ST. MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDIES

FACTORS AFFECTING THE CAPITAL GROWTH OF MICRO AND SMALL ENTERPRISES: the case of Kirkos Sub-city, Addis Ababa

BY

ALEMU ASSEFA ABEBE

JUNE, 2014

ADDIS ABEBA, ETHIOPIA

FACTORS AFFECTING THE CAPITAL GROWTH OF MICRO AND SMALL ENTERPRISES: the case of Kirkos Sub-city, Addis Ababa

BY

ALEMU ASSEFA ABEBE

A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY, SCHOOL OF GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

JUNE, 2014

ADDIS ABEBA, ETHIOPIA

ST.MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDIES
FACULTY OF BUSINESS

FACTORS AFFECTING THE CAPITAL GROWTH OF MICRO AND SMALL ENTERPRISES: the case of Kirkos Sub-city, Addis Ababa

BY

ALEMU ASSEFA ABEBE

APPROVED BY BOARD OF EXAMINERS

_____   _____
Dean, Graduate Studies   **Signature& Date**

_____   _____
Advisor   **Signature & Date**

_____   _____
External Examiner   **Signature & Date**

_____   _____
Internal Examiner   **Signature & Date**

DECLARATION

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

_____   _____

　　　　　　　Name   Signature& 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.

_____   _____

                    Advisor   Signature& Date

ACKNOWLEDGEMENTS

Table of Contents

Content

List of Tables

ABBREVATIONS

ANOVA   Analysis of Variance

CSA   Ethiopian Central Statistics Authority

FDRE   Federal Democratic Republic of Ethiopia

GTP   Growth and Transformation Plan

MOFED   Ministry of Finance and Economic Development

MOTI   Ministry of Trade and Industry

MOUD   Ministry of Urban Development and Construction

MSEs   Micro and Small Enterprises

MSEDS   Micro and Small Enterprise Development Strategy

PASDEP   Plan for Accelerated and Sustained Development to End Poverty

SPSS   Statistical Package for Social Science

ABSTRACT

The research study aimed at identifying factors that affect the capital growth of MSEs in kirkos sub city. In the study, a quantitative research method was used. Primary data was obtained using questionnaires and unstructured interviews. Secondary data was also collected from Documents, books, journals, and past research works. The target population of this study included the Micro and Small enterprises in kirkos sub city of Addis Ababa. Stratified proportionate random sampling technique was used to select 74 respondents. Data was collected from among those industries engaged in Construction, Service, Petty Trade, Manufacturing, and Urban Agriculture. Data were analyzed using descriptive and inferential statistics with the aid of Statistical Packages for Social Scientists (SPSS). Also, analysis of variance was carried out to examine the variation in the capital growth of enterprises related to the variation in each of the independent variables of the study. The Analysis of Variance (ANOVA) result indicates there is significance variation on the capital growth of Micro and small enterprises only in relation to the variations to planning practice and record keeping. But the descriptive statistics result shows better capital growth for enterprises owned by individuals with better education level, have prior management and industry experience. In addition it also shows better capital growth for those enterprises that uses planning and record keeping. The study recommended that Enterprise owners should focus on upgrading themselves in education using alternative programs; The stakeholders of the sector should work on preparing training programs on management issues and creating experience sharing opportunities especially to those enter into the sector without any previous business background; enterprises should start using plan to their business activities. On the other hand stakeholders of the sector should work on increasing the capacity of enterprise owners by providing assistances in the area of training which enables them to prepare their own plans; MSEs should enhance their record keeping skill through proper training and experience sharing with other enterprises.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Micro and small Enterprises (MSEs) play an important economic role in many countries by creating employment and thereby reducing poverty. Over the past 10 years, economic planners have realized the importance of the small enterprise sector in achieving economic development. Many governments' and development organizations have focused on the promotion of MSEs as a way of encouraging broader participation in the private sector. The micro and small business sector is recognized as an integral component of economic development and a crucial element in the effort to lift countries out of poverty (Wolfenson, 2007). The dynamic role of micro and small enterprises (MSEs) in developing countries as engines through which the growth objectives of developing countries can be achieved has long been recognized. It is estimated that MSEs employ 22% of the adult population in developing countries (Fisseha, 2006).

The sector has potential to provide the ideal environment for enabling entrepreneurs to optimally exercise their talents and to attain their personal and professional goals (MoTI, 1997). In all successful economies, MSEs are seen as an essential springboard for growth, job creation and social progress. The small business sector is also seen as an important force to generate employment and more equitable income distribution, activate competition, exploit niche markets, and enhance productivity and technical change and, through the combination of all of these measures, to stimulate economic development.

