



SCHOOL OF GRADUATE STUDIES
SAINT MARY UNIVERSITY

**Access to Finance and Its Challenges for Small Business
Enterprises**
In the Case of Addis Ababa City, Bole Sub-city Administration

By: Samrawit Anteneh

June, 2024
Addis Ababa, Ethiopia

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Advisor: Simon Tareke (Asst. Professor)

By: Samrawit Anteneh
Id No- SGS/0113/2015A

*A RESEARCH THESIS SUBMITTED TO PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE AWARD OF MBA DEGREE IN
ACCOUNTING & FINANCE*

June, 2024
Addis Ababa, Ethiopia

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APPROVED BY BOARD OF EXAMINERS

Name

Signature & Date

Dean, Graduate Studies

Advisor

Meseret Milargeh (PhD)

External Examiner

Internal Examiner

A handwritten signature in blue ink, consisting of a stylized 'M' followed by a vertical line and a small flourish.

ACKNOWLEDGMENTS

First of all, I would like to thank & praise God for his blessing throughout my research work to complete the research successfully.

I would like to express my deep & sincere gratitude to my research supervisor, Dr Simon Tareke (Assistant Professor in finance) for giving me the providing invaluable guidance throughout this research. I would like to thank all small business owners Addis Ababa, bole sub city administration for their cooperation in distributing and collecting questionnaire.

Finally, I give special thanks to my brother for his super guidance through the research also my family for their continuous support & prayer encourage and assist me morally. My friends for support me all the time.

LIST OF ACRONYMS

MSEs	Micro and Small Business Enterprises
SMEs	Small and Medium Enterprises
ILO	International Labor Organization

ABSTRACT

This study aims at investigating access to finance and its challenges for small business enterprises in the case of Addis Ababa city, Bole sub-city administration. This study has five chapters. The study was use qualitative and quantitative research method. The research design was descriptive research design method. A total number of 130questioners were distributed but to accomplish the objective sample have been taken from 80 small business enterprises owners through judgmental or purposive sampling. The major finding of the study was the demographic characteristic of the respondents were 60% male and 40% female, the majority respondents age were in age of 31-40, according to gender woman owners or managers are more likely to access to finance than male owners or managers. According to employment opportunity 105was created in 3 different sectors. The challenges that affect access to finance are start-up source of finance and capital, lack of business training, lack of managerial skill and knowledge, lack of source of finance and others. The conclusion of the study was the challenge that small business enterprise face is lack of inadequacy in finance. The study recommends to managers or owners to study before starting business, to adapt rules and regulations quickly, adequate finance and others.

Key words: Access to finance, inadequate finance

Table of Contents

CHAPTER ONE	1
INTRODUCTION.....	1
1.1 Background of the Study	1
1.2 Statement of the Problem.....	3
1.3 Research Questions	5
1.4 The Objective of the Study	5
1.4.1 General Objective.....	5
1.4.2 Specific Objectives of the Study	5
1.5 Significance of the Study.....	5
1.6 Scope and Limitations of the Study	6
1.6.1 Scope of the Study.....	6
1.6.2 The Limitation of the Study.....	7
1.7 Organization of the Study.....	7
CHAPTER TWO	8
REVIEW RELATED OF LITERATURE	8
2.1 Theoretical Framework of the Study.....	8
2.2 Small Business in Context	8
2.3 Defining of Access to finance.....	8
2.4 Importance of Small Business	9
2.4.1 Socio-economic importance of small business	10
2.4.2 Employment creation.....	10
2.4.3 Poverty reduction	10
2.5 Challenges of small business enterprise	11
2.5.1 Shortage of raw material.....	11

2.5.2 Inadequate finance.....	12
2.5.3 Lack of managerial skills.....	12
2.5.4 Problem of skilled manpower	12
2.6 Summary.....	12
2.7 Empirical Literature Review.....	13
2.7.1 Global Empirical Studies	13
2.7.2 Ethiopian Empirical Studies	15
CHAPTER THREE.....	17
RESEARCH METHODOLOGY	17
3.1 Description of Study Area	17
3.2 Research Approach	17
3.3 Research Design.....	18
3.4 Data Type & Data Source.....	18
3.5 Sampling Technique & Population	19
3.6 Questionnaire	19
3.7 Methods of data analysis	20
CHAPTER FOUR.....	21
DATA ANALYSIS AND DISCUSSION.....	21
4.1 Survey Result	21
4.1.1. Gender of Respondent	21
4.1.2 Employment opportunity.....	23
4.1.3 Access to finance & its challenges	24
4.1.3.1 Startup source of finance	24
4.1.3.2 Access to finance.....	25
4.1.4 Five- scale Likert Result.....	27
4.2 Discussion.....	28

4.2.1 Owners/ managers characteristics	28
4.2.2 Employee creation.....	28
4.2.3 Access to finance.....	29
CHAPTER FIVE.....	30
CONCLUSION& RECOMMENDATON.....	30
RECOMMENDATON.....	31
<i>REFERENCE</i>	32
Annex	1
APPENDIX - 1.....	1
Research Schedule.....	1
Research Budget.....	1
APPENDIX - 2.....	2
Questionnaire	2
Part 3 Interview Checklist.....	6

List of Table

<u>Table 1: Gender of respondent & business Sector</u>	21
<u>Table 2: age of respondent</u>	22
<u>Table 3: Access to finance according to gender</u>	23
<u>Table4: number of employee & business activity</u>	23
<u>Table 5: startup source of finance</u>	24
<u>Table 6: Business Startup capital</u>	25
<u>Table 7: challenges to access finance</u>	25
<u>Table 8: Based on the respondents in 1-5 scale measuring</u>	26

CHAPTER ONE

INTRODUCTION

This chapter presents the introductory part of the study. It includes a statement of the problem, the background of the study, research questions, objectives, significance, scope, and limitations of the study. It consists of definitions of terms and the organization of the study.

1.1 Background of the Study

The meaning of small business cannot be said to be adequate in a single definition. These definitions are based on the background, orientation, and environment of the scholar.

Osize (1984) sees a small business enterprise as one that is owned, managed, and controlled by one or two persons. Family influence in decision-making has an undifferentiated organizational structure, has a relatively small share of the market and employs less than 50 people.

The 1990 definition, of a small business, as given by the Small Business Administration is linked to the Standard Industrial Codes (SIC). By this definition a small business does not dominate the industry, has less than \$10 million annual sales, and has less than 1000 employees. (*Jerome S. Oster young, Derek Newman 1993*).

Chris et.al (2000) defines small businesses as those which are owned and controlled by one or a few persons, with direct owner(s) influence in decision-making and having a relatively small share of the market in the applicable industry. Nevertheless, the definitions are dependable but the role of small business enterprises is undeniable.

