



St. Mary's University
School of Graduate Studies
MBA in General Management Program

**Factors Affecting Micro and Small Enterprises Growth: The
Case of Kolfe-Keraniyo Sub-City Micro and Small Enterprises,
Addis Ababa, Ethiopia**

By
Hiwot Tsegaye
SGS/0511/2007A

Advisor: Zemenu Aynadis

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**FACTOR AFFECTING MICRO AND SMALL
ENTERPRISES GROWTH
THE CASE OF KOLFE-KERANIYO SUB-CITY MICR AND
SMALL ENTERPRISES, ADDIS ABABA**

**FOR THE PARTIAL FULFILLMENT OF MASTERS IN
BUSINESS ADMINSTRATION**

By:

Hiwot Tsegaye SGS/0511/2007A

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Abstracts

This research tray to investigate factors that affecting the growth of MSEs in kolfe-keraniyo sub-city, Addis Ababa. In order to meet the objective of the study, data collection through questionnaires. The sample operators were selected by using stratified random sampling techniques. The information was gathered through questionnaires for the sample 180 micro and small enterprises. The dada was analyzed by using descriptive statistics mean and percentage. The study was bring out eight major factors that affecting the growth MSEs in kolfe keraniyo sub-city included entrepreneurial , management, financial, technology, legal and political, marketing, working place and infrastructure factors. The finding indicates that financial and political & legal factors the biggest potential to the growth of MSEs, followed by marketing , management, technology, entrepreneurial, working place and infrastructures factor. Based on the finding it was recommended that The micro finance institution should review & simplify loan application procedure the level of collateral and interest rates that can be easily accessed and affordably utilized by MSEs. Federal government should pay attention to improve infrastructures such as, road, electricity, water and information dissemination. Hard work is expected from government and MSE leaders to change MSE sectors and their product at all.

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BOARD OF EXAMINERS APPROVAL SHEET

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Chair person Name

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Acronym

ECA	Economic Commission of Africa.
EEPC	Ethiopian Electric Power Corporation.
ETB	Ethiopian Birr.
FeDRE	Federal Democratic Republic of Ethiopia.
FeMSEDA	Federal Micro and small Enterprises Development Agency.
GDP	Gross Domestic Product.
GTP	Growth and Transformational Plan
ILO	International Labor Organization.
LDCs	Least Developed Countries.
LEs	Large Enterprises.
MFI	Micro Finance Institutions.
MoFED	Ministry of Finance and Economic Development.
MoI	Ministry of Industry
MoUDHC	Ministry of Urban Development, Housing and Construction
MSEs	Micro and Small Enterprises
MSMEs	Micro, Small and Medium Enterprises
MUDC	Ministry of Urban Development and Construction.
NBE	National Bank of Ethiopia.
OECD	Organization for Economic Cooperation and Development
ReMSEDA	Regional Micro and Small Enterprises Development Agency.
SMEs	Small and Medium Enterprises
TVET	Technical and Vocational Education and Training.
UN	United Nation.
WB	World Bank

CHAPTER 1

INTERODUCTION

1.1 Background Of The Study

Micro and small enterprises (MSEs) have been identified by the world as the stepping-stones for industrialization. Similarly, in Africa, these enterprises known in bringing economic transition by effectively using the skill and the talent of citizens without using much capital and sophisticated technology.

Many countries in Africa have high level of unemployment and low labor productivity. Large number of people enter in to labor market each year (Leonardo Iacovone, Vijaya Ramachandran and Martin Schmidt 2012). Consequently, these countries have been promoting job creation through variety of menses such as promoting labor- intensive manufacturing industries, labor-intensive infrastructure, expansion of micro and small enterprises and technical and vocational training education expansion (Feredel et al, 2014). Very recently these countries have mainly emphasized the promotion of MSEs as means to improve well-being of local, national and regional communities (Gebreyesus, 2007). The contribution of MSEs in generating income has become increasingly recognized around the world (Lienholm, 2001). From an economic perspective, micro and small-enterprise represent a growing source of production and employment, especially for the lowest income groups, because these firms are labor intensive than large industry, and require fewer technical skill (Robert and Maria, 1985). Therefore MSEs are considered to be critical in starting broad-based growth and enhance employment creation, especially in developing countries that aspire to have sustainable economic growth.

Micro and small enterprise development program in Ethiopia has been given due attention by the government since 2004/2005. As part of the industrial sector, MSEs are increasingly becoming popular and important in the Ethiopian economy, as they would play a vital role in contributing to employment generation, poverty reduction and the opening of wider distribution of wealth and opportunities.

According to Micro and Small Enterprises Development Strategy in Ethiopia, the definition of MSEs is provided that it takes in to consideration the number of employed workers, total asset and also it includes two broad sector classifications (industry and service). Micro Enterprises in

industry sector are those business enterprises with total asset/total capital not exceeding Birr 100,000 and the size of employee not more than five. Micro Enterprises in service sector are those business enterprises with total asset or total capital not exceeding Birr 50,000 and the size of employees not more than five. Small Enterprises in industry sector are those business enterprises with total asset or total capital not exceeding Birr 1.5 million Birr and the size of employees is from six up to thirty. Small Enterprises in service sector are those business enterprises with total asset or total capital not exceeding Birr 500,000 Birr and the size of employee is from six up to thirty.

Enterprise growth is used to describe a development process of enterprise from small to big and from weak to strong. It is the unification of quantity and quality. The increase of quantity is embodied in the extension of enterprise scale such as increases of sales volume, market share, production value, profit and employees. And the growth of quality is embodied in the enhancement of enterprise quality, which includes the technological innovation ability from immature to mature production technology, the optimal efficiency of investment and output, the organizational innovation and reform.

A National survey conducted by Central Statistics Agency (CSA) in 2007 indicates that more than 1.3 million people in the country are engaged in MSEs sector. But a large number of MSEs are unable to grow (expand in terms of employment) and remain to be survival (non- growing) type which cannot provide employment. According to the study conducted by Mulu Gebreeyesus in 2007, out of 974 randomly selected enterprises in Ethiopia around 69% did not change their size. In Addis Ababa majority (75.6%) of MSEs are unable to grow at all since start up and only 21.9% of MSEs were added workers (Wasihun & Paul, 2010).

Hence, most MSEs remain the same in size of employment since start up as compared to larger enterprises, factors that influence the growth of MSEs are many, complex and erratic. So that taking these all in to account, it is very essential to systematically analyze the factors that affect the growth of MSEs. Therefore, this study aims to investigate the factors that affecting the growth of MSEs in Addis Ababa kolfe-keraniyo sub-city.

1.2. Statement of the problem

Experience shows that, while many MSE Start-ups most survival, many others fail in a few years leaving only a small percentage to grow in to medium and large enterprises. In a normal situation, micro and small enterprises have to develop growth from micro to small, from small to medium, and from medium to the large-scale enterprise. When MSEs transferred to medium industries, create employment opportunity, facilitates industrial development, and leaves the place and government support for the new micro enterprise. Therefore, if this process continues, the development of industries will be fast and its contribution to economic growth increases. Moreover, it is essential to preserve the flow of new small businesses into the economy. In addition, such transition will further reduce the unemployment rate and increase the number of products or services offered by the society. However, for some different reasons this process is not properly applicable. MSEs stayed and dependent for a longer time in government support and it took the newly comer MSEs Endorsement opportunities such as; production place, Access to credit, took one stop service opportunities (multiple Assistance opportunities). Finally, they also took others newly comers market linkage opportunity and opportunity of affirmative action's which are included in the national MSEs strategy like, credit accessibility, capacity building, working areas, priority in work bids and so on.

Even though MSEs are contributing a lot for poverty alleviation, they are facing multidimensional problems both start up and operational level(Seyum Menda,2015). According to the resarch done by HabtamuT, Aregawi G, &Nigus A , 2013 from 178 randomly selected MSEs Mekelle City 76.4% unable to grow (expand in terms of employment) and the remaining 23.6% are growing . Out of 974 randomly selected MSEs in Ethiopia around 69% of them are found survival types (Mulu Gebreyesus, 2007) and particularly in capital city Addis Ababa majority (75.6%) of MSEs are unable to grow at all since start up and only 21.9% of MSEs had added workers(Wasihun& paul,2010).

MSEs in Ethiopia are expected to play a significant role for national development as well as minimizing unemployment and related social problems. In Kolfe Keranyo sub-city, the sector has stagnated and remains relatively small in terms of its contribution to economy or gainful employment. In this sub-city there are large numbers of MSEs. However, the sub-city has not yet exploited their potential very well to contribute for economic development, job creation and

poverty reduction. For this reason conducting specific research to identifying the potential challenges and suggesting solution for MSEs is vital. In Addis Ababa in some sub-city tried to make study to find the factors that affecting the growth of MSEs, but in kolfe keranio sub city have not done research in this topic. Therefore, this study will caring out to fill the gap that are existing in the study area regarding assessing determinants of MSEs growth.

1.3. Research questions

1. What do look like the growth of MSEs in Kolfe Keraniyo sub-city in terms of performance?
2. What are the main internal and external factors that are preventing the growth of MSEs development?

1.4. Objective of the study

1.4.1. General objective

The general objective of this study is to assess the driving factors which affect MSEs growth and to measure the growth performance of MSEs in the study area.

1.4.2. Specific objectives

1. To assess the growth performance of MSEs in Kolfe Keranio the sub-city.
2. To identify the internal factors which MSEs are facing difficulty to grow.
3. To identify the external factors which MSEs are facing difficulty to grow .

1.5. Significance of the Study

The finding of the study is expected to indicate practical solutions to current sustainable MSEs growth problems in the city. Apart from benefiting the MSEs, the public have benefit from the study through improved MSEs services and enhance economic development. The study can help the government and other actors to focus on MSEs as one of the involvements for the fight against poverty. The study could also assist the planners and practitioners to give emphasis on MSEs in their development programs and projects to reach at appropriate solutions to the problems on MSEs growth. It may also be helpful for Kolfe Keraniyo Sub City Micro and Small Enterprise Office and Addis Ababa City Administration Micro and Small Enterprises Bureau in

general, to take corrective measures to overcome the challenges and the outcome of the study have give important understanding for further studies.

1.6. Scope and limitations of the study

The study area is Kolfe Keraniyo sub-city, which is one of the ten sub-cities of Addis Ababa Geographically, is located in the western part of Addis Ababa, between the road to Jimma and Ambo towns. The sub city shares a boundary with Gulelle and Addis Ketema sub-cities in the north, Lideta sub city in the east, Nifas Silk Lafto sub city in the south, and Oromia regional state of government in the west. At present, the sub city is divided into 15 woreda (Addis Ababa City Administration, 2014).

Conceptually the study limited to factors which affect the micro and small-scale enterprises growth particularly in Kolfe Keranyo sub city. In assessing the internal and external factors of MSEs growth, the study focuses only on legally established and registered micro and small-scale enterprises that have been registered under the MSE development strategy of the Ethiopian government and licensed by each *MSEs one-stop* services center in the sub city. The study has its own essential to highlight a different type of problems that delaying enterprises from growth. The study covers all five sectors such as, manufacturing, construction, urban agriculture, trade and service sectors of MSEs. Lack of willingness of MSE members in giving genuine information during data collection, financial and time constraint are some limitation of the study.

CHAPTER 2

REVIEW OF RELATED LITERATURE

2.1. Theoretical overview of Micro and Small Enterprises

The small business sector is recognizing as an integral component of economic development and a crucial element in the effort to lift countries out of poverty (Wolfenson, 2001). Small-Scale businesses are driving force for economic growth, job creation, and poverty reduction in developing countries. Further, small-scale business has been recognizing as a feeder service to large-scale industries (Fabayo, 2009).

