three out of five micro and small businesses failed within the first few months of operation due to competition, managerial inefficiency, insecurity, debt collection, lack of working capital, power interruptions, political uncertainty, cost of materials and low demand of the products.

The research results of Bizusew (2015) which was conducted on the challenges of micro and small enterprises and business development service: the case of Bahir Dar city administration indicated that accessing finance from MFIs, banks and other sources remained challenges to the MSEs in the city. It was also found that access on credit supplies in the city are also live challenges to the MSEs. Market access due to lack of market research, market information, trade fairs, product exhibition, poor packaging and lack of advertising are also fixed as a challenge by most of the MSEs operators.

A research conducted by Seyum (2015) on the role of micro and small scale business enterprises in urban poverty alleviation: a case study on cobble stone paving sector in Addis Ababa city revealed that MSEs are facing multidimensional problems both at start up and operational levels which include shortage of startup capital, lack of working capital, lack of quality of chiseled stone, lack of availability of input on time/lack of raw material., lack of experience, inadequate support from Government/NGO, and lack of access for training.

Abiyu (2011) conducted a research on factors constraining the growth and survival of micro and small enterprises in Burayu and concluded that MSEs in the city lack access to market, marketing information, product improvement, adaptation to changing environment, multi-skill training of employees, working capital and convincing business plan.

Currently, there are many internal and external challenges facing MSEs in their operations and hinder their growth in Ethiopia (MoWUD, 2013). A hard look at various studies has revealed a number of deterrents to the growth and survival of the MSEs.

According to Woldegebriel (2012), one of the major problems found to have been facing MSEs in Addis Ababa is lack implementing appropriate marketing practice. Lack of implementation of appropriate marketing practice has been a very serious setback to MSEs. This study also reveals that lack of access to raw material is a major setback to the growth of MSEs in Addis Ababa. Lack of efficient and on time delivery of raw materials from the government, high cost and poor quality of raw materials from private suppliers has resulted in decrease in profitability or loss to the enterprises. The government does not adjust the prices of products of the enterprises for a long period of time, and there is restriction to go to the open market especially in the construction and coble stone enterprises (Ibid).

Mekonnen and Tilaye (2013) identified the deterrents to the success of micro and small enterprises as lack of adequate finance, lack of working premises, lack of managerial and technical skills, lack of adequate market, inadequacy of infrastructure facilities, erratic supply of raw materials and regulatory constraints.

Admasu (2012) also identified the most important contextual factors affecting the growth of MSEs and these include: financial factors i.e. high collateral requirement from banks and other lending institutions, shortage of working capital, high interest rate charged by banks and other lending institutions, and too complicated loan application procedures of banks and other lending institutions. The workings premises factors including absence of own premises and the rent of house is too high. Marketing factors like inadequacy of market, difficulty of searching new market, lack of demand forecasting, lack of market information and absence of relationship with an organization/association that conduct marketing research. Infrastructural factors incorporate

power interruptions, and lack of sufficient and quick transportation service that hinder the business growth of all sectors.

Eshetu and Zeleke (2008) conducted a 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 MSMEs from 5 major cities in Ethiopia. According to this research, that lasted from 1996-2001, the factors that affect the long term survival of MSMEs in Ethiopia are found to be adequacy of finance, level of education, level of 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 major constraints identified by various studies on MSEs in Ethiopia are associated with ***market and financial 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 (FeMSEDA, 2006).

In his research, Dereje (2008) studied the nature, characteristics, economic growth, 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 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's (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's (2007) research carried out in Addis Ababa shows that inappropriate government intervention, shortage of capital, location disadvantage, 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 like developing a 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.

The empirical evidences that the researcher has used while compiling this research report have vividly indicated there are a number of factors affecting the growth of MSEs. But none of these empirical literatures described the factors affecting the growth of handicraft enterprises. The researcher concluded that this sector was not given due attention by many scholars and researchers. This sector is the most ignored and neglected area by many researchers. The researcher is, therefore, confident that this study closes the gap created due to the absence of empirical literature in the areas of handicraft enterprises namely; weaving, embroidery and cotton spin

CHAPTER THREE

3. RESEARCH DESIGN, APPROACH AND METHODOLOGY

This chapter is aimed at discussing research designs, research approaches, sample size and population, study variables and instruments, model specification, procedures and activities that will be undertaken. The chapter in detail specifies the study area, sampling technique, questionnaire development, data collection, processing and analysis.

3.1. RESEARCH DESIGN

Research design refers to the overall strategy that one chooses to integrate the different components of the study in a coherent and logical way. A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. It also depends on the objective of the study, available of data source, cost of obtaining the data source and availability of time (Sounders et al., 2009). Research design is the blueprint for fulfilling research objectives and answering research questions (John A.H. et al. 2007). In other words, it is a master plan specifying the methods and procedures for collecting and analyzing the needed information. It ensures that the study would be relevant to the problem and that it uses economical procedures. The same authors discuss three types of research designs, namely exploratory (emphasizes discovery of ideas and insights), explanatory (determine the cause-effect relationships) and descriptive (description of the state of affairs as it exists at present) .The type of research design employed under this study was descriptive. The major purpose of descriptive research is description of the state of affairs as it exists at present. Then this study identified and critically assessed the factors affecting the growth of MSEs in Addis Ababa. In addition to this, it determines the frequency with which an event occurs or relationship between variables of factors affecting the growth of MSEs in Gullele sub city of Addis Ababa city Administration. In addition to descriptive research design, the study employed econometric model preferably the binary Logistic Regression Model.

3.2. RESEARCH APPROACHES

The mixed/combined research approach has been employed in this study because the researcher has used both quantitative and qualitative sources of data collection. The other rationale for employing mixed research approach is that it helps to triangulate evidence using data from both approaches and is assumed to minimize the weaknesses of relaying on either approach (Creswell, 2009). This is because quantitative researchers dismiss qualitative studies completely as giving no valid findings, being little better than journalistic accounts, ignoring issue of representative sampling. Equally, qualitative researchers firmly reject statistical methods as yielding shallow or completely misleading information. This clearly means that mixing qualitative and quantitative approaches gives the potential to cover each method's weaknesses with strengths from the other method. In this study, a combination of qualitative and quantitative approaches of doing research was employed, which has been practiced, as recommended by Creswell (2009).

3.3. RESEARCH ACTIVITIES

The assessment and identification of factors affecting the growth of MSEs in Gullele sub city encompassed many activities and techniques which included proposal development, literature review, research design, questionnaire development, data collection, sampling procedures, visiting of relevant offices and MSEs in the sub city, selection of participants, test of validity and reliability, data collection and analysis, conclusion and recommendations.

3.4. POPULATION, SAMPLE SIZE, AND SAMPLING TECHNIQUES

According to Janet (2006) Stratified random sampling increases the probability that the final sample will be representative in terms of the stratified groups in different field of business activities. The strata that were sectored include: weaving, embroidery and cotton spin. After the Stratified sampling method was used to determine the type of MSEs in the Sub City to be selected, simple random sampling was used to select the final respondents from among 411 populations. Why did the researcher use random sampling? Because this method gives equal opportunity and minimizes bias. The sample size of the study is considered to be representative of the target population and large enough to allow for precision, confidence and generalizability of the research findings.

The researcher used the following sample size determination formula developed at University Park by Jeff Watson, Research Assistant, and Cooperative Extension & Outreach for calculating the sample size required. This formula was preferred because it was appropriate for sample size determination as it was based on a number of accuracy factors that had to be considered. These accuracy factors together comprised a five step process i.e. determine goals, desired precision of results, confidence level, estimate the degree of variability and the response rate (Watson, 2001)

$$n = \frac{\dfrac{P\,[1-P]}{\dfrac{A^2}{Z^2} + \dfrac{P\,[1-P]}{N}}}{R}$$

n: sample size required-203

N: number of people on the population-411

P: estimated variance in population - 50%

A: precision desired – 5%

Z: Based on confidence level – 1.96 for 95% confidence

R: Estimated response rate- 98%

Accordingly, 203 respondents were selected from the total of 411 MSEs. These 203 respondents were selected from weaving; embroidery and cotton spin enterprises on proportional basis. Therefore, [(140/411) x 203] = 69 out of 140, [(155/411) x 203] =76 embroidery out of 155, and [(116/411) x 203] =58 Cotton spin out of 116 were selected.

Table 3.1: shows the population and sample size taken from respective MSEs.

MSEs in the study	Population size	Sample size calculation
Weaving	140	[(140/411) x203]=**69**
Embroidery	155	[(155/411) x203]=**76**
Cotton spin	116	[(116/411) x203]=**58**
Total	**411**	**Sample size=203**

Source: Developed for this study, 2016

3.5. DATA COLLECTION INSTRUMENTS

3.5.1. Questionnaire

The layout of the questionnaire was kept very simple to encourage meaningful participation by the respondents. The questions were kept as concise as possible and great care was taken to the actual wording and phrasing of the questions. In preparing the questionnaire, local language (Amharic) was used to collect data through questionnaires because operators might not fully understand English as equal as Amharic. Greater emphasis was also given for the appearance and layout of the questionnaire because they play of greater role and are important in any data collection process where the questionnaire is to be completed by the respondent.

The questionnaires were partially adopted from Admasu (2012) as recommended by Mulugeta (2010). The questions included in the questionnaire were multiple-choice questions and five-point likert scale types. The type of scales that were employed to measure the items on the instrument were continuous scales (strongly agree to strongly disagree).

3.5.2. Interviews

As indicated above, mainly the study has used well-designed questionnaire as a best instrument. This was completed by the owner managers or operators of the enterprises. Besides questionnaire, face-to-face interview was also conducted with 5 concerned government officials and 15MSEs' operators/owner managers. The interview method of data collection was preferred due to its high response rate. It gave the researcher and interviewee the opportunity to interact and get details on the questions and answers. Through interviews, clarification of issues was easily achievable leading to accuracy of data from the interviewee. The interviews were administered on the sample of 15 operators/managers and 5 officials from the Gullele Sub City Administration and Woredas. These small numbers of interviewee were selected because of related responses from majority of respondents.

3.5.3. Secondary Sources

Secondary data from policy papers was used to provide additional information where appropriate. Besides, variety of books, published and/or unpublished government documents and research papers, websites, reports and newsletters were reviewed to make the study fruitful, with due recognition.

3.6. DESCRIPTION OF STUDY VARIABLES

In this study, change in capital is used as a dependent variable to measure the growth of MSEs. The independent variables are politico-legal, working premises, technological, infrastructural, marketing, financial, management and entrepreneurial variables.

3.7. DATA PROCESSING AND ANALYSIS TECHNIQUES

3.7.1. DATA PROCESSING TECHNIQUES

Manual and computerized data processing mechanisms were used in the study. Some of the data processing activities included editing, coding, classification, tabulation.

3.7.2. DATA ANALYSIS TECHNIQUES

Analysis is simply the application of reason in the process of understanding the data collected by using appropriate analytical techniques that are in line with the characteristics of the research design and the nature of data gathered (Sounders et al., 2009). And hence, the data gathered from primary sources were tallied; they were systematically organized, tabulated and summarized in items based on tables, graphs or charts. Quantitative data obtained from primary sources were statistically analyzed using the Statistical Package for Social Science (SPSS) version 20 and Microsoft office excel 2007.

3.8. INSTRUMENT DEVELOPMENT

Basically, the instruments were developed based on the objectives of the study and research questions. The principles of questionnaires such as, use simple and clear languages, statements should not be too long and use of appropriate punctuations were also considered when developing the instrument. In addition, interviews were taken as an instrument to strength the investigation.

3.9. DESIGN OF THE INSTRUMENTS

The instruments were designed in such ways that can strength the viability of the study. The questionnaires were designed both in English and Amharic languages. The purpose of translating from English to Amharic language was to utilize those who couldn't clearly understand English language so that responded easily. The interview questions were designed in English language only, because the discussion was in Amharic while making interviews.