One of the defining characteristics of small business enterprises is their ability to adapt quickly to changing customer needs and market conditions. They often have a more personalized approach to customer service and can provide niche products or services that may not be readily available from larger companies. A small business venture is a privately held company that, in comparison to larger businesses, usually employs fewer people and generates comparatively less

revenue from sales. Small firms play a crucial role in the economy by fostering innovation, job development, and general economic expansion.

Small business enterprises (SBEs) play a crucial role in the economic development of Ethiopia, particularly in Addis Ababa. They are significant contributors to job creation, innovation, and economic diversification. Since the 1990s, Ethiopia has implemented several economic reforms aimed at liberalizing the economy and promoting private sector involvement. These reforms have created an environment that supports the growth and success of SBEs. The definition of small businesses varies among scholars and institutions.

Access to finance is vital for the growth and sustainability of SBEs. Adequate financing allows these enterprises to invest in new technologies, expand operations, enter new markets, and increase production capacity. However, many SBEs face significant challenges in accessing finance. These challenges include limited collateral, high interest rates, and a lack of credit history, all of which make it difficult for small businesses to secure loans from traditional financial institutions.

This study focuses on small business enterprises in the Addis Ababa Bole sub-city Administration, using both explanatory and descriptive survey designs and incorporating primary and secondary data sources. The research aims to provide valuable insights into the financial challenges faced by SBEs in this specific region, thereby informing policymakers, financial institutions, and small business owners about potential solutions to improve access to finance.

1.2 Statement of the Problem

Small-scale enterprises have become important contributors to Ethiopia's economy. The Sector contributes to the national objective of creating employment opportunities, training, and entrepreneurs, generating income, and providing a source of livelihood for a major part of low-income households in the country, accounting for a material amount of GDP (Eshetu&Mammo 2009).

There are number of challenges SMEs face that prevent them from conducting their business effectively & efficiently. Financing is one of the crucial aspect that assist small &Medium enterprise (SME) in the process of their development & expansion. Different writers cite various reasons that can affect SMEs to access finance. According to Manasseh (2004), lack of collateral requirement, structure of the financial sector, awareness of funding opportunities, & small business support service are constraints in accessing bank.

Access to Ndungu (2014), the factor affecting credit access by SMEs are number of lending institution, interest charged on loans collateral security & literacy levels. Fente (2010) & Dereje (2012), are some of researchers who study on accesses to finance & its challenges. Although several studies have been undertake that greatly focused on accesses to finance & SMEs,

Previous studies have highlighted several factors influencing the growth of SBEs, both external and internal. External factors include limited access to finance, intense competition, and restricted production/market access, lack of market for products or services, and various trade barriers. Internal factors encompass management competency, lack of skilled labor, poor marketing strategies, low levels of innovation, and insufficient investments in technology. While these studies provide valuable insights, there remains a significant gap in understanding the specific financial barriers faced by small businesses in Addis Ababa, particularly within the Bole sub-city Administration.

Access to finance is a critical issue for small businesses in Bole Sub-city. Despite the implementation of economic reforms aimed at liberalizing the economy and promoting private sector involvement, small businesses continue to struggle with securing necessary financing. This challenge is compounded by factors such as limited collateral, lack of credit history, high-interest rates, complex application processes, lack of financial literacy, and the informal nature of many small businesses which lack proper documentation.

The relevance of this study lies in its focus on the specific financial challenges encountered by small businesses in Bole Sub-city. By addressing this gap, the study aims to provide a nuanced understanding of these challenges and offer practical recommendations to improve access to finance. This research is essential for informing policymakers, financial institutions, and small business owners, helping them develop targeted strategies to overcome financial barriers and support the sustainable growth of small businesses in this region.

Thus, this study seeks to:

1. Identify the specific financial challenges faced by small businesses in Bole Sub-city.
2. Analyze the impact of these financial challenges on the growth and sustainability of these businesses.
3. Provide recommendations to improve access to finance for small businesses in Bole Sub-city, thereby contributing to their growth and the overall economic development of the region.

By addressing these objectives, this study aims to contribute significantly to the existing body of knowledge and offer valuable insights for practical implementation.

1.3 Research Questions

- What are the challenges that small business enterprise are facing in accessing finance?
- What are the primary sources of finance for small business Enterprise?
- What is the possible source of finance in the daily operation of small business enterprises?
- What are the measurements taken by the business to minimize internal challenges in accessing finance?

1.4 The Objective of the Study

1.4.1 General Objective

The General Objective of the study is to Access finance & its challenge for small business enterprises in Addis Ababa, bole sub-city Administration.

1.4.2 Specific Objectives of the Study

This study will have the following specific objectives:

- To identify the overall access to finance & its challenges faced in small business enterprises
- To identify the primary source of finance for small business enterprise
- To identify the possible source of finance in the daily operation of small business enterprise
- To identify the measurement taken by the business to minimize internal challenge in accessing finance

1.5 Significance of the Study

Access to finance is crucial for the growth and sustainability of small business enterprises. It refers to the ability of businesses, to obtain financial resources such as investment capital to support their operations, expansion, and innovation. This study is important to understand the challenges that small business enterprise face in accessing finance in the case of Addis Ababa, bole sub-city Administration. Moreover, for small business enterprise owners or managers, this study will provide useful insight how start-up business affect access to finance and what kind of measurement should small business managers or owners take in order to minimize internal challenges in accessing finance. Also provide literature review for scholars who will wish to study related subject matter in future.

1.6 Scope and Limitations of the Study

This study is encircled to understand the access to finance and the challenges small business enterprises face in Addis Ababa, bole sub-city Administration.

1.6.1 Scope of the Study

Conceptual Scope

This study was designed to investigate the financial access that small business enterprises face. Accordingly, the scope of the study was to identify the financial access the small business enterprise faces. Even though access to finance can be measured through the Small business owner's side, the scope of the research is limited to the owner's side only. Also, this study only identifies the financial access that small business enterprises face, this research doesn't include medium & large-scale business enterprises.

Geographical Scope

The study was confined to accessing the small business enterprise in Addis Ababa, Bole sub-city Administration in (wereda 3). The study will not include other district locations in the sub-city and across the country.

Methodological Scope

The study was applying both explanatory and descriptive survey design and in the course of research both primary and secondary data was used. Concerning the secondary sources, various publications, books, and journal articles regarding the subject matter was included. The population of the study was owners. To achieve the research objectives, questionnaire was prepared which contain demographic questionnaire, open-ended & close-ended questionnaire.

