



SAINT MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

INSTITUTE OF AGRICULTURAL AND DEVELOPMENT STUDIES

**FACTORS AFFECTING ENTREPRENEURIAL PARTICIPATION IN MICRO AND SMALL
ENTERPRISE IN KOLFE KERANYO SUB CITY**

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JUNE 2020

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DECLARATION

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

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Signature and Date

ENDORSEMENT

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

Paulos Asrat (PHD)  Paulos Asrat

St. Mary's University, Addis Ababa

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ACRONOMIY

BDS	Business Development Service
CSA	Ethiopian Central Statistics Authority
CSO	Civil Society Organization
FMSEDA	Federal Micro and Small Enterprises Development Agency
GTP	Growth and Transformation Plan
ICF	International Financial Corporation
ILO	International Labor Organization
MFI	Micro Finance Institutions
MOTI	Ministry of Trade and Industry
MSEDS	Micro and Small Enterprise Development Agency
OECD	Organization for Economic Cooperative and Development
ROI	Return on Investment
SEs	Small Enterprise
SMEs	Micro and Small Enterprises
SPSS	Statistical Package for Social Science

Abstract

This research aims to investigate factors affecting entrepreneurial participation of micro and small enterprises with a special emphasis on both service and industry sectors in kolfe keranyo sub city, Addis Ababa. The specific objectives of the study is to assess factors that affect the performance of small enterprises, assess factors affecting entrepreneurial participation of micro and small enterprises to assess the challenge and opportunity of micro and small enterprise. For the sake of achieving the objectives of this study, questionnaires were analyzed using the Statistical Package for Social Science version 20. The results of the data are presented in descriptive and in Ordinary Least Square mode estimation. The information gleaned through questionnaire from a sample of 354 operators of small enterprises. The respondents were selected using stratified sampling technique. The independent variables for the study are gender, education, age, access to market, ease of regulation inadequate finance, lack of working premises, marketing problems, inadequate infrastructures, poor management practices, and technological, entrepreneurial and politico-legal problems while, the dependent variable is performance of small enterprises. Li et. al. (2005) uses three indicators to measure business performance, namely; efficiency, growth and profit. The factors must be closely monitored to ensure that stringent measures are taken within the best time to either take advantage of the opportunities or combat the threats found in the external environment. The finding of the study indicates that the major challenges that affect performance of small enterprises are working premises, access to finance, access to network, technology and ease of regulation. Based on the findings, the key recommendations made are to government bodies they should provide affordable source of finance and strengthening of government institutions at different level. To operators of small enterprises they should form groups and make negotiating power for borrowing purpose and give their employees training. To the further research could target the micro, medium and larger firms that have dominated the markets.

Key Word: Micro and Small enterprise (MSEs), Performance, Entrepreneurship, Factor.

CHAPTER ONE: INTRODUCTION

BACKGROUND

In many countries, nowadays there is a varied recognition of the contribution of Micro and Small Enterprises (MSE) to economic growth; recently the role of MSE in economic growth, urban poverty reduction and employment creation have engaged most of the discussions among government, policy makers and academicians. Wolde and Geta (2015) in their research paper stated that in most fast developing countries MSE by virtue of their size, location, capital investment and their capacity to contribute for urban poverty reduction and generate greater employment have proved their powerful effect for rapid economic growth.

The Micro and Small Enterprises sector is identified as a tool in bringing about economic transition by efficiently using the skill and talent of the people without requesting high-level training, much capital and sophisticated technology,(Wolde & Geta, 2015). The sector is also described as the national home of entrepreneurship, they are the primary vehicles by which new entrepreneurs provide the economy with a continuous supply of ideas, skills, and innovations, (Katua, 2014).

The Ethiopian government has long recognized the important contribution that small and micro enterprises can make in poverty reduction, employment creation and private sector development. Micro and small enterprises offer both a safety regulator for the survival of workers that is available to find steady wage employment and opportunity for the poor entrepreneurs to raise their capital and income. These enterprises also offer a vehicle for acquiring and applying skills to raise productivity and private sector growth, providing better wage earning opportunities for the poor, while raising national income. Due to these reasons and based on the government strategy of capacity building in public and private sectors, donors as well as national governments have attempted to promote micro and small enterprises through support for financial and non-financial services appropriate for them (Solomon, 2007).

In a cross-section of both developed and developing economies, the contribution of the MSE sector to total employment, entrepreneurship, and innovation cannot be undervalued. As indicated in the concept note prepared for EU 104th session of the international conference by ILO, June 2015, in the OECD countries MSE represents more than 95 percent of all firms and account for around 46 per cent of total employment. In the EU, legally registered micro and small enterprises contribute to about 50 per cent of total employment. For example, this sector generates about 6.2 percent of the aggregate employment in the United States, 22.3 percent in China, about 80 percent in India, 67 percent in Japan and about 70 percent in EU countries (Carter and Jones-Evans 2004). To further comprehend the social and economic importance of micro and small enterprises, one UN study indicated that the sector represented 99 percent of all enterprises and provided around 65 million jobs in EU countries (UNCTD 2001).

From the standpoint of developing countries, MSE have a number of rewards that make them attractive in hastening economic development. Firstly, because MSE are fairly labor intensive, employment opportunities generated with a relatively low capital cost, a factor with limited supply in many developing nations. Then, they apply raw materials and labor-intensive technology that are locally available. Thirdly, policies and programs can put in place to encourage the development of these industries in different parts of the country thereby reducing concentration of enterprises in certain areas and promoting balanced economic growth. Finally, manageable production capacity and their flexibility make them suitable to respond to current national demand and the limited size of the market in many developing nations (Fasika and Daniel 1997).

Within the Ethiopian context, despite the potential contribution of the MSE to poverty reduction and employment creation is widely recognized, the Government until very recently had not extended adequate support to the development of the sector. Recent research work by (G. Gizbher & Ayenew, 2010) indicated that in Ethiopia there has not been an independent assessment of the contribution of the MSE development strategy to poverty reduction, job creation and business growth either at the federal or regional levels to date. Thus, these papers try to assess the different policy, financial and operational determinant factors affecting MSE growth in Addis Ababa assessing the key MSE's performance factors of some selected enterprises who are working.

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

In Ethiopia, along with the overall policies and strategies of economic development especially with the adoption of a free market economic policy since 1991, small enterprise and business development has been recognized as a key element to promote the development of the country. The promotion of micro and small enterprises development basically entails the facilitation of the start-ups, growth, and expansion of small scale enterprises. In almost all economies, small businesses are vital for sustained growth, Poverty reduction and sustainable development, in Ethiopia require a transformation and which will create jobs for urban unemployed, new entrants to the labor market and migrant workers from the rural area. The recently issued strategies of the Micro and Small Enterprise Development Strategy and the Industrial Development Strategy underscore the role and relevance of private sector for income and employment generation (Andualem, 1997).

MSEs do serve as a means of bringing economic transition by using the skill and the talent of people without requiring high-level training, much capital and sophisticated technology. It is important to identify influencing factors that affect the performance of micro and small enterprises, because it helps for the current enterprises as well as for new entrants of the sector to consider the influencing factors and use for their future development (Habtamu and Nigusu 2013).

1.2. Statements of the Problem

In most developing countries, MSEs face constraints both at start up phases and after their establishment. In Africa, for example, the failure rate of MSEs is 85% due to lack of skills and access to capital. It is typical of MSEs in Africa to be lacking business skills and collateral to meet the existing lending criteria of financial institutions (World Bank, 2010). MSEs in Ethiopia obtain finance mostly from informal sectors like friends and relatives while medium or large enterprises obtain funds from banks. This unequal access to finance by MSEs has undermined the role of MSEs in the economic development in African countries (World Bank, 2010).

Small businesses play a vital role in poverty reduction, employment generation as well as economic development of both developed and developing countries like Ethiopia. However, it appears that considering the enormous potentials of the small enterprises sector, and despite the acknowledgement of its immense contribution to sustainable economic development, its performance still falls below expectation in many developing countries (Arinaitwe 2006).

This is because the sector in these developing countries has been bedeviled by several factors militating against its performance, and leading to an increase in the rate of small enterprises failure. These factors include the unfavorable and very harsh economic conditions resulting from unstable government policies; gross under capitalization, strained by the difficulty in accessing credits from banks and other financial institutions; inadequacies resulting from the highly dilapidated state of infrastructural facilities; astronomically high operating costs; lack of transparency and corruption; and the lack of interest and lasting support for the small enterprises by government authorities, to mention a few (Oboh 2002, Wale-Awe 2000).

The study conducted by Ethiopian CSA discloses that the contribution of small enterprises in creating job opportunities and in the development of our economy is vital (FMSEDA, 2006). However, their contribution is very low in compared with that of other countries due to financial problem, lack of qualified employees, lack of proper financial records, marketing problems, lack of working premises and raw materials. Lack of information about market opportunities and standards and regulations is one of the underlying factors that hinder their performance (Mulu Gebreeyesus, 2009).

Research has shown that in order to achieve small enterprises contributions, these businesses have to overcome a series of challenges, which the international labor organization (2000) has identified as the

following: legal constraints, institutional constraints, infrastructural constraints, financial constraints and marketing constraints. In addition to these factors, Marshall et al (2000) have also identified the following factors: high utility rates, particularly power, delays at the customs (ports of entry), high excise duties on supplies and parts, high freight costs, limited access to raw materials and the high cost of capital and loans.

In Ethiopia specifically, SEs have been confronted by many of these problems. According to the CSA Report (1994/1995), the major obstacles experienced by small enterprises were lack of access to finance, working premises (at affordable rent), lack of skills and managerial expertise, infrastructure, information and technology. These problems result in failure of these businesses to expand and have the effect of preventing their expansion almost from the beginning of their operations. Therefore this research attempted to identify the specific factors that are responsible for affecting the performance of small enterprises in Kolfe Sub City and shed light on different mechanisms to avoid or control the effect of these factors.

Poor managing and accounting practices have in a weak position to the ability of smaller enterprises to raise finance. This leads to lack of adequate information which is associated with lending to micro and small-scale enterprise borrowers have restricted the flow of finance to smaller enterprises. In spite of the longstanding supply side credit policies, the share of credit flow to small enterprises appears to be deteriorating, as economic liberalization proceeds. For example, according to the ministry of finance of India, the cost and availability of credit is a major issue facing and challenging the small enterprises in India (Ministry of Finance, 2013).

It's also identified lack of access to finance and weak capital base, inexperience in the field of business, particularly lack of technical knowledge plus inadequate managerial skills, lack of planning and lack of market research as causes of micro and small scale enterprises failure (Murphy et al., 1991). Sufficient financial resources are also required for the firms to make a continuous investment in terms of employee training and education, and to initiate any innovation process in an effort to sustain their competitive advantage (Dyer et al., 2014). It is said that the performance of enterprise depends on the type of industry and country it operates (Lampadarios, 2016). The researcher's literature search shows that to date, very few researches has been conducted on the factors influencing the performance of micro and small enterprises in Ethiopia in general, and particularly in Kolfe keranyo sub city. Thus, gaps exist with respect to understanding the problems facing MSCs. Therefore, the intent of this study is to assess the determinant factors on the entrepreneur participation of MSEs. Given the significance of MSEs to a nation's development in different ways, the researcher, therefore, postulate the determinant factors of MSEs.

1.3. General Objective

The general objectives of this study to be identify factors affecting entrepreneur participation of micro and small enterprise in kolfe kernyo Sub cities.

1.3.1. Specific Objective

- ✓ To identify factors affecting entrepreneur participation of Micro and Small Enterprises in the study area;
- ✓ To identify factors influencing the overall level of performance of Micro and Small Enterprise in the study area; and
- ✓ To identify Challenge and opportunity in micro and small enterprise in the study area.

1.3.2 Research Question

- ✓ What are the factors affecting entrepreneur participation of Micro and Small Enterprises?
- ✓ What is the overall level of performance of Micro and Small Enterprise?
- ✓ What are the challenges and opportunities in micro and small enterprises?

1.4. Significance of the Study

In countries like Ethiopia, the MSEs have enormous importance including economic, employment opportunity creation, sector linkages and transformation are important engines of industrialization. Despite of this, as compared to the other African countries, due to various economical, technical and sets of complex policy related factors, still the MSEs are not performing and growing to bring significant contribution to the improvement of household livelihoods and national economies as well. Therefore, the findings of study were expected to feed the policy makers, entrepreneurs and development agents towards sustainable MSEs' investment and promotion so as to make objectively articulated policy decisions, investment emphasis and interventions towards the development of MSEs in the study area. Beyond this, it will better inform the government and development agents about what supports, facilities and interventions are required to growth and transformation of the MSEs in the way to achieve the GTP-II development goals and indeed to maximize the socio-economic returns of MSEs in the study area in particular and in the country in general.

1.5. Scope and Limitations of the Study

The study analyzed factors determining MSEs' participation in business development services and the opportunities and challenges of MSEs in the study area. Although, there are different issues that can be researched in relation to MSEs, this study was limited to the politico-legal, working premises, technological, infrastructural, marketing, financial, institutional, managerial, entrepreneurial and production factors. In addition, due to budget and time constraints, this study was limited to the use of cross-sectional data and only Kolfe Keranyo sub- city that did not capture the inter-temporal and spatial dynamism of the determinates of participation in a certain program. As a result overtime trends of

important variables and their dynamic linkages may not be addressed, although efforts will be made to draw some inferences about long-term behavior of some variables.

1.6. Organization of the Thesis

This paper was organized under five chapters: The first chapter is introduction part, which deals with the general aspect of the study, which includes background to the study, statement of the problem, research objectives, significance of the study hypothesis, scope, and limitation of the study and organization of the research paper. The second chapter is devoted to the review of related literature, conceptual frame work. The third chapter deals with the methodology part of the paper and it encompasses the research design, data source and collection techniques, sampling technique and sample size determination, method of data analysis , Chapter four deals with result and discussion, The fifth chapter presents the summary, conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1. Theoretical Review

At this chapter, the researcher reviewed some theoretical and conceptual framework on Micro and Small Scale Enterprises, which has received a great deal of attention in contemporary development literature and national plans of developing countries. This is because, it has been realized that most countries have programs to develop this sector of the economy since it is believed that the sector is the engine of growth for every economy and especially in all developing countries like Ethiopia. Further to this, there will be some conceptual work, which will be using to support the study.

2.1. Definitions and Concepts of Micro and Small Enterprises

The MSE sector everywhere is characterized by highly diversified activities which can create employment opportunities for a substantial segment of the population. This implies that the sector is a quick remedy for unemployment and poverty problem. The realization of a modest standard of living through curbing unemployment and facilitating the environment for new job seekers and self-employment requires a direct intervention and support of the government and other concerned stakeholders (Mulugeta, 2011). Hence, in order to channel all necessary support and facilities to this diversified sector, a definition is needed to categorize the sector accordingly.

