St. Mary's University

School of Graduate Studies

The Contribution of Import Substitute Shoes on Local Shoes Manufacturing Factories in Addis Ababa

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APPROVED BY BOARD OF EXAMINERS

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DECLARATION

I hereby declare that this submission is my own work prepared under the guidance of Dr**.** Samuel Dermas. It contains neither material previously published by another person nor material which has been accepted for the award of any other degree of the university, except where due acknowledgement has been made in the text.

_____ _____

Student Name & ID Signature & Date

ENDORSEMENT

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

_____ _____

Advisor's Signature Date

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ACRONYMS

ADLI	Agricultural Development Led Industrialization
AGOA	African Growth and Opportunity Act
CSA	Central Statistics Authority
COMESA	Common Market for East and Southern Africa
ECBP	Engineering Capacity Building Programmed
ECF	Ethiopian Competitiveness Facility
EIA	Ethiopian Investment Agency
IDSE	Industrial Development Strategy of Ethiopia
MOTI	Ministry of Trade and Industry
SSA	Sub Saharan Africa
UNIDO	United National Industrial Development Organization
USAID	United States Aid and International Development

ABSTRACT

The purpose of this study was to assess the Contribution of Import Substitute Shoes on Local Manufacturing Factories in Addis Ababa. The study used descriptive research methods and mixed research approach. The areas the research focused on is contribution of import substitute shoe in relation to job creation, capacity utilization, attitude change, import substitute and foreign currency generation. Primary and secondary data were used. Primary Data was collected through questionnaire and interview. The analysis of quantitative data was done by the help of SPSS and presented using descriptive statistics. The scope of the study was limited to ten shoe manufacturing factories within Addis Ababa they are selected based on their market share and mass production experience. The researcher used non probabilistic sampling techniques to select the sample size. The researcher looked into whether as a prioritized sector the factories supports the development strategy or according to the literature. The findings reveal that the respondents are not satisfied with the current contribution level in overall the economy. On the basis of the findings, the researcher recommends that import substitute shoe helps in job creation, it motivation those under capacity local shoe producers, it changes the attitude toward the local product and lastly its contribution on foreign currency generation as complimentary as export. The experience gained in the assessment could be used to make similar surveys in other activities.

Keywords *Import substitute school uniform shoe, motivation of under capacity local producers, job creation, foreign currency generation*

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Manufacturing is a wealth-creating sector of an economy, and closely connected with engineering and industrial design and provides important material support for national infrastructure. It involves the mechanical or chemical transformation of materials or substances into new products. It makes products from raw materials by the use of manual labor or machines and is usually carried out systematically with a division of labor. In a more limited sense, manufacturing is the fabrication or assembly of components into finished products on a fairly large scale (CSA, 2012).

Manufacturing appears to be critical and is probably the most important engine of long-term growth and development. As countries transform from primary agricultural-based economies to manufacturing based ones, more sustainable revenue for growth is obtained. Manufacturing industry in Ethiopia started in 1920s with a simple processing technology that produces agriculture-based products; but still the sector is infant even by African standards, dominantly focusing on semi-processing (AACCSAO) October 2015.

Several mutually reinforcing factors have conspired to prevent the emergence of a stronger manufacturing base in the country. However, Ethiopia has the means to change those factors that are coming together at the same time, such as cheap labor force and well-educated, trainable and inexpensive labor and supplies of utilities. Similarly, the policy framework is conducive to manufacturing development as it proposes to drive manufacturing growth through vertical and horizontal links to the rich resource base of agricultural and mineral, both of which have solid growth prospects in their own right (AACCSAO) October 2015.

Ethiopia's Industrial Development Strategy has given top priority to textile and garment, meat, leather and leather products industry, agro-processing industry, the construction industry, and to micro and small scale enterprises. These sectors get top priority due to their nature which gears towards use of natural resources and their being labor intensive. The government specifically identifies leather and leather products industry as a priority since it is

assumed that they meet the basic principles that are put in the industrial development strategies: - saving capital, employing large labour force, using agricultural outputs as an input and creating the opportunity to be internationally competitive (IDSE, 2003)

Currently, the manufacturing industry contributes about 19% of Ethiopia's GDP. In its vision of transforming the country to a middle income nation by 2025, the government of Ethiopia plans to increase the share of its manufacturing sector to 27%, The government sees the leather industry sub-sector as one of its strategic investment priority areas, requiring little initial capital as it uses the rich agricultural products (livestock) as its input. The government supports investments by foreign, local or joint ventures in this sector mainly because they are in line with the country's plan of adding value to its agricultural products, creating more jobs, substituting imports and generating hard currency for the country (Ancona, 2015).

Ethiopia, with its rich possession of fairly sizable population of live-stock in the form of cattle, sheep and goat ranks among the top ten countries in the world. The hide and skin derived out of these live- stock forms the raw material base for leather and associated industries. However the country is not utilizing this raw material resource satisfactorily. About 80% of the world's leather product is utilized by the foot wear industries. Ethiopian footwear manufacturers are also using remarkable leather for their product (UNIDO, 2006.)

1.2. Statement of the Problem

The majority of Ethiopian population, around 85 %, lives in rural area where agriculture is the only means of incurring an income for existence. In order to improve the living standard of our people, the development of different kinds of industries is essential. Among the different kinds of industries, foot wear industries result in poverty reduction since it is one of the most labor-intensive industries providing ample employment opportunities. (UNIDO, 2006)

Even if, the government categorized leather and leather product as a prioritized sector by its labor-intensive nature and uses agricultural products as input its contribution is insignificant over all in the economy in terms of job creation for those agriculture is the only means of income for existence . Therefore, in order to fill the gap between the actual performance of the leather industry and the expectation the researcher trays to investigating the contribution of fully import substitute shoe with job creation.

The Ethiopian shoe industry survived and today, it managed to recover the domestic market which had been swept by imported Chinese shoes in the late 1990s. The sector now is attracting investors from across the world including bigwigs such as Huajian of China and George Shoes of Taiwan. “Today it is difficult for people to differentiate between genuine local leather shoes and those imported from China or elsewhere. In fact, some of them are now bold enough to label their products ‘Made in Ethiopia’ under their trademark (Sisay, 2014).

This show as the local shoe manufacturing industry improving their design skills and quality problems from time to time to penetrate the market and to change the perception of the society for local products that swept by Chinese. To increase or retain the existing perceptional (attitude) changes for local product import substitute shoe plays significant role for local shoe factories.

The Ethiopian leather industry suffers from a low penetration on the international market, because of a lack of competitiveness in terms of selling price. This can be explained by a high dependence on the upstream industries. The whole leather transformation process appears to be a byproduct industry. It is specialized in midrange products because of the lack of design skills and quality problems. The shoe industry faces different problems. The production is not self-sufficient and the import costs of several shoe components compensate the comparative advantage due As for the other products, they suffer from distance to the markets. Ethiopia has comparative advantages but also faces many obstacles such as the quality issue, low managerial skills, a lack of training, important transportation costs and times, poor infrastructure and a lack of productivity .This report aimed to question the assumption that the large Ethiopian livestock gave Ethiopia a natural comparative advantage in the leather sector. However, our study of the vertical disintegration of the leather industry in Ethiopia shed light on various factors that prevent Ethiopia from being a competitive actor in the international leather business. Most importantly, the lack of institutional entity able and willing to modernize the agricultural organization has a noxious impact on the Ethiopian leather quality. The location of Ethiopia also highly prevents the country from being a competitor on the international market due to high transport time and costs. Last, the relatively weak

institutional situation of the country adds high transaction costs, thus enabling Ethiopia to be a competitor in terms of prices. (Mines, 2016).

Ethiopia is still importing large numbers of shoes, leather and plastic products from across the world and spending millions of hard currency annually. In addition, as most shoemaking and leather products' accessories such as synthetic sewing thread, plastic linen, shoelaces, zippers, buckles, and the like are being imported, the country is a long way from fully substituting imported shoes with other leather products (UNIDO, 2012) Ethiopia's.

Therefore this indicates us there are new investment areas that are not addressed by those existing investors to substitute several shoe components. However the competitive advantage of renewable natural resource of livestock, lower labor cost and government incentives taken off by those imported input items. The researcher tries to seek menses and ways to improve resource allocation efficiency problem by substituting imported shoes by local products to utilize the comparative advantages optimally.

1.3. Research Questions

This study attempts to address the following questions:-

- What is the Contribution of Import Substitute Shoes on job creation?
- What is the effect of Import Substitute Shoes on the out flow of scares foreign currency?
- Does Import Substitute Shoes create attitude change for local products?
- How does Import Substitute Shoes encourage domestic shoe manufacturing capacity?
- Does Import Substitute Shoes create new investment area opportunities to substitute imported input items for potential investors?

1.4. Objective of the Study

1.4.1. General Objective

The main objective of this paper is to explore contribution of import substitute shoes on local shoes manufacturing factories.

1.4.2. Specific Objectives

The study has the following specific objectives:-

- To find out the Contribution of Import Substitute Shoes in relation to job creation
- To evaluate the effect of Import Substitute Shoes on the out flow of scares foreign currency.
- To evaluate the contribution of import substitute shoe on attitude change.
- To evaluate the contribution of import substitute shoe in relation to creation of new market opportunity to encourage those under capacity domestic shoe manufacturers.
- To identify those potential investment areas to produce inputs fully to substitute imported item that are necessary to produce shoes

1.5. Scope of the Study

This study focuses on the assessment of contribution of import substitute shoes on local manufacturing companies. Due to physical and capacity constraints the study concentrated on ten shoes manufacturer's samples. This study only focuses on the following manufacturing companies: - The researcher has been selected ten shoe factories in Addis Ababa based on by their market share, organizational structure and mass production experience like military shoe, namely Tikur Abbay, Anbesa, Kangaroo, Peacock, Ras Dashen, Ok Jamaica, Wallia, Ramsey, Sheba, Bostex

1.6. Significance of the Study

This study will foreword some recommendation or policy implication based on the analysis on the importance of import substitution strategy in complement with the export-oriented strategy. From the review of the relevant literature relating to the import substitute shoe, it's possible to see the existence of knowledge gap. The study adds to the existing body of knowledge by investigating on the contribution of fully import substituted shoes on local shoe manufacturing factories. The research problem should address an important question so that the answer will make a difference. Although researches has not yet been made in depth to determine the importance and contribution of import substitute shoe in local shoe factories.

1.7. Limitation of the Study

The primary limitations of this study are lack of published data or study that is conducted on the contribution of import substitute shoe on local manufacturing factories.