1.6.2 The Limitation of the Study

This study was conducted in Addis Ababa, Bole sub-city Administration, but because of time and financial constraints, the area coverage of the study was limited. The population of the study was limited in one sub-city and in one district. The main challenge of the study was forgetfulness and unwillingness of some respondent.

1.7 Organization of the Study

This study is divided into five chapters. The first chapter consists of the introductory part of the study which has the background of the study, statement of the problem, study questions, main and specific objectives, scope and limitations, significance of the study, and organization of the study. The second chapter outlines the review of different literatures related to areas under study; and comprises theoretical reviews, empirical reviews, and conceptual framework. The third chapter includes a description of the study area, research approach and design, data type and source, sample techniques and population, the fourth chapter consists of data analysis & discussion. Finally, conclusion and general and specific recommendations followed.

CHAPTER TWO

REVIEW RELATED OF LITERATURE

This chapter presents the theoretical framework of the study and concepts of small business enterprises. Access to finance & its challenges. It also includes the conceptual framework of the study and hypothesis.

2.1 Theoretical Framework of the Study

This part of the study focused on the theory of Firms' characteristics, financial characteristics Owners' characteristics to Access small business enterprises.

2.2 Small Business in Context

Most small businesses are managed by their owners because they cannot afford to hire expertise to run the businesses for them (Rajaram, 2008). Consequently, small business owners perform many operational tasks and management functions by themselves (Kirsten, 2013), which may often result in business failure (Ihua, 2009). The independent and private ownership (sole proprietorship or partnership) of small businesses always promotes uncertainty (Keasey and Watson, 1993). This invariably means that small business success or failure squarely depends on the sole ability of the owner(s) without the shield of limited liability; SB owners may be personally liable for business misfortunes such as debts (Carter and Jones-Evans, 2006). In this regard, Akande (2006) also argues that small businesses heavily rely on owner(s) skills, ability, and personal characteristics for the prosperity of the business. Nevertheless, small businesses across the developed world still account for a significant fraction of industrial build-up. They play some defined roles in the economy that support and strengthen the growth of a nation (Mwobobia, 2012). Undoubtedly, small businesses are very crucial to a nation's healthy economy, and their competitiveness is indispensable to the nation's success and growth (Wong and Aspin wall, 2004:46)

2.3 Defining of Access to finance

According to Wikipedia, Access to finance is the ability of individuals or enterprise to obtain financial service, including credit deposit, payment, insurance, & other risk management service. Those who involuntarily have no or only limited access to finance service is referred to as the unbanked respectively. Lack of financial access limits the range of service & credits for household & enterprise. Poor individuals & small enterprises need to rely on their personal wealth or internal resource to invest in their education & businesses, which limits their full potential & leading to the cycle of persistent inequality & diminished growth.

It can be defined as the “Availability of supply of reasonable quality financial services at cost, where reasonable quality and reasonable cost have to be defined relative to some objective standard, with costs reflecting all pecuniary and non-pecuniary cost” (Claessens 2006, p.210).

At the individual level, Access to finance leads to the creation of equal opportunities to all groups of people and enables their smooth integration into the national economy. It enable them to manage their cash flows and payment; raise standard of living; lower their transaction costs compared to those in the informal sector; reduces vulnerability to risks and enable acquisition of assets. Low access, on the other hand, leads to increased income inequalities, poverty and low growth rates. Beck, Demirguc-Kunt et al. (2009, p.120)

2.4 Importance of Small Business

Small scale Enterprise plays important and crucial roles in the industrial development of any country (Ahmed, 2006). According to Ojo (2009), small-scale industry has a better prospect for

developing the domestic economy through the generation of goods and services that propel the economy.

2.4.1 Socio-economic importance of small business

Small businesses have several socio-economic importances for both the developed world and developing countries. The small business sector has also been instrumental in bringing about economic transition by providing goods and services, that are of adequate quality and reasonably priced, to a large number of people, particularly in rural areas, 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 (Workeneh, 2007).

2.4.2 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 employment 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 find 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). When we look at the share of employment in MSEs and large industries for lower and higher-income countries, 62%, and 38% of employment opportunities in lower-income countries created small-scale and large-scale enterprises respectively. However, the share of employment in MSEs in higher-income countries is still considerable and it accounts for 41% of the total employment and the rest Workneh (2007)

2.4.3 Poverty reduction

The broad definition of poverty includes the lack of access to basic health care, clean water, sanitation, and education. In other words, the poor are by definition under-serviced. In many

developing countries, governments are unable to provide adequate basic services. On this point, poverty reduction can be correlated with job creation. Here poverty refers to the poverty of the MSE operators themselves. Most operators are very poor and are found on 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 reduce nationwide poverty (BenyamAragaw, 2008).

The ILO Director-General's report to the 2003 International Labor Conference called Working out of Poverty outlined eight ILO activities that contribute to poverty reduction concerning 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.

The Director General's report focused considerable attention on small enterprise development. The report noted that poor people need to be entrepreneurial to raise the income needed to survive. Furthermore, all eight of the ILO's poverty reducing activities is related to micro and small enterprises, either principally or more peripherally (ibid).

2.5 Challenges of small business enterprise

2.5.1 Shortage of raw material

Procurement of raw materials of required quality, and quantity competitive price is the most serious faced by this sector. Though the institutional arrangements regard to the allocation mechanism often work against the interest of these. This is more pronounced in the case of scare raw materials that have to be imported. Besides, frequent interruptions in the availability of essential raw materials prevent fuller and economic utilization of productive capacity of small units (Simon Bridge, Ken O'Neil and Stan Cromie, 2003).

2.5.2 Inadequate finance

Most of the micro and small enterprises depend on external finance or non-institution. Financial assistance by the various agencies, like financial corporations and commercial bank, often falls much short of their requirements. In order to supplement the institutional finance micro and small enterprises have to approach the unorganized money market at terrible heavy rates of interest or on suppliers credit on exceedingly unfavorable terms Private finance, ultimately spoil the unit and cause for sickness in the small business (Balu, 2000).

2.5.3 Lack of managerial skills

Small business are owned by one person or small group of people and managed by their owners, who with all management usually with the other little help. In our country most of micro and small enterprises launched without a feasibility report. Moreover, wherever such reports were prepared, the purpose was to use them as advice to obtain institutional finance than to serve as a plan to make the unit a success.

2.5.4 Problem of skilled manpower

The success of a small enterprise revolves around the entrepreneur and its employees, provided the employees are skilled and efficient. Because of inefficient human factor and unskilled manpower create innumerable problems for the survival of small industries. Non-availability of adequate skilled manpower in the rural sector poses problem to small-scale industries.