3.9.1 Instrument Validity

Validity is the degree to which a test measures what it purports to measure (Ibid). Validity is defined as the accuracy and meaningfulness of the inferences which are based on the research results. It is the degree to which results obtained from the analysis of the data actually represents the phenomena under study. Creswell (2009) contends that the validity of the questionnaire data depends on a crucial way the ability and willingness of the respondents to provide the information requested.

A pilot study was conducted to refine the test instrument such as the questionnaire before administering the final phase. Questionnaires were tested on potential respondents to make the data collecting instruments objective, relevant, suitable to the problem and reliable as recommended by John Adams et al. (2007). Issues raised by respondents were corrected and questionnaires were refined. Besides, proper detection by the advisor was also taken to ensure the validity of the instruments. Finally, the improved version of the questionnaires were printed, duplicated and dispatched.

3.9.2. Instrument Reliability

The reliability of instruments measures the consistency of instruments. Creswell (2009) considers the reliability of the instruments as the degree of consistency that the instruments or procedure demonstrates. In this study each statement rated on a 5 point likert response scale which included strongly agree, agree, undecided, disagree and strongly disagree. Based on this an internal consistency reliability test was conducted in Gullele sub city 15 operators and the Cronbach's alpha coefficient for the instrument was found to be 0.759 which is moderately strong reliability test .This indicates that instruments used in this study are reliable about 76% .

3.10. ETHICAL CONSIDERATIONS

All the research participants that participated in this study were appropriately informed about the purpose of the research and their willingness and consent was secured before the commencement of distributing questionnaire and asking interview questions. Regarding the right to privacy of the respondents, the study surely maintained the confidentiality of the identity of each participant. In all cases, names were kept confidential thus collective names like 'respondents' was used.

3.11. DESCRIPTION OF THE STUDY AREA

Historically, Addis Ababa was founded in 1887 by Emperor Menilik II and Empress Taitu. It was chosen as the residence of the emperor because of its thermal spring at a spot known as *Filweha.*

Addis Ababa lies 9°1′48″N latitude and 38°44′24″E longitude. The city is located at the heart of the country, at an altitude ranging from 2,100 meters at Akaki in the south to3000 (9,800 ft) meters at Entoto Hill in the North. This makes Addis Ababa the third highest city in the world, after La Paz and Quito in Latin America. Its time zone is categorized in East Africa Time (UTC+3). The city occupies a total area of 540 Sq.Km2 and a total population of more than 3 million. In terms of climate, its average elevation is 2,500 meters above sea level, and has a fairly favorable climate and moderate weather conditions (www.aacc.gov.et).

Besides, for political and administrative reasons, the city is made to be structured at three layers of government: city government at the top, 10 sub-cities administrations in the middle and 116 *wereda* level administrations at the bottom (Ibid).

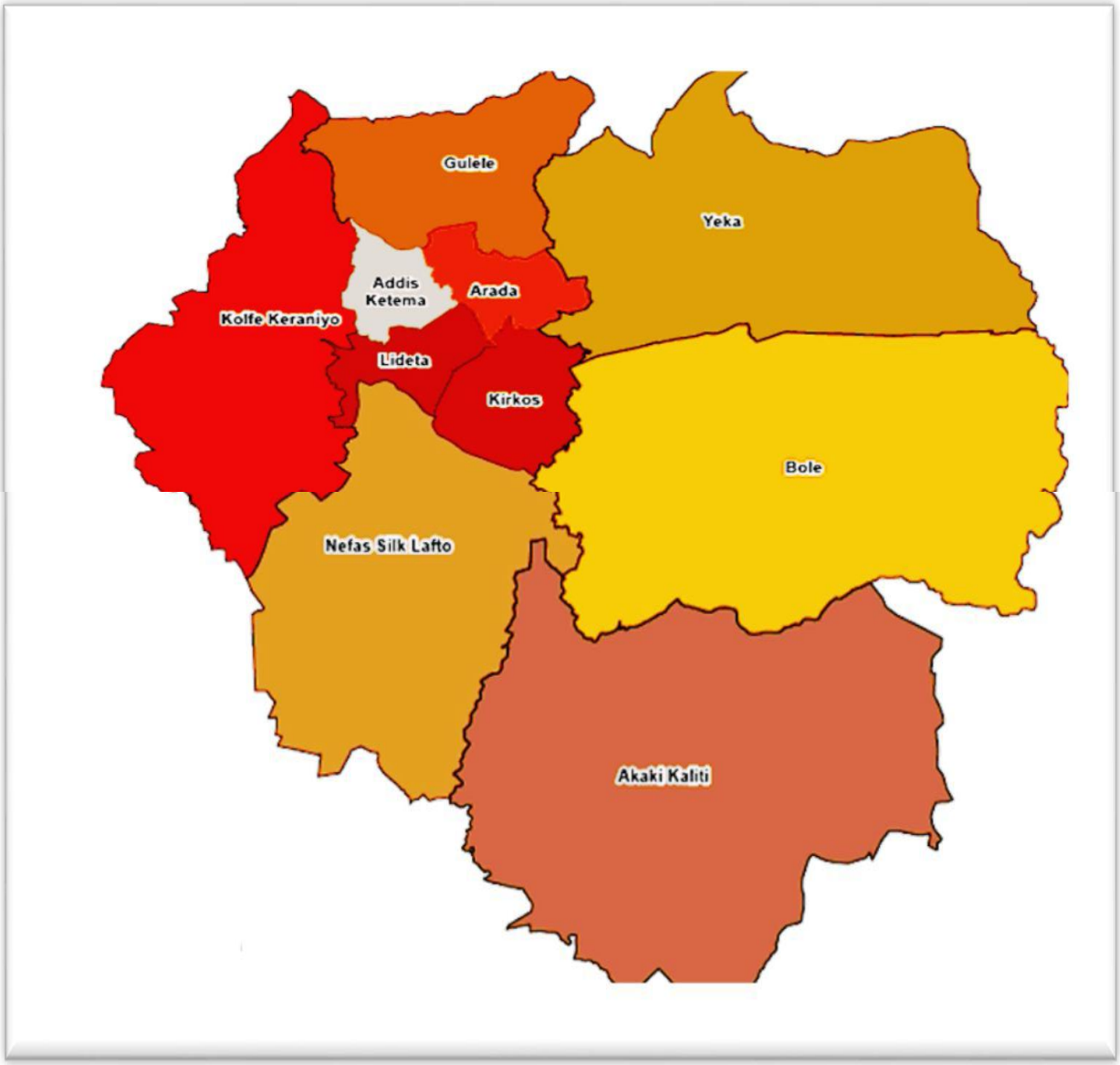
Although all Ethiopian ethnic groups are represented in Addis Ababa due to its position as capital of the country, the largest groups include the Amhara (47.04%), Oromo (19.51%), Gurage (16.34%), Tigray (6.18%), Silt'e (2.94%), and Gamo (1.68%)(Ibid).

Languages spoken include Amharic (71.0%), Oromiffa (10.7%), Gurage (8.37%), Tigrinya (3.60%), Silt'e (1.82%) and Gamo (1.03%). The religion with the most believers in Addis Ababa is Ethiopian Orthodox with 74.7% of the population, while 16.2% are Muslim, 7.77% Protestant, and 0.48% Catholic (Ibid).

Gulele (where the study conducted) is one the ten sub cities of Addis Ababa. As of 2011 census its population was of 248,865. The sub city is located in the northern suburb of the city near

mount *Entoto* and *Entoto* Natural Park. Its area is about 30.18 km^2. It borders with the sub cities of Kolfe Keranio, Addis Ketema, Arada and Yeka.

Figure 3.1: Displays the map of Addis Ababa with ten sub cities



Source: (AAMSEDA, 2011)

CHAPTER FOUR

4. RESULTS AND DISCUSSION

4.1. INTRODUCTION

This chapter deals with presentations, discussions and interpretations of the data collected through questionnaire and interview.

The main objective of the study was to identify the factors affecting the growth of Micro and Small Enterprises (MSEs) in Gullele sub city of Addis Ababa city administration. In addition to secondary sources, questionnaires and interviews were the tools selected and used throughout the analysis of the data

To create a rapport or common understanding while gathering the appropriate data, respondents were made aware of the objectives of the study and hence the data in this research was fully collected from consented respondents. To collect the data through questionnaire, two hundred three questionnaires were dispatched to MSEs in Gullele sub city and two hundred questionnaires were returned back. To enhance the response rate, the questionnaires were delivered by hand to the enterprises identified for the study and collected by hand immediately after they completed the questionnaire. For those respondents that did not able to finish it immediately, the questionnaire was given to them and then collected on a scheduled pick-up date. At the same time, the completeness of the questionnaires collected from selected respondents were immediately checked and those which were found incomplete were immediately made complete by concerned respondents having kindly told them that they missed part of the questions in the questionnaires.

From the questionnaires dispatched to respondents, three questionnaires were not returned due to the fact that the respondents did not avail themselves on the scheduled pick up time to handover the completed questionnaires to the researcher. But this did not have any significant effect with the outcome of the study since the returned questionnaires represent 98.5% rate of response. So this analysis excluded those three unreturned questionnaires.

The statistical package for social sciences (SPSS) version 20 and Microsoft office excel 2007 were used for processing and analyzing the data obtained from questionnaires. The data was analyzed using descriptive statistics with figures and tables using frequency, percentage, mean and standard deviation. Inferential statistics i.e. Pearson chi square was also used to know the association between explanatory and outcome variables. Binary logistic regression was the selected model used to identify potential impacts of independent variables on capital growth of MSEs.

All expected factors for the business activity of MSEs were asked negatively (lack of these factors exist in the business) using likert scale through which respondents indicated their level of agreement. Factors with high mean values in the tables have just indicated foremost factors affecting the growth MSEs.

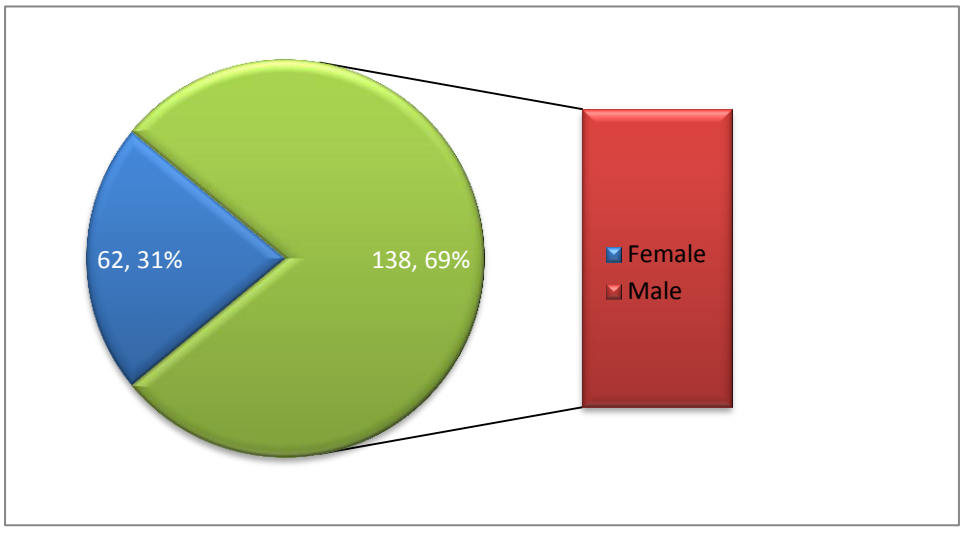
Generally, this section is organized in the following manner: First, the general information about respondents and MSEs was presented and analyzed. Second, data collected through questionnaires and interviews were analyzed concurrently.