- The study only focused on Addis Ababa.
- Confidentiality of company's records constrained me to support my research by information gathered through self-observation.
- Limited research exposure of the researcher.
- Absence of organized data on school uniform shoe.
- The organizational structure not organized by departments

1.8. Organization of the Study

The research paper consists of five chapters. The first chapter presents the introduction part which consists of background of the study, statement of the problem, research question, Objective of the study, significance of the study, scope of the study, limitation of the study and organization of the study. While the second chapter focuses on review of related literature, the third and fourth presents research design and methodology and data presentation, analysis and interpretation of the results respectively. The last chapter presents the conclusions and recommendations part of the study. Finally list of reference and appendix are attached.

1.9. Operational Definitions of Key Terms

School uniform: A school uniform is a uniform worn by students by school primarily for a school or otherwise educational institution. They are common in primary and secondary school in various countries a uniform can even be as simple as requiring collared shirts, or restricting color choices and limiting items students are allowed to wear.

Manufacturing:-the process of converting raw material, components or parts in to finished goods them meet a costumer's expectation or specification .manufacturing commonly employs a man-machine set up with division of labor in a large scale production.

CHAPTER TWO
LITERATURE REVIEW

Introduction

Throughout this chapter, the researcher has investigated the theoretical aspects of the research area. The objective is to overview relevant material published in the chosen field of study and to search for a suitable problem area it looked at the contribution of school uniform shoe on manufacturing industry. Material inputs availability, export tax, imported raw materials and intermediate goods, job creation and production capacity.

2.1. Ethiopian Manufacturing Sector Status

The industrial sector is one of the envisioned sectors expected to play a great role in GDP growth, job creation, foreign exchange earnings, SMEs development, etc… in the GTP period. In line with this, a particular emphasis is given to the promotion of micro and small enterprises as well as supporting the development of medium and large-scale industries. Industry zones development and public enterprises management and privatization are also the focuses of GTP in industrial development strategy of the country. These Industrial Development strategic directions for which policy support was provided focused on industries which are labor intensive and having wide market; have broad linkages with the rest of the economy; use agricultural products as input; export-oriented and import substituting; and industries that can contribute for faster technology transfer (FDRE, 2013).

Moreover, the policy direction and plan states that it is the private firms, not state owned enterprises that must be the engine of production and investment. It also contends that state must use its authority to guide private firms away from rent seeking and toward investment, technology and global competition. In light with the aforementioned directions, several activities were carried out in the last two years of the GTP period (FDRE, 2013).

Manufacturing is a wealth-creating sector of an economy, and closely connected with engineering and industrial design and provides important material support for national infrastructure. It involves the mechanical or chemical transformation of materials or substances into new products. It makes products from raw materials by the use of manual

labor or machines and is usually carried out systematically with a division of labor. In a more limited sense, manufacturing is the fabrication or assembly of components into finished products on a fairly large scale (CSA, 2012).

Ethiopian manufacturing sector contribute for export, employment and national output. The sector accounts for 70% of the industrial sector. Within the manufacturing sector, the agro-processing subsector (food and beverage subsector hereinafter) is the largest subsector, accounting for 36% of the total gross value of production (GVP) and 38% of the value added at basic price (VAMP) of large and medium scale manufacturing industry (CSA, 2014).

2.1.1. Material Inputs Availability

Ethiopia annually produces 2.7 million hides, 8.1 million sheepskins and 7.5 million goatskins. This comparative advantage is further underlined by the fact that the costs of raw hides and skins constitute on average 55-60% of the production of semi processed leather. The gross value of production of leather and leather products industry in 2012/13 was around 9 billion birr out of these firms owned by the private produce 8 billion birr and the government firms produce 1 billion birr. The value added of the industry in 2012/13 was 2.2 billon birr. (AACCSA, 2015)

Livestock is an integral part of the agricultural GDP and serves the Ethiopian economy as sources of food traction, manure, raw materials, investment, cash income, security, foreign exchange earnings, and social and cultural identity. Consequently, an increasing trend of livestock populations shows the country has substantial resource potential to attract investment and consequently foster the development of the leather industry (USAID, 2013).

Ethiopia is highly endowed with livestock resources; ranking first in Africa and is among the top ten countries in the world. It has more than 55.03 million heads of cattle, 27.35 million sheep, and 28.16 million goats (CSA, 2013).

More than 100 million square feet of finished leather produced annually. Of which 72 million is from sheep and goat skin and 30 million is from cow hide. More than 60 million square feet from sheep and goat and 10 million from cow are exported annually. There is a possibility of producing up to 500 million square feet at present capacity of tanneries.(Ancon,2015)

Ethiopian export earnings, particularly those derived from dominant agricultural exports such as coffee, have been subject to large fluctuations due to the unstable nature of international prices (Brautigam, 2011). The economic growth of the country has been too weak to absorb the effect of these exogenous shocks; it is less flexible in dealing with both internal and external disturbances. Therefore, the instabilities and decline in earnings are found to affect the economic growth adversely and there is a need for a large foreign exchange reserve in the short-run, while trade and exchange rate policies reforms would be the long-run instruments needed to reduce the instabilities in export earnings (Amin, 2002). To this effect, policy makers in Ethiopia developed different plans to encourage different potential export industries and thereby diversify export commodities. The leather industry is one of the most important prioritized industries for the diversification of export and foreign exchange earnings (FDRE, 2010).

2.1.2. Ethiopia Livestock Populations and Leather Industry Policies

Good Raw material base from all African countries. Quality sheep skins for glove, shoe upper, garment and other leather goods Very good type of goat skins Hides with high tensile strength given that the country has the highest number of livestock in Africa, approximately 53 million cattle, 39 million sheep and goats, 8.6 million equine and one million camels, and is ranked first in Africa and seventh in the world, the leather industry has a huge potential. There are 53 million heads of cattle. 1st in Africa and 7th in the world in terms of cattle population 5 million tones of hides are produced annually Fine grain and dense Good for shoe upper both for ladies and gents. Fine grain 70% is from red hair group highly utilized in gulf glove it can be shaved until 0.3 mm thickness without losing its strength. Glove producers are well come to Ethiopia Found in large amount 3rdin Africa next to Nigeria and Sudan 7.5 million tones of got skins are collected annually High tensile strength Very good for any suede product Every year, the country produces 5 million tones of hides, 8.1 million tones of sheepskins and 7.5 million tones of goat skins. The government plans to fully utilize these resources through value addition and thereby create more jobs and boost exports. Finished leather which the country is producing has the potential to be converted into other value added products such as shoes, bags, gloves or garments. Cheap Labor Force and cheap electricity 60% of the population is young labor force Abundant, trained and trainable labor force Cheap

labor force with minimum wage of 40USD/month, 10 times less than that of China and half of India which stands at about $400highly disciplined work force Cost of electricity is very cheap (0.05/kw) Comparison of Average monthly. (Ancona, 2015)

Ethiopia has high livestock populations; however, there was a gap between the livestock resource base of the country and the growth of its leather industries.

2.2. Job Creation

One of the major goals of the GTP is the establishment of broad- based, sustainable and accelerated economic growth so as to alleviate poverty nationwide. Evaluation of the last two years' result and development trends indicate that the plan has enabled to create job opportunity for unemployed youth and poverty is tangibly reduced. The GDP per capital income has increased from 392 USD in 2010/11 to 412USD in 2011/12. The government has allotted 1015 million Birr in order to strengthen the capacity of SMEs and to solve their financial constraints .in addition, trainings were offered for SMEs members in different thematic areas such as business management, entrepreneurship, technical and vocational training. Moreover, 5000 hectare of production area, 1757 shads and 46 buildings were constructed and offered for SMEs. (FDRE, 2013)

The manufacturing sector makes an important contribution to the Ethiopian economy and employs about 173 thousand people in the year 2012/2013. The manufacturing sector contribution to the GDP in 2012/2013 was 4.8%. The performance of the sector has been affected by low productivity of workers and use of obsolete technologies which is attributed to the poor state of physical infrastructure, limited access to finance, limited research and development, poor institutional framework, and inadequate managerial technical skill Gross value of production by manufacturing sector worth about 113 billion birr in 2012/2013; and value added generated is estimated to reach 32 billion birr in the same year, which was about 4% of the value addition to the entire economy in the same year. The largest value addition was come from the food and beverage subsector, which was around 8 billion birr in 2012/2013, followed by non-metallic mineral subsector (4.3 billion birr) and metal and engineering subsector (3.9 billion birr) while the smallest contribution came from textile and apparel industry 396 million birr. (AACCSA , 2015).

Technological change occurs through the process of innovation, invention, and diffusion that leads to the transformation of ideas and knowledge into tangible products that have highly utility to human needs. As technology advances, the systems of production become capital intensive and labor saving. In a labor abundant country, labor intensive industrialization strategy is suggested. Given its endowment, Ethiopia pursues this strategy. The recent development, however, shows increased capital intensity of the manufacturing industry. The traditional labor-intensive sub-sectors like textile and leather have started moving towards capital-intensity, which entails lower employment opportunities for the growing population, university graduates and rural-urban migrants. The problem emanates from inappropriate technology choice. Since the country does not produce capital goods, investors just pick available machinery without bothering its appropriateness to the endowment structure. (AACCSA, 2015)

2.2.1. Shoe Markets

Problems do not only concern inputs, they also exist to sell the products. Factories use their best products for exports and the low quality for the local market. But there is fierce competition on both markets. For high-end products, Ethiopia struggles to penetrate the market for various reasons. The first one is that the country and its factories are far from the market, which is mostly in Europe and America. Transportation times and costs do not allow Ethiopian factories to be competitive. Most products have to go through Djibouti to then be shipped to their final destination, and this process, according to local factory owners, takes at least 3 weeks. Other products are sent by plane, but the costs are much higher, the country's location and still (Mines, 2016).

The Ethiopian manufacturing sector should strive to become competitive at local, regional and global levels. Therefore, it is important to device appropriate marketing strategy to further expand and enter into new markets particularly in the domestic, regional and international market. Not all the sectors with the industry could follow similar strategy and this requires each sector to define its markets, to segment it, and position its products and services to get higher returns. (FDRE, 2013)

The success of industrial diversification and building up of high-tech industries is highly dependent on the level of competitiveness of local products in local and international markets. In this regard, enhancing local and global competitiveness through developing a sound marketing strategy, developing marketing research capability, creating local and global market access, diversifying the regional and international market are some of the important issues that will be addressed in improving the competitiveness of the manufacturing sector at large. (FDRE, 2013)

In order to diversify the local and global market opportunities, the competitiveness of the existing industries will be enhanced by establishing computerized market information system; maintaining strong regulatory systems that oversee the quality and standard of products before they reach the market; improving local, regional and global market linkages with improved distribution outlets and better infrastructures; and by reducing illegal business activities and transforming the informal sector to formal sector. (FDRE, 2013)

2.2.2. Tariffs

Export tax is imposed by small country the effect is different because small country is small share in the world market it does not affect the world price. In small country case unlike large country export tax results not gain on term- of- trade (welfare lose), because of implementing cost is greater than revenue. In general, the national welfare effect of export tax that imposed by small country is negative). However, the national welfare effect in large country can be positive or negative it depending on the ability of the country to increase the world price. Over all world welfare effects of export tax also negative, this is due to both production and consumption efficiency loss in exporting and importing country (Anania, 2013).