2.6 Summary

In the context provided, the paper discusses the importance of developing a theoretical framework for analyzing the growth and sustainability of Small business enterprise. It emphasizes small business enterprises are essential drivers of economic growth, job creation, and innovation. Despite the challenges they face, their contributions to the economy and society at

large make them indispensable. Supporting and nurturing small businesses is vital for fostering entrepreneurship, promoting local development, and ensuring a vibrant and diverse business landscape.

2.7 Empirical Literature Review

2.7.1 Global Empirical Studies

K. Rajamani, N. Akbar, A. K. Subramani, A. Nirmal Raj(2022)studied about the impact of financial challenges in access to finance on the firm performance of MSMEs and to provide useful suggestions to improve its performance, sustainability, and in the long run to reduce its failure rate in developing countries like India. The political, economic, and technological environments of the one developing country to another vary to a greater extent, which also impacts its access to finance by the MSEs, however apart from its environment the chosen variables (i.e. firm attributes, financial obstacles, sources of finance, and the life Inzinerine Ekonomika-Engineering Economics, 2022, 33(1), 73–85 - 81 - cycle of an MSME) also plays an important role in all the developing countries (Ayadi & Gadi, 2013; Fowowe, 2017; Jaroslav et al.,2017; Klonowski, 2012; Musamali & Tarus, 2013; Phelps et al., 2007; Thampy, 2010; Zelalem & Wubante, 2019)

Access to Finance an Indonesia Case Study Zakir Machmud & Ainul Huda (2011) it is not an easy task to identify significant differences between SMEs with access to finance and those without access. Except for a few characteristics, the analysis of patterns for the majority of firm characteristics produces a rather similar result. These characteristics include owners' characteristics, capital, firms' technological characteristics, and stages of development and even their perception of business obstacles. If any, variations are not very significant. As an illustration, there is no significant difference in owner characteristics between SMEs that have access to finance and those without access. A similar result is also found with perceptions of business obstacles. Both SMEs with access and without access perceive rising business costs as the main obstacles to expand their business. The other obstacles are also the same, but only differ

in rank. This may indicate there are other factors other than those commonly applied to get credit approval, namely the '5Cs' that enable SMEs to access finance.

By their nature SMEs are relatively small, lack resources and collateral, operate in an opaque manner, are perceived by lenders to be more risky as they have a more volatile pattern of growth, profitability, and cash flow and earnings which enhances default risk and business insolvency compared to larger firms (Petersen and Rajan, 1994; Berger and Udell, 1998; Hyytinen and Pajarinen, 2008). This is compounded by a lack of credit history and credit rating if the business has not borrowed in the past. A limited bank-client relationship makes it difficult for a bank to assess the viability and track record of the company's finances, resulting in a high loan process time and cost for loan approvals. SMEs may also lack the necessary information and skills to access external finance, including the compilation of a bankable business plan.

Empirical findings from past studies suggest that some SMEs exhibit certain characteristics, which makes it more likely that they will fail to secure the funding that they need. For example, some previous studies suggest that some businesses may find it difficult in accessing business finance due primarily to their characteristics like age, size, and location (Kira and He, 2012; Fatoki and Asha, 2011), entrepreneurial characteristics like education and previous experience (Islam et al, 2011; Kapkiyai and Kimitei, 2016) or because of financial characteristics like adoption of business plan, loan duration, track record, business structure, higher transaction cost, high interest rate (Bosri, 2016; Rahman et al 2016).

2.7.2 Ethiopian Empirical Studies

According to Fetene Zeru (2010), conduct a research on the title of “Access to Finance and Its Challenge for Small Business Enterprises Case of Addis Ababa City” Study conducted small business is lagging behind every other sector. Their growth is sluggish; marketable of their product is limited because of quality, competition, lack of market (deficient in place to market their product), the access that they have for input was limited and expensive input price and their access as well as use of finance is extremely limited. He also added that only limited number of small business had practice of accessing external loan. In the past twelve months only 41% of the total small business on which the research was conducted had accessed credit and of these businesses 48% indicated the credit has increased and 37% mentioned the debt to asset has decreased.

The target population of the research was distributed to small business owner managers operating in five sub cities which consisted of Addis Ketema, Gulele, Kolfe, and Yeka in Addis Ababa on the basis of judgmental sampling. Data used (mainly primary type) was collected through questionnaire. The researcher distributed questionnaires to judgmentally selected 1361 small businesses operating in Addis Ababa of which 115 were collected back (Gulale 42, Addis Ketema 39, Yeka 17 and Kolfe 38).

With similar issues the study conducted by Mulugeta (2011), the critical problem of SMEs has recognized & classified into market-related problem, which are caused by poor market linkage & poor promotional efforts, institution-related problem including bureaucratic bottlenecks, weak institutional capacity, lack of awareness, failure to abide policies, regulations, rules, directives, absence of training to executives & poor monitoring & follow-up, operator related shortcomings like developing a dependency tradition, extravagant & wasting behavior & lack of vision & commitment from the side of the operators; SME-related challenge including lack of selling place, weak accounting & record keeping, lack of experience sharing & lack of cooperation within & among the SME & finally society-related problems such as its distorted attitude about the operation themselves & their products.

Study Conduct by Ayalneh Menberu (2018) Addis Ababa University College of Business and Economics with the title of “Assessment of access to finance & its availability for SMEs in Addis Ababa “The research is descriptive type of research primary data collected from primary and secondary sources in his study Finding Access to finance is one of the key obstacles of SMEs in operating their business. Identifying the major factors influencing of access to finance is therefore quite crucial. His study result shows that there is a significant relationship between accesses to finance and its availability and the influencing perception elements: Firm characteristics, Cost of borrowing, Collateral requirements and Awareness of Funding Opportunity (Availability of Finance).

According to the study conducted by Berhanu and Mesfin (2015), Micro & small enterprise in Dilla town has inadequacy of finance when starting operating the projects. The formal finance institution have not been able to meet the credit needs of the SMEs because SMEs are not able to fulfill the requirement such as business plan, governance system, collateral & other accountability issues which are related to business risk management.

As cited in Hagos, Yared Haftay (2012), Eshetu and Mamo (2009, 2015) states that, “commercial bank are reluctant to lend small amount of money to small business the cost of administering the loan exceed the benefit accrued to them” This shows that banks are not inclined to develop an innovative & systematic approach that minimize risk & administrative cost to serve the sector.

CHAPTER THREE

RESEARCH METHODOLOGY

The research method of the study is presented in this chapter. Accordingly, it presents the description of the study, research approach and design, target population, sampling, data analysis, validity and reliability, and ethical considerations of the study.