According to Micro and Small Enterprises (MSEs) Development Strategy of Ethiopia, designed to ensure the sustainability of the development achieved in all economic sectors of the country, the main focus of the government is creating Job opportunities through MSEs development, to reducing unemployment and alleviate poverty and enhancing MSEs to be base for industrial development in the country. The sector is crucially important to the economic and social development of the country in the sense that it generates broader job opportunities and assist to alleviate poverty and facilitates rural and urban economic linkage and boost the economy as well as promotes Entrepreneurship culture and enhance self-employment and serves as fertile ground for the emerging of Medium and Large Industries, etc. In order to achieve these goals and objectives, the Federal Micro and Small enterprises development Agency (FeMSEDA) has been established, and it is the responsible body to support, coordinate and formulate policies and programs, for the promotion and development of MSEs sector. The Government of Ethiopia has given greater focus for the development of the MSEs Sector.

In order to realize this, the Government of Ethiopia has designed the first MSEs Development Strategy in 1997. This strategy was intended to create coherence with the other economic sectors and outline duties and responsibilities of all the stakeholders at all level (from Federal to Kebele level). The revised MSEs Development Strategy was designed in 2011 in order to integrate the development of the sector with the

country's 5 year (2003-2007 E.C) Growth and Transformation Plan (GTP), hoped to bring about rapid economic growth and lift up the country to middle income level. The MSEs Development was integrated in the GTP as one of the pillars of the industrial development plan and taken as one of the best tools to implement the country's industrial development strategy

2.2. Definition of Micro and Small Enterprise in Ethiopia

Based on the gathered experience, by identifying the gaps of the existing definition of MSE, ignoring the size of employee and by taking total asset as criteria and by dividing it into industry and service sector; and considering the coming five years inflation and fluctuation/irregularity of currency the improved definition divides the MSE sector into two different sectors (industry and service sectors). In the case of Ethiopia, there is lack of uniform definition at the national level to have a common understanding of MSEs sector. While the definition by ministry of trade and industry (MoTI) use capital investment whereas the central statistics authority (CSA) uses employment and favored capital intensive technologies as yardstick.

According to the MoTI (2004):

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

Small enterprises are those business enterprises with a paid up capital of above Birr 20,000 and not exceeding Birr 500,000 and excluding high tech consultancy firms and other high technological establishments (MoTI, 2004).

On the other hand, CSA (2004) categorizes enterprises into different scales of operation on the size of employment and the nature of equipment.

According to CSA (2004):

Enterprises in the micro enterprise category are subdivided into informal sector operations and cottage industries. Cottage and handicraft industries are those establishments performing their activities by hand and using non power driven machines.

The informal sector is defined as household type establishments or activities, which are nonregistered companies and cooperatives operating with less than 10 persons.

Establishments employing less than ten persons and using motor operated equipment are considered as small scale manufacturing enterprises. (CSA, 2004).

The above definitions given by CSA, however consisted of the following short comings.

It focuses on manufacturing ignoring other sectors.

Failure in using size of capital

Due to the absence of uniform definition of the sector, the agency failed in gathering data about cottage and handicraft industries for the last 7 years. Hence, the data collected from the MSE and the ongoing strategy and support frameworks become different to analyze and to interpret in scientific ways.

When the MSE development strategy is formulated in 1998 the definition of MSEs was by considering other countries experience especially the South African experience (MSEDS, 2011). The definition given at that time was only based on paid capital or capital investment as most businesses were confined to family man power basis and lack of availability of manpower information of the sector. Hence, the following are identified as short comings/gaps of the 1998 definition (MSEDS, 2011).

The MSE nomenclature is used to mean MSEs. It is sometimes referred to as Small and Microenterprises (SMEs).

Micro Enterprises

Under industry sector (manufacturing, construction and mining) micro enterprises are defined as an enterprise that operates with 5 people including the owner and/or their total asset is not exceeding Birr 100,000.

Under service sector (retailer, transport, hotel and Tourism, ICT and maintenance service micro enterprises are defined as an enterprise that operates with 5 persons including the owner of the enterprise and/or the values of total asset is not exceeding Birr 50,000.

Small Enterprises

Under the industry sector (manufacturing, construction and mining) small enterprises are defined as operates with 6-30 persons and/or with a paid up capital of total asset Birr 100,000 and not exceeding Birr 1.5 million.

Under the Service sector (retailer, transport, hotel and Tourism, ICT and maintenance service) Small enterprises are defined as operates with 6-30 persons or/and total asset, or a paid up capital is with Birr 50,001 and not exceeding Birr 500,000.

Level of enterprise	Sector	Human power	Total asset
Micro enterprise	Industry	<5	< 100,000
	Service	<5	< 50,000

Small enterprise	Industry	6-30	< birr1.5 million
	Service	6-30	< birr500,000

Source: Addis Ababa MSE development agency 2018.

2.3. Socio-economic Importance of MSEs

MSE is a number socio economic importance for both developed and developing country. The MSE sector has also been instrumental in bringing about economic transition by providing good and service, there are adequate quality and are reasonable priced to a large number of peoples in a particular area and by effectively using the skill and talent of a large number of people without requiring high level of training, large sum of capital or sophisticated (workneh 2007).

2.3.1. Employment Creation

The major problems that the current world faces are unemployment, inequality, and poverty. Developing countries in general and African countries in particular have been experiencing high unemployment rate paralleled by increasing urban poverty. To reduce unemployment micro and small enterprises make undoubtedly a huge contribution, especially in the developing world. Most studies conclude that small enterprises are more labor intensive than larger ones, and some even finds that the smaller firms also produce more output (or value added) per unit of capital and thus generate more output as well as employment for a given investment than do larger firms (Haggblade and et al 1990). While there are many exceptions to the basic pattern, some evidences suggests that larger employers offer better jobs in terms of wages, fringe benefits, working conditions and opportunities for skills enhancements as well as job security. In low-income countries, small enterprises have much lower productivity levels than larger firms which lead to lower wages and non-wage benefits. There is some evidence that this divergence in labor productivity and wage rates between small and large firm's narrows as countries become more developed in terms of industrialization (Snodgrass and Biggs 1998).

In the case of Ethiopia, of the arguments in favor of the promotion of SMEs, the creation of employment for urban youth is the major one. According to FMSEDA, jobs created by SMEs have been growing since 2010/11. The total number of jobs in 2010/11, 2011/12, 2012/13 and the first 9 months of 2013/14 were 289 thousand, 806.3 thousand, 1223.7 thousand and 963.8 thousand, respectively. According to the study by Ethiopian Economic Association, disaggregation of SMEs by sub-sectors enables us to see the relative importance of each subsector. It also enable us to judge whether the performance is going as planned in meeting the other objectives, other than job creation, such as facilitating technology transfer, creating and strengthening linkages with medium and large scale industries, etc.

2.3.2. Poverty Reduction

An appropriate dual and general definition of Poverty is a condition in which people lack satisfactory material resources (food, shelter, clothing, housing), are unable to access basic Services (health, education, water, sanitation), and are constrained in their ability to exercise rights, share power and lend their voices to the institutions and processes which affect the social, economic and political environments in which they live and work (Caswell, 2013). Governments in many developing countries are unable to provide adequately basic Services. In this point poverty reduction can be correlated with job creation. Here poverty refers to the poverty of the MSE managers/owners themselves. As most managers are very poor, and are found at the floor of the economic status, the chance to operate their own business at a very low startup capital, and expand from that point will help them support themselves and their family. This intern will operate to a reduced nationwide poverty (Benyam Aragaw, 2008). Munira (2012), stated that according to the 2003 International Labor Conference on Working out of Poverty the ILO Director-General's report outlined eight ILO activities that contribute to poverty reduction with regard to MSEs. These are vocational training, entrepreneurship development and microfinance, cooperatives, reducing discrimination, working to end child labor, ensuring income and basic social security, and work safety.

2.4. Challenges for the Expansion of MSEs in Ethiopia

According to commission on Legal Empowerment of the Poor (2006), most MSEs in Ethiopia face critical constraints both at the operation and start up level. Some of these constraints include lack of access to finance, access to premise, infrastructure, training in entrepreneurial and management skills, information on business opportunities, and social and cultural factors particularly related to deficient entrepreneurial culture and excessive corruption.

2.4.1. Access business information services and Technology of SMEs

Access to business information services has been identified as one area that needs attention from governments and business services providers if the SMEs sector in developing countries is to achieve sustainable levels of growth and development. Many firms in Africa operate in an information-poor environment due to lack of adequate business support services and the poor information technological infrastructures (Oshikoya & Hussain, 2007). Access to information has however not been given the same attention as other constraints to growth of SMEs like access to finance, markets, technology or training. Accessing business information services has over the years been greatly enhanced with the emergence of various information and communication technologies.

Technology For small enterprises, the introduction and use of new technology can help streamline processes and increase worker productivity if managed properly. The ability to keep up and use technology to the business advantage requires the ability to identify possible uses for each technological advance. Some technological advances may prove cost prohibitive for some small business. This

evaluation should shine some light on the possible benefits it will provide to both employees and the company. (Nicole Long. demand media, 2016).

In developed countries, because of well-developed information and communication technologies (ICTs) infrastructure and easy access to computer hardware and software, SMEs enjoy easy access to business information services. In developing economies there are many challenges regarding ICTs infrastructure and the cost of IT hardware and software. This in itself has created many problems in the area of business information services for the SMEs sector. As governments and business service providers try to address the many challenges facing the SME sector, it is also important that the present use of ICTs in accessing business information services be identified in order to provide more development support in this area (Levy, 2000).

2.4.2. Access of finance on performance of SMEs

Lack of adequate capital, sufficient loan, and inefficient financial market in terms of facilitating financial resources to entrepreneurs are the major obstacles in doing business particularly in the informal sector. Most Micro and Small Enterprises are highly risky ventures involving excessive administrative costs and lack the experience in dealing with Financial Institutions and do not have a track record of credit worthiness with banks. Since most banking institutions are reluctant to provide loan and credits for small enterprises, most MSEs are unable to secure collateral requirements. As a result of absence in financing, the creation of new enterprises and the growth and survival of existing ones will be impeded (Commission on Legal Empowerment of the Poor, 2006).

Access to finance is a major bottleneck for the rapid growth and development of MSEs mainly due to targeted mechanism put in place to address the financial needs of small scale enterprises. Most Micro and Small Enterprises do not have access to Micro Finance Institutions and most banks are reluctant to avail credit facility to small enterprises unless they have acceptable collateral. The standard of loan appraisal, the long delay the banks take to sanction loans, unfavorable disposition towards small loans and the limited collateral requirement, which is over 100 percent of the loan amount, are the major obstacles that small scale enterprises are facing (Commission on Legal Empowerment of the Poor, 2006).

Moreover, the interest rate by most Micro Finance Institutes, which is higher than the lending rate of formal banks, inhibits effectiveness in addressing the needs of micro enterprises (Commission on Legal Empowerment of the Poor, 2006). According to Wolday and Gebrehiwot (2006), more than 93 percent of MSEs replied that they did not apply for bank loans for they considered themselves as discouraged potential borrowers, need credit but are discouraged from applying by the perceived or real high collateral requirement, high cost of borrowing, difficulty of processes, ineligibility, or concern about their repayment ability and uninformed (i.e. not aware of the facility, or where and how to apply, etc.). The

findings of Mulu (2007) also indicate that Banks and MFIs do not seem to support MSEs expansion. Due to this 85 percent of the respondents have never received credit from these formal sources.

The availability of other informal sources of finance, however, affects growth positively and significantly. This shows that in the absence of formal source of credit, informal networks appear more appealing for MSEs. Hence, firms with better network to borrow from informal sources such as, relatives, friends, and suppliers better loosen credit constraints, and grow faster. Lack of finance has been considered in many studies as a key success factor for MSEs such as Rolfe et al (2010), Mboniyane & Ladzani (2011), Olawale & Garwe (2010) Okpara(2011) and Etumeahu, 2009).

2.4.3. Business regulations and laws

The regulation of businesses by laws, policies, and incentives influences economic activity in manifold ways. It is widely acknowledged that there is no 'optimal approach' to regulation, meaning that the intensity or the scope of regulating business-to-business and state-to-business relations is largely dependent upon local conditions, private-sector needs and the interests of national policymakers (Reeg, 2015). With regard to the regulation of MSEs, governments find themselves in a position where they have to reconcile three conflicting goals: they have to foster enterprise growth and employment growth; they have to increase or ensure job quality; and they have to encourage formalization. Business regulations affect whether a firm registers itself, may enhance a firm's investments in human or physical capital, and can deter or stimulate the adoption of new technologies. Regulations and policies are set in place to protect (intellectual) property rights, enforce contracts, settle disputes and ensure that private companies uphold certain standards and contribute to common goods such as public education, health and the environment (Klein & Hadjimichael, 2003).

2.4.4. Education and entrepreneurship skill

Entrepreneurship is recognized as an important driver of economic growth, productivity, innovation, and employment. Entrepreneurship is related to the functional role of entrepreneurs and includes coordination, innovation, uncertainty bearing, capital supply, decision-making, ownership, and resource allocation in their organization (Munyori & Ngugi, 2014). Most of the prevalent areas in which MSE faces a problem are sales or marketing, human resource management, and general marketing research and training (Kefale & Chinnan, 2012).

The growth of a firm is, to a certain extent, does individual entrepreneur make a matter of decisions. This is very much pronounced for MSEs that are run by owner-managers. Personality traits, motivation, individual competencies and personal background are important factors for the success/failure of MSE (Baum, Locke, & Smith, 2001; Shane, Locke, & Collins, 2003). Schooling is important personal background that influences MSE performance and growth. Education helps entrepreneurs to make good judgments, best use of information, exploit opportunities well leading to firm growth and success. Study

conducted by Goedhuys and Sleuwagen (2000), argue that higher education not only raises enterprise performance, but also increases outside options such as wage employment. Lower education and vocational training significantly influenced the likelihood of being entrepreneurs rather than wage employees. Higher education was found to influence post entry firm growth (Goedhuys & Sleuwaegen, 2000).

Marketing problem has been widely acknowledged as being the most important of all activities and critical for the survival and growth of MSEs. However, many studies found owner/managers of MSEs as having a very limited understanding of the marketing concept generally to be little more than advertising and public relations and lacking adequate marketing skills. Specifically, MSEs frequently encountered problems in promotion and marketing research. These problems include the selection of promotional media, low purchasing power of customers, advertising, content design and format of the promotional materials, market size, location and addresses of potential customers (Kefale & Chinnan, 2012).

2.4.5. Availability of Managerial experience on performance of SMEs

There is lack of knowledge of entrepreneurial and managerial capacity, and marketing experience. Lack of skill leads to problems in production due to the unfamiliarity of workers with rapid changing technology, lack of coordination of production process, and inability to troubleshoot failures on machinery and/or equipment's is a critical problem that MSEs are facing since they cannot afford to employ specialists in the fields of planning, finance and administration, quality control, and those with technical knowledge (Commission on Legal Empowerment of the Poor, 2006).

Moreover, MSEs lack resources required for research and development and there is inadequate technical and entrepreneurial skills (Commission on Legal Empowerment of the Poor, 2006). There is lack of formal education and training in MSEs operators. The most common form of acquiring skills in the MSEs sector is through apprenticeships. Though the formal education system prepares students for paid employment, there are very few vocational institutions that cater for developing skills. This inevitably leads to low level of innovation in almost all sectors of the economy and severe shortage of training opportunities for potential entrepreneurs (Gebrehiwot & Wolday, 2004).