In addition, export tax policy results income distribution effect from producer to consumer in the same sector as well as from other sectors. If export tax is imposed on raw commodity results low domestic price of raw commodity in the domestic market, this subsidize the domestic processer industry that used this raw commodity, this shows income transfer from raw commodity producing sector to the processing industry. Export tax policy encourage the processing industry because the industry gain competitiveness in the international market however, it harm the raw commodity producing sectors (Piermartini, 2004).

The Ethiopian Ministry of Finance and Economic Development Authority developed a different export policy to encourage and diversify exports. The export tax on hides and skins and leather products is one of the export policy measures to encourage and improve the domestic value chain in the leather industry and to increase the supply of raw materials to the local industry. In 2008, the government imposed a 150% export tax on the export of raw hides and skins and semi-finished leather products. In 2012, the government also levied a 150% export tax on the export of crusted leather on the leather industry. These high export taxes affected both international buyers and some domestic tanneries (Abebe & Schaefer, 2013).

In 2008, the Minister of Finance and Economic Development of Ethiopia imposed a 150% export tax on raw hides and skins and semi-leather products. In addition to this, the government again imposed a 150% export tax on cluster leather products in 2012 (FNG, 2008: 2012). These export tax systems could serve as instruments to encourage industries engaged in the production and export of hides and skins and/or semi-processed leather to finished leather products. However, these export taxes affected incompetent tannery industries and diverted export destinations from European countries to Asian countries (Workneh, 2014).

In addition, the number of employees in both the tanning and dressing of leather and footwear manufacturing industries increased significantly from 950 007 people to 1 902 194 in 2000 to 2013 respectively; there was a data gap in 2012. This significant change in the number of employees in the leather industry, as well as other manufacturing industries, is due to the government policy that gave priority to producing more value-added products (Figure 7). On the other hand, employment in micro and small enterprises engaged in the leather industry also increased; there were more than 12 000 individuals working in shoe-making businesses in 2011 (Abebe & Schaefer, 2013).

The aim of this paper is to examine the effect of export tax on the competitiveness of Ethiopia leather industry. The model result shows that, competitiveness of Ethiopia's raw hides and skins and semi-processed leather were very low in all selected countries, which are Italy, China and Hong Kong. However, Ethiopia's leather further prepared after tanning or crust leather of other animals was high competitive in all selected markets. Ethiopia's footwear was also gain high competitiveness in USA market. For more than 50 years, Italy was the main

destination (imports more than 60 percent) of Ethiopia's raw hides and skins and semi-finished leather products. However, after export tax market destination shift to Asian markets (i.e China, Hong Kong and India). This indicate that, in the past few years the industry has been made to focus on valued added products mainly due to policy measure taken by the government which has put the sector on the right path as can be understood from the above descriptions and indicators. As a result, currently finished leather products, shoes and leather gloves export products have ensure tangible technology transfer. In addition to this, these policy measures leads to an increased foreign direct investment as well as highly contributed for creating job opportunities for the citizens in the leather industry sectors. However, government policy has favoured foreigners who have access to capital and better technology (MCmillan, 2012).

2.2.3. Import Substitute

High dependency on imported raw materials and intermediate goods has remained the distinguishing feature of the Ethiopian manufacturing sector. The main reasons for high dependency on imported raw materials were unavailability of raw materials in the local market and lack of sufficient local supply. Inadequate and poor quality imported raw materials and technologies, along with low level of technical skills, top the lists of the problems facing the sector. Series of surveys conducted by the Central Statistical Agency (CSA) on the manufacturing sector consistently reported that more than 50pc of firms claim that their first major reason for their low capacity utilization is inadequate and poor quality raw materials. This calls for a concerted effort both by government and other stakeholders to seek ways and means of enhancing domestic production of manufacturing raw materials thus reducing the outflow of the scarce foreign currency. (AACCSA, 2015).

2.3. Theoretical Framework

2.3.1. Classical Economic School of Thought

Absolute Advantage of Adam smith (1876): A country can enhance its prosperity if it specializes in producing goods and services in which it has an absolute cost advantage over other countries and produce and export those goods and services in which it has absolute cost advantage and imports those goods and services in which it has an absolute cost disadvantage. This theory explains why countries, through exports and imports, can increase their welfare by simultaneously selling goods and services at international markets. According to Adam Smith's hypothesis, some countries will be excluded from importing and thus from the gains from trade. This paradox that absolute cost advantage leads to specialization, but that such specialization may not necessarily lead to gains from trade; this gave rise to Ricardo's theory of comparative advantage. Comparative advantage: This theory says a country must specialize in those products that it can produce relatively more efficiently than other countries (Krugman & Obstfeld 2003).

2.3.2. Neo-Classical

Heckscher-Ohlin (H-O) theory: According to this theory, countries differ with respect to their factor endowment, namely the labor and capital that are used in the production of goods and services. This theory isolates factor abundance or endowments as the basic determinant of trade between countries. Although the H-O theory is based on a set of simplifying assumptions, relaxing these assumptions modifies but does not invalidate the theory (Salvatore 2002). There are also an extension for this theory like product cycle theory (Vernon 1966) and the technology gap theories (Gurber, Metha & Vernon 1967).

2.3.3. New Trade Theory

Traditional trade theories (Classical and Neo-Classical) implies that trade will occur between countries with different technology/ or factor endowment. Two of the basic underlying assumptions of comparative advantage are perfect competition and constant returns to scale. In terms of these assumptions, monopoly profits are competed away as firms strive to improve their strategic positions in markets.

Since World War II, however, a large and growing part of trade has come from massive two-way trade in similar industries (Grubel & Lloyd 1975; Linder 1961; Vernon 1966; Krugman 1990) classical and neo-classical theories unable to explain and was principally driven by advantages resulting from economies of scale. This changing pattern of world trade has made the traditional assumption of constant returns to scale unworkable to explain intra-industry trade. A new approach was needed to explain the advantages of trade due to large-scale production, cumulative experience and transitory advantages resulting from innovation. Furthermore, to explain economies of scale (internal and external), a new market structure was needed that was altogether different from perfect competition (Krugman 1986).

According to this theory trade between countries is due to imperfect competition i.e. firms produced differentiated goods and also benefited from economies of scale (IRS) i.e. there is an intra-industry trade between countries. Countries specialize in different varieties of the same types of products and trade them (Fenstra and Taylor, 2008).

Therefore firms can compete through product differentiation and economies of scale.

2.3.4. Porter's Diamond – Determining Factors of National Advantage

Increasingly, corporate strategies have to be seen in a global context. Even if an organization does not plan to import or to export directly, management has to look at an international business environment, in which actions of competitors, buyers, sellers, new entrants of providers of substitutes may influence the domestic market. Information technology is reinforcing this trend.

Michael Porter introduced a model that allows analyzing why some nations are more competitive than others are, and why some industries within nations are more competitive than others are, in his book The Competitive Advantage of Nations. It suggests that the national home base of an organization plays an important role in shaping the extent to which it is likely to achieve advantage on a global scale. This home base provides basic factors, which support or hinder organizations from building advantages in global competition. He identifies four classes of country attributes (which he calls the National Diamond) that provide the underlying conditions or platform for the determination the national competitive advantage of a nation that are Factor Conditions, Home Demand Conditions, Related and

Supporting Industries and Firm Strategy, Structure, and Rivalry and two exogenous factors; Government and Chance:

Factor Conditions: The situation in a country regarding production factors, like skilled labor, infrastructure, etc., which are relevant for competition in particular industries. Factor conditions include those factors that can be exploited by companies in a given nation. These factors can be grouped into human resources (qualification level, cost of labor, commitment etc.), material resources (natural resources, vegetation, space etc.), knowledge resources, capital resources, and infrastructure. They also include factors like quality of research on universities, deregulation of labor markets, or liquidity of national stock markets.

Factor conditions can be seen as advantageous factors found within a country that are subsequently build upon by companies to more advanced factors of competition. Each country has its own particular set of factor conditions; hence, in each country will develop those industries for which the particular set of factor conditions is optimal. This explains the existence of so-called low-cost-countries (low costs of labor), agricultural countries (large countries with fertile soil), or the start-up culture in the United States (well developed venture capital market).

Porter points out that these factors are not necessarily nature-made or inherited. They may develop and change. Political initiatives, technological progress or socio-cultural changes, for instance, may shape national factor conditions. A good example is the discussion on the ethics of genetic engineering and cloning that will influence knowledge capital in this field in North America and Europe. Home Demand Conditions: It describes the state of home demand for products and services produced in a country. Home demand conditions influence the shaping of particular factor conditions. They have impact on the pace and direction of innovation and product development. According to Porter, home demand is determined by three major characteristics: their mixture (the mix of customers needs and wants), their scope and growth rate, and the mechanisms that transmit domestic preferences to foreign markets. Porter states that a country can achieve national advantages in an industry or market segment, if home demand provides clearer and earlier signals of demand trends to domestic suppliers than to foreign competitors. Normally, home markets have a much higher influence on an organization's ability to recognize customers' needs than foreign markets do. Porter,

however, focuses more on demand differences than on similarities to explain the international competitiveness of countries. According to him, it is not only the size of the home demand that matters, but also the sophistication of home country buyers. It is the composition of home demand that shapes how firms perceive, interpret and respond to buyers' needs. This forces home country firms to continually innovate and upgrade their competitive positions to meet the high standards in terms of product quality, features and service demands. More specifically, Porter (1990a, 1998a) regards the essential conditions of demand as: a home demand that anticipates and leads international demand, industry segments with a significant share of home demand, and sophisticated and demanding buyers.

Related and Supporting Industries: Related and supporting industries explain the existence or non-existence of internationally competitive supplying industries and supporting industries. One internationally successful industry may lead to advantages in other related or supporting industries. Competitive supplying industries will reinforce innovation and internationalization in industries at later stages in the value system. Besides suppliers, related industries are of importance. These are industries that can use and coordinate particular activities in the value chain together, or that are concerned with complementary products (e.g. hardware and software).

When local supporting industries and suppliers are competitive, home country companies will potentially get more cost efficient and receive more innovative parts and products. This will potentially lead to greater competitiveness for national firms

Firm Strategy, Structure, and Rivalry: The conditions in a country that determine how companies are established are organized and are managed, and that determine the characteristics of domestic competition. Here, cultural aspects play an important role. In different nations, factors like management structures, working morale, or interactions between companies are shaped differently. This will provide advantages and disadvantages for particular industries.