3.1 Description of Study Area

The area of this study was Addis Ababa and its administration was divided into ten (10) sub-city administrations. The study is conducted in the capital city of Ethiopia. Inhabitants of Addis Ababa in Bole sub-city administration.

3.2 Research Approach

According to Creswell (2003), there are three identified categories of research approaches, qualitative, quantitative & mixed approach. Qualitative & quantitative approaches should not be viewed as rigid, distinct categories, polar opposites, or dichotomies. Instead they represent different ends on a continuum (Newman & Benz, 1998).

This study used a qualitative and quantitative approach to have a better insight into the approach owner's perspective. The qualitative method was used to exploring and understanding the meaning of individuals or groups ascribed to a social or human problem. Quantitative method was used to testing scientific theories by examining the relationship among variables. These variables, in turn, can be measured, typically on instruments, so that numbered data can be analyzed using statistical procedures. Data was collected through questionnaire.

3.3 Research Design

The research design is intended to provide an appropriate framework for the study. A very significant decision in the research design process is the choice to be made regarding the research approach since it determines how relevant information for a study was obtained. (Kassu Jilcha 2019).

Since this study was design to examine the challenges small business enterprise face in accessing finance the research design use descriptive research design method. Therefore, descriptive help the study to give details about the challenges that small business enterprise face in accessing finance.

3.4 Data Type & Data Source

In research theories, there are two types of data; primary and secondary data. This study will use both primary and secondary data. In addition, the data source of the primary data of this study will be collected from targeted respondents using questionnaires and interviews to answer the research questions. Regarding secondary data, the data source will be collected from different research journals, books, newsletters, and web pages.

The data (*primary data*) concerning the main issues of the research were collected using questionnaires. The questionnaires were distributed to private business owner and/or managers operating in Addis Ababa, Bole sub city administration.

3.5 Sampling Technique & Population

A study may be started with a survey, and then purposive sampling is done based on the survey (Brown 2005). This study was identified the population to conduct in the research on small businesses enterprise in Addis Ababa, bole sub city administration. The target population of the study used, non-probability sampling technique method.

According to Addis Ababa City Administration Bole sub city Small & Macro Enterprise Development Bureau, the total number of small & micro enterprise in bole sub city is believed to be around 3,428 in number on December 2020 (Ferede Mezgebe, 2021). Respondents were randomly selected from Merchandise, Service & others sectors. This study took population in woreda 3 district. The number total survey was 130. Though 130 questioners 109 were collected but through purposive or judgmental sampling method 80 were picked individual based on their knowledge of the research topic.

3.6 Questionnaire

The success of any questionnaire survey & the accuracy of data collected largely depend on the careful design of the questionnaire's contents, structure & form of response (Akintoye et al. 2000).

The researchers use two type of questionnaire designing Closed-ended Questions & Open-ended Questions. Accordingly, this study was adopting a questionnaire and organizes various questions in three parts. The first part consists of demographic factors and the second & third part includes questions about accessing finance & its challenges. Data gathered through questionnaires will be simple and clear to analyze, and it will allow for the tabulation of responses and quantitative analysis of certain factors.

3.7 Methods of data analysis

The data collected through questionnaire respondents were carefully selected & interpreted, to examine the impact of access to finance & its challenges this study have control variable such startup capital, number of employee, type of sector, gender of owners, duration of business and financial knowledge & technical skill was used. The approach used quantitative question to gather data but to gain understanding measures the study relies more on qualitative response to infer the relationship between access to finance and its challenges.

The second variable was access to finance and its challenge. To capture the data an average of five- point Likert scale measures are used to assess owner's level of financial knowledge.

Likert-type or frequency scale use fixed choice response format & are designed to measure attitudes or opinion (Bowling, 1997). For the purpose of analysis the following scale measurement was used regarding mean score, a number from 1 to 5 that represent extent of agreement where 1= Strongly disagree, 2= Disagree, 3= Neutral, 4= Agree & 5= Strongly agree.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION

This chapter presents the finding of the study on Accessing finance & its challenges in small business enterprises in Addis Ababa, Bole sub-city administration.

4.1 Survey Result

The data analysis & discussion was made based on the questionnaire distributed to the sector. On top of this, the respondents were the managers of small business enterprises. The survey instrument was a total of 130 questionnaire were distributed for 130 small business enterprise managers, which 109 was collected but only 80 was selected through purposive or judgmental sampling method. Therefore, this data analysis & discussion was made by 80 numbers of respondents. The survey result start with summarizing the demographic profile of the respondent and comparison made with small business owners. The survey responses were inserted appropriately in table.

4.1.1. Gender of Respondent

Table 1: Gender of respondent & business Sector

No	Sex of the respondent	Business Sector			Total	Percentage
		Merchandise	Service	Others		
1	Male	27	15	6	48	60%
		33.75%	18.75%	7.5%	60%	
2	Female	20	12	0	32	40%
		25%	15%	0%	40%	
TOTAL		47	27	6	80	100%
		58.75%	33.75%	7.5%	100%	

From 80 sample respondents who in 3 sector there were 60% of male and 40% of female respondents. The business sector that describe as “others” is consists of different sector such as construction, manufacturing and so on.

Table 2: age of respondent

No	Age of owners/managers	Male	Female	Total	Percentage
1	Below 20	0	0	0	0%
2	21-30 years	10	11	21	26.25%
3	31-40 years	21	15	36	45.00%
4	Above 40	17	6	23	28.75%
Total		48	32	80	100%

From the sample 26.25% of respondent was at the age of 21-30, 45.00% of respondent was at the age of 31-40 and 28.75% of the respondent was at the age of 40 & above.

Table 3: Access to finance according to gender

Category	Gender of owners		Total
	Male	Female	
Have no access	31	11	42
Have access	17	21	38
Total	48	32	80

In the result table3 shows that woman owners/managers are more likely to access to finance than male owners/managers.

4.1.2 Employment opportunity

As it describe in table1 the business sectors that this study survey was 47 in merchandise, 27 in service and 6 other. Table 4 describe that the employee opportunity they have in their business sector.

Table4: number of employee & business activity

Business sectors	Number of employee					
		0-5	6-10	10-15	Above 15	Total
	Merchandise	35	12	5	0	52
	Service	26	9	2	0	37
	Others	10	5	1	0	16
Total		71	26	8	0	105

When considering employee opportunity with respect to small business activity the above table4 described the respondent's responses. Based on the response merchandise sector out of 105 counts 52 have created employee opportunity. In service sector out of 105 counts 37 have created employee opportunity. Also other business sector have also created 16 employee opportunity.

In total, merchandise, service & other sectors have created out of 105 counts 71, 0-5 employee opportunity, out of 105 counts 26, 6-10 employee opportunity, out of 105 counts 8, 10-15 employee opportunists.