4.2. DESCRIPTIVE STATSTICS

4.2.1. General Background of Respondents

4.2.1.1. Sex ratio of respondents

Figure 4.1.male versus Female Respondents



Source: Excel Output from Survey Data, 2016

The graph above revealed that 69% of the selected sample populations were males and the rest 31% were females. This indicated that most of the owners/managers of handicraft enterprises were found to be males, hence, the involvement of female owners/mangers were limited. Even if there is a clear policy direction to encourage females in the mission statement of AAMSEDA (2011); but the involvement of females is still poor and it needs close and proper attention towards them. MSEs are assumed to be the basis for medium and large industries, this strategy will not meet the ultimate goal in the absence of females, where they are half of the population.

4.2.1.2.Age Distribution of Respondents

Table4.1. Age Distribution of Respondents

Responses	Frequency	Percent
15-30	115	57.5
31-40	66	33.0
>41	19	9.5
Total	**200**	**100**

Source: SPSS Output from Survey Data, 2016

The table above clearly showed that sample MSEs are operated by relatively young operators, ranging from 15-30 years of age (57.5%), followed by 31-40 years of age (33%). It is vivid that the young population is the backbone of the economy, so the participation of young population is encouraging and must be given due attention for their engagement in MSEs.

4.2.1.3.Educational Status of respondents

Table 4.2.Educational Status of respondents

Responses	Frequency	Percent
Illiterate	7	3.5
Primary School	87	43.5
High School	61	30.5
TVET /Diploma	34	17
Bachelor Degree and above	11	5.5
Total	**200**	**100**

Source: SPSS Output from Survey Data, 2016

With regard to education status, most of them responded to have attended primary school

(43.5%), secondary school (30.5%), followed by TVET/Diploma (17%). 3.5% of the respondents were not educated and they could not be able to read and write.

In recent years, individuals having a BA degree have started joining MSEs and this research is the evident example that 11 or (5.5%) of respondents confirmed that they are BA holders.

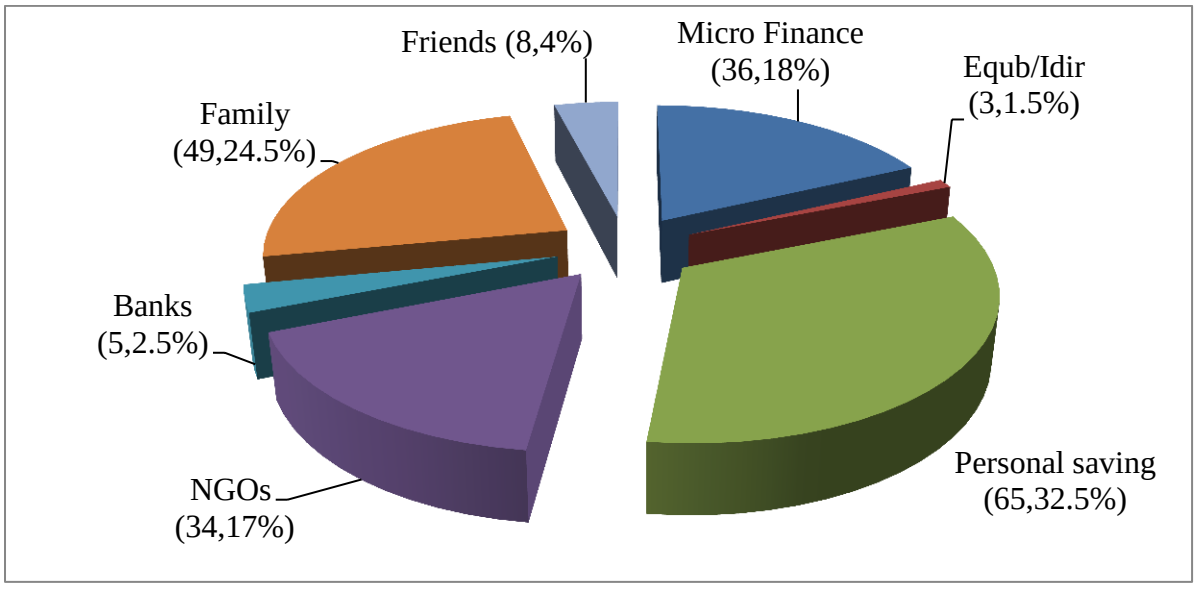
From this data one can understand that the education status of respondents in the research is low. Therefore, they may face a problem in complex business decision making processes; and this will have a negative impact on the growth of their business activities.

4.2.2. General Characteristics of The Enterprises

4.2.2.1.The Main Source of Start-up and Expansion Finance

Starting own business requires a starting capital rather than the mere existence of ideas. To capture information regarding the relative importance of the various sources of finance, enterprises were asked whether they ever received credit from each of a given list of formal and informal financial sources. The following figure shows the main sources funds to start business

Figure4.2. Source of Start-up capital



Source: Excel Output from Survey Data, 2016

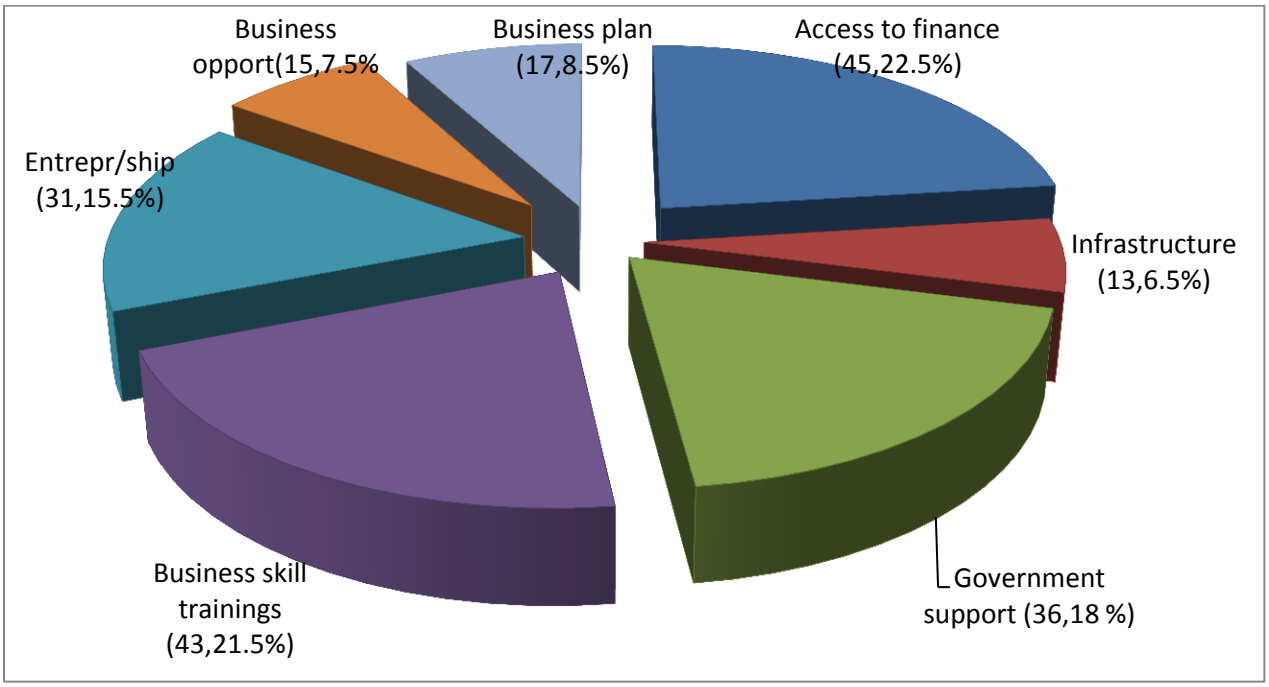
As it clearly read from the graph, personal savings (32.5%) are the most frequently used sources of startup capital, followed by family sources (24.5%), micro finance (18%). And the remaining sources of finance come from NGOs (17%), friends (4%), banks (2.5%) and equb (1.5%). This

shows that the main source of finance for MSEs in Gullele sub city and largely in Addis Ababa is personal saving. In the sub-city under the study, informal sources play the greatest role in the establishment of MSEs than the formal sources like microfinance and banks.

Besides, an interview conducted with operators in the study confirmed that the majority of MSEs in the study area use informal sources. According to the majority interviewee, the reason for emphasizing on informal sources is that the requirement of collateral/guarantor is relatively rare since such sources usually take place among parties with intimate knowledge and trust of one another. But the supply of credit from the informal institutions is often so limited to meet the credit needs of the MSEs.

4.2.2.2.Important aspects for the growth of MSEs

Figure4.3.Displayed the level of aspects to the contribution for the growth of MSEs



Source: Excel Output from Survey Data, 2016

As one could understand from the figure above, 22.5% of the respondents indicated that access to finance is the most important aspect for the growth of their business activities, 21.5% of the respondents felt that business skill trainings are important for the growth of their business

activities, 18% of respondents preferred that government support is essential for the growth of their business activities and 15.5% of the respondents came up with an agreement level that entrepreneurial team is important for the growth of their business activities.

The closer analysis of the result leads to the conclusion that access to finance is the most important aspect for the growth of any business activity.

Government officials said in an interview that they tried to support MSEs, in training, credit, and working places (almost for free). On the contrary, the interview result with operators indicated that they have no adequate access to finance to run their business activities.

4.2.2.3.Comparison of Startup and Current Capital of MSEs

Table4.3. Shows Range of Capital in Ethiopian Birr

	Start-up capital		Current capital	
Responses	**Frequency**	**Percent**	**Frequency**	**Percent**
0-1000	3	1.5	3	1.5
1001-2000	157	78.5	79	39.5
2001-3000	8	4.0	2	1.0
3001-5000	25	12.5	51	25.5
5001-10000	7	3.5	44	22.0
10001-25000	-	-	21	10.5
Total	**200**	**100.0**	**200**	**100.0**

Source: SPSS Output from Survey Data, 2016

The above table demonstrated that the respondents (78.5% and 39.5%) are in the range of 1001-2000 Birr, (12.5 and 25.5%) are in the range of 3001-5,000 Birr ,(3.5% and 22%) are in the range of 5,001-10,000 Birr at start-up and current capital respectively. 157 respondents started up business in the range of 1001-2000 ETB. Surprisingly speaking 79 of them are still in the same range having no improvement in their capital. From this one can understand that most MSEs started their business operations from scratch using relatively small start-up capital and doing the same thing currently because there is little capital improvement. The current capital of

respondents significantly changed in the range of 5001-10,000 ETB because only 7 respondents confirmed that their startup capital was between 5001-10,000 ETB but now 44 respondents are in the range of 5001-10,000.

4.2.2.4. Results of Measures of Central Tendency and Dispersion

The most frequently used measure of central tendency is the mean or average or arithmetic mean where as the most common measure of dispersion is standard deviation (Sounders et al., 2009).The results for measures of central tendency and dispersion that were obtained from the sample of respondents of weaving, embroidery and cotton spin enterprises are shown in the following nine tables.

Table 4.4.Politico-legal factors affecting the growth of MSEs

Item	**Weaving**		**Embroidery**		**Cotton Spin**		**Grand**	
Politico legal factors	**MN**	**SD**	**MN**	**SD**	**MN**	**SD**	**MN**	**SD**
The tax levied on my business is not reasonable	3.19	1.49	3.38	1.55	2.83	1.42	3.13	1.49
Bureaucracy in company registration and licensing	3.38	1.41	3.72	1.59	3.03	1.30	3.38	1.43
Lack of government support	3.88	1.29	4.15	1.29	3.17	1.51	3.73	1.36
Political intervention	3.34	1.49	3.51	1.52	2.48	1.30	3.14	1.44
Lack of accessible information on government regulations that are relevant to my business	3.53	1.54	4.00	1.21	3.66	1.37	3.73	1.49
Grand mean /standard deviation							***3.42***	***1.44***

MN=mean, SD=standard deviation **Source:** SPSS Output from Survey Data, 2016

The table above clearly indicated that the calculated mean and standard deviation for the politico-legal factors. And hence, one can witness that lack of government support and lack of accessible information on government regulations relevant to business activities are the main factors affecting the growth of embroidery enterprises with the mean scores of 4.15 and 4.00 and standard deviation of 1.29 and 1.21 respectively.