Typical corporate objectives in relation to patterns of commitment among workforce are of special importance. They are heavily influenced by structures of ownership and control.

Family-business based industries that are dominated by owner-managers will behave differently than publicly quoted companies.

Porter argues that domestic rivalry and the search for competitive advantage within a nation can help provide organizations with bases for achieving such advantage on a more global scale.

2.4. Import Substitute Items

Shoe boxes, soles (PU, PVC, TPR and TR) ,Lasts, Moulds, cutting die are produced but not in enough quantities and it covers only 30% of the need .Adhesives are also produced and it only covers 50% of the need. Suppliers have taken bonded ware house permission to supply for the foot wear as well as for other leather product industries. There are few Italian companies like Dami & Degamsrl that are producing shoe soles in Ethiopia but there is still huge demand most shoe making and leather products' components and accessories such as soles, synthetic sewing thread, plastic linen, shoelaces, zippers, buckles and the like are being imported, so for companies that are interested to produce these items in Ethiopia there is very huge market (Ancona, 2015)

The leather industry policies in Ethiopia did not make a significant impact on the import of leather products. This is due to three new foreign firms from Germany, China, and Italy producing export-quality shoes; only domestic firms produced for the domestic markets and the price of imported shoes from China was lower than the domestic price (Jing, 2014). For instance, the Chinese shoe-manufacturing company Huajian, which has its own Shoe City in China, is currently producing 2 000 pairs of shoes every day in Ethiopia. In addition, the number of employees in both the tanning and dressing of leather and footwear manufacturing industries increased significantly from 950 007 people to 1 902 194 in 2000 to 2013 respectively; there was a data gap in 2012. This significant change in the number of employees in the leather industry, as well as other manufacturing industries, is due to the government policy that gave priority to producing more value-added products. On the other hand, employment in micro and small enterprises engaged in the leather industry also increased; there were more than 12 000 individuals working in shoe-making businesses in 2011 (Abebe & Schaefer, 2013)

2.4.1. Foreign Currency

In terms of foreign exchange earnings from the manufacturing sector, it was planned to generate 471.3 million USD in 2011/12 while the achievement was 255.4 million USD, which is 54.2% of the plan. (EFDR, 2013)

However, Ethiopia is still importing large numbers of shoes, leather and plastic products from across the world and spending millions of hard currency annually. In addition, as most shoemaking and leather products' accessories such as synthetic sewing thread, plastic linen, shoelaces, zippers, buckles, and the like are being imported, the country is a long way from fully substituting imported shoes with other leather products (UNIDO, 2012).

The assessment of the current performance of the industry sector focused on the first two years of the GTP period (2010/11- 2011/12). The industrial development strategies focuses on industries which are labor intensive and having wide market; have broad linkages with the rest of the economy; use agricultural products as input; export-oriented and import substituting; and industries that can contribute for faster technology transfer. The priority sectors in the manufacturing sector are agro-processing, textile and garment, Leather and leather products, metal and engineering, and chemical and pharmaceutical sectors. Source (EDRE , 2013-2025).

Ethiopia's Industrial Development Strategy has given top priority to textile and garment, meat, leather and leather products industry, agro-processing industry, the construction industry, and to micro and small scale enterprises. These sectors get top priority due to their nature which gears towards use of natural resources and their being labor intensive. The government specifically identifies leather and leather products industry as a priority since it is assumed that they meet the basic principles that are put in the industrial development strategies: - saving capital, employing large labor force, using agricultural outputs as an input and creating the opportunity to be internationally competitive (IDSE, 2003)

Despite due focus given to the large, medium, and small scale manufacturing industries in government development plan, the performance registered so far is unsatisfactory suggesting that the dire need for examining the sector's growth constraining factors that hamper it from playing a leading role. Towards this end, the government has provided attractive incentives

packages for investment in the manufacturing sector. Investment Proclamation number 768/2012 has listed duty draw-back, voucher, bonded export factory, manufacturing warehouse and bonded input supply schemes as important tools to promote manufacturing and export. The Ethiopian tax law allows for a duty free importation of raw materials and machinery, equipment for manufacturers. However, a significant size of investment has not been flowing into the sector as expected mainly due to the existence of other highly and rapidly rewarding businesses against longer payback periods of investment in industry.

In addition, the number of employees in both the tanning and dressing of leather and footwear manufacturing industries increased significantly from 950 007 people to 1 902 194 in 2000 to 2013 respectively; there was a data gap in 2012. This significant change in the number of employees in the leather industry, as well as other manufacturing industries, is due to the government policy that gave priority to producing more value-added products. On the other hand, employment in micro and small enterprises engaged in the leather industry also increased; there were more than 12 000 individuals working in shoe-making businesses in 2011 (Abebe & Schaefer, 2013).

2.5. Investment Incentives

The government specifically identifies leather and leather products industry as a priority and give them incentives like Despite due focus given to the large, medium, and small scale manufacturing industries in government development plan, the performance registered so far is unsatisfactory suggesting that the dire need for examining the sector's growth constraining factors that hamper it from playing a leading role. Towards this end, the government has provided attractive incentives packages for investment in the manufacturing sector. Investment Proclamation number 768/2012 has listed duty draw-back, voucher, bonded export factory, manufacturing warehouse and bonded input supply schemes as important tools to promote manufacturing and export. The Ethiopian tax law allows for a duty free importation of raw materials and machinery, equipment for manufacturers. However, a significant size of investment has not been flowing into the sector as expected mainly due to the existence of other highly and rapidly rewarding businesses against longer payback periods of investment in industry.

To support such businesses and to attract FDIs, the Ethiopian government has put in place different advantages: a 4 or 5-year tax holiday for companies who invest in the country to export finished leather products or a duty-free import of machinery for these companies. But all these incentives do not seem to attract enough foreign investments to allow Ethiopia to penetrate the international market.(Mines ParisTech,2016).

2.5.1. Priority Sector

Ethiopia's Industrial Development Strategy has given top priority to textile and garment, leather and leather products industry, agro-processing industry, the construction industry, and to micro and small scale enterprises. These sectors get top priority due to their nature which gears towards use of natural resources and their being labor intensive. The government specifically identifies leather and leather products industry as a priority since it is assumed that they meet the basic principles that are put in the industrial development strategies: - saving capital, employing large labor force, using agricultural outputs as an input and creating the opportunity to be internationally competitive (IDSE, 2003)

This program aims at attracting more private investment flow for industrial development. Achieving accelerated manufacturing sector development plan requires huge investment that the government alone cannot shoulder. Hence, it is important to devise ways and means to attract more investors into the industrial sector. In this program various investment promotion activities are designed to encourage both local and foreign private investments. Besides the creation of conducive business environment, provisions of specific incentives to encourage investment in selected industries are considered.

The key implementing strategy for investment promotion program is developing and providing appropriate legal and institutional support to facilitate and support all promotion endeavors for sustaining industrial development.

Major Activities

As the private sector is the engine of growth, the industrial development will not be realized without the active engagement of the private sector. Equally important is also the government support for the flourishing on enterprises and the spirit of entrepreneurship. The role of the

government is critical for the enterprise cultivation and entrepreneurship development. The major activities outlined in this program are focused on activities that the government needs to undertake. These include

- Formulating comprehensive and sector specific FDI strategy through the Industrial Bill
- Strengthening /Establishing appropriate institutional setup for promoting FDI
- Further mobilization of the diplomatic community and the Diaspora
- Institutionalizing one stop services for investors

In general, this program is estimated to require a total of 54 million Birr to accomplish the projects (FDRE, 2013).

2.5.2. Production Capacity

The government policy on leather industry include undertaking research on the improvement of traditional handling and tanning techniques and production of chemicals inputs from local available natural products, improving and promoting technical competency of handling, preparing and use of skins and hides, and undertake research to improve the production process of hides, and skins, and promoting the recycling methods of by-products and refuses. The survey result has revealed that about 66%, 29.3% and 4% of the sample respondents' rating their plant and available technologies utilization as "enough", "not very good" and "significantly poor", respectively. Besides, survey result has shown that all the sample respondents in the leather and leather products subsector reported that they are not currently operating with their full potential at all. Reasons are given by respondents for not operating at full capacity. Top on the list are breakdown of power, shortage of inputs both from domestic and foreign markets, and low working capital and high cost of credit. The major market challenges the leather and footwear industry facing are limited competitiveness in providing the required amount and quality and style by keeping the delivery time. The main reasons for the observed under capacity utilization rate differ from time to time. Nevertheless, shortage of raw materials, lack of demand /market/, increased entry and hence sharing of existing market, interruption of power and water supply are seem to be the main and more persistent reasons for under capacity utilization. Close to 62% of manufacturing establishments reported lack of

market demand as a major cause for not operating at their full capacity, while problem with electricity and water was quoted as a reason by 13.9 percent of the manufacturing firms. Despite the problem of idle capacity, new firms joined the food and beverage, textile, chemical and other non-metal sub-sectors. This amounts to misallocation of scarce resources, which could have been used in other potential areas. In order to avoid misallocation of scarce resources, government has to provide the full information that an investor has to have before deciding to invest. (AACCSA, 2015)

2.6. Conceptual Frame Work

Based on the discussion made by Keller (1998) the researcher will try to assess the contribution of school uniform shoe on manufacturing industry or more specifically we evaluate the contribution in relation to (capacity, employment rate, attitude change, amount of foreign currency and investment opportunity) the illustration depicted below to study the significant effect of the independent variables on the dependent variable.