Mbonyane & Ladzani (2011) found that more than 50 percent of micro-enterprises lack training in proper business management. As a result, there is lack of technology available to micro and small businesses enterprises. The results of this research show that the government does not have enough support mechanisms available to ensure that small business owners and their employees receive the training that would enable them to run the business successfully. Most owners do not have management experience and adequate training and skills to operate a business (Okpara, 2011).

2.4.6. Access of sufficient marketing and high competition level

The marketing problem is the main constraint for the growth of enterprises (Rahel & Paul, 2010). MSEs in Ethiopia faced various marketing problems. There is lack of product diversity and as a result similar products are overcrowding the market. In addition to this certain MSEs lack the skill to modify their products and they have lack of sufficient range of product designs (Assegedech, 2004).

Ethiopian MSEs have different pricing problems such as lack of costing knowledge, did not include overhead costs, salary or wage of family members involved in the production process are not considered, and do not know the exact earning from sales (Assegedech, 2004).

Many MSEs plan to promote their products, however, their budget is mostly limited. In addition to this, such MSEs have lack of awareness to compete in the market. MSEs are less advantageous to compete in the market than large companies since they have smaller economies of scale (Assegedech, 2004). In terms of problems related to product diversity, the findings of Assegedech (2004), Rahel and Paul (2010) and Eshetu and Mammo (2009) are similar. According to Eshetu and Mammo (2009), majority of MSEs produce or give services of similar products in a limited domestic market. Most of them do not seek new possibilities and opportunities outside the local markets.

(Rahel and Paul 2010) also reported the presence of competition is the most significant factor. This is because of the reason that enterprises in the same sector sell identical products without any additional distinctiveness and innovative activities. This led them to compete for the same demand. Due to this, the local markets crowded with similar products or services and the level of competition among local producers of goods and services is intense. As result, the returns are fairly low.

In addition, presence of illegal traders around their market place leads to unbalanced competition and low demand for merchants who are legal. This results in lack of demands which is another problem for the enterprises. The establishment of markets in residential areas also limits the demands. The change in demand and being unable to modify their products with the demand is the other marketing problem. Because of such collective factors (stiff competition from local and foreign products), most of the MSEs are claimed that they are at a disadvantage. There are no sufficient institutional facilities that nurture the promotion, growth and development of MSEs.

Marketing their products effectively as well as accessing and acquiring information on business opportunities is the major bottlenecks that Small and Micro Entrepreneurs face all over the country. As a result, the design and quality of products of MSEs are below standard. In addition, lack of marketing skills and weak infrastructural facilities renders small businesses to be uncompetitive (Commission on Legal Empowerment of the Poor, 2006).

2.4.7. Policy and political environment

A stable macro-economic and political environment has been shown to positively affect private sector development. Economic and/or political instability increases the number of risks that entrepreneurs face in their daily operations. Especially for micro and small enterprises, high-risk environments render planning nearly impossible and prevent important investments in productivity enhancing and job-creating activities from being undertaken. To sustain macro-economic stability there exists a wide agreement that stable growth, a stable inflation rate and healthy public balance sheets are essential (Ocampo, 2005). Thus, both political and macro-economic instability are regarded as obstacles to the creation of productive jobs within MSEs.

2.4.8. Access of good infrastructure facilitates:

Good infrastructure facilitates have a positive effect in reducing the cost of operation. MSEs Owners in Ethiopia indicated that lack of efficient, reliable, safe and affordable infrastructure is affecting the performance of their business. The physical infrastructure facilities are not adequately developed and expanded in Ethiopia to meet the growing demand of MSEs activities. As a result, most MSEs have problems related to business premises such as an increase in house rent, lack of basic services such as telephone lines, electricity supply, sewerage and water services (Eshetu & Mammon, 2009).

According to Commission on Legal Empowerment of the Poor (2006), though not directly linked, inadequacy of infrastructure (road, banking service, electricity, telecommunication and other services in facilitating smooth operation of private investment are serious impediments. Rahel & Paul (2010) also identify that even if access to infrastructure is not reported as a significant problem, lack of access to water and lack of awareness about the advantages of telephones and media leads to a negative or insignificant effect on the growth of enterprises. According to the findings of the same research most MSEs have an easy access to transportation. But, the number of enterprises that has access to the rest of the infrastructures such as telephone, television, radio and water are limited.

2.4.9. Location and working space problems:

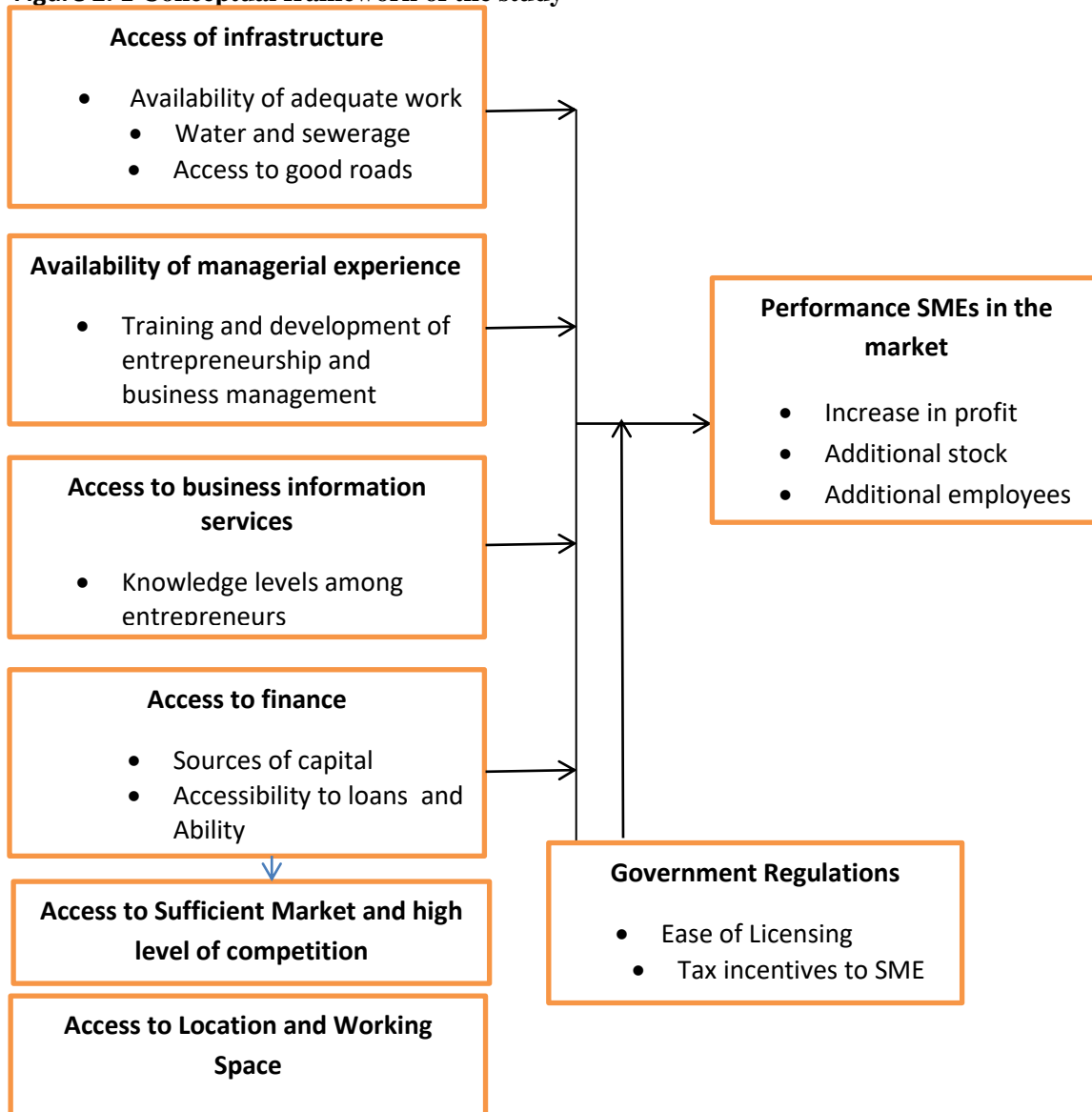
For MSEs, lack of premise is unquestionably a serious problem. Most informal operators do not get access to suitable locations where they can get easy access to markets. The issue of acquisition and transaction cost has become very prohibitive to the emergence of new enterprises and to the growth and survival of existing ones. The issue of land provision and the land lease system has greatly constrained the chances of micro, small and medium enterprises who aspire to startup businesses (Eshetu & Mammo, 2009). According to Rolfe et al (2010) findings location is critical factor for sales and income of small scale enterprises and hence entrepreneurs benefit from businesses in formal residential areas. Logically, this finding stems from the higher per capita income and demand density in developed urban areas. Demand density also makes taxi ranks and train stations more lucrative. These spaces are limited and thus

a source of competitive advantage that cannot be copied or re-created. Mbonyane & Ladzani (2011) found that small businesses select a site without first analyzing the suitability of location. The same researcher found that most of the micro-enterprises are failing owing to a lack of space provided by the government and the various shortcomings of the small business owners regarding their businesses. Olawale & Garwe (2010) also found that poor location has a negative impact on the performance of micro and small enterprises

2.5. The Conceptual Framework

Performance of micro and small enterprise depends on certain factors as set out into two categories as dependent and independent variables. Based on Independent variables include: access to technology, access to financial resources, and availability of managerial experience in business and access to infrastructure, working premises, access to market, entrepreneurship skill, business regulations and laws. Li et. al. (2005) uses three indicators to measure business performance, namely; efficiency, growth and profit. The factors must be closely monitored to ensure that stringent measures are taken within the best time to either take advantage of the opportunities or combat the threats found in the external environment.

Figure 2. 1 Conceptual framework of the study



Source: Own Synthesis from literature

2.6. Hypothesis

Several statements of supposition can be made in view of startup, growth and end of MSEs. The following lists of hypotheses are the major ones on which the study is pivoting.

H1: There is positive & significant relationship on the performance of enterprises in relation to the political factors.

H2: There is positive & significant relationship on the performance of enterprises in relation to the working place factors.

H3: There is positive & significant relationship on the performance of enterprises in relation to the technological factors.

H4: There is positive & significant relationship on the performance of enterprises in relation to the infrastructural factor.

H5: There is positive & significant relationship on the performance of enterprises in relation to the marketing factors.

H6: There is positive & significant relationship on the performance of enterprises in relation to the financial factor.

H7: There is positive & significant relationship on the performance of enterprises in relation to management factor.

H8: There is positive & significant relationship on the performance of enterprises in relation to entrepreneurial factors.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Description of the Study Area

Addis Ababa is the largest as well as the dominant political, economic, cultural, and historical city of the country. The city is divided into ten sub-cities, from 10 sub-city of Addis Ababa city administration, considering its size in terms of area and also its more or less residential functions, Kolfe Keranyo sub-city is selected for this study, which is one of the sub-cities located on the south west of the center of Addis Ababa. The total population is estimated to be 546,219 and the numbers of males about 220,859 while the number of females about 235,360 (CSA, 2017). The estimated land area of the district is 61.25km² (23.65sq mi) and the population density per sq.m:7,448.5. All MSSE's in Kolfe-Keraneo, Addis Ababa City administration. In this sub-city there are 15 woredas. Out of these woredas, considering the MSE's are categorized into five sectors namely: Manufacturing sector, service sector, trade sector, construction sector, and urban agriculture.

3.2. Research Design

The research design that was used in this study is cross-sectional research design, which involves collection of data in a single point in time. For this study explanatory survey research design was used with well-defined subject and conduct research to describe it accurately because this type of research is used to identify and obtain information on a particular area. In this method of data collection, information had been gathered through written questions. Written questions had been accomplished through structured questionnaires. Finally the questionnaires were administered to the respondents personally by the researcher.

3.3. Data Types, Sources and Method of Collections

In this study, both primary and secondary data types had been used by collecting quantitative data.

3.3.1 Primary data

Data was collected through questionnaires and specifically questionnaires were designed and distributed to MSEs engaged in different economic activities (manufacturing, construction, merchandise and retail shops, repair and maintenance services) and the questionnaire distributed for those enterprises includes both open and close ended questions. The questionnaires are used because they are straight forward and less time consuming for both the researcher and the participants (Owens, 2002).

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

3.4. Sampling Frame

The target population for the purpose of this study was MSEs managers operating in construction, manufacturing, trade, agriculture and services sub-sectors in the sub-city. MSEs Managers refer to the founder or owner of the enterprises who usually operate the business and act as both the manager and worker.

3.4.1. Sample size

In Kolfe Keranyo sub city, there are 3119 MSEs up to the end of 2019. Operated privately and cooperated under five sectors, as they listed on table below. As criteria to select from these sectors the researcher paid attention on formality of businesses focused only on the sectors that are registered and licensed formally and currently operating under office of Trade and Industry. Accordingly, from this total population the sample size was proposed by using the following sample size determination formula provided by Yamane (1967) by using 95% confidence level with the 5% precision.

$$n = \frac{N}{1 + N(e)^2}, \quad n = \frac{3119}{1 + 3119(0.05)^2}, \quad n \sim 354$$

Where

n= is the desired sample size,

N =is the population size and ,,

e = is the level of precision.

According to the above formula, the samples size was determined by 354 approximately.

Then, sample size for each MSEs Sector was calculated by using proportion to size sampling methods as follow:

$$\frac{1391 \cdot 354}{3119} = 158, \frac{918 \cdot 354}{3119} = 104, \frac{406 \cdot 354}{3119} = 46, \frac{287 \cdot 354}{3119} = 33, \frac{117 \cdot 354}{3119} = 13, Total = 354$$

And sampled size in percent for $\frac{46*100}{354} = 13, \frac{33*100}{354}$ each MSEs was calculated as follows:

$$\frac{158 * 100}{354} = 45, \frac{104 * 100}{354} = 29, = 9, \frac{13 * 100}{354} = 4$$

No	MSEs by sector	Number of Participated MSE(Stratum)	sample size from each stratum	Percentage
1	Manufacturing	1391	158	45
2	Construction	918	104	29
3	Trade	406	46	13
4	Service	287	33	9
5	Agriculture	117	13	4
	Total	3119	354	100

Table 2 Source: Kolfe keranyo Sub City MSE's Development office registrar 2019.

3.4.2. Sampling Technique

To select 354 respondents for the study, the stratified sampling technique was employed. Stratified sampling is a technique where the researcher divides the entire population in to different sub groups or strata, then the convenient subjects are selected from the different strata. For the case of this study micro and small enterprises which found in Kolfe Koranyo sub city was divided in to five groups or strata such as manufacturing, construction, trade, service and urban agriculture. In selecting the representatives proportional allocation under which the sizes of the samples from different strata are relatively kept proportional to the sizes of the strata. From each stratum, samples was selected by using convenience sampling since micro and small enterprises in same category have similar characteristics and operated under similar manner of the environment.