4.1.3 Access to finance & its challenges

In regard to challenges that restrain access to finance, the respondents were asked to indicate all the challenges when accessing finance. They were also required to respond to an open-ended & close-ended question that would enable the respondents to indicate the restraints the challenges. This survey include startup source of finance, startup capital, access to finance & its challenges form respondent's response.

4.1.3.1 Startup source of finance

Small business enterprise have struggle in startup source of finance. The startup source could be multiple. It could be form internal or external source.

Table 5: startup source of finance

No	Startup source of finance	Respondents	
		N	Percentage
1	Form personal saving	17	21.25%
2	Form relatives, friends	26	32.5%
3	Loan	37	46.25%
TOTAL		80	100%

According to respondents 17(21.25%) have generated their source from personal saving, 26(32.5%) of respondents generated their source from relatives & friends, the rest of the respondents 37(46.25%) have generated their source form loan.

Table 6: Business Startup capital

No	Startup capital	No of respondent	Percentage
1	Less than 10,000	18	22.5%
2	10,000-50,000	39	48.75%
3	Above 50,000	23	28.75%
4	I don't know	0	

According to respondents 18(22.5%) of firm startup capital was less than 10,000 birr, 39(48.75%) of firm startup capital was between 10,000-50,000 and 23(28.75%) of respondents startup business was above 50,000.

4.1.3.2 Access to finance

Table 7: challenges to access finance

Themes	n	Percent
Lack of Business training	38	47.5%
Lack of managerial & owner knowledge/ skill	71	87.5%
Lack of source of finance/to keep going	46	57.5%
Sector specific challenge	29	36.25%
Lack of technical knowledge/ skill	68	85%
Lack of working space	23	28.75%
Lack of adequate finance	78	97.5%
Lack of study before starting business	35	43.75%
Socio-cultural environment	51	63.75%
Others	10	12.5%

Respondents indicated all relevant option thus total n > 80 & total percentage > 100%

In terms of the challenges, “Lack of adequate finance” emerges as the main challenge with 97.5% (78) of the respondents highlighting this challenge. “Lack of managerial & admin skill” the second most challenging with 87.5% (71) that the respondent highlight, followed closely by “lack of technical knowledge/skill” for accessing finance 85% (68). Although many others challenges were identified by respondents are that small business faced.

Table 8: Based on the respondents in 1-5 scale measuring

Question Statement	1	2	3	4	5	Percentage
How satisfied you are current finance situation	10	12	43	9	6	53.75%
How easy or difficult was to obtain financing small business enterprise	31	23	15	7	4	38.75%
How Important it is Small business enterprise to have access to finance to grow	15	10	35	9	11	43.75%
How difficult was your small business to obtain financing in past year	39	20	10	8	3	48.75%
Are you able to use financial knowledge & skill to effectively manage financial resource	40	18	12	6	4	50%

The highest or lowest best option is selected thus total n > 80 & total percentage > 100%

The respondent was ask to rate the question statement from 1 to 5 which represent the lowest or worst option to highest or best option. Therefore, 43(53.75%) of the respondent have neutral when it comes to their current finance satisfaction. 31(38.75%) of the respondents state how difficult to obtain their finances. 35(43.75%) are neutral when it comes to the importance of access finance in their enterprise growth. 39(48.75%) state how it been difficult was obtain their finance in past year. Finally, 40(50%) of owners are unable to use financial knowledge & skill to financial resources.

4.1.4 Five- scale Likert Result

The five-scale Likert result showed major factor that affect access to finance & its challenges. The section discusses the respondents regarding the factor as open-ended questions to reflect their idea & concern. The question raised for the respondent is, what are the major financial challenge you currently counter? Majority of the respondent response that difficulty in finding customer, access to external financing, working space limitation, rule & regulation of government, lack of skilled staff, socio-cultural (attitude, moral, experience, religious practice)

In another the question raised, what are the primary source of finance their enterprise? The majority of owners as it describe in table 5 it's from loan (it could be bank, financial institutions, from friends & relatives)

In sale of 1-10 how would you rate the overall financial challenge you faced in your business? Question raise for respondent. The majority respondent rate was neutral.

The question raised for the respondent was, what step can be taken to improve access to finance for small business in the future? The majority of small business enterprise owners/ managers reflect its challenging for them due to new rules & regulations are backing their steps.

The final question was what is the current source of your small business enterprise? The majority respondent response was personal saving, retained profit from business.

4.2 Discussion

4.2.1 Owners/ managers characteristics

The owner's age analysis of the research sample (*see, table 3*) shows that 45% of the respondent was positioned between the ages of 31-40, based on (*see, table1*), 60% of the respondent was male owner/manager that run 33.75% (trade), 18.75% (service) & 7.5% (other sector).

The important aspects which are considered are gender of owner/managers age of business. This implies that issue of male versus female owner or issue of startup versus mature business is irrelevant in getting financial access as long as they have capability to repay the loan. *Machmud, Z. and A. Huda (2011)*.The study reveal (*see, table 2*) that access to finance according to gender, woman owners have slightly larger proportion from men owners to access finance, 21 of 80 (26.25 percent) as opposed to of 17 of 80 (21.25 percent) respectively.

4.2.2 Employee creation

Most studies conclude that small enterprises are more labor intensive than larger ones, and some even find 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*).

In the result of this study survey out of 80 samples in merchandise, service, other business sectors 105 job opportunities are created. Which is merchandise sector out of 105 counts 52 have created employee opportunity. In service sector out of 105 counts 37 have created employee opportunity. Also other business sector have also created 16 employee opportunity.

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4.2.3 Access to finance

Small business are relatively have, lack resources and collateral, are perceived by lenders to be more risky as they have a more volatile pattern of growth, profitability, cash flow and earnings which enhances default risk and business insolvency compared to larger firms (*Petersen and Rajan, 1994; Berger and Udell, 1998; Hyytinen and Pajarinen, 2008*)

According to table5 & 6 in regard to the startup 46.25% of the respondent starts their business with loan. In addition to that the startup capital is “between” 10,000-50,000 which is 48.75% of owners/managers face lack resource & collateral, which means more risky as they have more volatile pattern of growth, profitability, cash flow & earnings.

Access to finance is one of the key obstacles of small business enterprising operating their business. *Ayalneh Menberu (2018)*. According to table7, the major factor influencing of access to finance is quite crucial. The finding of majority respondent shows 78 of 80 (97.5%) of small business owners face lack of adequate finance.