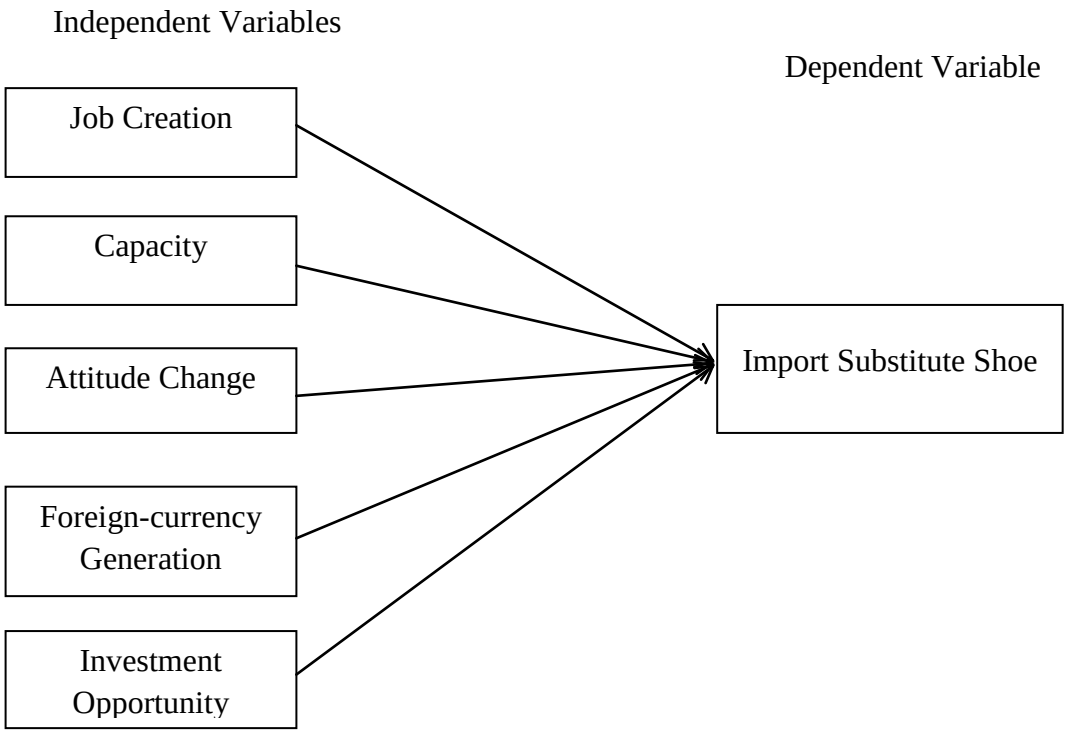

Figure 2.1: The Researcher's Conceptual Framework

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

This chapter presents the methodology that would be used to collect and analyze the data required to describe the participants and answer the research questions. The discussion outlines the research design, the research method, the population under study, the sampling procedure, and the method that was used to collect the data. The reliability and validity of the research instrument and data analysis according to the objectives of the study are addressed. Ethical considerations pertaining to the research were also discussed.

3.2. Research Approach and Design

To gather the necessary data to examine the contribution of school uniform shoe on manufacturing industry, the researcher employed a mixed research approach and descriptive research design. Descriptive research is a type of conclusive research that has as its major objective the description of something- usually market characteristics or functions. Most commercial marketing researches are descriptive in nature. Descriptive research is particularly useful when research questions seek to describe a market phenomenon, such as determining purchase frequencies, identifying relationships, or making predictions (Malhotra, 2009).

The researcher therefore used descriptive research design just to identify the relationship between dependent and independent variables. Descriptive studies, designed to obtain data that describe the characteristics of the topic of interest in the research. The objective of descriptive study is to represent an accurate profile of persons, events or situations. Descriptive research is significant as surveys abound in educational research and are utilized by many researchers as an investigative tool to collect data in order to address educational questions (Gay, et al., 2006).

In descriptive research, the research problem is structured and well understood (Ghauri and Grønhaug, 2005). Whereas cross-sectional research is a study of sample observations or of a population in which a researcher makes her/his study and get result for a short period of time or on a single occasion. Cross-sectional studies concern with a particular phenomenon (or

phenomena) at a particular time. These studies often take the survey strategy and may also use qualitative method (Saunders et al., 2009).According to Bryman & Bell, by research strategy; we simply mean a general orientation to the conduct of business research.

3.3. Source of Data

Throughout the study, the researcher used both types of primary and secondary data. Primary source of data, directly related to the purpose, was collected through well developed, structured and verified scale questionnaire and structured interview schedule .The questioners distributed for those selected target groups of top and middle management staffs. The management staffs include (general, human resource, marketing, operational and financial) managers.

Interview questions were designed to ascertain the management view on job creation and availability of foreign currency. It was designed for general managers of the selected factory.

Secondary data, indirectly relating to the purpose, gathered from published reference materials such as books on the field and related fields, journal articles, research papers conducted on topic under study and database. Existing empirical findings and reliable literature review were used Knowledge would generate from the secondary sources and this helped me to build a guide in conducting this study. These sites are full and rich in knowledge for academician and business entities

3.4. The Research Instrument

The researcher used questionnaire and structured interview schedule in order to capture primary data relevant to the study's objectives. In this study the researcher decided to take five point Likert scale i.e. strongly disagree (1), disagree (2), neutral (3), agree (4) and strongly agree (5) of all verified hypothesis. The structure of the questionnaire was designed to make it more clear to the respondents, easy to understand and straightforward to ensure that the respondents could answer the questions with a relatively no difficulty. For this purpose the questioner was subject to pilot test with selected individual respondents.

The first part of the questioner focused on the general information on respondents. The second part of the questionnaire dealt with basic information on variables that the researcher wants to measure. It includes about five variables that are helpful to achieve the intended general objective of the study i.e. the contribution of school uniform shoe on manufacturing industry. These variables include (new job creation, capacity, foreign currency generation, attitude change and input substitute).Therefore this part of the questioner helped as an input to answer the main objective of the research. The completed questionnaires returned from respondents were carefully checked and edited for incomplete (e.g. questions that are incorrectly skipped) or incorrect responses. A similar process was followed for data collected from secondary sources. The last part of the questionnaire focused on interview of the general managers of the selected shoe factories. Interview helped the researcher to make analysis by relating the response from questioner part.

3.5. Target Population

The study was designed to entail Shoe producers in Ethiopia specifically located in Addis Ababa. Currently there are 22 medium and large scale footwear manufacturers which have a capacity of 12 million pairs/year and More than 90 micro and small footwear manufacturers (Ancona, 2015) the target population for the study was comprised of ten shoe manufacturers. To simplify the process of the study, we choose Addis Ababa as a sampling unit of the analysis because most of shoe producers and shoe exporters are located in the capital city (Addis Ababa) of the country.

3.6. Method of Data Analysis

To analyze the data collected from the questionnaires, the researcher used SPSS software. SPSS is a system for statistical analysis and helps to display findings by creating charts and tables. It is one of the most widely used computer software packages for analysis of quantitative data for social scientists.

In order to achieve the findings and results for the study, the researcher used descriptive analysis to summarize the data. This method has employed both numerical and graphical methods. Graphical methods are known for recognizing patterns in the data, while the numerical methods of analysis are acknowledged for giving precise measures. The analysis

used means and tables to outline the responses received which was examined and discussed. The reason for using this procedure was to make it easier for the reader to compare and understand the findings. In the analysis the response for each specific statement were compared by using the mean. Descriptive and inferential statistical methods were used to analyze the data that was generated from the questionnaire. Descriptive statistics is methods of organizing, summarizing, and presenting data in an informative way (Douglas A.Lind, 2009). Before conducting more advanced statistical analysis, frequency distribution of relevant variables was examined. The objective here was to obtain a count of the number of responses, associated with different values of the variables. The relative occurrence, or relative frequency, of different values of the variables was expressed in percentages. For each statement the frequency of responses was measured and if above 50% of respondents answered agree and strongly agree in likert scale questions, it was assumed that there is positive relation between the dependent variable and independent variable, respondents who answer neutral were considered as they are indifferent. On the other hand if above 50% of consumers responded disagree, strongly disagree and neutral, it was considered as there exists a week or lower relation between the brand element and consumer buying decisions. Using descriptive statistics allows the researcher to describe the data and examine relationships between variables. The principal objective of descriptive statistics here is to accurately describe distributions of certain variables within a specific data set.

3.7. Sampling Technique and Sample Size

The sampling technique used in this particular research was non-probability quota sampling technique. on- probability sampling relies on the personal judgment of the researcher, rather than the chance, in selecting sample element. The researcher has taken 5 respondents from each 10 shoe factories total 50 respondents as a sample from Tikur Abbay, Anbesa, Kangaroo, Peacock, Ras Dashen, Ok Jamaica, Wallia, Ramsey, Sheba and Bostex shoe factories .The conclusion and recommendation of the study based on this selected shoe manufacturing industries. The researcher selects the above samples for the following reasons. The researcher might select the sample based on their market share, organizational structure and mass production experience. As the population under study consists of male and female managers, the researcher was used quota sampling technique by developing quota of population element.

This is done to insure that the composition of the sample is the same as the composition of the population. Quotas are used to ensure that the composition of the sample is the same as the composition of the population with respect to the characteristics of interest (Malhotra, 2009). The sample composition was based on the annual production of local leather foot wear producers.

The researcher was taking a sample of respondents by using quota sampling technique. As no statistical evidence or previous study is found that measures the contribution of import substitute shoe on local shoe factories, judgmental sampling is a form of convenience sampling in which the population elements were selected based on the researcher's judgment. The sampling elements were chosen because they are believed to represent the population of the interest (Malhotra, 2009). Therefore based on the researcher judgment 20% of consumers bought a local leather foot wear with 95% confidence interval and with 5% precision, the sample size is calculate as 50 respondents from the selected Shoe factories in Addis Ababa and also 10 respondents for interview were selected from each selected Shoe factories managers.

3.8. Reliability and Validity

3.8.1. Validity

To achieve the validity of the research, the researcher taken the data from the reliable source i.e. from those who actually produce foot wear product for the long period of time and those have large market share. This enabled the research measurement to have more accuracy. Besides as the sample is large enough, the researcher will have the ability to generalize the result of the study to the whole manufacturers of local leather foot wear products in the country based on the samples.

3.8.2. Reliability Test

To have reliability in the study, the variables under study were properly defined and respondents also asked a series of questions in order to measure the impact of import substitute shoe in (job creation ,import substitute products, capacity, attitude, and foreign currency). Moreover there was a clear and unambiguous definition of all concepts and

constructs in the study. To ensures the reliability of the measurements a reliability test for the items was computed and all Cronbach's alpha was greater than 0.7. This confirms that the measurements items are reliable. Cronbach's alpha was also applied to measure the internal consistency of the measurement items.

Table 3.1: Reliability Test (Cronbach's alpha values)

Variables	Cronbach's Alpha Value	No of items
Job creation	0.831	11
Capacity	0.734	7
Attitude change	0.804	4
Foreign currency generation	0.946	3
Input substitute	0.716	5
Overall items	0.806	30

Source: Survey Result of 2017

3.9. Ethical Consideration

In conducting this research the researcher considered ethical responsibility to do the work with honesty and integrity. Since privacy has become a burning issue, the researcher was not engage in any questionable or unethical practices, such as abuse of respondents' privacy. In conducting the survey, the permission of respondents asked to fill the questionnaires and also permission of all government and other institutions from which secondary data is collected. The ethics applied to all stages of the research cycle. The researcher had not been selective in sampling, participation rate was truly reported, the researcher used unbiased data collection instrument and did not deliberately ask respondents leading questions, data collection had been made appropriately and there was not making up data. The conclusion of the research only emanated from the findings of the research and it is free from falsifying results.