3.5 Method of Data Analysis

3.5.1 Descriptive Analysis

The process of data analysis involves arranging and bringing logical order to the huge amount of data collected. In this study qualitative and quantitative analysis methods were employed. Qualitative analysis

method focuses on the qualities of phenomena being studied rather than their numeric measurement. On the other hand quantitative method focuses on data that are collected and recorded numerically or in the form of recorded categories. . On the other hand, the quantitative data was analyzed by using descriptive and inferential statistics such as percentages, frequencies, mean, variance, standard deviation, chi-square, f-tests and t-tests.

3.5.2. Econometric model

Econometric analysis using OLS models were also used. In analyzing quantitative data, coding was done by converting raw data into numerical symbols to be captured using SPSS. The reason that OLS model preferred from mathematical model that describes the relationship between one or more independent variables and a categorical variable. The OLS regression model estimating a linear regression function using the Ordinary Least Square (OLS) method is simply about calculating the parameters of the regression function for which the sum of square of the error terms is minimized.

3.5.3 Econometrics Analysis

In order to determine the relationship between dependent and independent variable, the researcher used multiple regressions to analyze the data using Statistical Packages for Social Science (SPSS) window version 20. It is an econometric model which seeks to explain the variation in the values of the dependent variable on the basis of changes in the independent variables. The assumption is that, the dependent variable is a linear function of the independent variables.

The simple regression equation: $Y = b_0 + b_1X + \mu$

Where Y = the variable we are trying to predict; b_0 = the intercept; b_1 = the slope; X = the variable we are using to predict Y; and μ = the error term

The intercept is the value of the dependent variable when the independent variable is equal to zero and the slope of the regression line represents the rate of change in Y as X changes.

3.6. Model Specifications

The objective of this study is to examine the relationship between dependent and independent in Ethiopia, the researcher adopted the following general form of OLS regression model similar to Okfar (2012) $Y_i = (\beta_0 + \beta_1X_1 + \beta_2X_2 + \dots + \beta_nX_n) + E_i$

Where: Y_i = the outcome variable

β_0 = the coefficient of the predictor (X_0)

β_1 =the coefficient of the first predictor (X1)

β_2 =the coefficient of the second predictor (X2)

β_n =the coefficient of the nth predictor(Xn)

E_i = the difference between the predicted and observed value of y for the ith participant

Therefore, in this study the following multiple regressions were used:

Where: (Y_i) = performance of small & micro enterprises.

PLF, (X1) = political factor

WPF(X2) = working place factor

TF(X3) = technological factor

IF(X4) = infrastructural factor

MF(X5) = marketing factor

FF(X6) = financial factor

MMF(X7) = management factor

EF(X8) = entrepreneur factor

Performance of small & micro enterprises = $\beta_0 + \beta_1$ (PLF) + β_2 (WPF) + β_3 (TF) + β_4 (IF) + β_5 (MF) + β_6 (FF) + β_7 (MMF) + β_8 (EF)

The intercept is defined as the average value of dependent variable(Y) when the effects of independent variables(X) are eliminated. $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6,$ and β_7 and β_8 are the coefficients associated with each independent variable which measures the change in the mean value of Y, per unit change in their respective independent variables. The regression coefficients are also interpreted as the, change in the expected value of Y associated with a one-unit increase in an independent variable with the other independent variables held constant.

3.7. Variables Definition

3.7.1. Dependent Variable

Performance of micro and small enterprise: MSE's' participation in business development programs occurs when skilled MSE owners decide and register their business as MSE entities and become a participant of entrepreneurial MSE's. This dependent variable for the OLS analysis is representing the decision of MSE to participate in performance of enterprise. To measure business performance, namely; efficiency, growth and profit. The factors must be closely monitored to ensure that stringent measures are taken within the best time to either take advantage of the opportunities or combat the threats found in the external environment.

3.7.2. Independent Variable

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

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

Access to finance: For various reasons ranging from a lack of collateral to bias against small firms, MSEs tend to face greater financial constraints than do larger firms. MSEs in developing countries apply for and receive formal bank loans relatively infrequently; they thus typically rely on other types of credit such as trade credit, overdrafts, and informal loans. Microfinance institutions are also important sources of financing for MSEs, but their outreach is typically more limited than that of traders who frequently provide working capital in cash or kind, especially in rural areas (Swierczek and Ha, 2005). It was hypothesized that access to finance (own or through credit) will have positive effect on MSEs' participation in business development program. Businesses that keep updated and accurate records and uses adequate financial control shave perform better than firms. The availability of financial sources or adequate capital, sufficient loan, and financial market in terms of facilitating financial resources to entrepreneurs.

Management Experience: Businesses managed by people with prior management experience have a greater chance to perform better than firms that are managed by people without prior management experience. **Planning:** Businesses that develop specific business plan shave a greater chance of success than firms that do not.

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

Age: Younger people who start a business have a greater chance to fail than older people starting a business. **Partners:** A business started by one person has a greater chance of failure than a firm started by more than one person.

Sex of the manager (SEX): Welter (2001) found a significant difference between the decision of the MSEs business owners to participate in BDS among male and female entrepreneurs. Therefore, it was hypothesized that male business managers are more likely to participate MSEs support services than female managers.

Marketing: Business owners without marketing skills have a greater chance of failure than owners with marketing skills. The selection of performance measures that reflect the true situation of small businesses with some degree of certainty and reliability is indeed a crucial process (Alasadi and Abdelrahim, 2007). The lack of universally accepted standard performance measures left the door open to business organizations to decide and choose its own performance measures that might not truly reflect their performance.

Such performance measures include but not limited to: market share, sales volume, company reputation, return-on-investment (ROI), profitability, and established corporate identity. While some might argue that most of these performance measures are appropriate for large corporations, they are not always perfectly applicable to small businesses.

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

Social networks and technology (S-NET): The social networks of the MSEs such as the relatives, colleagues, civil society organizations (CSO) or any other bodies that may support the MSE or can be a coping mechanism. It was hypothesized that social networks increase MSE's participation in BDS. Having an extensive social network is a valuable asset that can help an entrepreneur to obtain information (e.g., leads to profitable business opportunities) as well as resources (e.g., credit). Social network can be critical to firms' growth prospects in environments with pervasive market failures (Solomon, 2004). The literature points to the role that social networks can play in helping entrepreneurs overcome obstacles

related to transaction costs, contract enforcement and regulation. It was hypothesized that social networks increases the probability of MSE's participation in BDSs.

MSE business organization (MSEBUSORG): in terms of MSE business type such as; sole business, or partnership. Earlier literature shows that MSE type significantly affects the MSEs' participation in business development services. It was hypothesized that, since the national MSE strategy prioritized the support of cooperatives and there are privileges that trade regulations give them, cooperatives are more likely to participate in BDS compared to others (Solomon, 2004).

Infrastructure: The inadequacy of the physical infrastructure is a principle cause of low levels of investment and unsatisfactory performance of small and micro enterprises. The economic recovery strategy paper, 2003 has identified poor infrastructure as a critical factor that constrain profitable business. The infrastructure problem includes poor state of roads, inaccessibility to land, work space, electricity and utility. Lack of allocation of suitable land to SMEs in most urban and rural areas is a major impediment to growth and development.

CHAPTER FOUR

RESULTS AND DISCUSSION

The purpose of this study was to know factors Affecting Entrepreneur Participation of Micro and Small Enterprises in Kolfe Keranyo Sub-Cities of Addis Ababa. To make easy in conducting the observed analysis, first, demographic profile of respondents was analyzed and presented followed by general questions about factors determine the factors affecting entrepreneur participation. Demographic information was analyzed by using frequency, distribution tables and percentages and for the general information regressions analysis was used. Generally 354 questionnaires were distributed to the target customer. Out of which 339 were completed and returned successfully, which represent 95.7% of response rate. Finally, conclusion and recommendation was made based on the findings.

4.1. Demographic Profile of Respondents

The following tables summarize the demographic information of respondents by gender, age, educational level, of the respondents.

4.1.1. Gender of the respondents

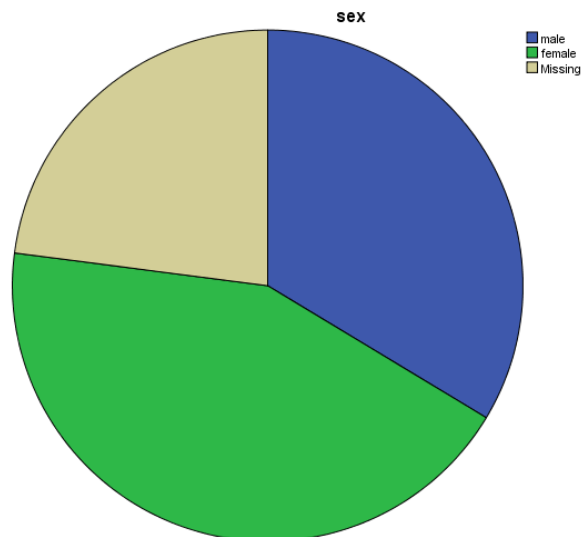
Table 4. 1Gender of the respondents

		Gender			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	148	33.6	43.7	43.7
	Female	191	43.4	56.3	100.0
Total		339	77.0	100.0	
Missing	System	101	23.0		
Total		440	100.0		

Source;-own survey 2020

As it is depicted in table 1, majority of the respondents or 191(43.4%) of the customers are females and the remaining 148(33.6%) are males. This may show significant proportion of the participants in the study are mostly females but the difference between the male female is doesn't show a huge variation.

Figure 4. 1 sex distribution



4.1.2. Business Sector Respondents

Table 4. 2 Sampled MSEs classification by sector, size and business type

Prioritized MSEs Sectors	Cooperative MSEs			Non-Cooperative MSEs			Total	
	No	Micro	Small	Total	Micro	Small		Total
Construction	No	31	37	68	18	16	34	102
	%	31%	36%	67%	18%	15%	35%	100%
Manufacturing	No	55	39	94	37	21	57	151
	%	36%	26%	62%	24%	14%	38%	100%
Service	No	5	9	14	7	11	18	32
	%	16%	28%	44%	22%	34%	56%	100%
Trade	No	11	8	19	12	13	25	44
	%	25%	18%	43%	27%	30%	57%	100%
Urban Agriculture	No	4	2	6	3	1	4	10
	%	40%	20%	60%	30%	10%	40%	100%
Total	No	106	95	201	77	61	138	339
	%	31%	28%	59.29%	23%	18%	40.7%	100%

Source;-own survey 2020

The study result presented in the above table indicates that larger proportions (59.29%) of the sampled MSEs are cooperatives and only 40.7% are non-cooperative Sole proprietorship and partnership of MSEs. Results also show that the five prioritized MSEs vary across sectors, the micro cooperatives of the five sectors in the sampled MSEs are only 31%, whereas the non-cooperative micro enterprises dominate (23%). In addition to this, the small cooperative enterprises are also larger in number compared to the non-cooperative small enterprises. The finding also shows that Manufacturing takes highest share (44.5%) followed by Construction, (30.08%). Trade, Service and urban Agriculture take 12.9%; 9.43% 2.94% respectively.

4.1.3. Age of the Respondents

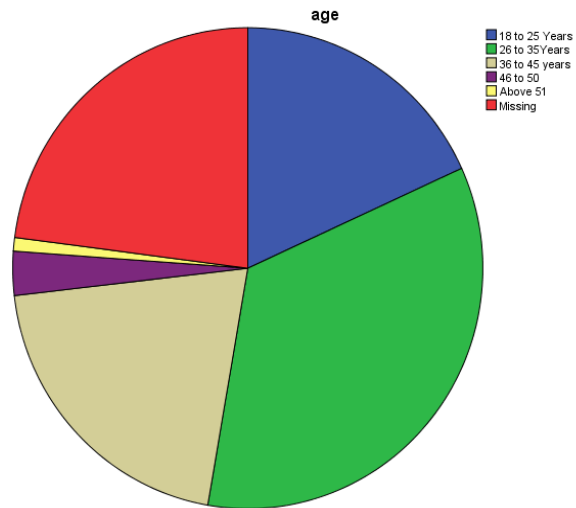
Table 4. 3 Age of the respondents

		Age			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18 to 25 Years	80	18.2	23.6	23.6
	26 to 35Years	152	34.5	44.8	68.4
	36 to 45 years	90	20.5	26.5	95.0
	46 to 50	13	3.0	3.8	98.8
	Above 51	4	.9	1.2	100.0
Total		339	77.0	100.0	
Missing	System	101	23.0		
Total		440	100.0		

Source;-own survey 2020

The above table of shows that 152(34.5%) of the respondents are in age range between 26-35 followed by 90(20.5%) of the respondents whose their age range between 36-45, also 80(18.2%) of the respondents are within the age range of 18-25, 13(3%) of the respondents are within the age range of 46-50 and the remaining 4(.9%) of the respondents age is greater than 51 years. From the above information we have seen that most of them are 26-35 age range.

Figure 4. 2 Age of Respondent



4.1.4. Education Level of the Respondents

Table 4. 4 Educational level of the respondents

		Education			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Does not read and write	3	.7	.9	.9
	Informal School	18	4.1	5.3	6.2
	Elementary School	62	14.1	18.3	24.5
	Secondary School	73	16.6	21.5	46.0
	. Diploma or Degree	153	34.8	45.1	91.2
	Above	23	5.2	6.8	97.9
	7.00	7	1.6	2.1	100.0
Total	339	77.0	100.0		
Missing	System	101	23.0		
Total		440	100.0		

Source: own survey 2020

From the above table, 153(34.8%) of the respondents are diploma or degree holders, 73(16.6%) of the respondents complete a secondary school, 18(4.1%) of the respondents are learned at informal schools, 23(5.2) of the respondents are master’s degree holders and above the remaining 7(1.6%) are others.

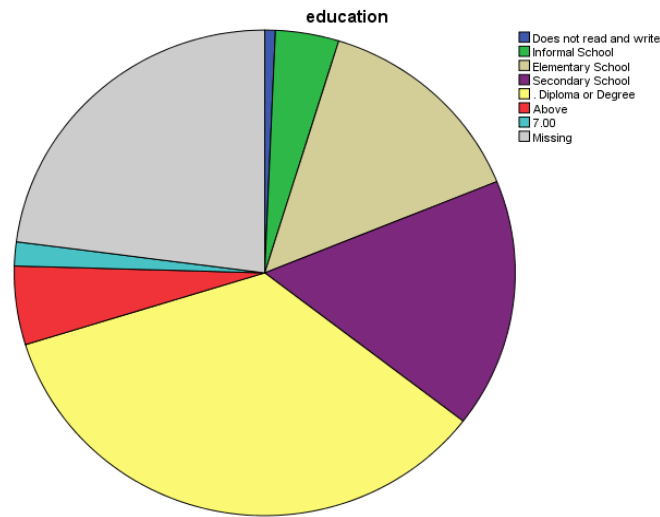


Figure 4. 3 Educational level of the respondents

4.1.5. Ownership of the enterprise

Table 4. 5 Ownership of the enterprise

Ownerships of the enterprise?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Sole proprietorship	132	30.0	38.9
	Partnership	142	32.3	41.9
	Cooperatives	65	14.8	19.2
	Total	339	77.0	100.0
Missing	System	101	23.0	
Total		440	100.0	

Source;-own survey , 2020

From the above table we can see that 30% of the respondents are participated in the sole-proprietorship, 32% are partnership and 14.8% are participated in cooperatives.