According to Table 8 survey conducted in Addis Ababa, Bole sub-city showed that the extent to which the factors influenced access to finance and its challenges was measured on a five point likert scale to measure perception of constructs ranging from strongly disagree (1), disagree (2), neutral (3), agree (4) and strongly agree (5). The key for interpreting the means recorded is as shown in Table 7

Table 9: Means Interpretation Key

Range	Extent of influence
1.0-1.5	Strongly Agree
1.6-2.0	agree
2.1-3.0	Neutral
3.1-4.1	Disagree
4.2-5.0	Strongly disagree

CHAPTER FIVE

CONCLUSION& RECOMMENDATON

This chapter presents the conclusion of the study on Accessing finance & its challenges in small business enterprise in Addis Ababa, bole sub city administration.

Conclusion

This study addresses “access to finance & its challenges in small business enterprise in the case of Addis Ababa bole sub-city administration, sought to establish difficulties faced in accessing finance. This study use qualitative & quantitative approach, in the process of analyzing and interpreting the data in descriptive design method. The primary source of data collected through questionnaire. The questionnaire was distributed to 130 small business owners/ managers but 80 were selected through purposive or judgmental sampling method.

On the basis of finding, the demographic characteristic of respondents 60% of male and 40 % of female was participated. The majority of the respondents were in the age of 31-40. The purpose of this research was to investigate the challenge of small business enterprise in accessing finance. Based on the findings in terms of accessing finance lack of inadequacy in finance is one of the main challenges for small business enterprise. Also lack of managerial skill & shortage of professional staff is challenges for access to finance. In addition, there are challenges that small business faced socio-cultural environment, business experience, educational level; size of firm can be challenge for accessing finance in small business enterprise. This study also concludes the startup business of respondents which is more from loan so small business owners will struggle to access their finance.

RECOMMENDATON

Based on the finding, recommendations are the main objective of the study which was examine the challenges that small business enterprise face in accessing finance. It is absolutely fundamental that there is insufficient access to finance for small business. To resolve this problem access to finance, the following possible action was recommended to be taken by small business owners/managers

Study before starting business: - before starting any business managers/owners should study the business they invest. Based on the study finding 43.75% of owners/manager starts the business without studying.

Source of finance: - as the above recommendation, most of owners/mangers start business without studying the business they invest, which mean they don't know how much money they need to start-up the business. So they will struggle after startup the business.

Knowledge: - manager/owners must have financial knowledge in their enterprise. Lack of knowledge of accessing finance will make the enterprise to struggle financially.

Adequate finance: -managers/owners have to increase income, reduce cost, build saving, manages debt, access financial product (low-interest loan).

Rules & regulations:-according to finding managers/owners state that new rule & regulation in their business is so challenging for them. This study recommends owners/managers to quickly adopt the rule & regulation in order to survive the struggle.

Also this study recommends future research on this topic to extend to other sub-city to identify the similarities & differences in accessing finance & its challenges.

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APPENDIX - 2

Questionnaire



SCHOOL OF GRADUATE STUDIES SAINT MARY UNIVERSITY

Access to Finance and Its Challenges for Small Business Enterprises In the Case of Addis Ababa City, Bole sub-city Administration

Dear Participant,

My name is SamrawitAnteneh. I am a student of Accounting& finance in St Marry University. First of all, I am thankful for your participation. This questionnaire is for a research project conducted by a student of MBA in Accounting & finance of Master Thesis. This survey is conducted to figure out the Access finance & its Challenges.

Please read the given instruction carefully before completing the questions. Required Note for cell phone users: Fill the form in landscape mode Demographic Information

Please click the appropriate options under which category you will fall in and best describes you.

Best Regards,
SamrawitAnteneh

Part 1 BACKGROUND INFORMATION

1: Age

- (a) Below 20 years
- (b) 21 – 30 years
- (c) 31 – 40 years
- (d) Above 40 years

2: Gender

- (a) Male
- (b) Female

3: Marital status

- (a) Married
- (b) Single
- (c) Other

4: How many employees do you have?

- (a) 0 – 5
- (b) 4– 10
- (C) 10 – 15
- (D) 15 and above

5: Duration of business

- (a) 2 years and below
- (b) 3- 4 years
- (c) 4 years and above

Part 2 – ACCESS TO FINANCE

1. What type of business is your business?

- (a) Merchandise
- (b) Manufacturing
- (c) Service
- (d) Other _____

2. Have you made feasibility study before you start your business?

- (a) Yes I made formal business plan
- (b) No, I opened it by looking others
- (c) Yes but informal assessment
- (d) Others, _____

3. Which is/are the most important business constraint (s) that stuck you to start the business?

- (a) Lack of adequate finance
- (b) Lack of technical knowledge / skill 53
- (c) Lack of working space (Land)
- (d) Lack of managerial knowledge/skill
- (e) Lack of input (Raw Materials)
- (f) Lack of Adequate labor force
- (g) Lack of Market for products
- (h) Others, _____

4. What was your startup capital?

- (a) Less than birr 10,000
- (b) Between 10,000 to 50,000
- (c) Above 50,000
- (d) I do not know

5: This study asks your experience on accessing finance & its challenges in you. Please click the circle in the measure on each statement as 1 for strongly disagree, 2 for disagree, 3 for neutral, 4 for agree and finally 5 for strongly agree..

	Item	1	2	3	4	5
How satisfied you are current finance situation	Very Satisfied					
	Satisfied					
	Neutral					
	Dissatisfied					
How easy or difficult was to obtain financing small business enterprise	Very easy					
	Easy					
	Neutral					
	Difficult					
How Important it is Small business enterprise to have access to finance to grow	Extremely important					
	Important					
	Neutral					
	Unimportant					
How difficult was your small business to obtain financing in past year	Very difficult					
	Moderately difficult					
	Not difficult at all					
Are you able to use financial knowledge & skill to effectively manage financial resource	Very Aware					
	Neutral					
	Not aware at all					

Part 3 Interview Checklist

1. What are the major financial challenges you currently encounter? Please provide details?

2. What are the primary sources of finance for your small business?

3. On a scale of 1 to 10, how would you rate the overall financial challenges you face in your business??

4. What step can be taken to improve access to financing for small business in the future?

5. What are the current sources of finance for your small business enterprise?

Thank you for your cooperation!