Furthermore, Mead and Liedholm (1998) mentioned that MSEs have been recognizing as a major source of employment for many countries. For example, in the United States, some have argued that eight out of every ten new jobs in recent years have come from small businesses. In the case of Ethiopia, small businesses have been recognized to create job opportunities for a substantial segment of the population. MSEs Sectors employ large numbers next to the agricultural sector (FeDRE Ministry of Trade and Industry, 2007).

The term micro and small enterprises cover a wide range of definitions and measures, varying from country to country and varying between the sources reporting small enterprises definitions. In addition, based on the economic activity sectors, the definitions are different (Parisa et al., 2013). Even inside one country could be more institutions and associations, which differently define and classify micro and small enterprises like statistical institutions, banks, governmental agencies, and others.

Definitions for micro and small enterprises are statistical or administrative and based on the number of employees, the number of annual working hours, annual turnover, annual balance sheet, or production volume and independence of the company. Countries are using one or several of these definitions. The number of employees and annual turnover seems to be the criteria applied in most countries. However, the definitions are different in relation to economic activity sectors. For instance, the physical production and the sales amounts often provide the basis for the agricultural sector, while the number of employees often is the basis for other sectors (Harjula, 2008).

According to the Federal Democratic Republic of Ethiopia revised strategy in (2011), stated that MSEs could be based on employment size, capital asset, and / or skill of labors and turnover levels of 1.5 million ETB or less than in production sectors and 500,000 ETB or less than of it in service and trade sectors.

It is the clear contribution of MSEs to employment expands because of new enterprises starting up in business and expansion of existing enterprises. However, these positive contributions are counterbalanced by the contraction or closure of other enterprises. Micro and Small Enterprises are important to almost all economies in the world, but especially to those in developing countries. There is considerable interest in micro and small enterprises in developing countries. There are probably two main reasons for this. One is the belief that micro and small enterprises development may prove to be an effective anti-poverty program. The second is the belief that micro and small enterprises development is one of the building blocks of innovation and sustainable growth. These two reasons are of course interlinked. Because most of the international evidence says that growth and real poverty reduction go hand in hand.

A lot of empirical studies document that most MSEs in developing countries do not upgrade their businesses to the next level of productivity, assets, and employment rather; the majority of firms stagnate, close down, and exit the market place (Liedholm / Mead, 1987). However, there is only a very small likelihood that MSEs upgrade into a higher size or productivity segment, there are, however, exceptions to the rule. In fact, there exists a group of MSEs that have successful management on growth them into the medium- or large-sized segment. The literature refers to this group as “transforming,” “SHEGEGER” የእድገት ሽግግር or “growth conversion” of enterprises.

As a result, above showed, the aim of this paper is to present and discuss which factors constrain micro and small enterprises transforming into higher employment size and productivity segments. By combining different strands of literature, this review intends to contribute to a clearer and more comprehensive understanding of enterprise development and growth.

2.2. Operational Performance of MSEs

According to World Bank (2000), stated that the variations in the operation of micro, small and medium enterprises. The most commonly used criterion is the number of employees of the

enterprise. MSEs in Africa tend to have few employees who tend also to be mostly relatives of the owner hence there is often a lack of separation between ownership and control.

From the above discussion both in Ethiopian and another part of the world, it can be concluded that micro and small-scale enterprise has different an operational definition is important for the study. The most commonly used principle, which identified from the various definitions, is the number of employees of the enterprise.

As contained in its industrial statistics, the Ethiopia National Statistical Agency considers firms with less than 10 employees as small scale. World Bank (2001) stated the employee principle of micro and small-scale enterprises adopted by their number of employees. The process of valuing fixed assets, will pose a problem since the mode of accounting system used by one enterprise will vary from one to other as well as continuous depreciation in the exchange rate often makes such definitions obsolete.

2.3. Micro and Small Enterprises contributions to Sustainable Development

According to (Anane, Cobbinah, and Manu, 2013; cited by Yodit, 2015), stated that of Underscoring their indispensability in economic development, micro and small enterprises create opportunities for income generation and distribution, capital accumulation, poverty reduction and empowerment of people especially women. Micro and small Enterprises advance the creation of a new class of small entrepreneurs leading to the expansion of the middle class and a wider distribution of income. At the rural level, micro and small enterprises have the potential to boom owing to their location flexibility, low infrastructure and technology requirement, and the capacity to serve small markets. Experiences at the rural communities reveal that micro and small enterprises can contribute to increasing household incomes, diversify household income sources, and reduce household poverty and weakness levels.

In this regard, the growth of MSEs has been in the recent past of great concern to many government policy makers and researchers globally because of realization of their economic contribution to Gross Domestic Product (GDP) and economic growth. As such they are no longer viewed as “stepping stones” to real business but as a means of industrial and economic growth and as well as tools of poverty eradication (ILO, 2007).

Despite having an immense contribution in creating job opportunities and building the economy of developing countries, In addition, in low-income countries, there is a strong disconnect between the share of micro and small enterprises in GDP and employment. This is because demographics and the dynamism of micro and small enterprises are interrelated to the diversification of economies. In countries heavily dependent on a few commodities, as is the case in many African countries, micro and small enterprises can hardly thrive, as opposed to in the highly diversified OECD economies for instance. Proactive and targeted national economic diversification and export strategies will key to the development of the countries of the sub-region. Because of the assets and advantages, they offer, micro and small enterprises can be vectors of organized diversification, thereby strengthening their role as major players in sustainable development (ECA, 2005).

Much of the research on sustainability focuses on a small proportion of private sector organizations, that is, large multinational enterprises. While the individual impact of micro and small enterprise activities is usually small, and they are by no means homogeneous, collectively they are critically important. As a sector, micro and small enterprises could contribute up to 70% of all industrial pollution. This has resulted in an increasing recognition of micro and small enterprises' social and environmental impact. There is a growing trend in the sustainability movement that increasingly focuses on micro and small enterprises and not just on multinational enterprises as part of the process of creating a more sustainable world. Most of the economic, environmental, and social impacts of large enterprises occur through their supply chain and the micro and small enterprises in those chains (Spence, Agyemang, and Rinaldi, 2012).

According to Ethiopia growth and transformation scheme (2011), about micro and small enterprises grow, they increasingly need connectivity to export markets and the world economy. So far, the lessons of international experience show that very few government and donor initiatives have succeeded in implementing sustainable strategies for micro and small enterprises development.

In addition, according to the Federal Micro and Small Enterprise Agency yearly statistical bulletin (2011), about 2,681,367 people is an employee in MSEs, which is more than 58% improvement from the expected plan of the GTP (1,800,000). Besides, the strategic direction of

GTP has taken MSEs as a key for industrial development and envisaged structural transformation of the national economy (MoFED, 2015).

The annual report of the Federal Micro and Small Enterprises Agency (2010), has shown that in the years ranging from 2007 to 2010 many (about 3775) micro and small enterprises were promoted to medium level. The sector contributed to the development of the country economy by fetching 34 Billion ETB and 864 million ETB from the local and foreign markets, respectively.

2.4. The Growth of Micro and Small Enterprises (MSEs)

The firm growth will occur as a reaction to changes in technology, the wage rate, or the price of the product. As a result, if one is interested in why small firms in developing countries grow, this simple theory suggests that one's attention must focus on the factors that have an impact on supply and demand for the product produced by the MSEs (International Journal of Scientific and Research, 2016).

MSEs is defined by Mead and Liedholm (1998), stated that it is an increase in the number of employees over time. MSE owners are typically able to remember their number of employees over time, even if they fail to maintain reliable written records. In addition, using the number of employees helps to avoid the need to deflate or otherwise adjust currency figures, which is necessary when using revenue and other monetary metrics.

In most developing countries, MSEs growth by advantages of their size, location, capital investment and capacity to generate greater employment, became the main focused area. In relation to this, MUDC (2013) revealed that there was a government policy to lay the foundation administrative and institutional infrastructure of the state during the 1940's and 1950's in order to consolidate the gains of reforms that were launched to accelerate the process of industrialization in Ethiopia.

Federal and Regional MSEs Strategy in 1997 were adopting to enhance the operation of MSEs. Besides, Federal and Regional MSEs Development Agencies were established with the main objectives of utilizing local raw material, the creation of job, adoption of new and appropriate technologies, and enhancement of the development of MSEs (MUDC, 2013). The first Growth

and Transformation Plan (2010 -2015) had also given priority to MSEs development and has put MSEs as one of the seven growth pillars of the country (MoFED, 2015).

2.5. The Challenges of Micro and Small Enterprises

The problem confronting MSEs appears to be similar in the least developed or developing countries. However, the extent of the problems varies from country to country and industry to industry; and it depends on firms' characteristics (Aremu & Adeyemi, 2011).

Even though MSEs have important roles in economic development, poverty alleviation, employment opportunity, they are critically challenged by certain impeding factors to sustain within the sector. The research conducted by Bowen, Morara and Mureithi (2009), in Kenya, revealed that three out of five micro and small businesses failed within the first few months of operation due to competition, managerial inefficiency, insecurity, debt collection, lack of working capital, power interruptions, political uncertainty, cost of materials and low demand of the products.

According to (MUDC, 2013; as cited by Mekeoen & Tilaye, 2013), currently, there are many internal and external challenges face MSEs in their operations and hinder their growth in Ethiopia. A hard look at various studies has revealed a number of deterrents to the growth and survival of the MSEs.

2.6. The concept of Micro and small enterprise transition (growth)

According to German Development Institute (2013), stated that German Development Institute aims to analyses the performance of firms over time by upgrading them. A firm's performance is contingent on the interaction of a number of internal and external forces at different times of the business cycle. This idiosyncratic complexity has made it difficult to develop a universal model or a comprehensive theory of firm development. Against this lack of theoretical guidance, the concept of enterprise growth has proven to be useful in studying and observing the development of domestic private sectors in developing countries.

According to wikenfo.com (2016), defines the term "enterprise growth" has been using to indicate the general need for a qualitative improvement in economic production and performance. Further, the need to upgrade productive capabilities has been applying to different units of analysis, e.g. enterprise clusters, economic sectors, industries and latecomer economies

in general. However, this paper follows an exclusively disaggregated view on upgrading by a single enterprise. Thus, the individual firm efforts to increase its return on investment and value added in production are the center of attention.

However, when talking about the “upgrading” of enterprises, scholars and policy-makers often mean different things. From Porter (1998) point of view, the development economics, entrepreneurship, and business literature understand enterprise growth as being a developmental step from a stagnant or declining business to a growing business that constantly increases its assets, productivity, or a number of employees. Further, in high-income economies, where book-keeping among enterprises is common and mostly required by state regulations, scholars also refer to more detailed financial ratios and performance measures such as specific production inputs and outputs, cash flow, total turnover, and much more, in order to indicate the profitability and performance of an enterprise.

However, although many authors use growth measures such as a number of employees or other financial ratios and production measures, there are indeed possibilities that enterprises grow without qualitatively improving sourcing practices, processing methods or the way a product is marketed. This might happen in cases of scarcity, very fast market expansions or through political protection and isolation of certain market participants.

According to Schmitz and Knorringa (2000), stated that, similarly, there might be enterprises whose profits have grown or who have increased the number of employees by simply expanding their economic activities in times of increasing market demand without prior innovation efforts.

On the one hand, enterprise upgrading is considered as a quantitative step from a business with stagnating or declining income, productivity, and employment to a growing business that constantly increases its income, productivity, and number of paid workers and on the other hand, enterprise upgrading also includes qualitative improvements in products, processes, and ways of organizing production.