4.2 variable coding

In order to analyze the collected data in the statistical software (spss) the researcher was coded the independent variables in the following way.

	Politico-Legal Factors
PLF1	The tax levied on my business is not reasonable
PLF2	Bureaucracy in company registration and licensing
PLF3	Lack of government support
PLF4	Political intervention
PLF5	Lack of accessible information on government regulations that are relevant to my business

	Working Place Factors
WPF1	Absence of own premises
WPF2	Current working place is not convenient
WPF3	The rent of house is too high

	Technological Factors
TF1	Lack of appropriate machinery and equipment
TF2	Lack of skills to handle new technology
TF3	Lack of money to acquire new technology
TF4	Unable to select proper technology

	Infrastructural factors
IF1	Power interruptions
IF2	Insufficient and interrupted water supply

IF3	Lack of business development services
IF4	Lack of sufficient and quick transportation service
IF5	Lack of appropriate dry waste and sewerage system

	Marketing Factors
MF1	Lack of skill to set competitive price
MF2	Poor customer handling and relationship
MF3	Lack of demand forecasting
MF4	Lack of market information
MF5	Absence of relationship with an organization that conduct marketing research
MF6	Lack of promotion to attract potential users
MF7	Poor customer relationship and handling

	Financial Factors
FF1	Inadequacy of credit institutions
FF2	Lack of cash management skills
FF3	Poor location
FF4	High collateral requirement from banks and other lending institutions
FF5	High interest rate charged by banks and other lending institutions
FF6	Loan application procedures of banks and other lending institutions are too complicated

	Management Factors
MMF1	Lack of clear division of duties and responsibility among employees
MMF2	Poor organization and ineffective communication
MMF3	Poor selection of associates in business
MMF4	Lack of well trained and experienced employees
MMF5	Lack of low cost and accessible training facilities
MMF6	Lack of strategic business planning

No	Entrepreneurial Factors
EF1	Lack of motivation and drive
EF2	Lack of tolerance to work hard
EF3	Lack of persistence and courage to take responsibility for one's failure
EF4	Absence of initiative to assess ones strengths and weakness
EF5	Lack of entrepreneurship training
EF6	Lack of information to exploit business opportunities

4.3 Reliability Test

In order to know the reliability test the researcher was inserted the coded variables in to spss software. The Cronbach alpha was used to measure internal reliability as it is a widely used measure of internal consistency. A Cronbach,s Alpha above 0.7 is considered acceptable for most research objectives .Allen & Bennett, (2012). Overall, the internal reliability coefficients for the entire constructs are very strong as all alpha coefficients are more than 0.70 Singh, (2007).

The Cronbach - alpha coefficient of this study ranged from 0.65 to 0.88, indicating acceptable internal consistency and reliability for the ten factors.

Table 4. 6 Cronbach's alpha test

Reliability Statistics

Cronbach's Alpha	N of Items
.749	9

Source;-own survey 2020

Item-Total Statistics

	Scale mean if Item Deleted	Scale Variance if Item Deleted	Correlated Item-Total correlation	Cronbach's Alpha if Item Deleted
FAEP	37.25	16.843	.361	.810
EF	37.56	17.423	.427	.804
PLF	38.06	14.577	.658	.775
WPF	37.64	16.573	.568	.791
IF	37.72	17.127	.344	.811
FF	37.56	17.423	.427	.804
MMF	38.16	13.890	.613	.783
TF	37.52	16.510	.550	.792
MF	37.48	17.434	.436	.803

Source;-own survey 2020

From the above table we can say that the cronbach,s alpha test 0.749 is acceptable

4.4- Pearson Correlation Analysis

To investigate the factors Affecting Entrepreneur Participation of Micro and Small Enterprises in Kolfe Keranyo Sub-Cities of Addis Ababa., Pearson correlation was computed. The following table represents the results of Pearson correlation on the relationship between dependent and independent variables are computed as follow.

Table 4. 7 correlation analysis

Correlations

		FAE	PLF	WPF	TF	IF	MF	FF	MMF	EF
		P								
FAE	Pearson	1								
	Correlation									
	Sig. (2-tailed)									
	N	339								
PLF	Pearson	.511*	1							
	Correlation									
	Sig. (2-tailed)	.000								
	N	339	339							
WPF	Pearson	.635*	-.246**	1						
	Correlation									
	Sig. (2-tailed)	.000	.000							
	N	339	339	339						
TF	Pearson	.588*	.549**	-.382**	1					
	Correlation									
	Sig. (2-tailed)	.000	.000	.000						
	N	339	339	339	339					
IF	Pearson	.778*	.428**	-.336**	.750**	1				
	Correlation									
	Sig. (2-tailed)	.000	.000	.000	.000					
	N	339	339	339	339	339				
MF	Pearson	.746*	.729**	-.532**	.718**	.757**	1			
	Correlation									
	Sig. (2-tailed)	.000	.000	.000	.000	.000				
	N	339	339	339	339	339	339			
FF	Pearson	-.536*	.646**	-.324**	.862**	.607**	.575**	1		
	Correlation									

	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000			
	N	339	339	339	339	339	339	339		
MM	Pearson	.767*	.461**	-.533**	.580**	.790**	.871**	.413**	1	
	Correlation									
F	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000		
	N	339	339	339	339	339	339	339	339	
	Pearson	.497*	.197**	-.293**	.675**	.605**	.530**	.443**	.480**	1
	Correlation									
EF	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000	
	N	339	339	339	339	339	339	339	339	339

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

Source;-own survey 2020

This study employs the correlation analysis, which investigates the strength of relationships between the studied variables. Pearson correlation coefficients reveal magnitude and direction of relationships (either positive or negative) and the intensity of the relationship (-1.0 to +1.0).

Correlations are perhaps the most basic and most useful measure of association between two or more variables Marczyk, et al., (2005). As per Marczyk, et al., (2005) general guidelines correlations of .01 to .30 are considered small, correlations of .30 to .70 are considered moderate,

Correlations of .70 to .90 are considered large, and correlations of .90 to 1.00 are considered very large. As can be seen from the above table there was a significant positive correlation between the six independent variables (working place factor, technological factor, infrastructural factor, marketing factor, management factor, entrepreneur factor) as well as a negative correlation in two independent variables political factor & financial factor and dependent variable (performance of small & micro enterprises). And the result was found to be statistically significant at (P<0.05) for each variables. This shows that the factors have moderate as well as small correlation and have an effect on performance of small & micro enterprises.

4.5 Multiple Regression Analysis

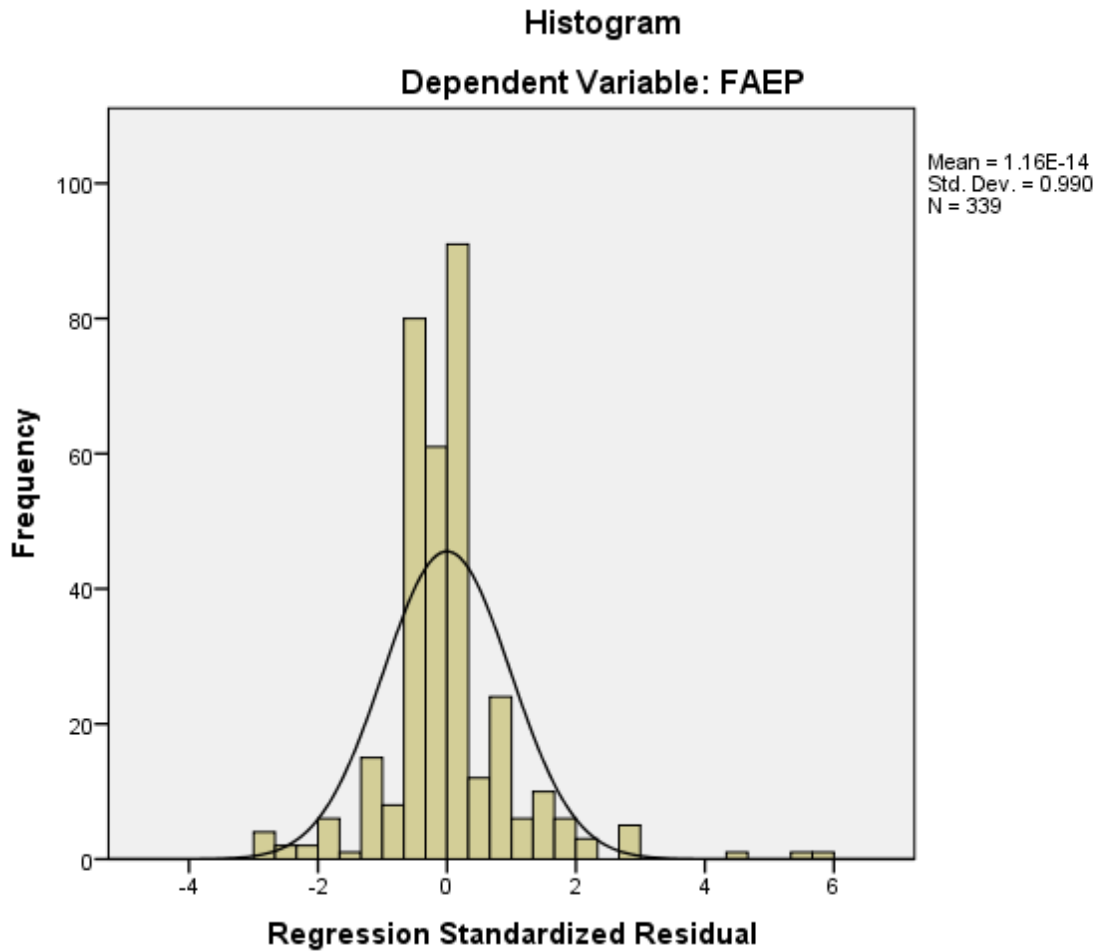
Multiple regression analysis was employed to examine the effect of know factors Affecting Entrepreneur Participation of Micro and Small Enterprises in Kolfe Keranyo Sub-Cities of Addis Ababa.. The following subsections present the results of multiple regressions analysis. The result of the mulitiple regression is employed based on the following equation.

The simple regression equation: $Y = b_0 + b_1X + b_2X + b_3X + \dots + e$

Where Y = the variable we are trying to predict; b_0 = the intercept; b_1 = the slope; X = the variable we are using to predict Y; and e = the error term

4.5.1 Test for Normality

In statistics, normality tests are used to determine if a data set is well-modelled by a normal distribution curve or plots and to compute how likely it is for a random variable underlying the data set to be normally distributed. A graphical tool for assessing normality is the normal probability plot of the standardized data against the standard normal distribution. For a normal data the result should fall approximately with in a normal curve line, Gujarati (2002).



Source;-model output , 2020

From the normality distribution table, we can see & conclude that the distribution of the data is normal even if there are high response rates in the data. The result fits with the standard .

4.5.2 Multi collinearity Test

In multiple regression analysis, multi collinearity refers to the correlation among the independent variables Kline, (1998).

According to Kline, (1998) multi collinearity is not a threat if a correlation value is less than 80%. Before conducting the multiple regression analysis, the researcher was examined the result of multiple correlations among the independent variables and found out that, the pair wise correlation between the independent variables is less than 80%, as shown in the below table. VIF (Variance Inflation Factor) is another factor for diagnosis of collinearity so it is supposed to be less than five which indicates no multi

collinearity problem exists among the independent variables. The following subsections present the results of multiple regression analysis.

Table 4. 8 multi collinearity test

Coefficients^a

Model	Collinearity Statistics	
	Tolerance	VIF
1 PLF	.756	1.323
WPF	.567	1.764
TF	.349	2.868
IF	.211	4.748
MF	.773	1.294
FF	.373	2.673
MMF	.541	1.848
EF	.429	2.330

a. Dependent Variable: FAEP

Source;-model output ,2020

As we seen in the above table VIF results of the independent variables are less than five which indicates there is no multi collinearity problem among them.

4.5.3 Test of independent of residuals

The Durbin-Watson statistic was used to test for the presence of serial correlation among the residuals. The value of the Durbin-Watson statistic ranges from 0 to 4. As a general rule, the residuals are not correlated if the Durbin-Watson statistic is approximately 2, and an acceptable range is 1.50-2.50

Table 4. 9 Durbin-Watson test result Model Summary

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.908 ^a	.824	.819	1.02843	1.520

a. Predictors: (Constant), EF, PLF, WPF, IF, FF, MMF, TF, MF

b. Dependent Variable: FAEP

Source;-model output ,2020

Table 4.11: from the above result we can see that the assumption of independence of residuals is met. Durbin Watson value for this study is 1.520 is accepted.

4.5.4 Model summary

Table 4. 10Model Summary

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.908 ^a	.824	.819	0.62843	1.520

a. Predictors: (Constant), EF, PLF, WPF, IF, FF, MMF, TF, MF

b. Dependent Variable: FAEP

The above table represents the analysis of multiple regression models for the beta coefficients of each Independent variable accounted for .824 of the variance in performance of small & micro enterprises ($R^2=0.824$). Thus, 82.4% of the variation independent variables (working place factor, technological factor, infrastructural factor, marketing factor , management factor, entrepreneur factor, political factor & financial factor) explain the variation in dependent variable (performance of small & micro enterprises) and other unexplored variables may which accounts for about 12.6 %, shown in the above table.

4.5.5 ANOVA table

Table 4. 11ANOVA table result

ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	1629.266	8	203.658	192.553	.000 ^b
Residual	349.033	330	1.058		
Total	1978.299	338			

a. Dependent Variable: FAEP

b. Predictors: (Constant), EF, PLF, WPF, IF, FF, MMF, TF, MF

Source :- model output , 2020

As indicated in table 4.14 there is statistically significant effect between independent variable and dependent variable where, (F) value was 192.553) at sig. 0.000 which states that there is significant effect for entrepreneur participation and performance of small & micro enterprises.

4.5.6 Coefficients of determination

Linear regression estimates the coefficients of the linear equation, involving one or more independent variables that best predict the value of the dependent variable. In multiple regressions we use an equation of:

$$y_i = (b_0 + b_1X_1 + b_2X_2 + \dots + b_nX_n) + E_i$$

Where:

y_i = the outcome variable

b_0 = the coefficient of the predictor (X_0)

b_1 = the coefficient of the first predictor (X_1)

b_2 = the coefficient of the second predictor (X_2)

b_n = the coefficient of the nth predictor (X_n)

E_i = the difference between the predicted and observed value of y for the i^{th} participant

Therefore, in this study the following multiple regressions were used:

Where: (y_i) = performance of small & micro enterprises.