According to the result above, enterprises engaged in weaving, embroidery and cotton spin neither agreed nor disagreed with the reasonability of the tax levied by the government. The level of agreement of respondents is justified by the calculated means of 3.19, 3.38 and 2.83 with standard deviation of 1.49, 1.55 and 1.42 respectively. The mean score (3.88) and standard deviation (1.29) shows that, the operators of weaving agree with the problem related to lack of government support. But, cotton spin operators neither agreed nor disagreed with this problem.

Furthermore, the table indicates that bureaucracy in company registration and licensing is another problem that affects the growth of enterprises engaged in embroidery with a mean of 3.72 and standard deviation of 1.59. But, respondents of weaving and cotton spin neither agreed nor disagreed with the factors related to bureaucracy in company registration and licensing. The mean score and standard deviation clearly shows this conclusion. That is mean of 3.38 and 3.03, standard deviation of 1.41 and 1.30 respectively. Lastly, the table indicates that the respondents engaged in weaving sector neither agreed nor disagreed with regard to political intervention with the mean of 3.34 and standard deviation of 1.49. But respondents engaged in embroidery agreed about the presence of political intervention with the mean of 3.51 and standard deviation of 1.52.

In the interview conducted with operators of MSEs, it was confirmed that the support of the government is low in terms of creating access to information on government regulations that are relevant to the business activities of enterprises.

Table4.5. Working place factors affecting the growth of MSEs

Item	**Weaving**		**Embroidery**		**Cotton Spin**		**Grand**	
Working place Factors	**MN**	**SD**	**MN**	**SD**	**MN**	**SD**	**MN**	**SD**
Absence of own premises	3.13	1.62	3.59	1.55	2.31	1.54	3.01	1.57
Current working place is not convenient	2.06	1.27	3.18	1.64	2.66	1.59	2.63	1.5
The rent of house is too high	3.00	1.57	3.59	1.53	2.62	1.32	3.07	1.47
Grand mean /standard deviation							***2.90***	***1.51***

Source: Excel Output from Survey Data, 2016

The mean scores and standard deviations in the above table 4.5 shows, the absence of their own premises moderately affect the growth of embroidery enterprises with the mean of 3.59 and standard deviation of 1.55.

Weaving enterprises neither agreed nor disagreed with the mean of 3.13 and standard deviation of 1.62. Cotton spin enterprises disagreed the absence of own premises as a hindrance factor for the growth of their business with agreement level of mean (2.31) and standard deviation (1.54). With regard to high rent of house, the mean score (3.59) and standard deviation (1.53) for MSEs engaged in embroidery. This clearly shows that high rent of house moderately affects the growth of embroidery enterprises.

The respondents of weaving and cotton spin enterprises disagreed with their current working place is not convenient to run business. Their mean scores are 2.06 and 2.66 and standard deviations of 1.27 and 1.59 respectively. But, the mean score and standard deviation for enterprises engaged in embroidery are 3.18 and 1.64 respectively.

In an interview conducted with operators from among the three enterprises confirmed that, working place factors are insignificant in terms of hindering the growth of their business because the rent of house is reasonable , working place is convenient and absence of own premise is not a big deal since they have been using the public buildings.

Table4.6. Technological factors affecting the growth of MSEs

Item	**Weaving**		**Embroidery**		**Cotton Spin**		**Grand**	
Technological Factors	**MN**	**SD**	**MN**	**SD**	**MN**	**SD**	**MN**	**SD**
Lack of appropriate machinery and equipment	4.09	1.51	4.03	1.37	3.62	1.45	3.91	1.44
Lack of skills to handle new technology	3.50	1.55	3.95	1.36	3.90	1.18	3.78	1.36
Lack of money to acquire new technology	4.00	1.32	4.00	1.43	3.86	1.48	3.95	1.41
Unable to select proper technology	3.66	1.58	3.92	1.35	3.66	1.45	3.75	1.46
Grand mean /standard deviation							***3.85***	***1.42***

Source: Excel Output from Survey Data, 2016

The table above reveals that lack of appropriate machinery and equipment is the main problem of MSEs engaged in weaving and embroidery. The mean scores (4.09 and 4.03) and standard deviations (1.51 and 1.37) respectively. This is followed by lack of money to acquire new technology with the mean scores (4.00 and 4.00) and standard deviations ((1.32 and 1.43) respectively. According to table 4.6, for operators engaged in cotton spin, lack of appropriate machinery and equipment moderately affects their growth with the mean and standard deviation of 3.62 and 1.45 respectively. With regard to lack of skills to handle new technology, the mean scores and standard deviations are 3.50, 3.95 and 3.90 with 1.55, 1.36 and 1.18 for MSEs of weaving, embroidery and cotton spin respectively. On the other hand, the mean and standard deviation for unable to select proper technology, the table above depicts that the agreement scale of respondents with the means 3.66, 3.92 and 3.66 and standard deviations 1.58, 1.35 and 1.45 respectively.

According to the interview with the operators, the loan to purchase equipments and materials were obtained from both formal and informal sources because the variety of working machines, equipments and tools used by the MSEs of the study were purchased. Despite the presence of these machines, tools and equipments have allowed the operators to produce products in a better quantity and quality, the regular payment for machines bought by credit made them lead a subsistence life having no significant improvement in their growth. Moreover, respondents replied that, if new and appropriate technologies obtained, the presence of them will result in fundamental growth of their business.

Table4.7. Infrastructural factors affecting the growth of MSEs

Item	**Weaving**		**Embroidery**		**Cotton Spin**		**Grand**	
Infrastructural factors	**MN**	**SD**	**MN**	**SD**	**MN**	**SD**	**MN**	**SD**
Power interruptions	3.69	1.47	4.00	1.32	4.41	1.05	4.03	1.28
Insufficient and interrupted water supply	4.19	1.47	3.90	1.45	3.10	1.52	3.73	1.48
Lack of business development services	3.78	1.36	4.03	1.14	3.41	1.27	3.74	1.60
Lack of sufficient and quick transportation service	2.69	1.65	3.56	1.60	2.62	1.68	2.96	1.64
Lack of appropriate dry waste and sewerage system	4.06	1.50	3.92	1.58	3.45	1.57	3.81	1.55
Grand mean /standard deviation							**3.65**	**1.51**

Source: Excel Output from Survey Data, 2016

The result presented in table 4.7 shows that power interruption is the main problem followed by insufficient and interrupted water supply and lack of appropriate dry waste and sewerage system that hinders the business growth of embroidery, cotton spin and weaving enterprises respectively. The mean scores of power interruption are 4.41, 4.00 and 3.69 with standard deviations of 1.05, 1.32 and 1.47 cotton spin, embroidery and weaving enterprises respectively. The mean scores of insufficient and interrupted water supply are 4.19 and 3.90 with standard deviations of 1.47 and 1.45 for weaving and embroidery enterprises respectively. On the other hand, lack of appropriate dry waste and sewerage system is the main challenge that hinders the growth of MSEs engaged in weaving and embroidery. According to the respondents of both sectors, the mean scores are 4.06 and 3.92 with standard deviations of 1.50 and 1.58 respectively. With regard to lack of sufficient and quick transportation service, respondents of weaving and cotton spin sectors are almost undecided. The mean score of 2.69 and 2.62 with standard deviation of 1.65 and 1.68 for operators engaged in weaving and cotton spin respectively. It seems that these operators neither agree nor disagree on the issue related to lack of sufficient and quick transportation service.

In the interview made with the interviewee, most of them confirmed that transport is not the main factors for the growth of their business. This is because many of them are living around their business centers that are located in a shorter distance from their residence areas. Few of them located by far from their work areas use the public transport which is affordable and accessible

Table4.8. Marketing factors affecting the growth of MSEs

Item	**Weaving**		**Embroidery**		**Cotton Spin**		**Grand**	
Marketing Factors	**MN**	**SD**	**MN**	**SD**	**MN**	**SD**	**MN**	**SD**
Inadequate market for my product	4.16	1.35	4.18	1.30	4.28	1.16	4.21	1.27
Searching new market is so difficult	4.41	0.84	4.21	1.24	3.90	1.23	4.17	1.10
Lack of demand forecasting	3.91	1.28	4.21	1.13	3.97	1.12	4.03	1.23
Lack of market information	4.19	1.06	4.28	1.19	4.10	0.90	4.19	1.05
Absence of r/ship with an organization that conduct marketing research	4.28	1.20	4.21	1.36	4.00	1.34	4.16	1.30
Lack of promotion to attract potential users	3.69	1.47	4.21	1.20	3.45	1.30	3.78	1.32
Poor customer relationship and handling	3.13	1.60	3.72	1.49	2.90	1.59	3.25	1.59
Grand mean /standard deviation							***3.97***	***1.27***

Source: Excel Output from Survey Data, 2016

From these factors listed under marketing; inadequacy of market, difficulty of searching new market, lack of demand forecasting, lack of market information and absence of relationship with an organization/association that conduct marketing research are critical factors that affect the growth of MSEs engaged in all sectors. The mean scores and standard deviations clearly show respondents agreement on these variables. The mean scores of market inadequacy are 4.16, 4.18 and 4.28 with standard deviations of 1.35, 1.30 and 1.16 for MSEs engaged in weaving, embroidery and cotton spin respectively. The respondents of all sectors agree with a mean of 4.41, 4.21 and 3.97 with standard deviation of 0.84, 1.25 and1.23 respectively, that there is difficulty of searching new markets.

In table 4.8 it can be seen that, lack of demand forecasting is another marketing factor that affects the growth of MSEs. The arithmetic mean of 3.91, 4.21 and 3.97 with standard deviations of 1.28, 1.13 and 1.12 for MSEs engaged in weaving, embroidery and cotton spin sectors respectively.

Moreover, the table shows that lack of market information hinders businesses growth. The mean scores are 4.19, 4.28 and 4.10 and standard deviations are 1.06, 1.19 and 0.90 for weaving, embroidery and cotton spin enterprises respectively.

Similarly, majority of respondents agreed about the absence of relationship with an organization and/association that conduct marketing research. This agreement is justified by the mean scores of 4.28, 4.21 and 4.00 with standard deviations of 1.20, 1.36 and 1.34 for weaving, embroidery and cotton spin respectively.

On the other hand, the table above shows that respondents of weaving and cotton spin sectors are neither agreed nor disagree with poor custom relationship and handling that affect their growth with mean of 3.13, 2.90 and standard deviation of 1.60, 1.59 and 1.18 for respondents of weaving and cotton spin respectively. The table above shows, lack of promotion to attract potential users is the main factor that affects the growth of MSEs engaged in weaving and embroidery sectors. As the mean scores (3.69) and (4.21) standard deviations of (1.47) and 1.20 clearly depict, the respondent operators agree on their inability to promote potential users.

In an interview conducted with selected operators of the sectors, absence of adequate place to display and then create loyal customers is too difficult to establish. So they are forced to sell their products to retailers with cheap price. Absence of selling place obviously narrows the chance to access new customers.

The most miserable life of these enterprises with regard to access to market is that, they are price takers of retailers because they don't have strong power to set the price of their products due to the presence of many suppliers of the same product but few powerful buyers in the market.