Finally, upgrading, or firm growth, occurs regardless of whether the enterprise is located in the informal or formal sector. Yet, it is most likely that somewhere along the business growth path, as the enterprise’s size (in terms of market visibility) and existence become more apparent and dependent on legal modes of transaction, the business will have to move from the informal to the formal sector through registration. However, business formalization is not considered as a

defining criterion of upgrading. Nevertheless, eventually seen because of upgrading, ‘MSEs transition challenges ’ is understood as *successful* innovation – innovation that induces an increase in any target variable such as the firm’s returns, sales, assets or number of employees. The term contains both a qualitative aspect (innovation) and a quantitative aspect (firm growth). The researcher chose the term ‘upgrading ‘or transition rather than ‘graduation’ (normally used for the quantitative and qualitative aspect) because there are many reasons why firms grow, and researcher wanted to focus on growth through innovation, the only transition obstacle to be understood on that entrepreneurs can control.

Different strands of literature stress the *role of different factors* in determining whether a single MSEs can upgrade (micro-perspective) or whether it is generally easy for MSEs in one country or region to upgrade (macro-perspective). According to German Development Institute (2013), identified that on upgrading MSEs major factors, the factors can group into four broad categories:

- (1) *Entrepreneur characteristics* (the gender, human capital, social capital, family background and behavioral characteristics/personal qualities of the MSE owner),
- (2) *Firm characteristics* (the age, size, sector, location, workforce characteristics, product portfolio, strategy and formal status of the MSE),
- (3) *Business environment: it indicates* (macroeconomic and political stability, regulation, taxation, trade policy, corruption, and access to finance, business development services, and infrastructure).

It is likely that most of these factors matter to some degree. However academic literature has not yet drawn a broad conclusion as to which factors are the most important (most significant) – something that this study aims to do concerning

2.7. Overview of Ethiopian Micro and Small Enterprise Strategy

Ethiopia is situated in the Horn of Africa, bordering Eritrea in the North and Northeast, the Sudan in the West and North-west, Kenya in the South, Somalia in the Southeast and Djibouti in the East. The landmass of the country covers an area of one Million km². It is well recognized that Ethiopia is a diverse ethnic and diverse religious country. There are more than 85 linguistic

groups constitutionally empowered with cultural and administrative autonomy. As learned from Central Statistical Agency (2016), the population of the country is estimated to access 92.2 million in 2016, of which about 19.9 and 80.1 percent are urban and rural dwellers respectively. The majority of the population has thus earned its economic livelihood from agriculture and agriculture-related activities. Ethiopia is in a state of change from the backward, subsistent economy to the commercialized agriculture and ultimately to the agro-industry and industrialization. Following the overthrow of the ever-dictatorial communist government and establishment of a new constitution, various market-transforming policies put in place; private investments including those in the financial sector have been flourishing. In particular, structural adjustment such as liberalization of foreign trade, privatization of public enterprises and investment advocating schemes have been undertaken to promote economic growth.

One of GTP's key interventions is to stimulate the expansion of micro and small enterprises as outlined in the MSE Strategy. The Strategy has three objectives:

- i. Support equitable development, improve incomes and reduce poverty through creating job opportunities;
- ii. Expand the development of MSEs in urban areas by creating developmental investors;
- iii. Facilitate economic growth and lay the foundation for industrial development by supporting the development of a viable MSE sector.

The strategy has two broad aims: to create job opportunities for unemployed urban residents and to provide support to individuals who wish to learn about business and entrepreneurship, and start or expand an MSE.

Depending on the respective government policies, Micro and Small Enterprises are defining in several countries within their different purposes and intention differently. According to the new micro and small enterprises development strategy of Ethiopia (2011), enterprises are classified based on the size of capital and labor as follow:

Table 1: Definition of Micro and Small Enterprise in ETHIOPIAN context

Level of the enterprise	Sector	Human Power	Total asset / Total Capital
	Industry	≤5	≤ ETB 100,000
Micro enterprise	Service	≤5	≤ ETB 50,000
Small enterprise	Industry	6-30	≤ETB 1.5 million
	Service	6-30	≤ ETB 500,000

**Source from MSE strategy 2011

A. The Strategy's Institutional Framework

Given the Strategy's national scope, it is championed by the Ministry of Urban Development, Housing, and Construction (MoUDHC) of which FeMSEDA is a key Agency. The Strategy's three federal institutional pillars are MoUDHC, the Federal Technical and Vocational Training Agency and FeMSEDA. The three regional pillars are the Regional Technical and Vocational Training Agencies, the Regional Micro Finance Institutions and the Regional Micro and Small Enterprise Development Agencies. MoUDHC chairs the Council of the Federal MSE Development, which is responsible for overseeing the Strategy's execution including its frameworks, regulations, and capacity building requirements. The Council Members are representatives from the Ministries of Industry, Trade, Women, Children and Youth, the Federal TVET Agency, the National Bank of Ethiopia, the Ethiopian Standards Agency, the Federal Revenue, and Customs Authority, the Micro Finance Association and the MSE Association with FeMSEDA as the Council Secretary.

B. MSEs Government Structures

According to FeDRE Ministry of Trade and Industry (2011: 5-13) narrated that of following the 1997 MSEs Development Strategy, the Federal Micro and Small Enterprises Development Agency (FeMSEDA) was established by the Council of Ministers Regulation Number 33/1998.

The primary goal of the Agency is to implement the MSE strategy at the federal level through support programs consisting of interventions that include the supply of working premises, loans for investment and working capital, marketing support, extension services, technology transfer, and training. In addition to implementing this national strategy centrally, regional and local micro and small enterprises development offices were subsequently established. FeMSEDA is one of the oldest government institutions that are established to promote, coordinate, and facilitate the development of MSEs. Established some sixty years ago, the Agency has been promoting MSEs under different names and political settings. The Agency is tasked with practical follow-up and coordination of the Strategy at the federal and regional levels. FeMSEDA is also responsible for preparing and improving the support framework, sector planning, monitoring, and evaluation, domestic and export market development, preparation of guidelines for the implementation of support frameworks and building the capacities of regional enterprise development agencies. Within FeMSEDA, three departments, each led by its Deputy Director General, support the Strategy: Facilitation, Capacity Building, and Manufacturing Enterprises Development. The Facilitation Division is responsible for the One Stop Shopping Service Monitoring and Evaluation Directorate, Trade, and Service Directorate and Market Development and Marketing Directorate. The Capacity Building Division handles KAIZEN and Change Practice Directorate, Regional Capacity Building Directorate and Information Technology Directorate.

The Manufacturing Enterprises Development Division includes Construction and Mining Development, Textile and Leather Development, Agro Processing and Urban Development, Metal and Engineering Directorates.

Micro and Small Enterprises are one of the focal points on the development agenda of the municipal government of Addis Ababa and in the same way, to promote MSE, the City Government of Addis Ababa re-organize MSE structure and establish itself at the bureau level. The MSE bureau has run by its own bureau head, vice bureau head, and Director General. Within, the bureau there are four main departments, and two agencies namely; job and enterprises creation department, market development department, enterprises support and transition department, and manufacturing special support department and the two agencies are job creation and food security agency and production and selling workplace administration agency. Similarly, the structure of the MSE is extended to the 10 sub cities and 116 woredas in

Addis Ababa. The MSE office has been organizing people with different skills into micro and small business by creating job opportunities and providing various supportive services in coordination with other stakeholders to create a favorable environment for the growth of the sector (Addis Ababa MSED, 2015)

C. Government Support Packages for MSEs Policy (Institutional) Coordination

The implementation of the MSE policy involves many government agencies – FeMSED and ReMSEDAs, MFIs, Land Development and Management Bureaus, and other infrastructure providers such as EEPC, Ethio-Telecom and Water and Sewerage Management Authority. Because of this, multi-agency support system policy coordination becomes a critical challenge during the policy implementation. In order to solve policy coordination problems, Ethiopia instituted coordination councils at both Federal and Regional Levels. At the Federal level, an MSE council oversees policy implementation and coordination. The MSE council consists of Ministry of Urban Development, Housing, and Construction (MoUDHC), Federal Micro and Small Enterprises Development Agency (FeMSED), Regional Micro and Small Enterprises Development Agencies (ReMSED, Technical and Vocational Education and Training (TVETs), Ministry of Industry (MOI), National Bank of Ethiopia (NBE) and Ethiopian Revenue and Customs Authority. The MoUDHC chairs the Federal MSE council. There is similar council at the regional level, which is chaired by the head of the trade bureau in Addis Ababa and Presidents in other regions (FeDRE Ministry of Trade and Industry, 2011)

The council has a command post, which holds regular and extraordinary sessions to deliberate on the challenges MSEs face and give strategic leadership to the sector. FeMSED along with microfinance institutes and technical and vocational training institutes are the three implementing bodies that are responsible for implementing the national MSE strategy. The institutional decision-making process decentralizes to the lowest administrative units, woreda. Within the woreda, there is a one-stop shopping service. The three implementing agencies have at least one staff at the one-stop service center to respond to MSE operators' needs in one stop service. Officers from the microfinance institutions, industrial extension agents from the TVET bureaus and an expert from the micro and small enterprises development bureau combine their expertise to address the challenges MSEs face. The one stop service addresses all the needs of the MSEs. Technical, financial, and administrative challenges facing MSEs are tackled with a

hands-on solution without any bureaucratic hurdles in principle. It is supposed to save time and energy for MSEs.

2.8. Ethiopia's Micro and Small Enterprise Graduation and the Missing Middle

MSEs are going to work as the foundation for industrialization; continuous support packages should be institutionalized additional pull factor for many MSEs to apply for graduation. FeDRE micro and small enterprise (2014/15) annual report stated that MSEs should graduate after a certain time. FeMSEDA has started graduating MSEs to medium enterprises since 2010.

The City Government of Addis Ababa has designed sets of criteria used for the graduating process. In terms of total asset, MSEs in the production sectors should have a total asset worth above 1.5 million ETB while service providing MSEs are required to have above 500,000 worth of asset to qualify for graduation. Some of the other graduation criteria include; a certain degree of technical efficiency, record of accomplishment of loan repayment and saving with the MFIs etc. There is a command post, which evaluates whether an MSE should graduate or not. In Addis Ababa, the head of the Addis Ababa trade bureau chair the command post. The command post meets on a regular basis to discuss problems facing the graduating MSEs.

Graduating MSEs have been giving prominence in recent years. According to FeMSEDA (2011), the agency has prepared nine indicators that qualify MSEs for graduation. The agency targets graduating 1% of MSEs every year. Once MSEs graduate to medium and large industries, the ministry of industry will take over the responsibility of supporting the graduates. Accordingly, the institutes like Leather Industry Development Institute, Metal Industry Development Institute and Textile Industry Development Institute and their regional affiliates are mandated to assist the graduates. The graduates face the problem of the 'missing middle'; too big, to meet their needs through the support packages availed for MSEs and neglected by other institutions. Moreover, there is no policy covering the graduates because they are in between. They are no more MSEs and neither have they obtained an investor status. Therefore, they are not only a missing middle in terms of accessing support but also they are a missing middle in terms of policy as well.

According to Addis Ababa MSED (2015), stated that Ethiopia adopts a layered support in which MSEs are categorized into start-ups, growing, and maturity. Start-up stage enterprises refer to those enterprises found at their establishment stage and comprise a group or individual aspiring entrepreneurs that seek various supports to make their enterprise operational. The

strategy revised in 2010/11 with renewed interests and ambitious targets on employment and number of entrepreneurs of transition to medium size level. The basic challenges at this stage include lack of initial and working capital, poor knowledge of business management and entrepreneurship and lack of know-how about the different government policies and directives related to the sector. In mitigate these challenges FeMSEDA has designed a strategy. It focuses on facilitating access to initial capital to support MSEs in formalization and legalization process and provision of training on business management, entrepreneurship, and production technique. Addis Ababa MSEDA (2015:32) reported that growing stage enterprises refers to those enterprises that are competent in the market in terms of price and quality, successfully utilize the various government support packages, and are profitable in their business. However, enterprises at this stage also suffer from different challenges like a financial constraint, lack of appropriate technology and technical skill, the absence of sufficient working and sales premises and rent seeking behavior. To alleviate these specific challenges, FeMSEDA has formed a national strategy that focuses on facilitation of financial support and skill and technological development program. On the other hand, enterprises are considered to have reached the maturity stage when they are fully profitable and engaged in further expansion and investments in the sector. At this stage, FeMSEDA has a strategy that aims to strengthen enterprises in terms of productivity and product quality. Moreover, at this stage, knowledge of international standards and better production technology are disseminating to enterprises. Likewise, according to FeDRE SME (2015) Report indicates that Ethiopian MSEs face numerous challenges to their growth and upgrading: the cumbersome negative attitude towards MSEs transition and regulatory constraints, lack of access to external financing, low human resources capacities, lack of management skills and training, and low technological capacities.