PLF, (X_1) = political factor

WPF(X2) = working place factor

TF(X3) = technological factor

IF(X4) = infrastructural factor

MF(X5) = marketing factor

FF(X6) = financial factor

MMF(X7) = management factor

EF(X8) = entrepreneur factor

Performance of small & micro enterprises = $b_0 + b_1 (PLF) + b_2 (WPF) + b_3 (TF) + b_4 (IF) + b_5 (MF) + b_6 (FF) + b_7 (MMF) + b_8 (EF)$

Table 4. 12 Regression Coefficients Result

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t-value	Sig.
	B	Std. Error	Beta		
(Constant)	18.015	.9101		16.357	.000
Political Legal Factor	.326	.049	.359	6.680	.000
Working Place Factor	.658	.046	.439	14.287	.000
Technological Factor	.307	.062	.350	4.923	.000
1 Infrastructural Factor	-.464	.035	-.666	-13.210	.000
Managerial Factor	.177	.050	.318	3.519	.000
Financial Factor	-.077	.056	-.085	-1.377	.170
Market Factor	-.163	.049	-.210	-3.337	.001
Entrepreneur Factor	-.184	.040	-.161	-4.575	.000

a. Dependent Variable: FAEP

Source; -model output, 2020

Performance of small & micro enterprises = 18.015+ .326 (PLF) +.658 (WPF) + .307 (TF) -.464 (IF) + .77(MF) - .163(MMF) -.184(EF)

4.6. Factor Affecting Entrepreneur Participation of Micro and Small Enterprise of General Resipondant

There are a number of challenges that affect entrepreneurs participation in MSEs associated with different factors. The following major economic factors the affect these entrepreneurs.

Economic factors

The major economic factors that affect the performance participation of entrepreneurs include finance, market, training, land, information, managerial skills, infrastructures and raw materials. The study depicted that economic independence is significantly influenced entrepreneurial decision of financial autonomy and availability of start-up capital factors affected entrepreneurial participation. Accessing finance is main issues for factor affecting entrepreneur participation MSEs. The participation of entrepreneurs faces the access to credit constraints for entering a business.

Socio-cultural factors

It was common to hear the bad names such as,"shemane,"ketkach" and others given to different entrepreneurs in Ethiopia. These are good indicators of socio-cultural influences on individuals running their own business. Social and cultural attitude towards youth entrepreneurship, entrepreneurship education and business assistance & support, deterrents to accessing technology are important factors that affect entrepreneurial success. Peoples are affected by socio-cultural complexities to involve entrepreneurial activities based on personal aspiration is likely to be affected by personals from the same sex. Values and beliefs shape behavior may be occupied to influence the decision to become self-employed.

Legal and administrative factors

The different factors that hinder entrepreneurial performance, the impact of legal and administrative influences is not to be undermined. Administration, sales and personal services are affected in entrepreneurial activities. Government grants are notably affected on to involve in entrepreneurial Business, Management and Economics Research activities. Women lack access to information limits their

knowledgeable input into policymaking. The prevalence of corrupt performs in government offices and routine delays for various licenses, electricity, water and shed allotments depends on fulfilling the legal formalities needed for running an enterprise becomes a disturbance entrepreneur activity.

Technological Factors

The study revealed that entrepreneurship is closely associated with responsiveness and innovation. Technological change is influenced the entrepreneurial decision Women lack utile technology and related amenities that affect their success in developing countries (Zewde and Associates, 2002). Entrepreneurs that accepted a part of their study made no use of the information technology. In a marketplace where the rivalry is too high, they have to fight difficult to survive in the market against the coordinated sector and their male counterpart who have immense experience and capacity to adopt advanced technology in managing enterprises. Technological resources – it is virtually not possible for an enterprise to exist without technological resources such as computers, telephones access to internet and e-mail. The company is manufacturing a particular high-tech'product, technological know-how to be significant.

4.7. Challenge and Opportunity of Micro and Small Enterprise

4.7.1. Kolfe Koranyo Sub City of MSEs Sector Opportunities

There are opportunities to engage and expand MSE business in the study area. The main opportunities explained by the industry focus group are as follows:

Employment opportunity: This is a job creation for the youth and deprived group of people. Consequently, the job created by micro and small enterprise will generate significant income to the operators of MSE and their families. According to some of the key informants' interview, there is high **level of unemployment in the study area.** From one of the measures taken to reduce unemployment is intensifying MSE to be acquired by micro and small enterprises businesses.

Credit facility without collateral: In accordance to the law of the state, formal MSE doesn't require to have collateral in order to get credit from micro finance institution. This opportunity augments engaging in micro and small enterprise by the poor section of communities. During the focus group discussion, participants explained the negative implication of lack of credit utilization by MSE operators.

Start-up training: Start-up training is the key element in micro and small enterprises operation. The discussants explained that they obtain the startup training conduct by the MSE promotion office with the collaboration of NGOs, gave them a clue and for some of them technical skill to start their business.

Growing demand: The growing demand for construction industries and other sectors which can create job opportunity for MSEs is seen as a good opportunity to enter in MSE business.

National policy: Recently MSEs support and development is getting a critical national policy attention. The implication of giving a focus for MSEs Support as one of the important building block for economic development corridor was considered as good opportunity to enter and continue in the micro and small enterprises business.

4.7.1. Challenges that MSEs' Sector in Kolfe Keranyo

There are many challenges mentioned by the focus group discussion that MSE are encountering in the study area. These challenges are more of personal, situational and Institutional factors. The pressing challenges MSEs are identified and discussed below.

Lack of working capital: Micro and small enterprise members are claiming, lack of capital is the imminent challenge they are encountering while running in these business. The implications of lack of capital in the development MSE include exit from the business, barrier for new entry, challenge for expansion of the business and etc.

Lack of credit and problem of credit utilization: According to the focus group discussions, limited credit facility is among the challenges that MSEs are currently facing. Lack of credit utilization has wide range of implication on the performance and expansion of MSE in the study area. It will discourage actors on expanding the business, creating new product or venture, create shortage of working capital and generally limits the operation of the business.

Lack of business and financial management skills: Most of the MSEs in the study area have no financial record and have weak business managerial skill. According to the key informants interviews result, there is need for business management capacity building for MSE actors in strategic development interventions.

Abnormal competition by investors and some government employees: Investors and some government employees are buying training certificate from certified MSE members and they became rival for the available work contract for MSEs, which resulted in undesired consequences. According to the key informant interview respondents, they are highly discouraged by these scandalous competitions by these people.

Lack of creativity by MSE members: Most of the members of MSE in the study area not creative and innovative. Most of the time, micro and small enterprises are in anticipation of offer for work contract by GOs or NGOs. As one of the key informant comment, poor innovation skill of micro and small enterprises leave them with less profit out of the business.

Inadequate training: During the focus group discussion, one of the major challenges identified by the MSE industry sector managers had been an inadequate technical training of machineries and poor institutional implementation capacity due to lack of quality training that can be applicable. The resultant effect of the insufficiency of these trainings given to MSE actors were observed on the low quality of output on their work.

Lack or inadequate working place and working machinery: The other most important challenge MSEs encountering are lack of or inadequate working place and working machinery. According to key MSE informants, unless this problem is addressed by the relevant stakeholders, contraction of micro and small enterprises in the study area is certain.

4.8. Hypothesis Testing and Discussions

Proposed hypothesis are tested based on the results of the correlation analysis. By looking at the Sig.-value in Table 4.6, it is possible to interpret whether the particular independent variable has a significant relationship with the dependent variables. Hypothesis is supported when the Sig. value is smaller than 0.05; and a null hypothesis is rejected when the Sig. value is equal or larger than 0.05. Based on that the researcher was finds the following results.

H1: There is positive & significant relationship on the performance of enterprises in relation to the political factors.

Based on the result obtained from Pearson correlation which is -0.511, there is a negative association between the dependent variable performance of enterprises and independent variable political factors. Hence, we reject the first alternative hypothesis H1

H2: There is positive & significant relationship on the performance of enterprises in relation to the working place factors.

The result of the study showed that, performance of enterprises and the independent variable working place factors has a positive association which is .635 and hence we accept the hypothesis H2.

H3: There is positive & significant relationship on the performance of enterprises in relation to the technological factors.

The researcher beforehand hypothesized that, there is a significant positive relationship between the predicted variable performance of enterprises and the predictor technological factors. Hence the result of the study confirmed same result 0.588 and we accept the hypothesis, H3.

H4: There is positive & significant relationship on the performance of enterprises in relation to the infrastructural factor.

Based on the positive association result obtained from the Pearson correlation test so far, between the two variables, (i.e. performance of enterprises & infrastructural factor) there is a strong relationship between the dependent & independent variables which is 0.778 based on the result H4 is supported.

H5: There is positive & significant relationship on the performance of enterprises in relation to the marketing factors.

Armed with correlation result obtained from the table 0.746, between the predicted variable of performance of enterprises and the predictor variable of marketing factors, we proved that there is positive relationship between them and hence we support the fifth hypothesis, H5.

H6: There is positive & significant relationship on the performance of enterprises in relation to the financial factor.

Armed with correlation result obtained, between the predicted variable of performance of enterprises and the predictor variable of financial factor, we proved that there is insignificant relationship between them and hence we reject the hypothesis, H6.

H7: There is positive & significant relationship on the performance of enterprises in relation to management factor.

Armed with correlation result obtained, between the independent variable of management factor and the dependent variable of performance of enterprises, we proved that there is positive relationship between them and the result is 0.905 so based on this we accepted the hypothesis, H7.

H8: There is positive & significant relationship on the performance of enterprises in relation to entrepreneurial factors. Armed with correlation result obtained, between the independent variable of entrepreneurial factors. And the dependent variable of performance of enterprises, we proved that there is positive relationship between them and hence we accepted the fifth hypothesis, H8.

Concluding remark on the correlation and hypothesis tested.

The researcher considered eight constructs to see their degree of correlation with the dependent variable of performance of enterprises. Accordingly, five components of independent variable are positively associated with dependent variables using Pearson correlation test and as a result of this, hypothesis were also accepted. On the other way two independent variables are negatively correlated with the dependent variables and we reject the hypothesis. Generally all the independent variables of are significant at $p=0.05$ but have a negative and positive correlations with the dependent variables.

Table 4. 13 Summary of hypothesis

Variable name	Significant level	Hypothesis test
PLF	.000	Supported
WPF	.000	Supported
TF	.000	Supported
IF	.000	Supported
MF	.000	Supported
FF	.170	Rejected
MMF	.001	Supported
EF	.000	Supported

Source: - own survey result, 2020

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of major findings

This study was intended to investigate the factors affecting entrepreneur participation of micro and small enterprises in kolfe keranyo sub-cities of Addis Ababa. & the results were described by the major findings as follows: according to the results of the table 4.1 majority of the respondents or 191(43.4%) of the customers are females and the remaining 148(33.6%) are males. The result of age distribution table shows that 152(34.5%) of the respondents are in age range between 26-35 followed by 90(20.5%) of the respondents whose their age range between 36-45, also 80(18.2%) of the respondents are within the age range of 18-25, 13(3%) of the respondents are within the age range of 46-50 and the remaining 4(.9%) of the respondents age is greater than 51 years. Academic status of the respondents are displayed on the table 4.3 the result was found that 153(34.8%) of the respondents are diploma or degree holders, 73(16.6%) of the respondents complete a secondary school, 23(5.2) of the respondents have master's degree.

In correlation analysis; marketing place factor shows the highest positive correlation ($r=0.746^{**}$, $p<0.05$) positively correlated with performance of micro & small enterprises and management factor scores the second highest positive correlation ($r=0.767^{**}$, $P<0.05$) positively correlates with performance of micro & small enterprises followed by technological factor and work place factor with ($r=0.498^{**}$ and 0.121^{**} , $p<0.05$) respectively. On the other hand political factors, financial factor and infrastructural factor show a negative correlation with the dependent variable with ($r= -.511$, $r=-.536$ $r= -.778$ with $p<0.05$) respectively.

The overall fitness of the model, this fact has been confirmed by different types of statistical results. The first way is the ANOVA test that produced a P-value of 0.000 which is below the alpha level, i.e. 0.05. That means the overall independent variable have statistically significant relationship with that of the dependent variable, i.e. performance of micro & small enterprises.

The R (Coefficient of Correlation) which is simply a measure of the degree of association or co-variation that exists between independent variables and dependent variable (performance of micro & small enterprises). It only measures degree of association or variation between the two variables. In this case the value of R which is 0.90 shows, there is a very strong relationship between the independent variables and dependent variable. By testing the R square (Coefficient of Determination), as the proportion of the total variation or dispersion in the performance of micro & small enterprises (dependent variable) that explained by the variation independent variables in the regression is 0.824; meaning, 82.4% of

performance of micro & small enterprises is explained by the linear relationship with all the independent variables. Adjusted R square is 0.819 which indicates the amount of variation in one variable that is accounted for by another variable. In another word, through the survey with 354 target respondents, their performance is account for 82.4 percent of total variation in performance of micro & small enterprises. This indicates that the level of relationship between independent variable and performance of micro & small enterprises sector is high.

Generally speaking, the regression model developed under the study can be considered as a good predictor of performance of micro & small enterprises. The individual effects of the independent variables can be explained by their respective beta coefficients. By looking its standardized coefficients (beta) working place factors has the highest standardized coefficient and it means it is the best predictor. And followed by political and marketing factors respectively in their descending order is the predictor of performance of micro & small enterprises.

5.2. Conclusion

This study was conducted to factors affecting entrepreneur participation of micro and small enterprises in kolfe keranyo sub-cities of Addis Ababa.

This study is evaluated on the basis of in dependent working place factor, technological factor, infrastructural factor, marketing factor, management factor, entrepreneur factor, political factor & financial factor. Based on these eight factors that affect performance of MSEs Dimensions questionnaire is conducted.

The study had also discovered from the data analyzed that, factors that affect performance of MSEs has a significant association with performance of the MSEs To identify the relationship between dependent and independent variables Pearson correlation analysis was used. It was found that the six dimensions of independent variables are important for performance of MSEs.

5.3. Recommendations

Since MSEs are believed to have a vital role in poverty reduction, employment generation as well as economic development in poor countries like Ethiopia, a special attention should be given to those factors that influence MSEs business participation in development services. In addition to this, the study summarized and presents the following recommendations that focus the key operational constraints and entry barriers to the policy makers and other concerned bodies in the study area:

One way of assisting MSEs is in terms of providing training that helps them boost their production, help increase the quality of the final product and boost their performance. However, in the study area, selected managers responded that some trainings are not related to their operating field. Also, even if some other trainings provided to the managers are important, the trainings are not sufficient. Therefore, government or non-government and other concerned bodies should give the right training at the right time and place as per the need of the enterprises for the development of the enterprise in particular and local economic development in general

Access to finance was one of the crucial factors that determine the MSEs' performance. Therefore, the sub-city council should provide affordable alternative sources of financial support for MSEs in the study area. This can be done by communicating with the banks and other credit institutions to revise their requirements. It is important to create awareness and develop employee's skills and education as adults through continuous in-job trainings, including entrepreneurial trainings given by financial institutions and NGOs to save and manage finance properly, in order to enable MSEs to get enough access to finance for their business activities. The researcher will recommend the following main points. This study revealed that access to working place, access to bank loan, technical training to the operator, assistance with marketing, access to raw materials and appropriate customer and are the major components which contributed for the improvement of MSEs performance.

Hence the government and other concerned bodies should give strong support to MSEs in these areas. In the process of local economic development, MSEs face a number of challenges though their impact is low in the Sub- city. Factors like, lack of technical and entrepreneurial skills, lack of affordable access to raw materials and inputs, lack of sufficient capital, lack of market and appropriate assistance are among the major challenges. Therefore, big emphasis should be given to these problems by the government offices to enhance the performance of MSEs thereby increasing their contribution to LED.