Table4.9. Financial factors affecting the growth of MSEs

Item	**Weaving**		**Embroidery**		**Cotton Spin**		**Grand**	
Financial Factors	**MN**	**SD**	**MN**	**SD**	**MN**	**SD**	**MN**	**SD**
Inadequacy of credit institutions	3.63	1.45	4.10	1.22	2.76	1.35	3.50	1.34
Lack of cash management skills	3.66	1.33	3.72	1.34	2.97	1.27	3.45	1.31
Shortage of working capital	3.69	1.60	4.23	1.21	3.59	1.24	3.86	1.35
High collateral requirement from banks and other lending institutions	3.66	1.54	3.69	1.59	3.24	1.38	3.53	1.50
High interest rate charged by banks and other lending institutions	3.94	1.50	3.97	1.40	3.38	1.29	3.76	1.40
Loan application procedures of banks and other lending institutions are too complicated	4.00	1.55	3.90	1.39	3.45	1.33	3.78	1.42
Grand mean /standard deviation							***3.65***	***1.39***

Source: Excel Output from Survey Data, 2016

The mean scores of 3.63 and 4.10 with standard deviation of 1.45, and 1.22 of the respondents in table 4.9 shows that those operators engaged in weaving and embroidery have faced the problem related to inadequacy of credit institutions respectively. The mean score of inadequacy of credit institutions depicts that of the cotton spin sector agreement scale is more of undecided. The results show that the mean(2.76). This shows that the respondents of this sector are in dilemma to say that the credit institutions are adequately available or not.

With regard to shortage of working capital the mean scores of 3.69, 4.23 and 3.59 with standard deviations of 1.60, 1.21 and 1.24 for weaving, embroidery and cotton spin enterprise

respectively. Similarly, interest rate charged by banks and other lending institutions is high with mean scores of 3.94 and 3.97 with standard deviations of 1.50 and 1.40 for weaving and embroidery enterprises respectively. At the same time high collateral requirement from banks and other lending institutions has got the mean scores of 3.66 and 3.69 and standard deviations of 1.54 and 1.59 for weaving and embroidery enterprises respectively.

Respondents of the two sectors agreed with the complexity of loan application procedures of banks and other lending institutions. This is justified by the mean scores 4.00 and 3.90 and with standard deviation of 1.55 and 1.39 for operators engaged in weaving and embroidery respectively. Moreover, lack of cash management skills is also problem of MSEs as the table above shows very well. The respondents agree with a mean 3.66 and 3.72 with standard deviations of 1.33 and 1.34 for weaving and embroidery enterprises respectively.

In an interview conducted with selected interviewee with regard to financial factors affecting the growth of MSEs confirmed that most of the MSEs couldn't able to borrow money from banks due to uninviting preconditions of banks in relation to collateral requirements. Due to this obstacle of banks, they are forced to go to micro financial institutions and exposed for high interest rate. But majority of interviewees widely outlined that, they frequently use informal sources as main sources finance

Table 4.10.Management factors affecting the growth of MSEs

Item	**Weaving**		**Embroidery**		**Cotton Spin**		**Grand**	
Management Factors	**MN**	**SD**	**MN**	**SD**	**MN**	**SD**	**MN**	**SD**
Lack of clear division of duties and responsibility among employees	3.63	1.54	3.92	1.33	4.10	1.08	3.88	1.32
Poor organization and ineffective communication	3.63	1.41	3.79	1.32	4.07	0.92	3.83	1.22
Poor selection of associates in business	3.47	1.41	3.79	1.30	4.00	1.07	3.75	1.26
Lack of well trained and experienced employees	3.16	1.67	3.56	1.54	3.76	1.48	3.49	1.56
Lack of low cost and accessible training facilities	3.78	1.21	3.87	1.26	4.41	0.98	4.02	1.15
Lack of strategic business planning	3.44	1.56	4.26	1.19	4.45	0.83	4.05	1.19
Grand mean /standard deviation							***3.84***	***1.28***

Source: Excel Output from Survey Data, 2016

As shown in table 4.10 above, lack of clear division of duties and responsibility among operators is the main problem that hinders the growth of MSEs. It shows mean scores of 3.63, 3.92 and 4.10 with standard deviations of 1.54, 1.33 and 1.08 for MSEs engaged in weaving, embroidery and cotton spin respectively.

With regard to lack of low cost and accessible training facilities, the mean scores are 3.78, 3.87 and 4.41 with standard deviations of 1.21, 1.26 and 0.98 respectively. Likewise, in relation to poor selection of associates in business the table above shows that 3.47, 3.79 and 4.00 with deviations of 1.41, 1.30 and 1.07 for the three sectors respectively. The table also shows lack of well trained and experienced operators is not a problem of operators engaged in weaving (3.16) but not for embroidery and cotton spin with mean score of 3.56 and 3.76 respectively.

In this regard, in an interview conducted with operators of MSEs confirmed that insufficient training and the absence of proper business plan were the main problems that adversely affect the growth of MSEs.

Table4.11. Entrepreneurial factors affecting the growth of MSEs

Item	**Weaving**		**Embroidery**		**Cotton Spin**		**Grand**	
Entrepreneurial Factors	**MN**	**SD**	**MN**	**SD**	**MN**	**SD**	**MN**	**SD**
Lack of motivation and drive	3.66	1.33	3.95	1.45	2.76	1.53	3.45	1.44
Lack of tolerance to work hard	2.97	1.53	3.18	1.76	2.24	1.43	2.80	1.57
Lack of persistence and courage to take responsibility for ones failure	3.53	1.34	3.69	1.47	2.83	1.42	3.35	1.41
Absence of initiative to assess ones strengths and weakness	3.50	1.46	3.67	1.46	2.62	1.35	3.26	1.42
Lack of entrepreneurship training	4.31	1.03	3.92	1.38	3.59	1.52	3.94	1.32
Lack of information to exploit business opportunities	3.94	1.41	4.05	1.45	4.00	1.49	4.00	1.45
Grand mean /standard deviation							**3.47**	**1.44**

Source: Excel Output from Survey Data, 2016

Among the entrepreneurial factors, lack of information to exploit business opportunities scores the highest mean as 3.94, 4.05 and 4.00 with standard deviation of 1.41, 1.45 and 1.49 for operators engaged in the three sectors respectively. The second most important factor that affects the growth of MSEs is lack of entrepreneurship training. Their mean scores are 4.31, 3.92 and 3.59 with standard deviations of 1.03, 1.38 and 1.52 respectively. More importantly, the table shows that lack of motivation and drive, lack of tolerance to work hard, lack of persistence and courage to take responsibility for ones failure and absence of initiative to assess ones strengths and weakness are not serious problems for MSEs engaged in cotton spin.

The disagreement level on these factors is justified by the calculated means of 2.76, 2.24, 2.83 and 2.62 with standard deviations of 1.53 1.43 1.42 and 1.35 respectively.

The interview conducted with regard to entrepreneurial factors revealed that lack of entrepreneurial training was a factor that adversely affects their growth.

4.2.2.4.1. Comparison of overall Factors

It is clear that all the factors of this research will not have same weight in terms of affecting the growth of MSEs. The following table clearly compares the overall impact of all key factors discussed in detail above.

Table4.12. Comparison of overall Factors

No.	Factors	Grand		Rank of severity
		MN	**SD**	
1	Politico-legal factors	3.42	1.44	7th
2	Working premises factors	2.90	1.51	8th
3	Technological factors	3.85	1.42	2nd
4	Infrastructural factors	3.65	1.51	4th
5	Marketing factors	3.97	1.27	1st
6	Financial factors	3.65	1.39	4th
7	Management factors	3.84	1.28	3nd
8	Entrepreneurial Factors	3.47	1.44	6th

Source: Excel Output from Survey Data, 2016

It is clearly observed that **marketing, technological, management and financial factors** have the biggest potential to contribute to the growth of MSEs, followed by infrastructural, entrepreneurial, politico-legal and working place factors. In other words, the result shows that **marketing, technological, management and financial factors** are the four topmost important factors affecting the growth of MSEs in Addis Ababa. Of these topmost factors, the first two are external whereas the third one is internal. From this one can conclude that external factors outweigh internal factors.

This result is supported by Bizusew (2015) who found that marketing factors rank on top being reported as the major constraint by a large proportion of the enterprises.

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 are shortage or absence of marketing skills, absence of marketing research, shortage of market information, shortage of selling places, and absence of sub-contracting (FeMSEDA, 2006). A Survey of MSEs in selected major urban areas of Ethiopia conducted by MoWUD(2013) revealed that MSEs face many challenges in their operations that hinder their growth in whatever terms we measure; be it in terms of capital, technology or employment. Some of these challenges are internal while others are external to the enterprise. The data collected from the enterprises from the regional towns reveals that most of the MSEs complain about lack of finance (42%) to expand their business followed by the lack of working premise (28.3%); while the third constraining factor is identified to be lack of access to market or absence of linkage to market. This shows that there needs to be a concerted effort from both the government and other public & private side to reduce these barriers that actually stifled the growth of the enterprises, of which the main is finance (MoWUD, 2013). It can, therefore, be concluded that finance and working premises factors do largely affect the growth of MSEs.

4.3. INFERENTIAL STATSTICS

4.3.1. Pearson Chi-Square Test Of Relationship Between Explanatory and Dependent Variable

In this study Pearson chi-square test was used to determine whether there are significant relationship between the independent variables (politico-legal, working premises, technological, infrastructural, marketing, and financial, management and entrepreneurial variables) and the dependent variable (growth).

4.3.1.1. Entrepreneurship and Growth

Table 4.13. Entrepreneurial factors and Growth

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	166.318	98	.000
N of Valid Cases	200		

Source: SPSS Output from Survey Data, 2016

Pearson Chi-square was used to test the relationship/association between entrepreneurship and capital growth. The Chi-square statistic is 166.318, with a p-value of .000. From this result, it can be concluded with 95% confidence level, the capital growth of MSEs differs significantly within entrepreneurial factors. Therefore, entrepreneurial factors have a significant association with the capital growth of MSEs.

4.3.1.2.Financial factors and Growth

Table 4.14.Financial factors and Growth

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	44.241	22	.003
N of Valid Cases	200		

Source: Excel Output from Survey Data, 2016

The Chi-square statistic is 44.241, with a p-value of .003. From this result, it can be concluded that with 95% confidence level, the capital growth of MSEs differs significantly within financial factors. Therefore, financial factors have a significant positive association with the capital growth of MSE.

4.3.1.3.Infrastructural factors and Growth

Table 4.15. Infrastructural factors and Growth

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	22.811	19	.246
N of Valid Cases	200		

Source: SPSS Output from Survey Data, 2016

The Chi-square statistic is 22.811, with a p-value of 0.246. From this result, it can be concluded that infrastructural factors have no significant association with the capital growth of MSEs

4.3.1.4.Management factors and Growth

Table 4.16. Management factors and Growth

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	65.500	29	.000
N of Valid Cases	200		

Source: SPSS Output from Survey Data, 2016

The Chi-square statistic is 65.500, with a p-value of .000. From this result, it can be concluded that with 95% confidence level that the capital growth of MSEs differs significantly within management factors. Therefore, management has a significant positive association with the capital growth of MSEs.

4.3.1.5. Marketing factors and Growth

Table 4.17.Marketing factors and Growth

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	35.274	21	.026
N of Valid Cases	200		

Source: SPSS Output from Survey Data, 2016

The Chi-square statistic is 35.274, with a p-value of 0.026. From this result, it can be concluded that with 95% confidence level, capital growth of the MSEs differs significantly within marketing factors. Therefore, marketing factors have a significant positive association with the capital growth of MSEs.

4.3.1.6.Politico legal factors and Growth

Table 4.18.Politico legal issues and Growth

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	29.368	19	.060
N of Valid Cases	200		

Source: SPSS Output from Survey Data, 2016

The Chi-square statistic is 29.368, with a p-value of 0.060. With 95% confidence level, this result shows that the politico legal factors have no significant association with the capital growth of MSEs.