According to its FeDRE micro and small enterprise (2014/15) annual report, out of total 766,990 MSE starting to 2009-2015 only 5404 transferred to medium level. Therefore, 761586 are not yet transferred to medium level of industries for unclear reasons. According to Addis Ababa city micro and small enterprises bureau (2016) report out of 26199 MSEs, only 1126 are transferred to the medium industries According to Kolfekeraniyo sub-city (2016), report starting to 2009-2015, out of 3394 micro and small enterprises, only 95 are transferred to the medium level industries.

2.9. Challenges of MSEs transition to the Medium industries

According to Schmitz (1999), stated in Most low- and middle-income countries are characterized by a phenomenon that is often called the '*missing middle*': they have many micro and small enterprises (MSEs) but only a few medium-sized ones and hardly any of the small ones are linked to larger companies. In particular, firms in the medium-sized segment are rare, which is at least partly due to difficulties that small enterprises face in growing and transforming into medium-sized enterprises. This phenomenon constitutes a problem above all because medium-sized companies create the bulk of higher-quality, higher-wage jobs in many countries. Medium-sized companies tend to be the main motor of innovation and economic diversification and are the firms that may become able over time to export their products directly.

It is not possible within the boundaries of this paper to provide an exhaustive perspective on these different bodies of research. Similar to the systemic competitiveness approach, the model integrates micro, small to medium and large industries perspectives. Drucker (1985), noted that new technologies improve efficiency, enable greater production, and are a source of profit for SMEs. According to Morse et al. (2007), technological capabilities benefit MSEs in several ways: they enhance MSE efficiency, reduce costs, and broaden market share, both locally and globally. As noted by Lee(2001), a small business that adopts greater levels of technological sophistication can be expected to grow more rapidly than a similar firm that does not. Romijn (2001) and Yusuf et al. (2003), point out that low technological capabilities hinder and discourage MSEs from fully reaching their potential. As noted by World Bank Group (2014), countries with high levels of technological growth tend to have high levels of entrepreneurial growth.

From the above literature review, we conclude that the growth of MSEs is dependent on a range of internal and external factors. However, there is no clear understanding or specific theory as to whether MSEs will sustain, grow, succeed, or fail. Scholars have put forward a number of factors concerning the important elements of the growing firm, such as Story's (1994), identification of three necessary factors for growth: the entrepreneur, the firm, and strategy. However, there appears to be no unified pattern. Rather, the evidence points towards a complex set of interrelated factors that affect small business growth.

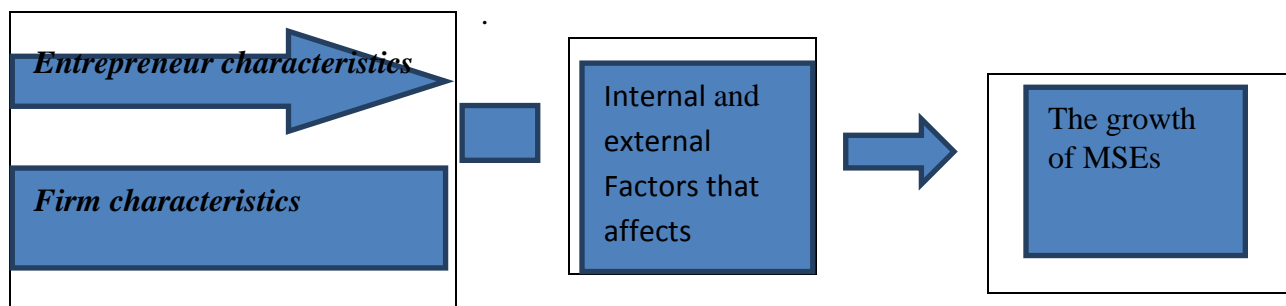
strategy. However, there appears to be no unified pattern. Rather, the evidence points towards a complex set of interrelated factors that affect small business grow

2.10. MSEs growing and its factors: the conceptual framework

In this study, ‘MSEs transition challenges ’ is understood as *successful* innovation – innovation that induces an increase in any target variable such as the firm’s returns, sales, assets or number of employees. The term contains both a qualitative aspect (innovation) and a quantitative aspect (firm growth). The researcher chose the term ‘growing ‘or transition rather than ‘graduation’ (normally used for the quantitative and qualitative aspect) because there are many reasons why firms grow, and researcher wanted to focus on growth through innovation, the only transition obstacle to be understood on that entrepreneurs can control.

Different strands of literature stress the *role of different factors* in determining whether a single MSEs can upgrade (micro-perspective) respectively whether it is generally easy for MSEs in one country or region to upgrade (macro-perspective). According to German Development Institute (2013) identified that on transition MSEs major factors, the factors can group into three broad categories of *independent variable*:

1. **Entrepreneur characteristics** (human capital, behavioral),
2. **Firm characteristics** (the age, size, sector, location, workforce characteristics, , strategy and formal status of the MSE),
3. **Business environment**: *it indicates* (political stability, regulation, taxation, and access to finance, and infrastructure).



CHAPTER 3

RESEARCH DESIGN AND METHODOLOGY

3.1 Research Approach

This study will use both qualitative and quantitative approach (mixed research approach). Since the research is using mixed approaches, To asses factors that affecting the growth of MSEs and to gain the level of influence about the growth the data will be collected by using questionnaires with both qualitative and quantitative questions.

3.2. Research design

Research design is a plan, structure and strategy of investigation to obtain answer for research questions or problems. The plan is complete scheme or program of the research. It includes an outline of what the investigator will do from writing the hypothesis and this operational implications to the final analysis of the data. (Kerlinger 1986:279).

The design of this research is descriptive research design. The descriptive survey method is appropriate to describe the situation using quantitative and qualitative data (Zikmund, et al., 2009).It also addresses and attempts to describe the behaviors, attitudes, values, and possible characters of the entrepreneurs. The researcher used a quantitative and qualitative research design to describe the existing situation

3.3 Data Sources and Data Gathering Instruments

For this study, both quantitative and qualitative data was collected by using questionnaire. From primary source the data was obtain and widely used to attain the intended objective of the study. The researcher was gather primary data from MSEs operators through a questionnaire. The questionnaire was be organized and used in a manner that can produce information about and comprehend the MSEs and their operators overall status including their perception, and addresses all the potential challenges for their growth. The review of the literature and the research questions were used as a guideline for the development of the questionnaire. The questionnaire contains both open- ended and close-ended questions. The questionnaire was design both in English and Amharic languages to MSE owners to create proper rapport and gain better responses from those who cannot clearly understand the English language.

3.4 Sampling Design

Addis Ababa is the capital city of Ethiopia. At present, the whole city is divided into ten sub-cities, 116 woredas. By using simple random sampling (lottery method) Kolfe Keraniyo sub city is selected for the study. The sub-city is divided into 15 woredas. Since there are different categories of MSEs, I prefer stratified random sampling. The population will be divided into five strata which are manufacturing, construction, urban agriculture, trade and service sectors. Accordingly, by using simple random sampling the respondents will be selected from each stratum.

The selected sub-city has 740 enterprises which have one year and above year of operations, which constitutes a population of five sectors: construction, manufacturing, trade, urban agriculture, and service. The target population was drawn from all registered micro and small enterprises in Kolfe Keraniyo sub city. This is shown in Table 3.1.

Table 3.1 Strata of Targeted Population

	Strata of targeted population	Targeted population	Sample Size
1	Manufacturing	350	0.247*350=84
2	Construction	120	0.247*120=29
3	Trade	150	0.247*150=36
4	Urban Agriculture	20	0.247*20=6
5	Service Sectors	100	0.247*100=25
	Total	740	180

The samples will be computed by using the sample formula of Yemane(1976)

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

Where “n” is the minimum sample size, “N” is the total number of the

3.6. Method of Data Analysis

3.6.1 Descriptive Statistics

The qualitative data were grouped into meaningful models and themes that were allowed to observe the summary and the organization of the data. The quantitative analysis has analyzed the use of statistical techniques such as frequency counts, percentages, arithmetic means, standard deviations, and the table to show the frequency differences. Qualitative data were analyzed descriptively. Statistical Package for Social Sciences (SPSS) Version 24.0, were used to facilitate the coding, entry, and analysis of quantitative data obtained from closed questions.

CHAPTER 4

RESULT

4.1. Result on Main sectors, Year of operation, Form of ownership, enterprise level of growth, initial and current employees

Table: 4.1: Main sectors, Year of operation, Form of ownership, enterprise level of growth, initial and current employees

No	Items	Alternatives	Frequency	%age	Mean
1	Main sectors	Manufacturing	84	46.7	2.4889
		Constructions	29	16.1	
		Service	25	13.9	
		Trade	36	20	
		Urban agriculture	6	3.3	
		Total	180	100	
2	Year of operation	one year	31	17.2	2.9778
		Two year	42	23.3	
		Three Year	53	29.4	
		Four Year	27	15	
		Five Year	8	4.4	
		More than five year	19	10.6	
		Total	180	100	
3	Form of ownership	Sole proprietorship	79	43.9	2.5383
		Partnership	0		
		Cooperative	0		
		Privet limited company	13	7.2	
		Share Company	88	48.9	
		Others	0		
		Total	180	100	
4	Enterprise level of growth	Micro start-up	84	46.7	2.2889
		Micro growth	35	19.4	
		Micro maturity	16	8.9	
		Small start-up	20	11.1	
		Small growth	20	11.1	
		Small maturity	5	2.8	
		Total	180	100	
5	Initial employees	Nothing	124	68.9	1.4444
		1-5	38	21.1	
		6-10	14	7.8	
		10-15	2	1.1	
		15-20	2	1.1	

		20-30	0		
		Greater than 30	0		
		Total	180	100	
6	current employees	Nothing	75	41.7	1.8
		1-5	78	43.3	
		6-10	21	11.7	
		10-15	3	1.7	
		15-20	3	1.7	
		20-30	0		
		Greater than 30	0		
		Total	180	100	

Source: This study survey data

As table 4.1 depicts among the samples 180 enterprises included in the analysis 84(46.7%) of respondent their main sector were manufacturing, 29(16.7%) Constructions, 25(13.9%) service, 36(20%) trades and 6(3.3%) urban agriculture. The year of operation attained by the respondents show that about 31(17.2%) have one year, 42(23.3%) two year, 53(29.4%) three years, 27(15%) four years 8(4.4%) five years and 19(10.6%) have more than five years. The mean age of enterprises 2.9. As a result the form of ownership, it is shown that 79(43.9%) have sole proprietorship, 13(7.2%) private limited company and 88(48.8%) have share Company. According to the analysis, 84(46.7%) enterprises their level of growth were micro start-up, 35(19.4%) micro growth, 16(8.9%) micro maturity, 20(11.1%) small start-up, 20(11.1%) small growth, 5(2.8%) small maturity. Totally 135 (75%) of enterprises were micro level and only 45(25%) were small level enterprises. As a result 124(68.9%) of enterprises they were nothing permanent employees initially they were self-employees, 38(21.1%) of enterprises employ 1-5 permanent employees initially, 14(7.8%) of enterprises employ 6-10 permanent employees initially, 2(1.1%) of enterprises employ 10-15 permanent employees at the beginning their operation and 2(1.1%) of enterprises 15-20 employ permanent employees at the beginning of their operation. The mean permanent employ enterprises at the beginning of their operation were 1.44. As a result 75(41.7%) of enterprises they were nothing permanent employees currently they were self-employees, 78(43.3%) of enterprises employ 1-5 permanent employees currently, 21(11.7%) of enterprises employ 6-10 permanent employees currently, 3(1.7%) of enterprises employ 10-15 permanent employees at the beginning their operation and 2(1.1%) of enterprises 15-20 employ permanent employees currently. The mean permanent employ enterprises currently were 1.8.