CHAPTER FOUR

RESULTS, DISCUSSIONS AND INTERPRETATIONS

4.1. Introduction

In this chapter the results of the study were analyzed, presented and interpreted in detail. The purpose of this survey was to analyse and determine the contribution of fully import substitute school uniform shoes on local manufacturing industry to examine its potential and develop for the purpose of advisory and policy advocacy service by using ten local shoes manufacturers. Data was collected from the target respondents by using closed ended questionnaires and through interviewing the General Manager of the selected shoe factories. A total of 50 questionnaires were distributed to respondents who were in managerial positions of the factory. All respondents were properly filled the questionnaire and returned to the researcher.

Concerning the measurement of the variables, standard measurements were used for each variable which is done by looking in to different literatures. This increases the validity of the study. To ensures the reliability of the measurements a reliability test for the items was computed and all Cronbach's alpha was greater than 0.7. This confirms that the measurements items are reliable. In the study a very high Cronbach's Alpha value was deduced (the more it tends to 1 the better it is) see the table below which proves that the data is highly reliable.

The analysis basically has two sections. The first part focuses on the demographic characteristics of respondents and the second part deals with on the main purpose of the research i.e. contribution of import substitute shoes on local shoes manufacturing industries. Descriptive statistics were used in analyzing the collected data. Based on this the chapter begins by presenting the background information of respondents' followed by descriptive statistics. The results of the study are presented under various headings using tabular presentations and compare the contribution level of variables by using mean values.

4.1. Demographic Characteristics of Respondents

Table 4.1: Demographic Characteristics of Respondents

S/No	Description	Frequency	Percent
	Sex		
	Male	49	98
	Female	1	2
1	**Total**	**50**	**100**
	Age		
	Under 25	0	0
	26-35	31	62
	36-45	19	38
	46 and above	0	0
2	**Total**	**50**	**100**
	Educational Status:		
	College Diploma	0	0
	First degree	41	82
	2nd Degree	9	18
	PHD	0	0
3	**Total**	**50**	**100**
4	**Working Experience**		
	Below 1 years	0	0
	1-5 years	13	26
	6-10 years	37	74
	11-15 years	0	0
	Above 15 years		
	Total	**50**	**100**
5	**Marital status**		
	Single	20	20
	Married	30	30
	Divorced		
	Widowed		
	Total	**50**	**100**
6	**Current position of respondents**		
	General Manager	10	20
	Human Resource Manager	10	20
	Operational Manager	10	20
	Marketing Manager	10	20
	Financial Manager	10	20
	Total	**50**	**100**

Source: Survey Result of 2017

Out of the sample of 50 respondents, 49 which are 98% were males and 1 respondent representing 2% of the total respondents were females. As presented in table 4.1, male respondents are greater than female respondents. The sample was taken based on market share and mass production experience

As shown above in the table, 4.1, 26% of respondents working experience were in the age group of between 1-5 years, and 74% of between 6-10 years, Greater percentages of the respondents were within 6-10 years the management level of each shoe factories managed by those who have managerial level experience.

Table 4.1 also shows the educational level of the majority of respondents i.e. about 82% were managers who have bachelor degree, 18% of them were second degree this educational level indicates how the management levels of the factories are covered by those educated professional staffs

As shown above in table 4.1, 62% of respondents were in the age group of between 26-35 years, and 38% of between 36-45 years old, Greater percentages of the respondents were within the ages of 26-35 years this indicates as the management level of each shoe factories managed by those young and energetic Staffs, I saw this when I was there to distribute the questioners

4.2. Contributions of Local Shoe Manufacturing Factories on Job Creations

In this part, the descriptive analysis is performed to assess the perceptions of the respondents with regard to the contributions of local shoe manufacturing factories on job creations. In doing so; the items for measurement of job creation practice are summarized.

Table 4.2: Contribution of Import Substitute Shoe on Job Creation

No	Items	SDA		DA		NT		AG		SA		Total		Mean	SD
		F	%	F	%	F	%	F	%	F	%	F	%		
1	our factory contribution is as intended by the government on job creation	_	_	9	18	15	30	10	20	16	32	50	100	3.66	1.171
2	Import substitute shoe supported by import tariffs' it creates huge job	_	_	_	_	10	20	9	18	31	62	50	100	4.08	1.104
3	The advantage given for prioritized sector without market Cannot create new job rather it makes the imported capital assets idel.	_	_	_	_	16	32	20	40	14	28	50	100	3.94	0.818
4	Imported shoe input items as much as possible produced domestically it provides another opportunity for job creation	_	_	_	_	_	_	15	30	35	70	50	100	4.02	1.220
5	We believe to take large market share by producing what the market needed to create new job creation	_	_	_	_	9	18	20	40	21	42	50	100	3.78	1.016
6	Our contribution on job creation in relation with other prioritized sector is very low	5	10	6	12	20	40	_	_	19	38	50	100	3.28	1.415
7	To create new job opportunity mass markets have to be covered by local products	_	_	10	20	_	_	24	48	16	32	50	100	3.66	1.171
8	To create new job opportunity the main thing is creation of large market	_	_	19	38	5	10	11	22	15	30	50	100	3.60	1.212
9	Recently, Ethiopian exports mainly depended on finished leather products and footwear**,** do you create new job opportunity as intended by the government	_	_	5	10	20	40	10	20	15	30	50	100	3.50	1.129
10	Number of students in our country is huge ;school uniform shoe can create a great opportunity for job creation and efficient resource utilization	_	_	_	_	10	20	_	_	40	80	50	100	3.72	1.443
11	The government does not take the initiation to facilitate the conditions that used to transform technology from highly experienced in the form of training	10	20	14	28	16	32	10	20	_	_	50	100	2.52	1.092

Source: Survey Result of 2017

The industrial sector is one of the envisioned sectors expected to play a great role in GDP growth, job creation, foreign exchange earnings, SMEs development, etc… in the GTP period. In line with this, a particular emphasis is given to the promotion of micro and small enterprises as well as supporting the development of medium and large-scale industries. Industry zones development and public enterprises management and privatization are also the focuses of GTP in industrial development strategy of the country. These Industrial Development strategic directions for which policy support was provided focused on industries which are labor intensive and having wide market; have broad linkages with the rest of the economy; use agricultural products as input; export-oriented and import substituting; and industries that can contribute for faster technology transfer. Moreover, the policy direction and plan states that it is the private firms, not state owned enterprises that must be the engine of production and investment (Ethiopian Industrial Development Strategic Plan (2013-2025)

The mean score of the respondents for the level of job creation for 11 items scored a mean value greater than 3.among these, two item scored high mean value , that is, 'item No. 2 and 4 I think two questions as indicates as there is the strong relationship between variables according to the respondents Response mean value 4.08and4.02 their mean value respectively can be interpret as school uniform shoe as a policy established in our country and Imported shoe input items as much as possible produced domestically it creates great job opportunities for the citizens in the leather industry sectors. If we assume number of students in Addis Ababa is each students use local footwear this creates great new market opportunity for domestic factories. As we understood from the respondent's response job creation and market availability are the two complementary factors. When shoe factories get this new great market opportunity on parallel they also crate job to satisfy the market needs. Whereas, the respondent level of job creation were moderate for the remaining items, the mean score ranging from a maximum of 4.08 to a minimum of 2.52 for 'item school uniform shoe as a policy established in our country it creates huge job" and item No. 11 The government does not take the initiation to facilitate the conditions that used to transform technology from highly experienced in the form of training' respectively.

To generalize Industry zones development and public enterprises management and privatization are also the focuses of GTP in industrial development strategy of the country. These Industrial Development strategic directions for which policy support was provided focused on industries which are labor intensive and having wide market; have broad linkages with the rest of the economy; use agricultural products as input; export-oriented and import substituting; and industries that can contribute for faster technology transfer. Even if as intended by the development strategy shoe manufacturing industries use by products of agriculture as input, it contribute in labor intensive job creation and import substitute is insignificance in the overall economy. Development trends indicate that leather and leather product factories have enabled to create job opportunity for unemployed youth, in this study the researcher find out new market opportunity for leather and leather product. The researcher as tried to find out school uniform shoe as a policy established by the ministry of education it creates new market, job opportunity and contributes a lot in import substitutes.

4.3. Capacity Evaluation of Local shoe Manufacturing Industries

In this part the descriptive analysis is performed to assess the perceptions of the respondents with regard to evaluate the capacity of shoe manufacturing industry on financial, technological to supply what market needs If, import substitute as a strategy established the shoe factories can supply the market required. In doing so; the items for measurement of capacity practice are summarized.

Table 4.3: Capacity Evaluation of Local Shoe Manufacturing Industries

No	Items	SDA		DA		NT		AG		SA		Total		Mean	SD
		F	%	F	%	F	%	F	%	F	%	F	%		
1	Our production rate is under our manufacturing capacity	_	_	10	20	_	_	30	60	10	20	50	100	3.68	1.019
2	We need the government to supports us on a capacity building on skill, finance and facilitating technology transformation access.	_	_	_	_	_	_	25	50	25	50	50	100	4.32	0.768
3	We have financial capacity to supply our products for the market required	_	_	24	48	5	10	16	32	5	10	50	100	3.94	0.652
4	Our factory have an experience on serving mass market by producing huge product	_	_	_	_	10	20	24	48	16	32	50	100	4.70	0.718
5	Our product can be competitive in quality when our production capacity increase	_	_	_	_	_	_	5	30	35	70	50	100	4.70	0.463
6	The government support is not enough	_	_	_	_	—	_	35	70	15	30	50	100	4.30	0.463
7	My recognition to a local made leather foot wear product is strongly affected by its finishing capacity	10	20	15	30	5	10	15	30	5	10	50	100	2.84	1.361

Source: Survey Result of 2017

With regard to enterprise capacity utilization, many firms claim that their first major reason for their low capacity utilization is inadequate and poor quality of raw materials. Because of this and many other factors, the contribution of the sector to GDP has remained at less than 5 % for the last 20 years. ((Ethiopian Industrial Development Strategic Plan (2013-2025)

In the above table the respondents were presented with series of question in query to find out the capacity of the shoe manufacturers in our country and to evaluate their production

capacity utilized optimally or not the researcher uses 7 items, to find out their capacity mean values greater than three are interpreted under this category .The mean score of the respondents for which elements of capacity evaluation are presents, 7 items scored a mean value greater than 3 are 6 among these two items scored high, that is, ‘item No. 4 and 5 our factory have an experience on serving mass market by producing huge product and our product can be competitive in quality when our production capacity increase respectively with a mean value of 4.70 for both. This mean value tell us the factories have an experience on mass production as the owners told me on interview like military shoe, safety shoe for Ethiopian airlines and electric. The respondents mean value for item 5 also tell us if they get secured market they can be competitive in quality with imported and domestic shoe markets as the owners told me on interview ones if the market established by the government the computation between the producers is taking of large market share from the available the market by itself lads to competition to supply according to the need of the market, the respondent perception for the elements of evaluating local shoe manufacture capacity mean score ranged from a maximum of 4.70 to a minimum of 2.84 for ‘item No. 2 we need the government to supports us on a capacity building on skill, finance and facilitating technology transformation access and item No. 6 the government support is not enough their mean value is 4.32 and 4.30 respectively both items generally show as the government support over all is not enough and they need extra support on strong value chain creation like Ethiopian airlines and electric. ‘Item No. 3 we have financial capacity to supply our products for the market required to invest what they have on them on secured market most of the owners are Diaspora they have a financial capacity but as told me the fear the market security and availability.