4.3.1.7.Technological factors and Growth

Table 4.19.Technological factors and Growth

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	31.298	14	.005
N of Valid Cases	200		

Source: SPSS Output from Survey Data, 2016

The Chi-square statistic is 31.298, with a p-value of 0.005. From this result, it can be concluded that with 95% confidence level, the capital growth of the MSEs differs significantly within technological factors. Therefore, technological factors have a significant positive association with the capital growth of MSEs.

4.3.1.8.Working Place Factors and Growth

Table 4.20.Working Place Factors and Growth

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.580	12	.817
N of Valid Cases	200		

Source: SPSS Output from Survey Data, 2016

The Chi-square statistic is 7.580, with a p-value of 0.817. From this result, it can be concluded that with 95% confidence level, working place factors have no significant association with the capital growth of MSEs.

Conclusion: Entrepreneurship, financial, management, market and technological factors have a positive significant relationship with the capital growth of MSE whereas infrastructural, politico legal and working promise factors have no significant relations with the capital growth of MSEs.

4.3.2. Binary Logistic Regression

In situations when the independent variables are numerical and dependent variable is categorical, binary logistic regression model is the best statistical test tool to determine the significance of the impact of various factors affecting the growth of MSEs (Robert L., 2002).The dependent variable was the capital growth of the enterprises (increase or stagnant) and the independent variables include: entrepreneurship factors, financial factors, infrastructure factors, marketing factors, management factors, politico legal factors, technology factors and working promise factors. The dependent variable of this study has two categories (0 and 1). The value 1 indicates that the growth of capital increased, and the value 0 indicated that there was no capital Growth during the time when the data was collected.

Table 4.21 Results obtained from binary logistic regression analysis

	B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I.for EXP(B)	
							Lower	Upper
Entrepreneurship(X1)	-.538	.268	4.041	1	.044	.584	.346	.987
Finance(X2)	.375	.168	4.959	1	.026	1.454	1.046	2.022
Infrastructure(X3)	.018	.156	.014	1	.907	1.018	.751	1.382
Management(X4)	.618	.280	4.873	1	.027	1.854	1.072	3.209
Market(X5)	-.214	.192	1.246	1	.264	.807	.554	1.176
Politico-Legal(X6)	-.205	.174	1.400	1	.237	.814	.579	1.144
Technology(X7)	-.250	.161	2.399	1	.121	.779	.568	1.068
Working Place(X8)	-.061	.146	.175	1	.675	.941	.707	1.252
Constant	1.099	.917	1.435	1	.231	3.001		

Source: SPSS Output from Survey Data, 2016

4.3.2.1.**Presentation of results**

Logit (π) =β_0+ β_1X_1 + β_2X_2 + β_3 X_3 + β_4X_4 + β_5X_5 + β_6X_6 +β_7X_7+β_8X_8; Where:

Logit (π) = is the response or dependent variable (capital growth), X_1= Entrepreneurship factors, X_2= financial factors, X_3= infrastructure factors, X_4= marketing factors, X_5= management factors, X_6=politico legal factors, X_7= technology factors and X_8= working promise factors are the independent variables.

β_0 is the intercept term- constant which would be equal to the mean if all slope coefficients are 0.

β_1, β_2, β_3, β_4, β_5, β_6, β_7 and β_8 are the coefficients associated with each independent variable.

Predicated capital growth score = 1.099-.538 (X1) +.375 (X2)+.018 (X3) +.618 (X4)

-.214 (X5) -.205 (X6) -.250 (X7) -.061(X8) where the independent variables in the model represent: entrepreneurship factors, financial factors, infrastructure factors, marketing factors, management factors, politico-legal factors, technology factors and working promise factors respectively.

The coefficients of the explanatory variables i.e. the beta value -.538, .375, .018, .618, -.214, -.205, -.250 and -.061) indicated the amount of logit (log odds) change with one unit change in X. The largest influence on growth of MSEs is from the management (.618), entrepreneurship

(-.538) and finance (.375).

The Nagelkerke R Square, that is the measure of predicative power, was found to be 0.095. This shows that almost 10 % of the increase or decrease in capital was explained by the independent (predictor) variables in this model. The “Hosmer and Lemeshow” model fit test yielded a chi-square value of 11.759 with p-value of 0.162, suggesting the logistic model fits the data well since it produced *a p value >0.05*.

Multicollinearity of independent variables was less than 70% (see appendix C). Statisticians have developed several tests for determining whether Multicollinearity is high enough to cause

problems. According to the rule of thumb test, Multicollinearity is a potential problem if the absolute value of the sample correlation coefficient exceeds 0.7 for any two of the independent variables (Anderson et al, 2011 cited in Woldegebriel, 2012).

In binary logistic regression analysis, influential predictor variables are characterized by odds ratios that are significantly different from 1, 95% confidence intervals of odds ratios that do not contain 1, and P-values that are smaller than 0.05, at the 5% level of significance **(**Eshetu & Mammo, 2009). Accordingly, entrepreneurship, financial and management factors are found to be highly influential at 5% level of significance and have impact on the growth of capital of MSEs.

4.3.2.2.Interpretation of odds ratios

From the regression model presented above the following deductions are made about the factors affecting the growth of MSEs.

Financial Factors: The odds ratio of the variable "Financial Factors" is ExpB = 1.454 *with p value* 0.026. This indicates that the odds (risk) of failure of the growth of capital of MSEs that operate in the absence of adequate financial resource are 1.454 times higher in comparison with MSEs that operate with the presence of adequate financial resource.

This shows that financial access is a significant contributor to the capital growth of MSEs.

Management factors: The odds ratio of the variable "Management" is 1.845. This indicates that the increase in growth of capital MSEs who have good management is 1.845 times higher than those who have poor management. The *p-value* is .027. This shows that management has a significant positive impact on the growth of MSEs.

Entrepreneurial factors: The odds ratio of the variable "Entrepreneurial factors" is 0.584.This indicates that the increase in capital growth of MSEs who have Entrepreneurial skills is 0.584 times lower than those who have poor Entrepreneurial skills. The P-value is .044. This indicates that entrepreneurial skills are a statistically significant factor that affects the growth of MSEs negatively.

Infrastructural factors, market factors, politico legal factors, technological factors and working premises factors do not have significant impact on the growth of MSEs.

CHAPTER FIVE

5. SUMMARY OF RESEARCH FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 SUMMARY OF FINDINGS

The result of the research denoted that the majority (69%) of the MSEs were owned by males, most (57.5%) of the participants were below the age of 35 (who can fall under the youth age category), more than 43.5 % of the respondents attended at least primary level education.

The research result again indicated that, almost all of the constraints listed in the questionnaire were areas of challenge for the growth of MSEs operating in the sub city.

The most important sources of finance to start up business were found to be personal savings (32.5%), followed by family sources (24.5%), micro finance (18%). And the remaining sources of finance come from NGOs (17%), friends (4%), banks (2.5%) and equb (1.5%). This shows that the main sources of finance for MSEs in Gullele sub city is personal saving. This is due to the fact that MSEs faced problems in taking loans from banks because they did not satisfy the collateral requirements of financial institutions.

Results of measures of central tendency indicated that marketing, technological; management and financial factors were found to be the four topmost important factors affecting the growth of MSEs in Addis Ababa

Chi square statistics was used to identify the relationship between various explanatory variables and the dependent variable (increase or stagnant in capital growth). Accordingly, there is a positive significant relation between growth of MSEs and entrepreneurship, financial, management, market and technological factors. However, the relation between infrastructural, politico legal and working promise factors with growth of micro and small enterprises is not significant.

Binary logistic regression model was used to determine the significance of the impact of various factors affecting growth of capital of MSEs. And results of this model showed that entrepreneurship, financial and management factors have significant impact on the growth of MSEs at 5% level of significance.

5.2CONCLUSIONS

This study was aimed at identifying the key factors affecting the growth of MSEs based on interviews and questionnaires consisting of 200 randomly selected MSEs out of 411 populations in Gullele sub city of Addis Ababa city administration. The study focused on handicraft enterprises including weaving, embroidery and cotton spin which have been the most ignored and neglected areas by considerable number of researchers.

Specifically, the study attempted to:

- Examine the sources of finance or funds available for MSEs,
- Identify external and internal factors affecting the growth of MSEs,
- Recommend possible solution to alleviate the problem of MSEs.

Based on the objectives and findings of the study, the following conclusions are worth drawn. The main sources of startup finance or funds for most MSEs are personal savings followed by family and micro finance institutions. The formal financial institutions have not been able to meet the credit needs of the MSEs. Since there is high interest rate and collateral requirement, most MSEs have been forced to use the informal institutions for credit. Despite the supply of credit from the informal institutions is often so limited to meet the credit needs of the MSEs, the studied operators accessed startup finance mainly from informal sources.

The first most important external factor identified are marketing factors including: inadequate market for the products of MSEs, the difficulty to search new markets, lack of demand forecasting, lack of market information, absence of relationship with an organization that conduct marketing research, lack of promotion to attract potential users and poor customer relationship and handling.

The second most important external factors identified are technological factors including: lack of appropriate machinery and equipment, lack of skills to handle new technology, lack of money to acquire new technology and unable to select proper technology.

Of the two internal factors in this study, the most important factors identified are management factors including: lack of clear division of duties and responsibility among employees, poor organization and ineffective communication, poor selection of associates in business, lack of well trained and experienced employees, and lack of low cost and accessible training facilities lack of strategic business planning.

Finally, the study has further identified the most influential factors affecting the growth of MSEs. Regression results in this regard confirmed that entrepreneurship, financial and management factors have significant impact on the growth of MSEs at 5% level of significance and hence they are the most influential factors affecting the growth of MSEs.

5.3 RECOMMENDATIONS

Based on the findings and conclusions of the study, the following recommendations are forwarded.

1. The Addis Ababa city government bodies should provide affordable alternative sources of finance for MSEs. This can be done by communicating with the banks and other credit institutions to lessen their requirements. This should be done so that MSEs can get enough access to finance for their business activities.
2. Marketing factors are frequently indicated as the most explanatory factors affecting the growth of MSEs. Therefore, the Addis Ababa city administration should solve these deep-rooted problems.

Some of the ways of doing so include:

- ☞ Create access to market information for operators of MSEs every day except Sunday by fixing regular radio program through public medias like Addis FM 96.3

- ☞ Create a system that can forecast the demand of the products of MSEs. This can be realized by establishing separate body in each *Woreda* filled by professionals from marketing and economics. So the ultimate role of this body will be giving professional advice as to when the demand of their products increases or decrease. This can also be done in terms of regular meeting in their respective work areas or using the same public media indicated earlier.
- ☞ Provide temporary or permanent selling and displaying places in areas close to working places for MSEs operators. So that operators of MSEs become price setters for their own products instead of being price takers of retailers as it is the existing reality now. This measure also creates another chance of getting new customers and selling products at reasonable price better than that of retailers.

3. To make MSEs effectively overcome the factors affecting their growth, the government is primarily expected to:
   - ☞ Increase the capacity and skill of the operators through continuous trainings in coordination with TVET colleges and professional training institutions
   - ☞ Create experience sharing programs among successful enterprises and fragile ones,
   - ☞ Insure improved provision of necessary infrastructure and
   - ☞ Make sure that power supply is uninterrupted in workplaces of MSEs
4. MSEs operators can also implement the following points so as to overcome the factors affecting the growth of their capital growth
   - ☞ Through networking, they can be able to exchange services such as advertising amongst themselves for free. This creates market opportunities among one another because cotton spin enterprises can sell their products to weaving enterprises. The same is true between embroidery and weaving.

5.4 AREAS FOR FURTHER STUDY

The focus for this study was on the handicraft enterprises, particularly on weaving, embroidery and cotton spin enterprise. This study dealt with more of external and internal factors affecting the growth of MSEs.