Table: 4.2: Level of enterprises growth across sectors

Level of growth	Main sectors										Total
	Manufacturing		service		urban agriculture		construction		Trade		
	F	%	F	%	F	%	F	%	F	%	
Micro start-up	36	43	12	48	1	17	7	24	28	78	84
Micro growth	20	24	7	28	1	17	2	7	5	14	35
Micro maturity	5	6	4	16	0	0	5	17	2	6	16
micro Total	61	45	23	17	2	1	14	10	35	26	135
Small start-up	8	10	1	4	3	50	8	28	0	0	20
Small growth	14	17	1	4	1	17	3	10	1	3	20
Small maturity	1	1	0	0	0	0	4	14	0	0	5
Small Total	23	51	2	4	4	9	15	33	1	2	45

Source: This study survey data

As the above table 4.2 shown that, out of 180 sample enterprises 135(75%) micro and 45(25%) small level enterprises. From 135(75%) micro level enterprises 61(45%) were manufacturing, 23(17%) service, 2(1%) urban agriculture, 14(10%) construction and 35(26%) trade. Out of 45(25%) small enterprises 23(51%) were manufacturing, 2(4%) service, 4(9%) urban agriculture, 15(33%) construction and 1(2%) trade.

Table: 4.3: Level of enterprise growth across year of operation

Year of operation	Level of growth										Total
	Micro start-up	Micro growth	Micro maturity	micro total	%age	Small start-up	Small growth	Small maturity	small total	%age	
one year	23	3	0	26	19	0	5	0	5	11	31
Two year	20	12	5	37	27	4	1	0	5	11	42
Three year	21	8	6	35	26	10	7	1	18	40	53
four year	15	6	2	23	17	2	2	0	4	9	27
five year	3	3	0	6	4	0	1	1	2	4	8
more than five year	2	3	3	8	6	4	4	3	11	24	19
Total	84	35	16	135	75	20	20	5	45	25	180

Source: This study survey data

Table 4.3 shows that from 135(75%) of micro level enterprises 26(19%) were one year of operation, 37(27%) two years of operation, 36(26%) three year of operation, 23(17%) four years of operation, 6(4%) five years of operation, 8(6%) more than five years of operation. Out 45(25%) small level of enterprises , 5(11%) were one year of operation, 5(11%) two years of operation, 18(40%) three year of operation, 4(9%) four years of operation, 2(4%) five years of operation and 11(24%) more than five years of operation

Table: 4.4: Level of growth of enterprise across initial employment

Level of growth	Initial Employment										Total
	Nothing		1-5		6-10		10-15		15-20		
	F	%	F	%	F	%	F	%	F	%	
Micro start-up	65	65	15	56	3	43	1	100	0		84
Micro growth	24	24	9	33	2	29	0	0	0		35
Micro maturity	11	11	3	11	2	29	0	0	0		16
Micro total	100	74	27	20	7	5	1	1		0	135
Small start-up	13	54	5	45	2	29	0	0	0	0	20
Small growth	9	38	4	36		57	1	100	2	10	20
Small maturity	2	8	2	18	1	14	0	0	0	0	5
Small total	24	53	11	24	7	16	1	2	2	4	45

Source: This study survey data

Table 4.4 shows that out of 135(75%) of micro level enterprises 100(74%) and from 45(25%) small level enterprises, 24(53%) were nothing employ at the beginning of their operation they were self-employees enterprises. From 135(75%) of micro level and 45(25%) small level enterprises, 27(20%) and 11(24%) were employ 1-5 employment at the beginning of their operation.

4.2 Potential Challenges of Micro and Small Enterprises growth

Table 4.2.1 Entrepreneurial factors that affects the growth of MSEs

7. Entrepreneurial factors	Degree of Agreement										mean
	Strongly agree		agree		Undecided		Disagree		Strongly disagree		
	F	%	F	%	F	%	F	%	F	%	
<i>Entrepreneurs have Lack of motivation, tolerance, and drive to work hard.</i>	44	24.4	28	15.6	9	5	66	36.7	33	18.3	2.91
<i>Entrepreneurs lack persistence and courage to take responsibility of one's failure</i>	47	26.1	45	25	9	5	59	32.8	20	11.1	3.22
<i>Entrepreneurs absence of initiative to assess one's strengths and weakness</i>	34	18.9	46	25.6	9	5	67	37.2	24	13.3	2.99
<i>Entrepreneurs lack business exposure prior to the establishment of the enterprise</i>	67	37.2	54	30	10	5.6	36	20	13	7.2	3.7
<i>Law human resource capacity have major challenge in my business</i>	77	42.8	45	25	15	8.3	26	14.4	17	9.4	3.77

Source: This study survey data

Table 4.2.1 indicates the entrepreneurial factors which were the key parameters from the growth of MSEs filed survey. The analysis result were revealed that the majority of respondent rated in the table 4.5 above shown that out of 180 enterprises they agree and strongly agree 122/68.8%(*law human resource capacity*), 121/67.2%(*lack business exposure prior to the establishment of the enterprise*),92/51.1%(*lack persistence and courage to take responsibility of one's failure*), 80/44.5%(*absence of initiative to assess one's strengths and weakness*) and 72/40%(*Lack of motivation, tolerance, and drive to work hard*) were response shown in the above table.

Table 4.2.2 Management factors that affects the growth of MSEs

Management factors	Degree of Agreement										mean
	Strongly agree		agree		Undecided		Disagree		Strongly disagree		
	F	%	F	%	F	%	F	%	F	%	
Enterprise have weak organizational structure	52	28.9	49	27.2	13	7.2	45	25	21	11.7	3.36
The enterprise lack division of labor, job specialization and team spirit b/n/among workers	37	20.6	45	25	8	4.4	54	30	36	20	2.96
The enterprise lack organization and strategic business plan	51	28.3	55	30.6	6	3.3	44	24.4	24	13.3	3.36
Your firm Lack of well trained & skilled labor	37	20.6	33	18.3	9	5	70	38.9	31	17.2	2.8

Source: This study survey data

Table 4.2.2 indicates the management **factors** which were the key parameters from the growth of MSEs filed survey. The analysis result were revealed that the majority of respondent of rated in the table 4.2.2 above shown that they agree and strongly agree 106/58.9 % (The enterprise lack organization and strategic business plan), 101/56.1 % (Enterprise have weak organizational structure), 82/45.6% (The enterprise lack division of labor, job specialization and team spirit b/n/among workers) and 70/38.9 % (Your firm Lack of well trained & skilled labor) were response shown in the above table.

Table: 4.2.3: Financial factors that affects the growth of MSEs

Financial Factors:	Degree of Agreement										mean
	Strongly agree		agree		Undecided		Disagree		Strongly disagree		
	F	%	F	%	F	%	F	%	F	%	
The enterprise lack cash management skill	42	23.3	31	17.2	6	3.3	73	40.6	28	15.6	2.922
The enterprise lack enough working capital	122	67.8	34	18.9	5	2.8	10	5.6	9	5	4.3889
The enterprise exercise poor accounting & bookkeeping practices	52	28.9	36	20	15	8.3	57	31.7	20	11.1	3.2389
High collateral requirement discourage the enterprise obtaining lone from bank	119	66.1	33	18.3	12	6.7	11	6.1	5	2.8	4.3889
The enterprise faces challenges associated with high interest rate	118	65.6	29	16.1	15	8.3	11	6.1	7	3.9	4.333
The enterprise faces challenges associated with high bureaucracy from micro finance institutions	124	68.9	23	12.8	18	10	10	5.6	5	2.8	4.3944

Source: This study survey data

Table 4.7 indicates the financial factors which were the key parameters from the growth of MSEs filed survey. The analysis result were revealed that the majority of respondent rated in the table 4.2.3 above shown that they agree and strongly agree 156/86.7%(lack enough working capital), 152/84.4% (High collateral requirement discourage the enterprise obtaining lone from bank), 147/81.7%(challenges associated with high bureaucracy from micro finance institutions), 147/81.7% (The enterprise faces challenges associated with high interest rate) ,83/48.9 %(lack The enterprise exercise poor accounting & bookkeeping practices) and 73/40.5% (The enterprise lack cash management skill) were response shown in the above table.

Table: 4.2.4:Technology factors that affects the growth of MSEs

Technology Factors:	Degree of Agreement										Mean
	Strongly agree		agree		Undecided		Disagree		Strongly disagree		
	F	%	F	%	F	%	F	%	F	%	
There is lack of appropriate working machinery, equipment and other technology	60	33.3	36	20	8	4.4	67	37.2	9	5	3.3944
The enterprise lack skilled employees to handle technology	36	20	32	17.8	7	3.9	85	47.2	20	11.1	2.8833
The enterprise Unable to select proper technology	31	17.2	33	18.3	10	5.6	88	48.9	18	10	2.8389
Lack of money for new technology	64	35.6	36	20	3	1.7	65	36.1	12	6.7	3.4167

Source: This study survey data

Table 4.8 indicates the technology factors which were the key parameters from the growth of MSEs filed survey. The analysis result were revealed that the majority of respondent of rated in the table 4.2.4 above shown that they agree and strongly agree 100/55.6%(Lack of money for new technology), 96/53.3 (There is lack of appropriate working machinery, equipment and other technology), 68/37.8 %(The enterprise lack skilled employees to handle technology) and 64/35.5 %(The enterprise Unable to select proper technology) were response shown in the above table.

Table :4.2.5 Political & legal factors that affects the growth of MSEs

Political & Legal factors	Degree of Agreement										Mean
	Strongly agree		agree		Undecided		Disagree		Strongly disagree		
	F	%	F	%	F	%	F	%	F	%	
The tax rate to be paid for the government is high	79	43.9	26	14.4	15	8.3	52	28.9	8	4.4	3.6444
The enterprise faces political and administrative intervention highly	38	21.1	34	18.9	9	5	77	42.8	22	12.2	2.9389
Lack of accessible information on government regulations that are relevant to my business	66	36.7	33	18.3	13	7.2	54	30	14	7.8	3.4611
The enterprise lack government support from MSEs office	98	54.4	50	27.8	13	7.2	16	8.9	3	1.7	4.2444
Unfair competitions from informal sectors relevant to my business	105	58.3	32	17.8	11	6.1	24	13.3	8	4.4	4.1222

Source: This study survey data

Table 4.2.5 indicates the political & legal factors which were the key parameters from the growth of MSEs filed survey. The analysis result were revealed that the majority of respondent of rated in the table 4.2.4 above shown that they agree and strongly agree 148/82.2 %(The enterprise lack government support from MSEs office), 137/76.1 (Unfair competitions from informal sectors relevant to my business), 105/58.3 %(The tax rate to be paid for the government is high) , 99/55 %(Lack of accessible information on government regulations that are relevant to my business) and 72/40 %(The enterprise faces political and administrative intervention highly) were response shown in the above table.