The officers entitled to support the managers also fail to reach them due to lack of transportation or necessary allowance or any motivational mechanism to provide them with the necessary advices. Due to

these factors, officers are not able to follow up how the managers are doing their job in terms of the training provided to the entrepreneurs. Responsible bodies should act to tackle such problems by providing transportation or motivational mechanism for the officers who provide necessary advice and follow up.

- Identify business areas where MSEs can successfully participate as supplier, intermediate producer or distributor.
- Promote research projects that can successfully narrow down information gap in areas of MSEs business development and contribution to the economy.
- Improve business management/ entrepreneurial skills like record keeping, customer satisfaction, and product inspection practices.
- It is important to have technology transfer to enable & having adequate knowledge, competence and skill of using machineries.
- Enhance linkage among MSEs and with productive modern sectors.

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Appendix one

QUESTIONNAIRE

ST. MARY’S UNIVERSITY

DEPARTMENT OF DEVELOPMENT ECONOMICS

Dear respondent, I am a graduate student in the department of Development economics, Saint Mary’s University. Currently, I am undertaking a research entitled ‘**Factors Affecting Entrepreneur Participation of Micro and Small Enterprises in Kolfe Keranyo Sub-Cities of Addis Ababa**’. You are one of the respondents selected to participate on this study. Please assist me in giving correct and complete information to present a representative finding on the current status of the factors affecting the performance of Micro and Small enterprises in the sub cities of Addis Ababa. Your participation is entirely voluntary and the questionnaire is completely anonymous.

Finally, I confirm you that the information that you share me will be kept confidential and only used for the academic purpose. No individual’s responses will be identified as such and the identity of persons responding will not be published or released to anyone. All information will be used for academic purposes only. Thank you in advance for your kind cooperation and dedicating your time.

Sincerely,

Mahlet Mekuria

FEMSEDA MSEs (micro and small enterprise) classification detail

Level of enterprise	Sector	Human power	Total Asset
Micro	Industry	<5	< 100,000
	Service	<5	< 50,000
Small	Industry	6-30	< 1.5 million
	Service	6-30	< birr500,000

Section A. Demographic profile of the Operator

Q1. Gender: 1. Male 2. Female

Q2. Age categories: 1. 18 to 25 Years 2. 26 to 35 Years 3. 36 to 45 years 4. 46 to 50 5. Above 50

Q3. What is your educational level? 1. Does not read and write 2. Informal School 3. Elementary School 4. Secondary School 5. Diploma or Degree 6. Above

Q4. Ownerships of the enterprise? 1. Sole proprietorship 2. Partnership 3. Cooperatives

Section B: General Information on Business Enterprise

Q1. How did you raise funds to start-up your business?

1. Personal saving 2. NGOs 3. Micro finance institutions 4. Family 5. Friends/Relatives 6. Others (specify) -----7. Banks 8. Iqub/Idir

Q2. Which one of the following aspect is the most important for the success of your business venture?

1. A business plan 2. An entrepreneurial team 3. Business opportunities 4. Training in business skills

Q3. What is the type of enterprise you are involved in? 1. Construction 2. Manufacturing 3. Urban agriculture 4. Service 5. Trade 6. If other specify

Q4. Based on the above classification for Service sector?

1. Micro 2. Small

Q5. Based on the above classification for industry sector?

1. Micro 2. Small

Q6. What are factors motivated you to involve in this business? (More than one answer is possible)

1. Profitability of the business 2. Lack of employment alternatives

3. Good government support 4. Previous experience

Section C: FACTORS AFFECTING THE PERFORMANCE OF MICRO AND SMALL ENTERPRISES

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

5= strongly agree, 4= agree, 3=neutral 2 = disagree and 1= strongly disagree.

Q1. Please indicate the degree to which you agree with the following statements concerning politico-legal factors.

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

Q2. Please indicate the degree to which you agree with the following statements concerning working place factors.

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

Q3. Please indicate the degree to which you agree with the following statements concerning technology factors.

No	Technological Factors	5	4	3	2	1
1	Lack of appropriate machinery and equipment					
2	Lack of skills to handle new technology					
3	Lack of money to acquire new technology					
4	Unable to select proper technology					

Q4. Please indicate the degree to which you agree with the following statements concerning infrastructural factors

No	Infrastructural factors	5	4	3	2	1
1	Power interruptions					
2	Insufficient and interrupted water supply					
3	Lack of business development services					
4	Lack of sufficient and quick transportation service					

5	Lack of appropriate dry waste and sewerage system					
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Q5. Please indicate the degree to which you agree with the following statements concerning marketing factors.

No	Marketing Factors	5	4	3	2	1
1	Lack of skill to set competitive price					
2	Poor customer handling and relationship					
3	Lack of demand forecasting					
4	Lack of market information					
5	Absence of relationship with an organization that conduct marketing research					
6	Lack of promotion to attract potential users					
7	Poor customer relationship and handling					

Q6. Please indicate the degree to which you agree with the following statements concerning financial factors

No	Financial Factors	5	4	3	2	1
1	Inadequacy of credit institutions					
2	Lack of cash management skills					
3	Poor location					
4	High collateral requirement from banks and other lending institutions					
5	High interest rate charged by banks and other lending institutions					
6	Loan application procedures of banks and other lending institutions are too complicated					

Q7. Please indicate the degree to which you agree with the following statements concerning management factors.

No	Management Factors	5	4	3	2	1
1	Lack of clear division of duties and responsibility among employees					
2	Poor organization and ineffective communication					

3	Poor selection of associates in business					
4	Lack of well trained and experienced employees					
5	Lack of low cost and accessible training facilities					
6	Lack of strategic business planning					

Q8. Please indicate the degree to which you agree with the following statements concerning entrepreneurship factors

No	Entrepreneurial Factors	5	4	3	2	1
1	Lack of motivation and drive					
2	Lack of tolerance to work hard					
3	Lack of persistence and courage to take responsibility for one's failure					
4	Absence of initiative to assess ones strengths and weakness					
5	Lack of entrepreneurship training					
6	Lack of information to exploit business opportunities					

Section 3:General Question

1. What are factors affecting entrepreneur participation of micro and small enterprise?
2. What is the challenge of micro and small enterprise?
3. What is the opportunity of micro and small enterprise?

Appendix two

Correlations

	FAEP	PLF	WPF	TF	IF	MF	FF	MMF	EF
Pearson	1								
FAE Correlation									
P Sig. (2-tailed)									
N	339								
Pearson	-.511**	1							
PLF Correlation									
P Sig. (2-tailed)	.000								
N	339	339							
Pearson	.635**	-.246**	1						
WP Correlation									
F Sig. (2-tailed)	.000	.000							
N	339	339	339						
Pearson	.588**	.549**	-.382**	1					
TF Correlation									
P Sig. (2-tailed)	.000	.000	.000						
N	339	339	339	339					
Pearson	.778**	.428**	-.336**	.750**	1				
IF Correlation									
P Sig. (2-tailed)	.000	.000	.000	.000					
N	339	339	339	339	339				
Pearson	.746**	.729**	-.532**	.718**	.757**	1			
MF Correlation									
P Sig. (2-tailed)	.000	.000	.000	.000	.000				
N	339	339	339	339	339	339			
Pearson	-.536**	.646**	-.324**	.862**	.607**	.575**	1		
FF Correlation									

	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000			
	N	339	339	339	339	339	339	339		
MM	Pearson	.767**	.461**	-.533**	.580**	.790**	.871**	.413**	1	
	Correlation									
F	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000		
	N	339	339	339	339	339	339	339	339	
EF	Pearson	.497**	.197**	-.293**	.675**	.605**	.530**	.443**	.480**	1
	Correlation									
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000	
	N	339	339	339	339	339	339	339	339	339

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

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1582.070	7	226.010	188.803	.000 ^b
	Residual	396.229	331	1.197		
	Total	1978.299	338			

a. Dependent Variable: FAEP

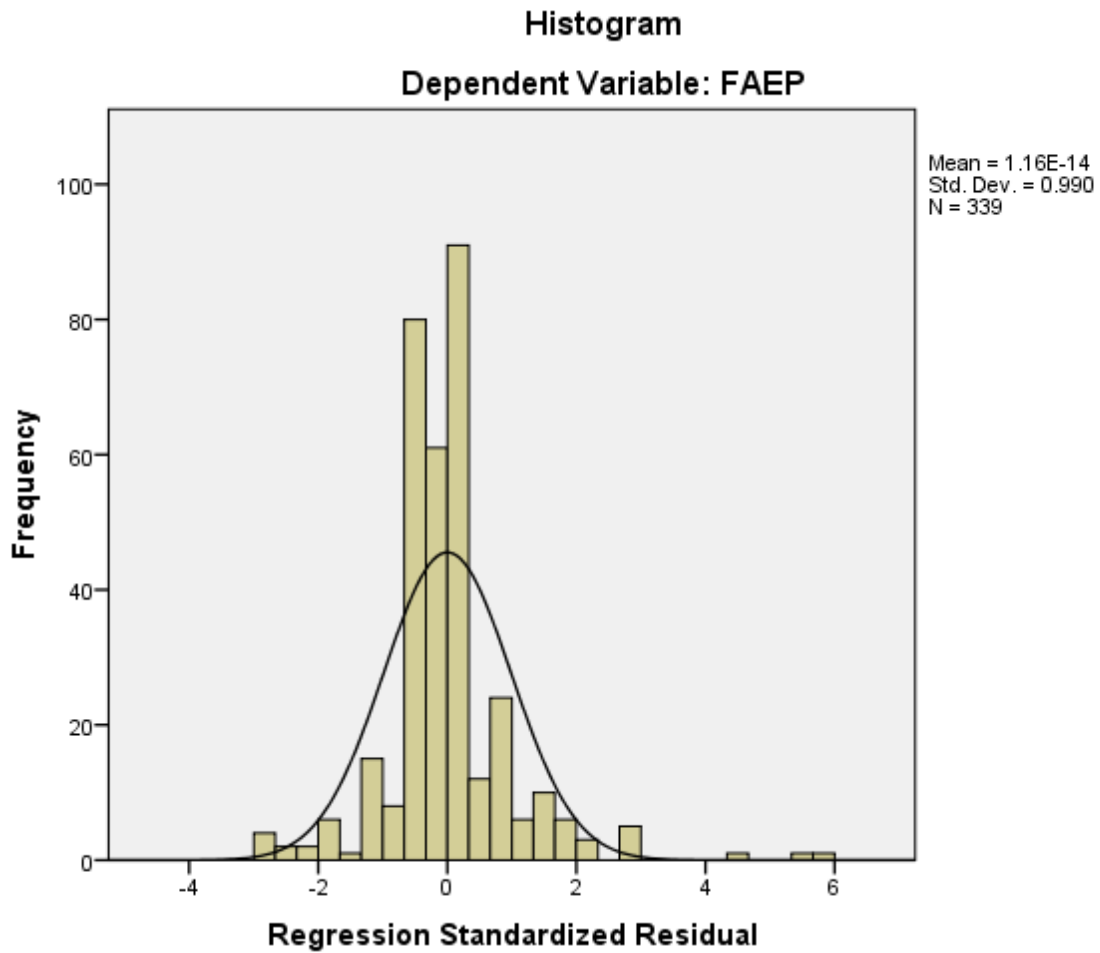
b. Predictors: (Constant), EF, WPF, FF, MMF, IF, MF, TF

Coefficients^a

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	18.015	1.101		16.357	.000
	PLF	.326	.049	-.359	-6.680	.000
	WPF	.658	.046	.439	14.287	.000
	TF	.307	.062	.350	4.923	.000
	IF	-.464	.035	-.666	-13.210	.000

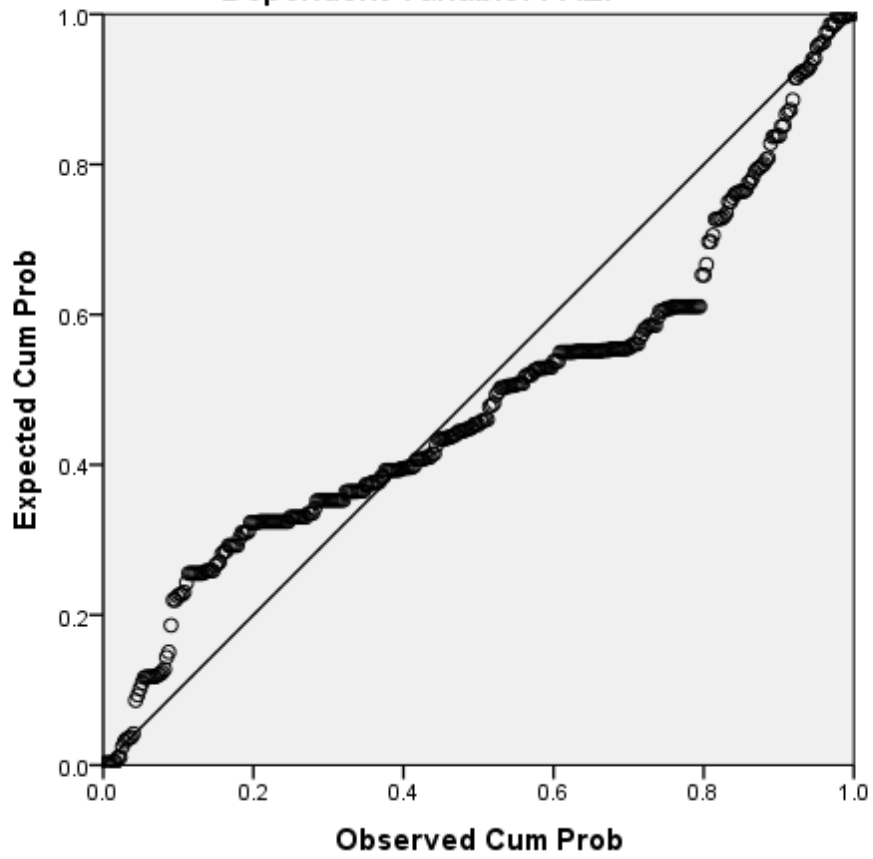
MF	.177	.050	.318	3.519	.000
FF	-.077	.056	-.085	-1.377	.170
MMF	-.163	.049	-.210	-3.337	.001
EF	-.184	.040	-.161	-4.575	.000