Results measures of central tendency has proved that marketing, technological, management and financial factors are the four topmost factors in affecting the growth of MSEs but results of binary logistic regression proved that financial , entrepreneurship and management factors are only statistically significant so marketing factor is not statistically significant.

On the other hand chi-square results of association/relationship between the dependent and independent variables denoted that there is a statistically significant association between growth of MSEs and financial, marketing, management, technological and entrepreneurship factors.

In turn, results of binary logistic regression proved that financial, entrepreneurship and management factors are only statistically significant so marketing and technological factors are not statistically significant.

Such inconsistencies are open for further studies for interested researchers. So the researcher highly recommends to any interested researchers to justify the reasons behind the presence of such inconsistencies.

Moreover, any interested researcher can investigate the other side of factors affecting the growth of MSEs such as completion level, year of establishment, availability of input and business location.

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APPENDICES/ANNEXES

APPENDIX A

ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

MBA PROGRAM

Questionnaire to be filled by MSEs owners/mangers

INTRODUCTION

Dear respondent,

I am a graduate student in the department of business administration, Saint Mary's University.

Currently, I am undertaking a research entitled "***Factors Affecting the Growth of MSEs in Gullele sub-city of Addis Ababa City Administration"***

You are one of the respondents selected to participate on this study. Please assist me in giving correct and complete information to present a representative finding on the current status of the factors affecting the growth of Micro and Small enterprises in Gullele sub city of Addis Ababa. Your participation is entirely voluntary and the questionnaire is completely anonymous.

Finally, I confirm that the information you provide is totally sought for academic purposes and shall be kept strictly confidential.

Thank you in advance for your kind cooperation and dedicating your time.

Sincerely,

Gizachew Animaw

E-mail: gize88@gmail.com or psir_2000@yahoo.com

SECTION 1: GENERAL INFORMATION ON BUSINESS ENTERPRISES

1) Gender: ☐ Male ☐ Female

2) Age breakup: ☐ 15-30 year's ☐ 31-40 years' ☐ Over 41 years

3) Education: ☐ Illiterate ☐ primary ☐ secondary ☐ TVET or Diploma ☐ 1st degree and above

4.What is the main activity of the enterprise?

A. weaving ☐ B. cotton spin ☐ embroidery

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

A. Personal saving ☐ D. NGOs ☐ G. Micro finance institutions ☐

B. Family ☐ E. Friends/Relatives ☐ H. Others (specify)----------

C. Banks ☐ F. Iqub/Idir ☐

6. Which one of the following is the most important aspect for the success of your business venture?

A. Access to finance ☐

B. Support from Government ☐

C. Training in business skills ☐

D. Business opportunities ☐

E. Business plan ☐

F. An entrepreneurial team ☐

G. Availability of infrastructure ☐

7. Could you please specify the range of your capital in Ethiopian Birr?

At start-up	**Currently**
☐ 0-1,000	☐ 0-1,000
☐ 1,001-2,000	☐ 1,001-2,000
☐ 2,001-3,000	☐ 2,001-3,000
☐ 3,001-5,000	☐ 3,001-5,000
☐ 5,001-10,000	☐ 5,001-10,000
☐ 10,001-25,000	☐ 10,001-25,000
☐ 25,001-35,000	☐ 25,001-35,000
☐ 35,001-50,000	☐ 35,001-50,000

SECTION 2: FACTORS AFFECTING THE GROWTH OF MICRO AND SMALL ENTERPRISES

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

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

S. No.	**Politico-Legal Factors**	5	4	3	2	1
1.1	The tax levied on my business is not reasonable					
1.2	Bureaucracy in company registration and licensing					
1.3	Lack of government support					
1.4	Political intervention					
1.5	Lack of accessible information on government regulations that are relevant to my business					

2. Please indicate the degree to which you agree with the following statements concerning working place factors.

S. No.	**Working Place Factors**	5	4	3	2	1
2.1	Absence of own premises					
2.2	Current working place is not convenient					
2.3	The rent of house is too high					

3. Please indicate the degree to which you agree with the following statements concerning technology factors.

S. No.	**Technological Factors**	5	4	3	2	1
3.1	Lack of appropriate machinery and equipment					
3.2	Lack of skills to handle new technology					
3.3	Lack of money to acquire new technology					
3.4	Unable to select proper technology					

4. Please indicate the degree to which you agree with the following statements concerning infrastructural factors.

S. No.	**Infrastructural factors**	5	4	3	2	1
4.1	Power interruptions					
4.2	Insufficient and interrupted water supply					
4.3	Lack of business development services					
4.4	Lack of sufficient and quick transportation service					
4.5	Lack of appropriate dry waste and sewerage system					

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

S. No.	**Marketing Factors**	5	4	3	2	1
5.1	Inadequate market for my product					
5.2	Searching new market is so difficult					
5.3	Lack of demand forecasting					
5.4	Lack of market information					
5.5	Absence of relationship with an organization that conduct marketing research					
5.6	Lack of promotion to attract potential users					
5.7	Poor customer relationship and handling					

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

S. No.	**Financial Factors**	5	4	3	2	1
6.1	Inadequacy of credit institutions					
6.2	Lack of cash management skills					
6.3	Shortage of working capital					
6.4	High collateral requirement from banks and other lending institutions					
6.5	High interest rate charged by banks and other lending institutions					
6.6	Loan application procedures of banks and other lending institutions are too complicated					

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

S. No.	**Management Factors**	5	4	3	2	1
7.1	Lack of clear division of duties and responsibility among employees					
7.2	Poor organization and ineffective communication					
7.3	Poor selection of associates in business					
7.4	Lack of well trained and experienced employees					
7.5	Lack of low cost and accessible training facilities					
7.6	Lack of strategic business planning					

8. Please indicate the degree to which you agree with the following statements concerning entrepreneurship factors

S. No.	**Entrepreneurial Factors**	5	4	3	2	1
8.1	Lack of motivation and drive					
8.2	Lack of tolerance to work hard					
8.3	Lack of persistence and courage to take responsibility for one's failure					
8.4	Absence of initiative to assess ones strengths and weakness					
8.5	Lack of entrepreneurship training					
8.6	Lack of information to exploit business opportunities					

ቅድስተ ማርያም ዩኒቨርሲቲ

የድህረ ምረቃ ትምህርት ቤት

የቢዝነስ አስተዳደር ፕሮግራም

በጥቃቅንና አነስተኛ ተቋማት ባለቤቶች/ አመራሮች የሚሞላ የጽሁፍ መጠይቅ

መግቢያ

ውድ የጥናቱ ተሳታፊዎች፡-

እኔ በቅድስተ ማርያም ዩኒቨርሲቲ የድህረ ምረቃ ትምህርት ቤት በቢዝነስ አስተዳደር ፕሮግራም

የድህረ ምረቃ (master's degree) ተመራቂ ተማሪ ስሆን፤ በአሁን ሰዓት የመመረቂያ ፅሁፌን በማዘጋጀት ላይ እገኛለሁ፡፡ የጥናቱ ርዕስም "በጉለሌ ክፍለ ከተማ የሚገኙ የጥቃቅንና አነስተኛ ተቋማት እድገት ላይ ተፅእኖ የሚያሳድሩ ተግዳሮቶችን" ይመለከታል፡፡ እርስዎም በዚህ ጥናት እንዲሳተፉ ተመርጠዋል፡፡ እርስዎ የሚሰጡት ትክክለኛ መረጃ ለጥናቱ ውጤታማነት በጣም አስፈላጊ መሆኑን በመገንዘብ መጠይቁን በጥንቃቄ እንዲሞሉ እጠይቃለሁ፡፡ ተሳትፎዎ በእርስዎ በጎ ፈቃደኝነት ላይ የተመሰረተ ነው፡፡ በመጨረሻም የሚሰጡት መረጃ ሚስጥራዊነቱ የተጠበቀና ለዚህ ጥናት ዓላማ ብቻ እንደሚውል አረጋግጣለሁ፡፡ የማንኛውም መልስ ስጪ ማንነት በማንኛውም መልኩ የማይታተምና የማይሰራጭ ይሆናል፡፡ ሁሉም መረጃዎች ለትምህርታዊ ዓላማ ብቻ ይውላሉ፡፡

ጊዜዎን ሰውተው ስለሚያደርጉልኝ ትብብር በቅድሚያ አመሰግናለሁ፡፡

ግዛቸዉ አንማዉ

E-mail: gize88@gmail.com or psir_2000@yahoo.com

- ✓ **በመጠይቁ ላይ ስም መፃፍ አያስፈልግም።**
- ✓ **መልስዎትን በሳጥኑ ውስጥ የእርማት ምልክት (√) ያስቀምጡ።**

ክፍል አንድ፡ ስለአንቀሳቃሾች አጠቃላይ መረጃ

1.ጾታ ፡ ወንድ ☐ ሴት ☐

2. ዕድሜ ፡ 15 — 30 ዓመት ☐ 31 — 40 ዓመት ☐ ከ 41 አመት በላይ ☐

3. **የትምህርት ደረጃ፡** ፊደል ያልቆጠረ ☐ የመጀመሪያ ደረጃ ☐

ሁለተኛ ደረጃ ☐ ቴክኒክና መ.ያ/ዲፕሎማ ☐ ዲግሪና ከዛ በላይ ☐

4. **የተሰማሩበት የስራ መስክ ምንድነው?**

ሀ. ሽመና ☐ ለ. ጥጥ ፈትል ☐ ሐ.ጥልፍ ☐

5. በዘርፉ ለመንቀሳቀስ መነሻ ብር/ካፒታል ከየት አገኙ?

ሀ.ከግል ቁጠባ ☐ ለ. ከቤተሰብ ☐ ሐ. ከባንክ ብድር ☐

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

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

6. **የድርጅትዎ የካፒታል ደረጃ ቢገልፁ በኢትዮጵያ ብር?**

ስራ ሲጀምሩ	**በአሁኑ ጊዜ**
☐ 0-1,000	☐ 0-1,000
☐ 1,001-2,000	☐ 1,001-2,000
☐ 2,001-3,000	☐ 2,001-3,000
☐ 3,001-5,000	☐ 3,001-5,000
☐ 5,001-10,000	☐ 5,001-10,000
☐ 10,001-25,000	☐ 10,001-25,000
☐ 25,001-350,000	☐ 25,001-35,000
☐ 35,001-50,000	☐ 35,001-50,000

ክፍል ሁለት፡ በጥቃቅንና አነስተኛ ተቋማት የስራ እንቅስቃሴ ላይ ተፅእኖ የሚያሳድሩ ጉዳዮች

ከዚህ በታች ለጥቃቅንና አነስተኛ ተቋማት የእድገት መሰናክል ሊሆኑ የሚችሉ ነገሮች ተዘርዝረዋል፡፡ ከተዘረዘሩት ችግሮች የእርስዎን የስራ ዘርፍ ይበልጥ ተፅእኖ የሚያሳድሩትን በደረጃ ያመላክቱ፡፡ ለእያንዳንዱ ጥያቄ ከአማራጮቹ አንድ ጊዜ ብቻ የ() ምልክት በማድረግ ምላሽ ይስጡ፡፡

ተ.ቁ	1. ህጋዊና ፖለቲካዊ ጉዳዮች	በጣም አስቸጋሪ ሁኔታ ነው	አስቸጋሪ ሁኔታ ነው	ለመወሰን አቸገራለሁ	አልስማማም	በጣም አልስማማም
1.1	ተመጣጣኝና ምክንያታዊ ያልሆነ የስራ ግብር፡፡					
1.2	በቢሮክራሲያዊ ማነቆ የተተበተበ የምዝገባና የንግድ ፈቃድ አሰጣጥ ሂደት፡፡					
1.3	በቂ ያልሆነ የመንግስት ማበረታቻ፡፡					
1.4	ተገቢ ያልሆነ የፖለቲካ ጣልቃ ገብነት፡፡					
1.5	ከስራዬ ጋር ተዛማጅ የሆኑ ህጎች፣ ደንቦችና አዋጆች ተደራሽ አለመሆን፡፡					