Table :4.2.6 Marketing factors that affects the growth of MSEs

Marketing factor	Degree of Agreement										Mean
	Strongly agree		agree		Undecided		Disagree		Strongly disagree		
	F	%	F	%	F	%	F	%	F	%	
The enterprise lack adequate market for the product	110	61.1	34	18.9	7	3.9	23	12.8	6	3.3	4.2167
The enterprise lack promotion for the products	73	40.6	44	24.4	17	9.4	34	18.9	12	6.7	3.7333
The enterprise unable to forecast market demand	55	30.6	39	21.7	11	6.1	63	35	12	6.7	3.3222
The enterprise exercise weak customer relationship and handling practice	32	17.8	26	14.4	11	6.1	88	48.9	23	12.8	2.7556
The enterprise unable to compete with Cheap imported products	65	36.1	32	17.8	9	5	64	35.6	10	5.6	3.4333
The enterprise unable to get adequate and reliable market information	55	30.6	40	22.2	12	6.7	60	33.3	13	7.2	3.3556

Source: This study survey data

Table 4.2.5 indicates the marketing factors which were the key parameters from the growth of MSEs filed survey. The analysis result were revealed that the majority of respondent of rated in the table 4.2.6 above shown that they agree and strongly agree 144/80 % (The enterprise lack adequate market for the product), 117/65 (The enterprise lack promotion for the products), 97/53.9 % (The enterprise unable to compete with Cheap imported products), 95/52.8 The enterprise unable to get adequate and reliable market information) and 94/52.3 % (The enterprise unable to forecast market demand) were response shown in the above table.

Table: 4.2.7: Infrastructures factors that affects the growth of MSEs

Basic Infrastructures factor	Degree of Agreement										mean
	Strongly agree		agree		Undecided		Disagree		Strongly disagree		
	F	%	F	%	F	%	F	%	F	%	
The working premises of enterprise have absences of power and power interruption	55	30.6	24	13.3	9	5	82	45.6	10	5.6	3.17
The working premises of enterprise have insufficient and interrupted water supply	55	30	24	13.3	9	5	83	46.1	9	5	3.18
The working premises of enterprise have lack of sufficient and quick transportation service	49	27.2	24	13.3	2	1.1	82	45.6	23	12.8	2.96

Source: This study survey data

Table 4.2.7 indicates the infrastructures factors which were the key parameters from the growth of MSEs filed survey. The analysis result were revealed that the majority of respondent of rated in the table 4.2.6 above shown that they agree and strongly agree 79/43.9 % (The working premises of enterprise have absences of power and power interruption), 79/43.9 (The working premises of enterprise have insufficient and interrupted water supply) and 73/40.5 % (The working premises of enterprise have lack of sufficient and quick transportation service) were response shown in the above table.

Table :4.2.8: Working place factors that affects the growth of MSEs

Working place factors	Degree of Agreement										mean
	Strongly agree		agree		Undecided		Disagree		Strongly disagree		
	F	%	F	%	F	%	F	%	F	%	
The rent of working premises is too high	32	17.8	12	6.7	8	4.4	89	49.4	39	21.7	2.49
The enterprise unable to own working premises provide by the government	28	15.6	12	6.7	9	5	92	51.1	39	21.7	2.43
Current working place is small and not convenient for working	68	37.8	22	12.2	9	5	61	33.9	20	11.1	3.3
The environment where the “shade” located are not suitable for business in terms of market	76	42.2	16	8.9	7	3.9	65	36.1	16	8.9	3.39

Source: This study survey data

Table 4.2.8 indicates the working place factors which were the key parameters from the growth of MSEs filed survey. The analysis result were revealed that the majority of respondent of rated in the table 4.2.8 above shown that they agree and strongly agree 92/51.1%(The environment where the “shade” located are not suitable for business in terms of market), 90/50 (Current working place is small and not convenient for working), 44/24.2 %(The rent of working premises is too high) and 40/22.3 the enterprise unable to get adequate and reliable market information) were response shown in the above table.

Table: 4.2.9 Ranking Factors that affects the growth of MSEs

Factors	Degree of Agreement										Mean	Rank
	Strongly agree		agree		Undecided		Disagree		Strongly disagree			
	F	%	F	%	F	%	F	%	F	%		
Entrepreneurial factors	47	26.1	48	26.7	7	3.9	64	35.6	14	7.8	3.278	6
Management factors	44	24.4	63	35	3	1.7	49	27.2	21	11.7	3.333	4
Financial Factors	119	66.1	35	19.4	5	2.8	14	7.8	7	3.9	4.361	1
Technology factors	40	22.2	56	31.1	3	1.7	69	33.3	12	6.7	3.239	5
Political & Legal factors	68	37.8	49	27.2	7	3.9	49	27.2	7	3.9	3.678	2
Marketing factor	63	35	44	24.4	7	3.9	56	31.1	10	5.6	3.522	3
Basic Infrastructures factor	42	23.3	36	20	8	4.4	80	44.4	14	7.8	3.067	8
Working place factors	43	23.9	40	22.2	3	1.7	77	42.8	17	9.4	3.083	7

Source: This study survey data

It can be showed that in the above table 4.2.9 out of 180 respondents financial and political & Legal factors the biggest potential to the growth of MSEs, followed by marketing, management, technology, entrepreneurial, working place and infrastructures factor.

CHAPTER 5

DESCUTION

Micro and small enterprises (MSEs) known in bringing economic transition by effectively using the skill and the talent of citizens without using much capital and sophisticated technology. From an economic perspective, micro and small-enterprise represent a growing source of production and employment, especially for the lowest income groups, because these firms are labor intensive than large industry, and require fewer technical skill (Robert and Maria, 1985). Therefore MSEs are considered to be critical in starting broad-based growth and enhance employment creation, especially in developing countries that aspire to have sustainable economic growth.

In kolfekeranyo sub-city there are 740 Micro and small enterprises (MSEs) which have one year and above year of operation. From those enterprises 180 samples was computed for the study.

The result of the study showed that 84(46.7%) of the respondent their main sector have manufacturing, 29(16.1%) construction, 36(20) trade, 25(13.9%) service and 6(3.3%) urban agriculture. The study shows that 31/17.2%/ of the respondent one year of operation, 42/23.3%/ two year, 53/29.4%/ three year, 27/15%/ four year, 8/4.4% have five year and 19/10.6%/ more than five year of operation. According to the descriptive result of the analysis the mean year of operation of respondent has 2.97.

The study shows that, 79/43.3%/ of the respondent have their form of ownership has Sole proprietorship, 13/7.2%/ Privet limited company and 88/48.9%/ Share Company .The result indicates that the biggest form of ownership has Share Company, the second sole proprietorship and the least has Privet limited company.

The result of the study on table 4.1had shown that 84/46.7%/ of the respondent their level of growth micro start-up, 35/19.4%/ micro growth and 16/8.9%/ micro maturity totally 135/75%/ of the respondent micro level of growth. The result shows that 20/11.1%/ of the respondent has small start-up level of growth, 20/11.1%/ small growth and 5/2.8%/ small maturity totally 45/25%/ of the respondent small level of growth. This result indicates that majority of the respondent have their level of growth have micro. The mean year of operation of the respondent

2.97 but majority of enterprises have micro level of growth this indicates that, most of enterprises are survival or non-growing.

The result of the study on table 4.1 had shown that, 124/68.9% of the respondent they have nothing workers initially/start-up/. Current time 75/41.7% of the respondent they have nothing workers. The mean workers at start-up/initially/ and current time for micro and small scale enterprises are 1 and 2. This shows that the mean of employment currently exceeds that of employment at start-up /initially/ only one. This indicates that most of enterprises they are self employment, it shows that they are not growing they are survival.

The result of the study on table 4.2 had shown that, out of 180 sample enterprises 135(75%) micro and 45(25%) small level enterprises. The result indicates that out of 84 sample manufacturing enterprises 61/72.61% has micro and 23/27.3% small level of growth. The result indicates that majority of manufacturing enterprises have micro level of growth, Out of 25 sample service sector enterprises 23/92% of service enterprises have micro and 2/8% small level of growth, this indicates that majority of service enterprises have micro level of growth, out of 29 sample construction enterprises 14/48.27% micro and 15/51.7% small level of growth. This indicates that above 50 % of enterprises small level of growth, out of 36 sample trade enterprises 35/97.2% micro and 1/2.8% small level of growth. This indicates that majority of trade enterprises have micro level of growth, out of 6 sample urban agriculture enterprises 2/33.3% micro and 4/66.66% small level of growth. This indicates that majority of urban agriculture enterprises have small level of growth.

Major factors that affecting the growth of MSEs

1. Financial factors that affects the growth of MSEs

The result of the analysis shown in table 4.2.3: indicates that high bureaucracy from micro finance institutions is the biggest financial factors that affecting the growth of MSEs, followed lack enough working capital, high collateral requirement to get loan, high interest rate and The enterprise exercise poor accounting & bookkeeping practices.

1. Political & legal factors that affects the growth of MSEs

The result of the analysis shown in table 4.2.5 that, out of 180 samples respondent 82.2 % the enterprise lack government support .It indicates that lack government support had problem to the growth of enterprises. The result of analysis indicates that, 76.1% of the respondents agreed

there had unfair competitions from informal sectors; therefore it may be conclude that computing with informal sectors has the main factor that affecting the growth of enterprise. This is followed by 58.3% of respondent agree with regard to unreasonable tax. Furthermore, lack of accessible information on government regulations is another problem to the growth of enterprises.

2. Management factors that affects the growth of MSEs

The result of the study on the table 4.2.2 indicates that, 58.9% of the respondents agree with lack of organization and strategic plan is the problem for the growth of enterprises. This shows that MSEs have with developing and implementing organization and strategic business plan activities successfully. According to survey result, 56.1% of the respondent agreed with lack of enterprises weak organizational structure is the problem for the growth of enterprise. From this, lack of organization and strategic plan and weak organizational structure are identifies as major management factors that affecting the growth of MSEs.

3. Technology factors that affects the growth of MSEs

The finding of the survey indicated on table: 4.2.4 shown that, 55.6% of respondent agree on lack of, money for new technology is obstacle for their growth. Thus, lack of money for new technology is identifies as major technological factors that affecting the growth of enterprises. Further, 55.6% of respondent agree lack of appropriate working machinery, equipment and other technology is challenge for their growth. Shortage of capital has been adversely affected to utilize machinery, equipment and other technology, it indicates major challenge for the growth of MSEs.

4. Marketing factors that affects the growth of MSEs

The finding of the survey indicated on table: 4.2.4 shown that, 80% of the respondent lack adequate market for the product, 65% lack promotion for the products, 53.9 % unable to compete with Cheap imported products, 52.8% The enterprise unable to get adequate and reliable market information they agreed that major marketing factors that affecting the growth of MSEs. Since, there is failure to undertake promotion of product it is difficult to handle the market these resulted less development of the sector.

5. Infrastructures factors that affects the growth of MSEs

The finding of the table 4.2.7 indicates that 43.9% of respondent agreed that an absence of power and power interruption and insufficient and interrupted water supply affects the growth of their enterprises. Further, 40.5 % respondent indicates that working premises of enterprise have lack of sufficient and quick transportation service are affected the growth of their enterprise. Therefore, interruption and insufficient power and water supply and lack of sufficient and quick transportation are major factors that affecting the growth of enterprises.

6. Working place factors that affects the growth of MSEs

The finding of study indicated on table 4.2.8 shows that environment where the “shade” located is not suitable for business in terms of market and current working place is small and not convenient for working are identified as major factor for working place.

7. Entrepreneurial factors that affects the growth of MSEs

According to the finding of study shown on table 4.2.1 indicates that low human resource capacity, lack business exposure prior to the establishment of the enterprise and lack persistence and courage to take responsibility of one's failure are identified the major entrepreneurial factors that affecting the growth on MSEs . Majority of entrepreneurs running MSEs have insufficiency business and entrepreneurs skill, therefore they need to take training on business and entrepreneurs skill. Further, majority of entrepreneurs running MSEs and their leaders have irrelevant experiences what they are doing and leading respectively, so such kinds of skill and experience gap can affects the growth of enterprises.