From the above analysis it may be generalized that most of the elements of capacity evaluation show as their problem of the shoe factories is market if the market once established they have mass production experience on production of military shoe, safety shoe for Ethiopia airlines and electric for their employee. Ethiopian airlines former imports safety shoe from abroad. As the time of interview I understood most of the owners need to penetrate the international market they do not give mach attention for domestic market even they never think on creation of domestic market by themselves as they believed this is their weakness not training to create a value chain with schools, hotels, banks etc to uses uniform shoe as their clothes. The government should develop a long-term strategy to address the production constraints, which have resulted in low capacity utilizations and productivity of the subsector

4.4. Evaluation of School Uniform Shoe on Attitude Change

In this part the descriptive analysis is performed to assess the perceptions of the respondents with regard to Evaluation of import substitute Shoe on Attitude change. In doing so; the items for measurement of attitude change practice are summarized.

Table 4.4: Evaluation of import substitute shoe on Attitude Change

No	Items	SDA		DA		NT		AG		SA		Total		Mean	SD
		F	%	F	%	F	%	F	%	F	%	F	%		
1	Domestically produced shoe can compete with the imported one with price as reasonably for parents to purchase	_	_	5	10	10	20	16	32	19	38	50	100	4.00	0.990
2	Import substitute shoes is one way to create and develop the attitude of new generation for local products as a culture	_	_	_	_	_	_	35	70	15	30	50	100	4.30	0.463
3	Import substitute shoe can be used as a tool to develop and penetrate and control the market through a period of time	_	_	5	10	_	_	30	60	15	30	50	100	4.10	0.839
4	We can change the attitude for local products by producing durable and attractive finished shoe for the market to perceive their attitude	_	_	_	_	_	_	15	30	35	70	50	100	4.70	0.463

Source: Survey Result of 2017

The mean score specification the respondents level of attitude change as a valuable tool for developing attitudinal changes for local products, the respondents response were high for all the four statements, the mean score ranged from a maximum of 4.7 to a minimum of 4.00 for ‘item No. 4 The acknowledgment I get for my accomplishments to bring attitudinal change for local products and to develop using of local product as culture in over all the country school is the ultimate source to develop something as a culture. The overall response for the four items indicates a mean value of 4.27.The higher the mean score, the more that respondent agreed with the statement and vice versa.

To generalize the above analysis the average mean score = 4.27 indicates that the managements of shoe factories believe school uniform shoe is a valuable tool for developing attitudinal change for the new and the coming new generation for local products they are dissatisfied towards the current attitudes for local product .As the management told me on interview the attitude for local products changed through time but still it is not sufficient.

In this part the descriptive analysis is performed to assess the perceptions of the respondents with regard to the Contribution level of import substitute shoe manufacturing factory on foreign currency generation. In doing so; the items for measurement of employee perception of performance appraisal practice are summarized.

4.5. Contribution Level of Import Substitute Shoe on Foreign Currency Generation

The following questions were presented to respondent to find out whether Contribution level of Local school uniform shoe on foreign currency Generation elements exist in the selected shoe companies and their responses are summarized in the table below

No	Items	SDA		DA		NT		AG		SA		Total		Mean	SD
		F	%	F	%	F	%	F	%	F	%	F	%		
1	The other opportunity to mobilize foreign currency is fully substituting imported shoes and raw material from abroad	_	_	_	_	10	20	21	42	19	38	50	100	4.18	0.748
2	Strong Import substitute investment strategy have to be established	_	_	_	_	10	20	21	42	19	38	50	100	4.18	0.748
3	High tariff protections laws needed to encourage domestic investment by laying high tax rate for those products imported from abroad to substitute domestic products	_	_	_	_	20	40	6	12	24	48	50	100	4.08	0.944

Source: Survey Result of 2017

Top on the list are high cost of production compared to imported goods, low tariff protection, Insurgent of illegal goods and lack of access to market as major domestic market challenges. In similar fashion high cost of production compared to other competitor, lack of knowledge about foreign market trends, low capacity to produce in bulk and inability to keep product standards were most frequently mentioned foreign market challenges by respondent companies. Government of Ethiopia has offered different form of incentives to industries to promote export trade as well as to encourage import substitution High dependency on imported raw materials and intermediate goods has remained the distinguishing feature of the Ethiopian manufacturing sector. The main reasons for high dependency on imported raw materials were unavailability of raw materials in the local market and lack of sufficient local supply. (Addis Ababa Chamber of Commerce and Sect oral Association (AACCSA) October 2015

From the above three statements, two item score was high with a mean value of 4.18 for both items 1&2 item No. 1 the feedback I receive on the other opportunity to mobilize foreign currency is fully substituting imported shoes and raw material from abroad. This can be interpreted that fully substituted imported shoe and raw material from abroad is a relevant factor in generating foreign currency. This interpreted finished shoes and raw material that are needed to produce domestic shoe comes from abroad with foreign currency in this item the respondents agree on decreasing the imported shoe amount and raw material items is the other alternative to generate foreign currency. Furthermore the manufacturing sector itself has continued to be import dependent for machinery and equipment, spare parts and other inputs with no possibilities for self sustained development. Item No. 2 the feedback I receive on the Strong Import substitute investment strategy have to be established to minimize the foreign currency amount needed to import finished shoe and raw material. Item No. 3 the feedback I receive as the respondents mean value is 4.08 for High tariff protections laws needed to encourage domestic investment by laying high tax rate for those products imported from abroad to substitute domestic products. This mean value interpreted as the domestic shoe manufacturers need high tariff protection laws from the government until they become self sufficient to compute with the imported shoes it also creates other market opportunity for import substitute investors' policies like 150percent export tax on raw and semi processed leather and leather products import also needs high import tariffs

From the above analysis it can be generalized that Contribution level of import substitute Local shoe manufacturing factory on foreign currency generation is complimentary as export in foreign currency generation. Like export import substitute alone needs strategies how to minimize imported shoe and input items to increase our trade off .Local shoe manufacturers also expects high import tariff from the government until they become self sufficient to compute in nationally and international market..All imported items needs foreign currency as a strategy we have to put some percentage for each period to decrease the amount needed.

4.6. Contribution Level of Import Substitute Input Items on Local Shoe Manufacturing Factories

The following questions were presented to respondent to find out whether contribution level of import substitute local school uniform shoe on the input substitution elements exist in the selected shoe companies and their responses are summarized in the table below.

No	Items	SDA		DA		NT		AG		SA		Total		Mean	SD
		F	%	F	%	F	%	F	%	F	%	F	%		
1	Our competitive advantage on availability of raw material taken by imported input items	_	_	9	18	16	32	20	40	5	10	50	100	3.42	0.906
2	Imported Shoes input items need to be produced in local market	_	_	_	_	_	_	30	60	20	40	50	100	4.40	0.495
3	Our product selling price depend on the price of imported input items	_	_	20	40	_	_	25	50	5	10	50	100	3.30	1.111
4	Our product is dependent on foreign currency availability in the country	_	_	_	_	10	20	30	60	10	20	50	100	4.00	0.639
5	The government have to take action to attract those potential investors that produces import substitutes products	_	_	_	_	_	_	25	50	25	50	50	100	4.50	0.505

Source: Survey Result of 2017

Major domestic market challenges raised by interviewed companies are the following: high cost of production compared to imported goods, lack of access to market and in surge of illegal goods while top challenge mentioned to address foreign market are high cost of

production compared to other competitor, low capacity to produce in bulk and lack of knowledge about foreign market trends. Dumping imported similar products in domestic market Accessory and component: Non Availability of local manufacturers for important accessories (sole, Insole, toe puffs, last, counter, etc.) Government of Ethiopia has offered different form of incentives to industries to promote export trade as well as to encourage import substitution High dependency on imported raw materials and intermediate goods has remained the distinguishing feature of the Ethiopian manufacturing sector. The main reasons for high dependency on imported raw materials were unavailability of raw materials in the local market and lack of sufficient local supply. Inadequate and poor quality imported raw materials and technologies, along with low level of technical skills, top the lists of the problems facing the sector. (AACCSA, October 2015).

The mean score of the respondents for contribution level of import substitute shoe on the input substitution are presents, 5 items scored a mean value greater than 3.among these, one items score is high, that is, 'item No. 5 The government have to take action to attract those potential investors produces import substitutes products with a mean value of 4.50. This can be interpreted as the investment office first have to identify those inputs that came from abroad for shoe manufacturing and declare those potential areas for investors to produce import substituted inputs. Presence of the elements of effective import substitute school uniform shoe on the input substitution were moderate for the remaining items, the mean score ranged from a maximum of 4.50 to a minimum of 3.30 for 'item No. 2 Imported Shoes input items need to be produced in local its mean value was 4.40 interpreted as for school uniform shoe production to competitive in price imported input items have to be produced domestically.

Generally the shoe factories need to import input items to be produced domestically. As the time of interview I understood their production rate also dependent on the availability of foreign currency in the country, but now a day there are changes domestic investors trying to produce this import input items even if they have quality problems. In terms of the domestic market, competition has become very tense due to the penetration of low priced imported shoes in Ethiopian markets.

This study forwards some recommendation or policy implication based on the analysis on the importance of import substitution strategy in complement with the export-oriented strategy. From the review of the relevant literature relating to the shoe, it was possible to see the existence of knowledge gap. The study also adds to the existing body of knowledge by investigating on the contribution of fully import substituted shoes on local shoe manufacturing industry. The research problem should address an important question so that the answer will make a difference. Although researches has not yet been made in depth to determine the importance and contribution of shoe on local made footwear products. The study carried out by the above researchers study on accessibility of raw material, the recovery of shoe market, how to improve qualities of products, market competition, efficient utilization of resources and human elements but there is no published papers on the contribution of fully import substituted shoes on local shoe manufacturing industry.

In general the findings of this research suggest that the contribution of import substitute school uniform shoe has statistically significant impact on job creation, capacity utilization, attitude change, import substitution and foreign currency generation.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

On the preceding chapter, various data are presented and discussed in detailed. These data reflects what is available on the floor and per those facts and based on the sound literatures presented on the second chapter, the possible conclusions and recommendations are drawn.