This is not denying the importance of large industries and other enterprises for the growth of the Ethiopian economy, there is ample evidence to suggest that the labor absorptive capacity of the MSE sector is high, the average capital cost per job created is usually lower than in big business, and its role in technical and other innovative activities is vital for many of the challenges facing Ethiopia (MoTI, 1997).

The Micro and Small enterprises (MSEs) play an important role in Ethiopian Economy, Ethiopia has thus recognized and paid due attention to the promotion and development of MSEs for they are important vehicles to address the challenges of unemployment, economic growth and equity in the country. Recognizing the significance of this sector, the Ethiopian government issued the National Micro and Small Enterprises Strategy in 1997 and established the Federal Micro and Small Enterprises Development Agency in 1998. In the country's Growth and Transformation Plan (GTP) in 2010/11, it is clearly singled out that Micro and small enterprise development is the strategic focus of the industrial development and a comprehensive micro and small enterprises development strategy was devised and approved by the government in consultation with all relevant actors. A strategy was also devised to ensure that all public programs are executed in such a way that they create productive employment opportunities and promote the development of competitive micro and small enterprises (MOFED, 2012).

In Ethiopia, MSEs are the second largest employment generating sector next to agriculture. In line with this, about half of the urban workforce is engaged in the MSEs sector, and the capital city, Addis Ababa, nearly accounts for about 40% of the total operators in micro enterprise activities (Gebrehiwot & Wolday, 2005). In the PASDEP period (2005/06-2009/10), it was planned to create 1.5 million employment opportunity. Accordingly, through 167,835 MSEs 1.46 million employment opportunities were created (MoUDC, 2011). And in the Growth and Transformation Plan (GTP) (2010/11-2014/15) annual Progress Report for F.Y. 2010/11Around 542,000 jobs were created (MOFED, 2012). A national survey conducted by Central Statistics Agency (CSA) in 2007 Indicates that more than1.3 million people in the country are engaged in MSEs sector.

Micro and small enterprise in Ethiopia are, however, confronted with several factors that affect the performance of MSE. A large number of MSEs are unable to grow (expand in terms of employment) and remain to be survival (non-growing) type which cannot provide employment. Moreover, out of 1000 MSEs in this country around 69% of them are found survival types (Gebreyesus, 2007). Particularly in capital city Addis Ababa majority (75.6%) of the MSEs are unable to grow at all since start up and only 21.9% of the MSEs was added workers (Wasihun& Paul, 2010).

1.2 Statement of the Problem

Micro and Small enterprises (MSEs) play significant roles in the creations of employment opportunities and generations of income for quite a large proportion of the population. Mead (1998) observes that the health of the economy as a whole has a strong relationship with the health and nature of MSEs. Starting and operating a small business includes a possibility of success as well as failure. Because of their small size and the exposure to risks owing to their location, a simple management mistake is likely to lead to sure death of a small enterprise hence no opportunity to learn from its past mistakes. The dramatic increase in the contribution of MSEs to employment is largely attributed to retrenchment in both public and private sectors.

However, even with this contribution to employment, not many micro-enterprises grow into small-scale enterprises to significantly contribute to employment creation and economic growth. This study seeks to investigate the factors that influence the capital growth of small businesses in order to develop an understanding of the dynamics of MSEs not only for the development of support programmes and growth strategies for MSEs, but also for the growth of the economy as a whole. Such information is crucial in the evolution of appropriate policies for promoting MSEs development and increasing the sector's impact on poverty reduction and overall development.

Most Ethiopian companies are failing to grow from small to medium and medium to large. Particularly in capital city Addis Ababa majority (75.6%) of the MSEs are unable to grow at all since start up and only 21.9% of the MSEs were added workers (Wasihun & Paul, 2010). MSEs have to play an important role in terms of contributing to the reduction of unemployment and to better the standard of living of the people of Ethiopia. This study seeks to find out the factors that affect the capital growth of MSEs in Kirkos Sub City in Addis Ababa so as to better understand why they fail and how they can be improved. This will promote adoption of necessary measures and a plan of action to regulate this sector. The significant role of small business in the Ethiopian economy suggests that an understanding of their performance is crucial to the stability and health of the economy.