9. Ranking factors that affects the growth of MSEs

The result showed that table 4.2.9 financial and political & legal factors the biggest potential to the growth of MSEs, followed by marketing ,management, technology, entrepreneurial, working place and infrastructures factor. Those, the result showed that financial and political & Legal factors the biggest potential that affects the growth of MSEs in the study area.

CHAPTER 6

CONCLUSION AND RECOMMENDATION

6.1. CONCLUSION

The research was conducted in KolfeKeraniyoSub-City of Addis Ababa to critically assessing factors that affecting the growth of MSEs in manufacturing, construction, service trade and urban agriculture sectors. Based on the objectives and findings of the study, the following conclusions are drawn.

- This result indicates that majority of the respondent have their level of growth have micro. The mean year of operation of the respondent around three years but majority of enterprises have staying at micro level of growth this indicates that, most of enterprises are survival or non- growing.
- The mean workers at start-up/initially/ and current time for micro and small scale enterprises are 1 and 2. This shows that the mean of employment currently exceeds that of employment at start-up /initially/ only one. This indicates that most of enterprises they are self-employment, it shows that they are not growing they are survival.
- Lack of organization and strategic plan and weak organizational structure are identifies as major management factors that affecting the growth of MSEs.
- Law human resource capacity, lack business exposure prior to the establishment of the enterprise and lack persistence and courage to take responsibility of one's failure are identified the major entrepreneurial factors that affecting the growth on MSEs.
- Lack enough working capital,high bureaucracy from micro finance institutions,high collateral to get loan, high interest rate andexercise poor accounting & bookkeeping practices areidentified majorfinancialfactors that affecting the growth of MSEs.
- Lack of appropriate working machinery, equipment and other technology and lack of money for new technology are identified major technology factors that affect the growth of MSEs.
- Lack of government support, unfair competitions from informal sectors, unreasonable tax rate and lack of accessible information on government regulations are identified as political & legal factors that affects the growth of MSEs.

- Lack adequate market, lack promotion for the products, unable to compete with Cheap imported products and unable to get adequate and reliable market information are identified major marketing factors that affects the growth of MSEs.
- Absences of power and power interruption and insufficient and interrupted water supply are identified as major infrastructures factors that affects the growth of MSEs
- The environment where the “shade” located are not suitable for business in terms of market and Current working place is small and not convenient for working are identified as major working place factors that affects the growth of MSEs
- Generally, financial and political & legal factors the biggest potential to the growth of MSEs, followed by marketing, management, technology, entrepreneurial, working place and infrastructures factor.

6.2. RECOMMENDATION

Such recommendation demand on analysis of different factors that affecting the growth of MSEs. Based on the finding and conclusion of the study the following recommendations are forwarded.

- The micro finance institution should review & simplify loan application procedure the level of collateral and interest rates that can be easily accessed and affordably utilized by MSEs.
- The Addis Ababa city government bodies should provide affordable alternative sources of finance for MSEs
- There should be systematic and well organized training center within sub-city that provided a continuous entrepreneurs and business skill training for MSEs owners
- MSEs Biro expected to work in collaboration with other MSE supporting institutions. Because entrepreneurs should seek for modern machinery and equipments differentiate themselves from competitors.
- Federal government should pay attention to improve infrastructures such as, road, electricity, water and information dissemination. Hard work is expected from government and MSE leaders to change MSE sectors and their product at all.

- To make MSEs competitive and profitable, increasing the capacity and skill of operator through continues trainings experience sharing from successful enterprises, and provision of advice and consultancy are crucial.

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Appendices

St. Mary's University School of Graduate Studies

MBA in General Management Program

Dear respondent, Thank you for taking the time to speak with me. My name is Hiwot Tsegaye and I am a graduate student in St.Mary's University. Currently, I am undertaking a research entitled "Factors Affecting Micro and Small Enterprises Growth: The case of Kolfe Keraniyo Sub- City Micro and Small enterprises, Addis Ababa, Ethiopia". You are one of the respondents selected to participate in this study. Your cooperation in giving genuine and frank answers in the questionnaire is highly crucial to obtain relevant and reliable information for the success of this study. The research results could be used as an input for those who provide support of MSEs growth, to owners and managers of MSEs, policy makers, academicians and other interested parties in enhancing the growth of MSEs in Ethiopia. Your participation is voluntary. Finally, I confirm you that the information that you share with me will be kept confidential and only used for the academic purpose. No individual responses will be identified as such and the identity of persons responding will not be published or released to anyone. Please answer the questions as thoroughly, objectively and honestly as possible according to the instructions contained in the body of the questionnaire. Thank you in advance for your kind cooperation and dedicating your time.

Instructions

No need of writing your name

Section I -General information of business enterprises

1. What is the main sector that your business categorized?

- Manufacturing Service Urban agriculture
 Constructions Trade

2. For how long have your business been in operation?

- For one year for two year for three year Four year Five year
 More than five year

3. What is the form of ownership?

4. What is your enterprise level of growth?

Micro start-up Micro growth Micro maturity Small start-up

Small growth Small maturity

5. How many employees did your enterprise employ initially?

Nothing 1-5 6-10 10-15 15-20

20 -30 Greater than 30

6. How many employees does your enterprise have currently?

No, any 1-5 6-10 10-15 15-20

20 -30 30-100 Greater than 30

SECTION II: Potential Challenges of Micro and Small Enterprises growth

The major challenges that affect the growth of MSEs are listed below. Please indicate the degree to which these challenges are affecting the growth of the micro and small enterprise. After you read each of the challenges, evaluate them in relation to your business and then put a tick mark (√) under the choices below.

Where, **5** = strongly agree, **4** = agree, **3** = undecided, **2** = disagree and **1**= strongly disagree

7. Please indicate the degree to which you agree or disagree with the following statements concerning entrepreneurial factors

S.NO	7. Entrepreneurial factors	5	4	3	2	1
7.1	<i>Entrepreneurs have Lack of motivation, tolerance, and drive to work hard.</i>					
7.2	<i>Entrepreneurs lack persistence and courage to take responsibility of one's failure</i>					
7.3	<i>Entrepreneurs absence of initiative to assess one's strengths and weakness</i>					
7.4	<i>The low levels of educational background of entrepreneurs' have challenge on my business.</i>					
7.5	<i>Entrepreneurs' gender affects performance</i>					
7.6	<i>Entrepreneurs' age affects performance</i>					
7.7	<i>Entrepreneurs lack business exposure prior to the establishment of the enterprise</i>					
7.8	<i>Law human resource capacity have major challenge in my business</i>					

8. Please indicate the degree to which you agree or disagree with the following statements concerning Management factors

S.NO	8. Management factors	5	4	3	2	1
8.1	Enterprise have weak organizational structure					
8.2	The enterprise lack division of labor, job specialization and team spirit b/n/among workers					
8.3	The enterprise lack organization and strategic business plane					
8.4	Entrepreneurs communicate ineffectively to exploit business opportunities					
8.5	Your firm Lack of well trained & skilled labor					

9. Please indicate the degree to which you agree or disagree with the following statements concerning Financial Factors:

S.NO	9. Financial Factors:	5	4	3	2	1
9.1	The enterprise lack cash management skill					
9.2	The enterprise lack enough working capital					
9.3	The enterprise exercise poor accounting & bookkeeping practices					
9.4	The enterprise expenses High cost of production (labor, raw material, administrative cost)					
9.5	High collateral requirement discourage the enterprise obtaining lone from bank					
9.6	The enterprise faces challenges associated with high interest rate					
9.7	The enterprise faces challenges associated with high bureaucracy from micro finance institutions					

10. Please indicate the degree to which you agree or disagree with the following statements concerning Technology factors

S.N O	10. Technology factors	5	4	3	2	1
10.1	There is lack of appropriate working machinery, equipment and other technology					
10.2	The enterprise lack skilled employees to handle technology					

10.3	The enterprise Unable to select proper technology					
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11. Please indicate the degree to which you agree or disagree with the following statements concerning Political Legal factors

S.N O	11. Political & Legal factors	5	4	3	2	1
11.1	The tax rate to be paid for the government is high					
11.2	The enterprise faces political and administrative intervention highly					
11.3	Lack of accessible information on government regulations that are relevant to my business					
11.4	The enterprise lack government support from MSEs office					
11.5	Unfair competitions from informal sectors relevant to my business					

12. Please indicate the degree to which you agree or disagree with the following statements concerning Marketing factors

S.NO	12. Marketing factor	5	4	3	2	1
12.1	The enterprise lack adequate market for the product					
12.2	The enterprise lack promotion for the products					
12.3	The enterprise unable to forecast market demand					
12.4	The enterprise exercise weak customer relationship and handling practice					
12.5	The enterprise unable to compete with Cheap imported products					
12.6	The enterprise unable to get adequate and reliable market information					
12.7	The enterprise faces shortage of raw material					

13. Please indicate the degree to which you agree or disagree with the following statements concerning Basic Infrastructures factor

S.NO	13. Basic Infrastructures factor	5	4	3	2	1
13.1	The working premises of enterprise have absences of power and power interruption					
13.2	The working premises of enterprise have insufficient and interrupted water supply					
13.3	The working premises of enterprise have lack of sufficient and quick transportation service					

14. Please indicate the degree to which you agree or disagree with the following statements concerning Working place factors

S.NO	14. Working place factors	5	4	3	2	1
14.1	The rent of working premises is too high					
14.2	The enterprise unable to own working premises provide by the government					
14.3	Current working place is small and not convenient for working					
14.4	The environment where the “shade” located are suitable for business in terms of market					

15 Please indicate the degree to which you agree or disagree with the following that have direct influence on the growth of business

S.NO	15 . General factors	5	4	3	2	1
15.1	Entrepreneurial factors					
15.2	Management factors					
15.3	Financial Factors					
15.4	Technology factors					
15.5	Political & Legal factors					
15.6	Marketing factor					
15.7	Basic Infrastructures factor					
15.8	Working place factors					

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ክፍል አንድ፡ መግቢያ

ውድ የጥናቱ ተሳታፊ፡፡

እኔ በቅድስተ ማርያም ዮንቨርስቲ የቢዝነስ አስተዳደር ድህረ ምረቃ ተማሪ ስሆን፤ በአሁኑ ሰዓት የመመረቂያ ጽሁፍ በማዘጋጀት ላይ እገኛለሁ የጥናቱ ርዕስ “ በኮልጌ ቀራንዮ ክፍለ ከተማ የሚገኙ የጥቃቅንና አነስተኛ የንግድ ተቋማት እድገት ላይ ተፅእኖ የሚያሳድሩ ተግዳሮቶችን ይመለከታል” እርስዎም በዚህ ጥናት እንዲሳተፉ ተመርጠዋል፡፡ እርስዎ የሚሰጡት ትክክለኛ መረጃ ለጥናቱ ውጤታማነት በጣም አስፈላጊ መሆኑን በመገንዘብ መጠይቁን በጥንቃቄ እንዲሞሉ እጠይቃለሁ፡፡ ተሳትፎው በእርሶ በጎ ፈቃደኛነት የተመሰረተ ነው፡፡ በመጨረሻም የሚሰጡት መረጃ ሚስጥራዊነቱ የተጠበቀና ለዚህ ጥናት ዓላማ ብቻ እንደሚውል አረጋግጣለሁ፡፡ የማንኛውም መልስ ሰጪ ማንነት በማንኛውም መልኩ የማይታተምና የማይሰራጭ ይሆናል፡፡ ሁሉም መረጃዎች ለትምህርት አላማ ብቻ ይውላሉ፡፡ ጊዜዎን ሰውተው ስለሚያደርጉልኝ ትብብር በቅድሚያ አመሰግናለሁ፡፡

ሕይወት ፀጋዬ

ማሳሰቢያ - በመጠይቁ ላይ ስም መፃፍ አያስፈልግም፡፡

- መልስዎን በሳጥኑ ውስጥ የእርማት ምልክት (✓) ያስቀምጡ፡፡

ክፍል ሁለት፡ ስለቢዝነስ ተቋሙ አጠቃላይ መረጃ

1. የተሰማሩበት የስራ ዘርፍ ምንድነው

- ማኑፋክቸሪንግ አገልግሎት ከተማ ግብርና
 ኮንስትራክሽን ንግድ

2. ኢንተርፕራይዞ ስራ ከጀመረ ምን ያህል ጊዜ ሆነው?