ተ.ቁ	2.የስራ ቦታና ተዛማጅ ችግሮች	በጣም አስቸጋሪ ሁኔታ ነው	አስቸጋሪ ሁኔታ ነው	ለመወሰን አቸገራለሁ	አልስማማም	በጣም አልስማማም
2.1.	ስራዬን የሚያካሄድበት የግል ቦታ አለመኖር፡፡					
2.2.	አሁን ያለሁበት ቦታ ለስራ አመቺ አለመሆን፡፡					
2.3.	ከፍተኛ የሆነ የቤት ኪራይ መጠን፡፡					

ተ.ቁ	3. ቴክኖሎጂና ተዛማጅ ችግሮች	በጣም አስቸጋሪ ሁኔታ ነው	አስቸጋሪ ሁኔታ ነው	ለመወሰን አቸገራለሁ	አልስማማም	በጣም አልስማማም
3.1	ለስራዬ ተገቢ የሆነ የቴክኖሎጂ ግብዓት አለመኖር፡፡					
3.2	በቂ የሆነ የቴክኒክ ክህሎት አለመኖር፡፡					
3.3	በገንዘብ እጥረት ምክንያት አዳዲስ የቴክኖሎጂ ውጤቶችን አለማግኘት፡፡					
3.4	ለስራዬ ተገቢ የሆነ የቴክኖሎጂ ውጤት መምረጥ አለመቻል፡፡					

ተ.ቁ	4. ከመሰረተ ልማት ጋር የተያያዙ ችግሮች	በጣም እስማማለሁ	እስማማለሁ	ለመወሰን እቸገራለሁ	አልስማማም	በጣም አልስማማም
4.1	የኤሌክትሪክ ሀይል መቆራረጥ፡፡					
4.2	የተቆራረጠና በቂ ያልሆነ የውሃ አቅርቦት፡፡					
4.3	የቢዝነስ ልማት አገልግሎት እጥረት፡፡					
4.4	በቂ እና ፈጣን የሆነ የትራንስፖርት አገልግሎት አለመኖር፡፡					
4.5	በቂ የደረቅና ፈሳሽ ቆሻሻ ማስወገጃ ስርዓት አለመኖር፡፡					

ተ.ቁ	5. ግብይትና ተዛማጅ ችግሮች	በጣም እስማማለሁ	እስማማለሁ	ለመወሰን እቸገራለሁ	አልስማማም	በጣም አልስማማም
5.1	በቂ የሆነ የገበያ እድል አለመኖር፡፡					
5.2	አዲስ የገበያ አማራጭን የመፈለግ አዳጋችነት፡፡					
5.3	የወደፊት የገበያ ፍላጎትን መተንበይ አለመቻል፡፡					
5.4	በቂ የሆነ የግብይት መረጃ አለመኖር፡፡					
5.5	ግብይትን በተመለከተ ጥናትና ምርምር ከሚያካሂዱ ተቋማት ጋር ግንኙነት አለመፍጠር፡፡					
5.6	ምርቶችን በአግባቡ አለማስተዋወቅ፡፡					
5.7	ደካማ የሆነ የደንበኛ አያያዝ፡፡					

	6. ከገንዘብ ጋር የተያያዙ ችግሮች	በጣም እስማማለሁ	እስማማለሁ	ለመወሰን እቸገራለሁ	አልስማማም	በጣም አልስማማም
6.1	በቂ የሆኑ የብድር ተቋማት አለመኖር፡፡					
6.2	የብር አያያዝ ክህሎት ችግር፡፡					
6.3	የስራ ማንቀሳቀሻ ብር እጥረት፡፡					
6.4	ባንኮችና ሌሎች አበዳሪ ተቋማት ለማበደር የሚጠይቁት ከፍተኛ የማስያዣ መጠን፡፡					
6.5	ባንኮችና ሌሎች አበዳሪ ተቋማት የሚጥሉት ከፍተኛ የብድር ወለድ መጠን					
6.6	ባንኮችና ሌሎች አበዳሪ ተቋማት ለማበደር የሚከተሉት ውስብስብና አሰልቺ ሂደት፡፡					

ተ.ቁ	7.የስራ አመራር ክህሎት ጋር የተያያዙ ችግሮች	በጣም እስማማለሁ	እስማማለሁ	ለመወሰን እቸገራለሁ	አልስማማም	በጣም አልስማማም
7.1	በሰራተኞች መካከል ግልፅ የሆነ የስራና ሀላፊነት ክፍፍል አለመኖር፡፡					
7.2	ደካማ አደረጃጀትና ውጤታማ ያልሆነ የግንኙነት አሰራር፡፡					
7.3	ደካማ የሆኑ የስራ ባልደረቦችን መምረጥ፡፡					
7.4	የሰለጠኑ እና ልምድ ያላቸው ሰራተኞች አለመኖር፡፡					
7.5	በዋጋቸው ተመጣጣኝና ተደራሽ የሆኑ የስልጠና እጥረት፡፡					
7.6	የረዥም ጊዜ የቢዝነስ እቅድ አለመኖር፡፡					

ተ.ቁ	8.የስራ ፈጠራ ክህሎትና ተዛማጅ ችግሮች	በጣም እስማማለሁ	እስማማለሁ	ለመወሰን እቸገራለሁ	አልስማማም	በጣም አልስማማም
8.1	ለስራ ፈጣሪነት አለመነሳሳት፡፡					
8.2	ጠንክሮ አለመስራት፡፡					
8.3	ለሚፈጠሩ ጊዜያዊ ውድቀቶች ፀንቶ ሀላፊነትን አለመውሰድ፡፡					
8.4	የራስን ጠንካራና ደካማ ጎን አለመፈተሽ፡፡					
8.5	በቂ የሆነ የስራ ፈጠራ ስልጠና አለማግኘት					
8.6	በተመሳሳይ ዘርፍ በስራ ፈጣሪነታቸው ውጤታማ ከሆኑ ተቋማት ልምድ አለመቅሰም፡፡					

APPENDIX B

Interview Questions

I Interview questions with MSE operators

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

A. External factors

- Politico-legal factors [government policy, bureaucracies (in relation to MSEs registration and licensing), taxation and like]
- Premises factors
- Technology factors
- Infrastructure (power, transportation, water supply and like)
- Marketing factors (relationship with suppliers, customers and others)
- Financial factors (interest rates, collateral requirements, etc)

B. Internal factors

- Management and related factors
- Entrepreneurial factors

2. What are other problem(s) did you faced regarding the overall functioning of your activity?

II Interview questions with concerned Government Officials

1. How do you support MSEs?

2. How do you alleviate the problems facing MSEs?

APPENDIX C

Table 6.1 Multicollinearity matrix of independent variables

Correlations

		Entrepreneurship	Finance	Infrastructure	Management	Market	Politico-Legal	Technology	Working place
	Pearson Correlation	1							
Entrepreneurship	Sig. (2-tailed)								
	N	200							
	Pearson Correlation	.284**	1						
Finance	Sig. (2-tailed)	.000							
	N	200	200						
	Pearson Correlation	.259**	.240**	1					
Infrastructure	Sig. (2-tailed)	.000	.001						
	N	200	200	200					
	Pearson Correlation	.686**	.260**	.248**	1				
Management	Sig. (2-tailed)	.000	.000	.000					
	N	200	200	200	200				
	Pearson Correlation	.226**	.480**	.163*	.283**	1			
Market	Sig. (2-tailed)	.001	.000	.021	.000				
	N	200	200	200	200	200			
	Pearson Correlation	.281**	.293**	.355**	.378**	.189**	1		
Politico-Legal	Sig. (2-tailed)	.000	.000	.000	.000	.007			
	N	200	200	200	200	200	200		
	Pearson Correlation	.296**	.132	.401**	.303**	.152*	.342**	1	
Technology	Sig. (2-tailed)	.000	.062	.000	.000	.032	.000		
	N	200	200	200	200	200	200	200	
	Pearson Correlation	.302**	.181*	.359**	.307**	.090	.390**	.249**	1
Working place	Sig. (2-tailed)	.000	.010	.000	.000	.206	.000	.000	
	N	200	200	200	200	200	200	200	200

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

*. Correlation is significant at the 0.05 level (2-tailed).

Note: a pair wise correlation below 70% indicates the absence of serious problem of multicollinearity in the regression equation as indicated in the above correlation matrix

APPENDIX D

Table 6.2 Reliability Statistics

Cronbach's Alpha	N of Items
.759	8

Table 6.3 Frequency table of startup and current capital

startup_capital

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-1000	3	1.5	1.5	1.5
	1001-2000	157	78.5	78.5	80.0
	2001-3000	8	4.0	4.0	84.0
	3001-5000	25	12.5	12.5	96.5
	5001-10000	7	3.5	3.5	100.0
	Total	200	100.0	100.0	

current_capital

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-1000	3	1.5	1.5	1.5
	10001-25000	21	10.5	10.5	12.0
	1001-2000	79	39.5	39.5	51.5
	2001-3000	2	1.0	1.0	52.5
	3001-5000	51	25.5	25.5	78.0
	5001-10000	44	22.0	22.0	100.0
	Total	200	100.0	100.0	

APPENDIX E

Table 6.4 Current Members/Operators of MSEs by Year of Establishment

Establishment Year (in E.C)	Number of Operator at the end of 2006 EFY		Total
	Male	Female	
Before 1999	27,815	19,658	72,539
1999	6,098	4,038	22,611
2000	12,196	8,289	38,760
2001	11,678	7,981	45,125
2002	17,256	12,138	78,026
2003	44,181	25,690	127,869
2004	53,153	35,368	201,581
2005	48,514	33,664	263,992
2006	49,114	35,602	183,827
Not mentioned	20,574	11,856	116,877
Grand Total	**290,579**	**194,284**	**1,151,207**

Table 6.5 Distributions of MSEs by Year of Establish and Region

Region	Establishment Year of Enterprise										Grand Total
	Before 1999	1999	2000	2001	2002	2003	2004	2005	2006	Not mentioned	
Addis Ababa	3,460	208	211	623	653	1,317	1,421	2,580	2,778	1,462	14,713
Afar						2	26	11			39
Amhara	10,562	3,689	8,139	6,632	8,426	24,148	26,414	14,536	21,897	5,089	129,532
Benshengul	1		20	35	58	133	174	304		7	732
Dire Dawa	50	10	17	12	25	34	59	77	102	166	552
Gambela					1	21	76	69	213		380
Harari	5	34	16	34	40	51	82	133	231	1	627
Oromiya	4,406	1,537	2,797	3,942	7,885	24,262	27,888	33,877	31,111	19,538	157,243
SNNP	307	289	539	611	962	1,586	4,185	2,918	5,288	281	16,966
Somalia	14	12	13	20	50	137	197	67		3	513
Tigray	21,242	2,610	5,304	4,287	5,730	9,562	14,492	10,466	12,279		85,972
Grand Total	40,047	8,389	17,056	16,196	23,830	61,253	75,014	65,038	73,899	26,547	407,269

APPENDIX F

DECLARATION

I**,** the undersigned, declare that this thesis is my original work, prepared under the guidance of

Dr Arega Seyoum. 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.

GIZACHEW ANIMAW TEGEN

_____ _____

Name Signature

Saint Mary's University, Addis Ababa, Ethiopia May, 2016

APPENDIX G

ENDORSEMENT

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

AREGA SEYOUM (PhD)

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Name Signature

Saint Mary's University, Addis Ababa, Ethiopia May, 2016