Generally little research has been conducted on factors that affect the performance of MSEs in Ethiopia in general, and particularly in kirkose sub city, there is still gap exist in understanding

factors that affect the capital growth of MSEs in Kirkose sub city. In Addition to this, unlike most previous studies this study covered not only manufacturing but also other sectors such as service and trading sectors. This study therefore scrutinized the factors that influence the capital growth of MSEs situated at Kirkos Sub City.

1.3 Research Objectives

To realize the purpose of this study the following Objectives were set.

1.3.1 General Objective

The central objective of this study is, to assess factors affecting the capital growth of MSEs in Kirkose sub city of Addis Ababa.

1.3.2 Specific Objectives

In line with the central objective the study also includes the following specific objectives:-

- To determine the relationship between the characteristics (age of owners, education level, record keeping, management experience, prior industry experience, planning practice , ownership type) of MSEs in Kirkos Sub City and their capital growth.
- To investigate the socio-cultural background of entrepreneurs that influences the capital growth e of their businesses.
- To determine the strategies employed by MSEs in countering the challenges that they face.

1.4 Research Hypothesis

The following hypotheses are developed and to be tested using Analysis of Variance (ANOVA) statistical tool.

H_{a1}: There is significant difference on the capital growth of enterprises in   relation to the difference in age of principal business owners.

H_{O1}: There is no significant difference on the capital growth of enterprises in relation to the difference in age of principal business owners.

H$_{a2}$: There is significant difference on the capital growth of enterprises in relation to the difference on the education level of the principal owners of the business.

H$_{O2}$: There is no significant difference on the capital growth of enterprises in relation to the difference on the education level of the principal owners of the business.

H$_{a3}$: There is significant difference on the capital growth of enterprises in relation to the difference in management experience of the principal owner of the business.

H$_{O3}$: There is no significant difference on the capital growth of enterprises in relation to the difference in management experience of the principal owner of the business.

H$_{a4}$: There is significant difference on the capital growth of enterprises in relation to the difference in planning practice of the enterprises

H$_{O4}$: There is no significant difference on the capital growth of enterprises in relation to the difference in planning practice of the enterprises.

H$_{a5}$: There is significant difference on the capital growth of enterprises in relation to the difference in using record keeping mechanism within them.

H$_{O5}$: There is no significant difference on the capital growth of enterprises in relation to the difference in using record keeping mechanism within them.

H$_{a6}$: There is significant difference on the capital growth of enterprises in relation to the difference in the type of ownership of the enterprises.

H$_{O6}$: There is no significant difference on the capital growth of enterprises in relation to the difference in the type of ownership of the enterprises.

H$_{a7}$: There is significant difference on the capital growth of enterprises in relation to the difference in prior industry experience of the principal owner of the business.

H$_{O7}$: There is no significant difference on the capital growth of enterprises in relation to the difference in prior industry experience of the principal owner of the business.

1.5 Significance of the study

This research is expected to be significant to national and local governments, investment groups, entrepreneurs, academic scholars and researchers. They may use the finding of this research as additional information to address the problems uncovered in the development of MSEs. And, the micro and small enterprises development office and the owners of such enterprises may be able to know the real problems and then to seek solutions for these problems.

1.6 Delimitation of the Study

The study assessed factors affecting the capital growth of MSEs in Addis Ababa city particularly in kirkos sub city. There are 10 sub cities in Addis Ababa where a number of MSEs were operating. But due to time and finance constraints the researcher limited to only in Kirkos Sub City. Although, there are different factors that affect the capital growth of MSEs, this study is delimited to education level, owners' age , management experience, industry experience, ownership type, planning practice and record keeping practices. More over study were limited to a manageable sample size because of time and resource constraints.

1.7 Organization of the Thesis

The rest of the paper is organized as follows: chapter two presents the theoretical and empirical related literature to the study, while chapter three provides research design and methodology. Chapter four outlines result and discussion and chapter five summarizes, concludes and suggests some recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the available related literature. The literature is reviewed under the following headings: Overview of MSEs in Ethiopia, Definition of MSEs in Ethiopia, Measuring Enterprise success and Performance, Success Factors of MSEs and Enterprise Performance, and Conceptual Frame work.

2.2 Overview of MSEs in Ethiopia

As in many developing countries, various studies as well as government reports indicate that MSEs are largely believed to provide means of livelihood to quite a large proportion of the population in Ethiopia (MoTI, 1997; PASDEP, 2000; CSA, 2003; GTP, 2010). "MSEs in Ethiopia play significant role in terms of accommodating a number of operators and creating gainful employment to the labor force. They provide livelihood to the vast majority of the population next only to agriculture" (Solomon.W, 2003).