- አንድ አመት ሁለት አመት ሶስት አመት አራት አመት አምስት አመት
 ከአምስት አመት በላይ ሆኖታል

3. የንግድ ተቋሙ የአደረጃጀት አይነት ምንድን ነው?

- የግል ኢንተርፕራይዞ ሀላፊነቱ የተወሰነ የግል ማህበር(plc) ሌላ ከሆነ ይግለፁ--

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- አክሲዮን የህብረት ሽርክና ማህበር
 የህብረት ስራ ማህበር

4. የኢንተርፕራይዞ የደረጃ እድገት የትኛው ነው?

- ጥቃቅን ጀማሪ ጥቃቅን ታዳጊ ጥቃቅን መብቃት አነስተኛ ጀማሪ

- አነስተኛ ታዳጊ አነስተኛ መብቃት

5. ኢንተርፕራይዞ ሲመሰረት ምን ያህል ቋሚ ተቀጣሪ ሰራተኛ ነበረው?

- ምንም ቋሚ ተቀጣሪ ሰራተኛ አልነበረውም 1-5 6-10 10-15 15-20
- 20-30 ከ30 በላይ

6. ኢንተርፕራይዞ አሁን ስንት ቋሚ ሰራተኞች አሉት?

- ምንም ቋሚ ተቀጣሪ ሰራተኛ አልነበረውም 1-5 6-10 10-15 15-20
- 20-30 ከ30 በላይ

ክፍል ሶስት : በጥቃቅንና አነስተኛ ተቋማት የስራ እንቅስቃሴ ላይ ተፅእኖ የሚያሳድሩ ጉዳዮች

ከዚህ በታች ለጥቃቅንና አነስተኛ ተቋማት የእድገት ማነቆ ሊሆኑ የሚችሉ ነገሮች

ተዘርዘረዋል። ከተዘረዘሩት ችግሮች የእርስዎን የስራ ዘርፍ ይበልጥ ተፅእኖ የሚያሳድሩትን በደረጃ ያመለክቱ። ለእያንዳንዱ ጥያቄ ከአማራጮቹ አንድ ጊዜ ብቻ የ(✓) ምልክት በማድረግ ምላሽ ይስጡ።

5 = በጣም እስማማለሁ 3 = ለመወሰን እቸገራለሁ 1 = በጣም አልስማማም

4 = እስማማለሁ 2 = አልስማማም

7. ከዚህ በታች የተዘረዘሩት የስራ ፈጠራ ክህሎት ችግሮች የሚያደርሱትን ተፅእኖ በደረጃ ያመለክቱ

	7. የስራ ፈጠራ ክህሎትና ተዛማጅ ችግሮች	5	4	3	2	1
7.1	አንቀሳቃሹ የስራ ተነሻሽነቱና ፈጣሪነቱ አነስተኛ መሆኑና ጠንክሮ ስራ አለመስራቱ					
7.2	አንቀሳቃሹ ለሚፈጠሩ ጊዜያዊ ውድቀቶች ፀንቶ ሀላፊነትን አለመውሰድ።					
7.3	አንቀሳቃሹ የራስን ጠንካራና ደካማ ጎን አለመፈተሽ።					
7.4	አንቀሳቃሹ በቂ የሆነ የስራ ፈጠራ ስልጠና አለማግኘት።					
7.5	አንቀሳቃሹ በተመሳሳይ ዘርፍ በስራ ፈጣሪነታቸው ውጤታማ ከሆኑ ተቋማት ልምድ አለመቅሰሙ።					

8. ከዚህ በታች የተዘረዘሩት ከስራ አመራር ክህሎት ጋር የተያያዙ ችግሮች የሚያደርሱትን ተፅእኖ በደረጃ ያመለክቱ

ተ.ቁ	8. የስራ አመራር ክህሎት ጋር የተያያዙ ችግሮች	5	4	3	2	1
8.1	ደካማ ተቋማዊ አደረጃጀት እና ውጤታማ ያልሆነ የግንኙነት አሰራር መኖሩ					
8.2	በሰራተኞች መካከል ግልፅ የሆነ የስራና ሀላፊነት ክፍፍል አለመኖር።					
8.3	በተቋሙ ውስጥ የረዥም ጊዜ የቢዝነስ እቅድ አለመኖር።					
8.5	የሰለጠኑ እና ልምድ ያላቸው ሰራተኞች ያለመኖር					

9. ከዚህ በታች የተዘረዘሩት ከገንዘብ ጋር የተያያዙ ችግሮች የሚያደርሱትን ተፅእኖ በደረጃ ያመለክቱ

ተ.ቁ	9. ከገንዘብ ጋር የተያያዙ ችግሮች	5	4	3	2	1
9.1	በተቋሙ ውስጥ የብር አያያዝ ክህሎት ችግር መኖሩ።					
9.2	በተቋሙ ውስጥ የስራ ማንቀሳቀሻ ብር እጥረት መኖሩ።					
9.3	በተቋሙ ውስጥ ደካማ የሂሳብ አያያዝ።					
9.4	ባንኮችና ሌሎች አበዳሪ ተቋማት ለማበደር የሚጠይቁት ከፍተኛ የማስያዣ መጠን ።					
9.5	ባንኮችና ሌሎች አበዳሪ ተቋማት የሚጥሉት ከፍተኛ የብድር ወለድ መጠን ።					
9.6	ባንኮችና ሌሎች አበዳሪ ተቋማት ለማበደር የሚከተሉት ውስብስብና አሰልጣኝ ሂደት ።					

10. ከዚህ በታች የተዘረዘሩት ቴክኖሎጂና ተዛማጅ ችግሮች የሚያደርሱትን ተፅእኖ በደረጃ ያመለክቱ

ተ.ቁ	10. ቴክኖሎጂና ተዛማጅ ችግሮች	5	4	3	2	1
10.1	ለስራዬ ተገቢ የሆነ ቴክኖሎጂ ግብዓት አለመኖር።					
10.2	በቂ የሆነ የቴክኒክ ክህሎት አለመኖር።					
10.3	ለስራዬ ተገቢ የሆነ የቴክኖሎጂ ውጤት መምረጥ አለመቻል።					

10.4	በገንዘብ እጥረት ምክንያት አዳዲስ የቴክኖሎጂ ውጤቶችን ለማግኘት አለመቻል።					
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11. ከዚህ በታች የተዘረዘሩት ህጋዊ እና ፓለቲካዊ ጉዳዮች የሚያደርሱትን ተፅእኖ በደረጃ ያመለክቱ

ተ.ቁ	11. ህጋዊና ፓለቲካዊ ጉዳዮች	5	4	3	2	1
11.1	ተመጣጣኝና ምክኒያታዊ ያልሆነ የስራ ግብር መኖር።					
11.2	ተገቢ ያልሆነ ፓለቲካዊና አስተዳዳሪዊ ጣልቃ ገብነት መኖር።					
11.3	ከስራዬ ጋር ተዛማጅ የሆኑ ህጎች፣ ደንቦችና አዋጆች ተደራሽ አለመሆን።					
11.4	በቂ ያልሆነ የመንግስት ማበረታቻ መኖሩ					
11.5	ከህገወጥ ነጋዴዎች ጋር ያለ ፍትህዊ ያልሆነ ውድድር					

12. ከዚህ በታች የተዘረዘሩት ግብይትና ተዛማጅ ችግሮች የሚያደርሱትን ተፅእኖ በደረጃ ያመለክቱ

ተ.ቁ	12. ግብይትና ተዛማጅ ችግሮች	5	4	3	2	1
12.1	ለምርትና አገልግሎት በቂ የሆነ የገበያ እድል አለመኖር።					
12.2	ተቋሙ የሚመረቱ ምርቶችን በአግባቡ አለማስተዋወቅ።					
12.3	የወደፊት የገበያ ፍላጎትን መተንበይ አለመቻል።					
12.4	ደካማ የሆነ የደንበኛ አያያዝ በተቋሙ ውስጥ መኖር።					
12.5	ርካሽ ከሆኑ ከውጪ ከሚገቡ ምርቶች ጋር መወዳደር ያለመቻሉ					
12.6	በቂ የሆነ የግብይት መረጃ ተቋሙ ያለማግኘቱ ።					

13. ከዚህ በታች የተዘረዘሩት ከመሰረተ ልማት ጋር የተያያዙ ችግሮች የሚያደርሱትን ተፅእኖ በደረጃ ያመለክቱ

ተ.ቁ	13. ከመሰረተ ልማት ጋር የተያያዙ ችግሮች	5	4	3	2	1
13.1	የተሰጠን መስሪያ ቦታ የኤሌክትሪክ ሀይል ያለመኖር እና መቆራረጥ					
13.2	የመስሪያ ቦታው ውሀ ያለመኖር እና መቆራረጥ					
13.3	የመስሪያ ቦታ ያለበት አካባቢ በቂ እና ፈጣን የሆነ የትራንስፖርት አገልግሎት አለመኖር፡፡					

14. ከዚህ በታች የተዘረዘሩት የስራ ቦታና ተዛማጅ ችግሮች የሚያደርሱትን ተፅእኖ በደረጃ ያመለክቱ

ተ.ቁ	13. የስራ ቦታና ተዛማጅ ችግሮች	5	4	3	2	1
13.1	የመስሪያ ቦታ ከፍተኛ የሆነ የቤት ኪራይ መኖር፡፡					
13.2	ስራዬን የማካሂድበት ከመንግስት የመስሪያ ቦታ ያለማግኘቴ					
13.3	አሁን ያለሁበት የመስሪያ ቦታ ለስራው በቂ ያለመሆን					
13.4	ሼዱ የተገነባበት ቦታ ለገበያ አመቺ ያለመሆኑ					

15. እባክዎትን ከዚህ በታች ከተዘረዘሩት አጠቃላይ ተግዳሮቶች በቀጥታ የእርስዎን የስራ ዘርፍ አፈፃፀም ላይ ይበልጥ ተፅእኖ የሚያሳድረውን በመጠን ያመለክቱ፡፡

ተ.ቁ	15. እባክዎትን ከዚህ በታች ከተዘረዘሩት አጠቃላይ ተግዳሮቶች በቀጥታ የእርስዎን የስራ ዘርፍ አፈፃፀም ላይ ይበልጥ ተፅእኖ የሚያሳድረውን በመጠን ያመለክቱ፡፡	5	4	3	2	1
15.1	የስራ ፈጠራ ክህሎትና ተዛማጅ ችግሮች					
15.2	የስራ አመራር ክህሎት ጋር የተያያዙ ችግሮች					
15.3	ከገንዘብ ጋር የተያያዙ ችግሮች					
15.4	ቴክኖሎጂና ተዛማጅ ችግሮች					
15.5	ሀገራዊና ፓለቲካዊ ጉዳዮች					

15.6	ግብይትና ተዛማጅ ችግሮች					
15.7	ከመሰረተ ልማት ጋር የተያያዙ ችግሮች					
15.8	የስራ ቦታና ተዛማጅ ችግሮች					