5.1. Summary of Major Findings

Based on the analysis made on contribution of import substitute shoe on local shoe factories it has significant impact on new job creation, in alleviating the out flow of scarce foreign currency, to change the attitude of the society for local products, to encourage those local shoe factories produces under their capacity and to create new investment opportunity for those local and international investors their products substitute imported input items that are necessary to produce shoe in local market.

5.2. Conclusion

- Even if shoe manufacturing factories use by products of agriculture as input, development trend indicate that leather and leather product factories are not supporting the government industry development strategy plan as intended by the government in job creation. In this study the researcher find out import substitute shoe supports the achievements of the government industry development strategy plan by creating new job opportunity as intended.

- As business entity the factories never tried to get large market share by creating new ideas to supply shoes for those uniform users like schools, hotels, and banks to use uniform shoe as their clothes like; Kenya, Japan use uniform shoe at school including their school bag

- Local shoe factories are dependent on imported input items, As the time of interview I understood their production rate also dependent on the availability of foreign currency in the country, their competitive advantage of availability of raw material taken off by those

imported input items but now a day there are changes domestic investors trying to produce this import input items even if; they are inadequate and poor in quality.

- The ministry of Ethiopian Investment Agency first find out those imported input items that can be produced in local market and declare for those potential foreign or local investor to create forward and backward integration with local shoe factories ,if the imported input items decreased in item the manufacturers gets power to compute even in international market in prices.

- Managements of shoe factories believe import substitute shoe is a valuable tool for developing attitudinal change for the new and the coming new generation for local products they are dissatisfied towards the current attitudes for local product .As the management told me on interview the attitude for local products changed through time but still it is not satisfactory.

- Local shoe factories currently produce under their capacity due to lack of market. If import substitute shoe factories as a policy established in over all the country local shoe manufacturers have a capacity to satisfy the market requests. Some factories already have an experienced on mass production like military shoe, safety shoe for Ethiopia airlines and electric for their employee.

- Contribution level of import substitute Local shoe on foreign currency generation is complimentary as export in foreign currency generation. Like export import substitute alone needs strategies how to minimize imported shoe and input items to decrease our negative trade balance. Local shoe manufacturers also expects high import tariff from the government until they become self sufficient to compute in national and international market. All imported items needs foreign currency as a strategy we have to put some percentage for each period to mitigate the out flow of scarce foreign currency. Import substitute shoe productions in local factory have doula purposes in alleviating the out flow of scarce foreign currency. First by mitigate the outflow amount in relation to importing finished shoe and secondly in relation to imported input items

- In terms of the domestic market, competition has become very tense due to the penetration of low priced imported shoes in Ethiopian markets. First the authorized offices have to find out those imports input items and declared for those potential investors. Like 150% export tax levied to discourage raw and semi processed leather and leather products local shoe factories also expect high tariffs for import shoe that comes to substitute domestically produced shoe.

5.3. Recommendation

- Based on the findings of the study import substitute local shoe production can play a great role in the overall economy by creating new job opportunity, by reduction the outflow of scarce foreign currency, to change the attitude of the society for local products, by encouraging those under capacity local shoe manufacturing factories and by creating new market opportunity for those who have a potential to produce imported input items locally.

- Import substitute shoe also, supports the industrial development strategy plan set by the government to create new jobs, to alleviate the outflow of scarce foreign currency and by using agricultural output as input to use our natural comparative advantages optimally.

- To use our comparative advantages optimally, The ministry of Ethiopian Investment Agency has to find out those imported input items to substitute by local products and disclose for those potential foreign or local investor If the imported input items are obtained from local market in adequate and standard quality the shoe factories gets power even to compute in international market in prices.

- Contribution level of import substitute Local shoe manufacturing factory on foreign currency generation is complimentary as export in foreign currency generation. Like export import substitute alone needs strategies how to minimize imported shoe and input items to decrease our negative trade balance. All imported items needs foreign currency as a strategy we have to put some percentage for each period to alleviate the out flow of scarce foreign currency.

- Import substitute local shoe factories also have to be protected from imported input items and finished shoes by high import tariff like 150% export tax.

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APPENDIXES
Survey On

Contribution of Import Substitute School Uniform Shoes on Local Shoes Manufacturing Industry

Dear Respondent,

I am a student at St Mary's University and currently doing MBA in Accounting and Finance. Thus your thoughtful and honest responses to this questionnaire are very important. You will find on the following pages a number of statements about your factory concerning about Contribution of Import Substitute School Uniform Shoes on Local Shoes Manufacturing Industry. Please express your opinion about each statement .Your responses will be confidential. No individual responses will be shown to any one in your factory. Only group result will be compiled and presented. To preserve confidentially, your name is not required. After reading each statement, choose and tick the alternative which best describe your reaction to the statement.

Part I: Profile of Participants **Directions for filling the questionnaire**

Please put a tick mark □ or a cross mark □ in the boxes corresponding to your response. Make your response confidential; Please don't mention your name or any other identification.

1. Sex: . Male . Female
2. Your age group in years:
   □ under25 □ 25-34 □ 35-44 □ 45 and above
3. Educational status: College Diploma □1st Degree □ 2nd Degree . PHD □
4. The number of years you have been serving in this factory
   □ < 1year . □ 2-5 year □5-10 year □11-15 year □ > 15 year
5. Marital Status: □ Single □Married □Divorced □Widowed
6. The position that currently you are working in the factory:
   □ GeneralManager . □ Human Resource Manager □ Operational Manager
   □ MarketingManager . □ Financial Manager
7. The name of your factory currently working on_____

8. This questionnaire is prepared based on a five point Likert scale. Please indicate to what extents do you agree or disagree with the following statements. If the statement strongly matches with your response, choose ***Strongly Agree (5)***, if you discreetly agree on the idea, choose ***Agree(4)***, if you do not have any response on the point, choose ***Neutral(3)***, if you discreetly disagree with the statement, choose ***Disagree (2)***and if you completely differ with the statement, choose ***Strongly Disagree(1)***.

1.1 Job Creation

S/No	Statement	1	2	3	4	5
1	Our factory contribution is as intended by the government on job creation					
2	Import substitute shoe supported by import tariffs' it creates huge job					
3	The advantage given for prioritized sector without market Cannot create new job rather it makes the imported capital assets ideol					
4	Imported shoe input items as much as possible produced domestically it provides another opportunity for job creation					
5	We believe to take large market share by producing what the market needed to create new job creation					
6	Our contribution on job creation in relation with other prioritized sector is very low					
7	To create new job opportunity mass markets have to be covered by local products					
8	To create new job opportunity the main thing is creation of large market					
9	Recently, Ethiopian exports mainly depended on finished leather products and footwear**,** do you create new job opportunity as intended by the government					
10	Number of students in our country is huge ;school uniform shoe can create a great opportunity for job creation and efficient resource utilization					
11	The government does not take the initiation to facilitate the conditions that used to transform technology from highly experienced in the form of training					

2.2 Capacity

S/No	Statement	1	2	3	4	5
1	Our production rate is under our manufacturing capacity					
2	We need the government to supports us on a capacity building on skill, finance and facilitating technology transformation access.					
3	We have financial capacity to supply our products for the market required					
4	Our factory have an experience on serving mass market by producing huge product					
5	Our product can be competitive in quality when our production capacity increase					
6	The government support is not enough					
7	My recognition to a local made leather foot wear product is strongly affected by its finishing capacity					

2.3 Attitude Change

S/No	Statement	SDA	DA	N	A	SA
1	Domestically produced shoe can compete with the imported one with price as reasonably for parents to purchase					
2	Import substitute shoes is one way to create and develop the attitude of new generation for local products as a culture					
3	Import substitute shoe can be used as a tool to develop and penetrate and control the market through a period of time					
4	We can change the attitude for local products by producing durable and attractive finished shoe for students to perceive their attitude					

2.4 Foreign Currency Generation

S/No	Statement	SDA	DA	N	A	SA
1	The other opportunity to mobilize foreign currency is fully substituting imported shoes and raw material from abroad					
2	Strong Import substitute investment strategy have to be established					
3	High tariff protections laws needed to encourage domestic investment by laying high tax rate for those products imported from abroad to substitute domestic products					

2.5 Input Substitute

S/No	Statement	SDA	DA	N	A	SA
1	Our competitive advantage on availability of raw material taken by imported input items					
2	Imported Shoes input items need to be produced in local market					
3	Our product selling price depend on the price of imported input items					
4	Our product is dependent on foreign currency availability in the country					
5	The government have to take action to attract those potential investors that produces import substitutes products					

Annex 2: Key Informant Interview Checklist

Key Informant Interview Checklist for shoe Manufacturing Survey Analysis

The general purpose of this interview is to gather data and information about the current status, market opportunities, foreign currency availability, capacity, attitude and job creation. Key Informant Interview Checklist for contribution of school uniform shoe on manufacturing industries in Ethiopia. The interview is composed of four major sections; these are Supply side issues, Infrastructure, Market opportunities and challenges, and Government rules and regulations. The discussion will take about one hour. All the information we obtain will remain strictly confidential and your answers will never be shared with anyone other than our project team.

Key Informant Interview Checklist			
Key Informant Interview Checklist for contribution of school uniform shoe on manufacturing industry			
Identification particulars			
No	Name	Position	Telephone
1			
2			
3			
4			
Places	Name	Code	Time/date
Time/date			
Association Name			
Address			Date of interview
Interviewer name			End time (HH:MM)

1. Does the supply of raw materials adequately available for producers in the manufacturing sector/sub-sector and meet their production capacity? And any problems related to supply and quality of raw materials such as supplier's capacity and consistency, handling, government rules and regulations, marketing etc…?

   _____

   _____

2. What are the factors that inflate and determine cost of production? For example cost and availability of imported raw material or chemicals or semi processed and finished intermediate goods, and outdated technology, and issues related to trade logistics such as transportation, customs, and port and shipment

_____

_____

3. The traditional labour-intensive sub-sectors like textile and leather have started moving towards capital-intensity, which entails lower employment opportunities for the growing population, university graduates and rural-urban migrants .What is your opinion on this?

_____

_____

4. What are the main reasons to produce imported input items domestically?

_____

_____

5. The industrial development strategies focuses on industries which are labour intensive and having wide market; have broad linkages with the rest of the economy; use agricultural products as input; export-oriented and import substituting; and industries that can contribute for faster technology transfer. What is your contribution to achieve the objective?

_____

_____

6. Does the government investment incentives and support for firms in the manufacturing sector/ sub-sector effective and adequate? If not, what are the reasons and solutions?

_____

_____

Thank You for Your Cooperation!!!