a. Dependent Variable: FAEP



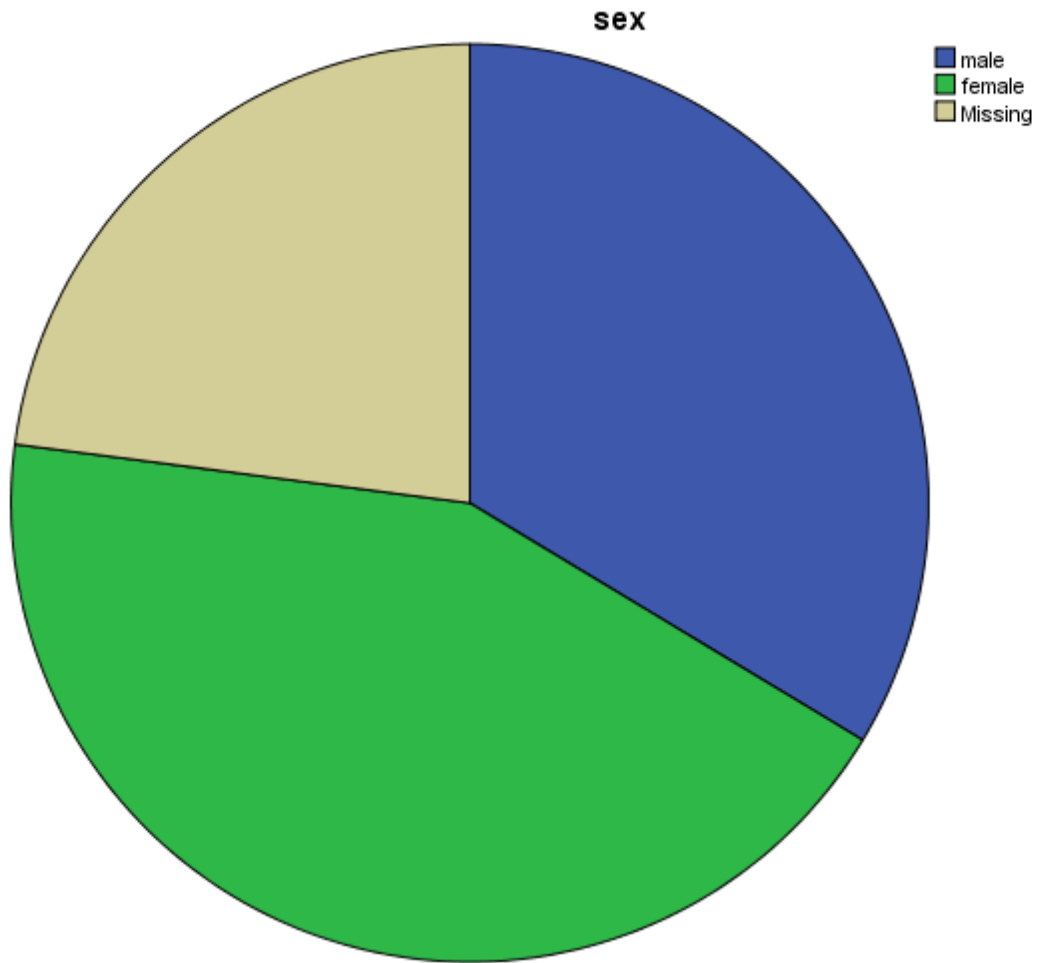
Normal P-P Plot of Regression Standardized Residual

Dependent Variable: FAEP



Sex

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid male	148	33.6	43.7	43.7
Valid female	191	43.4	56.3	100.0
Total	339	77.0	100.0	
Missing System	101	23.0		
Total	440	100.0		



Age

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 18 to 25 Years	80	18.2	23.6	23.6
Valid 26 to 35Years	152	34.5	44.8	68.4
Valid 36 to 45 years	90	20.5	26.5	95.0
Valid 46 to 50	13	3.0	3.8	98.8
Valid Above 51	4	.9	1.2	100.0
Valid Total	339	77.0	100.0	
Missing System	101	23.0		

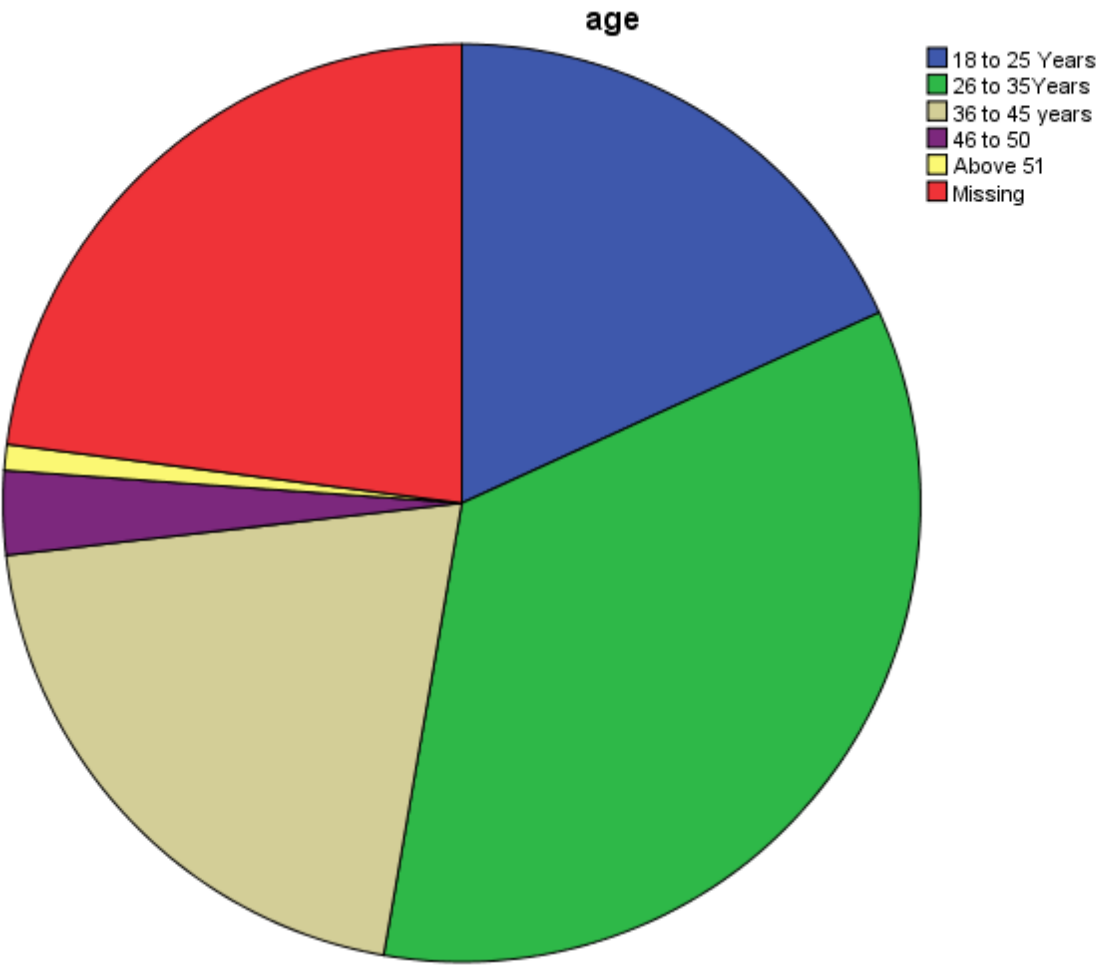
Total	440	100.0	
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Education

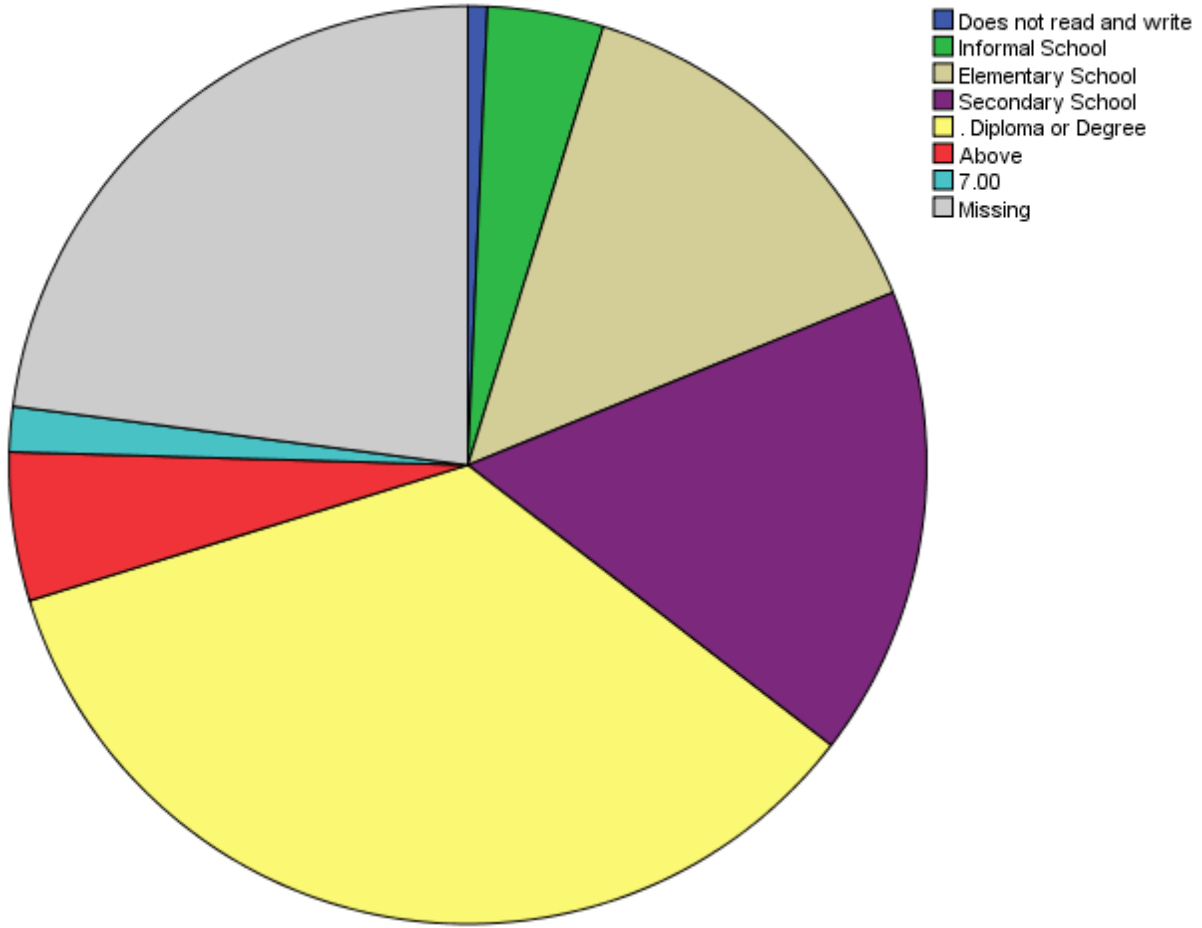
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Does not read and write	3	.7	.9	.9
Informal School	18	4.1	5.3	6.2
Elementary School	62	14.1	18.3	24.5
Secondary School	73	16.6	21.5	46.0
. Diploma or Degree	153	34.8	45.1	91.2
Above	23	5.2	6.8	97.9
7.00	7	1.6	2.1	100.0
Total	339	77.0	100.0	
Missing System	101	23.0		
Total	440	100.0		

Ownerships of the enterprise?

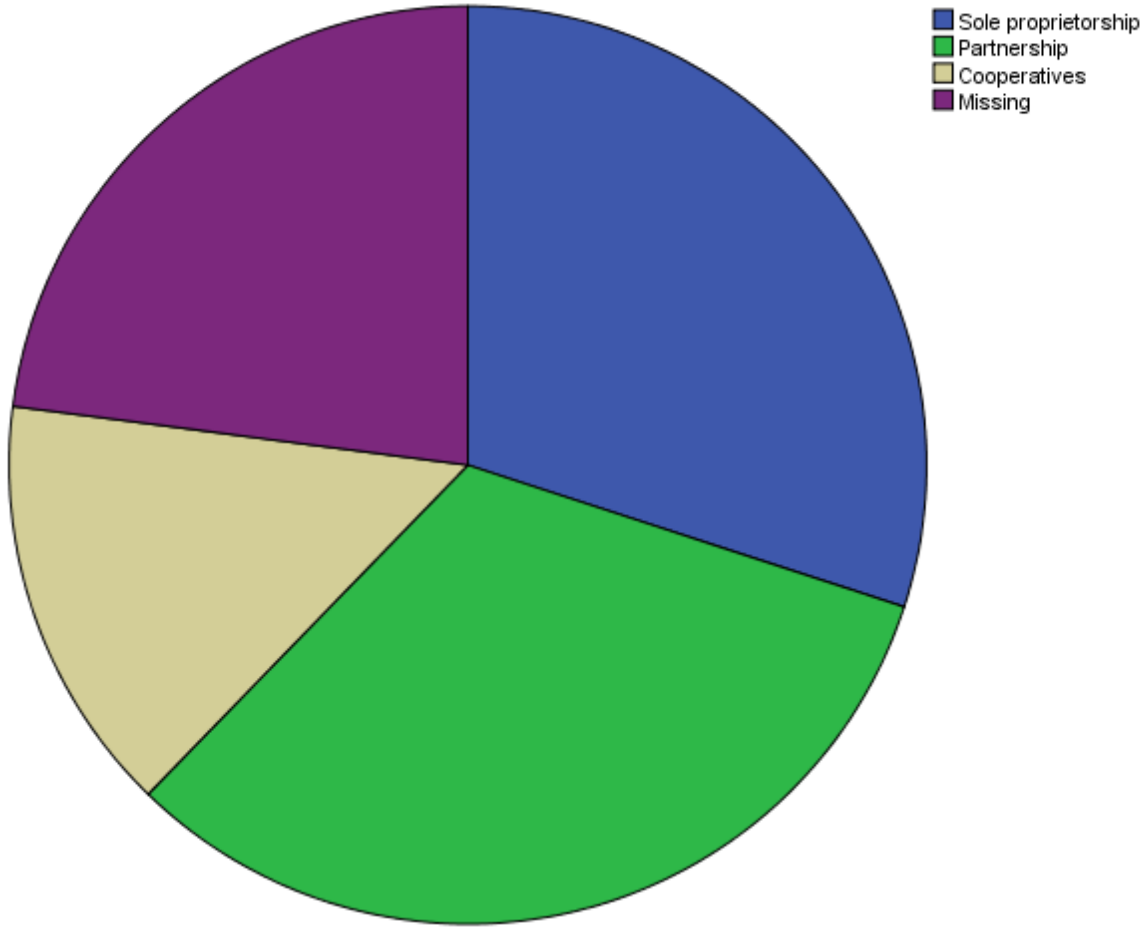
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Sole proprietorship	132	30.0	38.9	38.9
Partnership	142	32.3	41.9	80.8
Cooperatives	65	14.8	19.2	100.0
Total	339	77.0	100.0	
Missing System	101	23.0		
Total	440	100.0		



education



Ownerships of the enterprise?



Reliability Statistics

Cronbach's Alpha	N of Items
.749	9

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.908 ^a	.824	.819	.902843	1.520

a. Predictors: (Constant), EF, PLF, WPF, IF, FF, MMF, TF, MF

b. Dependent Variable: FAEP

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1629.266	8	203.658	192.553	.000 ^b
	Residual	349.033	330	1.058		
	Total	1978.299	338			

a. Dependent Variable: FAEP

b. Predictors: (Constant), EF, PLF, WPF, IF, FF, MMF, TF, MF

Coefficients^a

Model		Collinearity Statistics	
		Tolerance	VIF
1	PLF	.756	1.323
	WPF	.567	1.764
	TF	.349	2.868
	IF	.211	4.748
	MF	.773	1.294
	FF	.373	2.673
	MMF	.738	1.848
	EF	.429	2.330

a. Dependent Variable: FAEP