የድህረ ምረቃ ጥናቶች ትምህርት ቤት

ቅድስት ማርያም ዩኒቨርሲቲ

የፋይናንስ ተደራሽነት እና ለአካላትና ቢዝነስ ኢንተርፕራይዞች ተግዳሮቶች

የአዲስ አበባ ከተማ የቦሌ ክፍለ ከተማ አስተዳደር

ውድ ተሳታፊ፤

ሳምራዊት አንተነህ እባላለሁ።በሴንትሜሪ ዩኒቨርሲቲ የአካውንቲንግ እና ፋይናንስ ተማሪ ነኝ።
በመጀመሪያ ስለተሳትፎኝ አመለግናለሁ። ይህ መጠይቅ በማስተርተሲስ አካውንቲንግና ፋይናንስ
ኤም ቢ ኤ ተማሪ ለሚካሄደው የምርምር ፕሮጀክት ነው።ይህ የዳሰሳ ጥናት የተካሄደው የአክሰስ
ፋይናንስ እና ተግዳሮቶችን ለማወቅ ነው።

እባክዎን ጥያቄዎችን ከማጠናቀቅዎ በፊት የተሰጠውን መመሪያ በጥንቃቄ ያንብቡ።የሚያስፈልግ
ማስታወሻ ለሞባይል ስልክ ተጠቃሚዎች፡ ቅጹን በወርድ ሁኔታ ይሙሉ የስነሕዝብ አወቃቀር መረጃ
እባክዎ በየትኛው ምድብ ውስጥ እንደሚወድቁ እና እርስዎን በተሻለ ሁኔታ እንደሚገልጹ ተገቢውን
አማራጮች ጠቅ ያድርጉ።

ምልካም ምኞት,

ሳምራዊት አንተነህ

ክፍል 1 ዳራ መረጃ

1: ዕድሜ

(ሀ) ከ20 ዓመት በታች

(ለ) 21 - 30 ዓመታት

(ሐ) 31 - 40 ዓመታት

(መ) ከ40 ዓመት በላይ

2: ጾታ

(ሀ) ወንድ

(ለ) ሴት

3: የጋብቻ ሁኔታ

(ሀ) ያገባ

(ለ) ነጠላ

(ሐ) ሌላ

4: ስንት ሰራተኞች አሉህ?

(ሀ) 0-5

(ለ) 4—10

(ሐ) 10 - 15

(መ) 15 እና ከዚያ በላይ

5: የንግድ ቆይታ

(ሀ) 2 ዓመት እና ከዚያ በታች

(ለ) 3-4 ዓመታት

(ሐ) 4 ዓመት እና ከዚያ በላይ

ክፍል 2 - የፋይናንስ ተደራሽነት

1. ንግድዎ ምን አይነት ንግድ ነው?

(ሀ) ሸቀጦች

(ለ) ማምረት

(ሐ) አገልግሎት

(መ) ሌላ _____

2. ንግድዎን ከመጀመርዎ በፊት የአዋጭነት ጥናት አድርገዋል?

(ሀ) አዎ መደበኛ የንግድ እቅድ አውጥቻለሁ

(ለ) አይደለም፤ ሌሎችን በማየት ነው የከፈትኩት

(ሐ) አዎ ግን መደበኛ ያልሆነ ግምገማ

(መ) ሌሎች፤ _____

3. ንግዱን ለመጀመር ያስችገረዎት በጣም አስፈላጊ የንግድ ሥራ ገደቦች (ዎች) የትኞቹ ናቸው?

(ሀ) በቂ የፋይናንስ እጥረት

(ለ) የቴክኒካል እውቀት/ክህሎት ማነስ

(ሐ) የሥራ ቦታ እጥረት (መሬት)

(መ) የአስተዳደር እውቀት/ክህሎት ማነስ

(ሠ) የግብአት እጥረት (ጥሬ ዕቃዎች)

(ረ) በቂ የሰው ኃይል እጥረት

(ሰ) የምርቶች ገበያ እጥረት

(ሸ) ሌሎች፤ _____

4. የመነሻ ካፒታልዎ ምን ነበር?

(ሀ) ከብር 10,000 በታች

(ሐ) ከ50,000 በላይ

(ለ) ከ10,000 እስከ 50,000 መካከል

(መ) አላውቅም

5፡ ይህ ጥናት ፋይናንስን ለማግኘት ልምድህን እና በአንተ ውስጥ ያሉትን ተግዳሮቶች ይጠይቃል። እባክዎን በእያንዳንዱ መግለጫ ላይ ያለውን ክብ ጠቅ ያድርጉ 1 በጠንካራ አለመስማማት ፣ 2 አልስማማም ፣ 3 ለገለልተኛ ፣ 4 ለመስማማት እና በመጨረሻም 5 በጥብቅ ለመስማማት ።

	ንጥል	1	2	3	4	5
የአሁኑ የፋይናንስ ሁኔታ ምን ያህል ረክተዋል	በጣም ረክቻለሁ					
	ረክቻለሁ					
	ገለልተኛ					
	አልረካም					
ለአነስተኛ የንግድ ሥራ ድርጅት ፋይናንስ ማግኘት ምን ያህል ቀላል ወይም ከባድ ነበር።	በጣም ቀላል					
	ቀላል					
	ገለልተኛ					
	አስቸጋሪ					
ለማደግ የፋይናንስ አቅርቦት ማግኘት ለአነስተኛ ንግድ ድርጅት ምን ያህል አስፈላጊ ነው።	እጅግ በጣም አስፈላጊ					
	አስፈላጊ					
	ገለልተኛ					
	አስፈላጊ ያልሆነ					
የእርስዎ አነስተኛ ንግድ ባለፈው ዓመት ፋይናንስ ለማግኘት ምን ያህል ከባድ ነበር።	በጣም ከባድ					
	በመጠኑ አስቸጋሪ					
	በጭራሽ አስቸጋሪ አይደለም					
የፋይናንስ ሀብትን በብቃት ለማስተዳደር የፋይናንስ እውቀትን እና ክህሎትን መጠቀም ችለዋል።	በጣም አስተዋይ					
	ገለልተኛ					
	በፍፁም አያውቁም					

ክፍል 3 የቃለ መጠይቅ ዝርዝር

1. በአሁኑ ጊዜ የሚያጋጥሙህ ዋና ዋና የገንዘብ ችግሮች ምንድን ናቸው? እባክዎ ዝርዝሮችን ይስጡ?

2. ለአነስተኛ ንግድዎ ዋና የፋይናንስ ምንጮች ምንድን ናቸው?

3. ከ1 እስከ 10 ባለውሚዛን፣ በንግድዎ ውስጥ የሚያጋጥሙዎትን አጠቃላይ የፋይናንስ ፈተናዎች እንዴት ይመዝኑታል?

4. ወደፊት ለአነስተኛ ንግዶች የፋይናንስ አቅርቦትን ለማሻሻል ምን እርምጃ መውሰድ ይቻላል?

5. ለአነስተኛ ንግድ ኢንተርፕራይዝዎ የአሁኑ የገንዘብ ምንጮች ምንድን ናቸው?

ለትብብርዎ እናመሰግናለን!