A National survey conducted by Central Statistics Agency (CSA) in 2007 indicates that more than 1.3 million people in the country are engaged in MSEs sector. But a large number of MSEs are unable to grow (expand in terms of employment) and remain to be survival (non-growing) type which cannot provide employment. Moreover, out of 1000 MSEs in this country around 69% of them are found survival types (Gebreyesus, 2007) and particularly in capital city Addis Ababa majority (75.6%) of the MSEs are unable to grow at all since start up and only 21.9% of the MSEs were added workers (Wasihun & Paul, 2010). Even though MSEs that add workers or seeking to add labor force make a major contribution to the economic growth of the country (Mead & Liedholm, 1998) and helping more of these enterprises to grow (add workers) can make a greater contribution to unemployment reduction and income generation than equal efforts made for the promotion of new MSEs. Besides, the MSEs that add workers are very important mechanism for helping people to move up and out of poverty since increase in size is often

associated with an increase in economic efficiency but, most MSEs are subject to different set of dynamic forces which can affect their growth and reduce their potential contribution to the economic growth of the country.

Micro and small enterprises (MSEs) are a special focus of the government, given that they comprise the largest share of total enterprises and employment in the nonagricultural sectors. In recognition of the important role MSEs have to play in creating income and employment opportunities and reducing poverty, the government drafted its first Micro and Small Enterprise Development Strategy in 1997.

2.3 Definitions of MSEs in Ethiopia

Even though there is no universally accepted single definition of micro and small enterprises, according to the definition of Ethiopian MSEs development strategy (1997), micro enterprises are business enterprises with a paid-up capital of less than 20,000 birr, and excluding high tech consultancy firms and other technology establishments. Small enterprises are those business enterprises with a paid-up capital of above 20,000 birr and not exceeding 500,000 birr, and excluding high tech consultancy firms and other technology establishments. Large and medium enterprises, by default, are those with more than 500,000 birr in paid-up capital.

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 non registered companies and cooperatives operating with less than 10 persons. In addition to these Establishments employing less than ten persons and using motor operated equipment are considered as small scale manufacturing enterprises. (CSA,2004).

2.3.1 The Improved Definition of MSEs 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 in to industry

and service sector; and considering the coming 5 years inflation and fluctuation/regularity of currency the definition of MSEs was improved in january2011as follows. Based on the revised sector both micro and small scale enterprises are categorized in to industrial sector and service sector 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.

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. When ambiguity is encountered between manpower and total assets as explained above, total asset is taken as primary yardstick (MSEDS, 2011).

2.4 Measuring Enterprise success and performance

Business success is usually measured in terms of economic performance. As Walker and Brown (2004), small business success can be measured by financial and non-financial criteria although the former has been given most attention in the literature. Traditional measures of business success have been based on either employee numbers or financial performance, such as profit, turnover or return on investment. Implicit in these measures is an assumption of growth that presupposes all small business owners want or need to grow their businesses.

For businesses to be deemed successful these financial measurements require increases in profit or turnover and/or increased numbers of employees. As Walker and Brown (2004) cited from the study of Hall and Fulshaw (1993), 'the most obvious measures of success are profitability and growth'. In economic terms this is seen as profit maximization. Economic measures of performance have generally been popular due to the ease with which they can be administered and applied since they are very much hard measures.

Furthermore Walker and Brown (2004) suggested, 'all businesses must be financially viable on some level in order to continue to exist'. However, given that some businesses have no interest in growth, thereby implying that financial gain is not their primary or only motivation, then there must therefore be other non-financial criteria that these small business owners use to measure their business success. In smaller, entrepreneurial and independent firms, measures of success may have more complex dimensions than just financial performance (Mohan-Neill 2009). Non-financial measures of success used by business owners, such as autonomy, job satisfaction or the ability to balance work and family responsibilities (Walker and Brown, 2004; Mohan-Neill 2009) are subjective and personally defined and are consequently more difficult to quantify. The hard measures previously mentioned therefore, are easier to understand and can be used in a comparative way against existing data and as benchmarks for future measures.

Non-financial measures are based on criteria that are personally determined by the individual business owner although commonalties within the partners of small business owners occur. These non-financial measures presume that there is a given level of financial security already established; it may be that this is within the business, or that the small business owner does not require the business to be the primary source of income (Walker and Brown, 2004).

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. The lack of universally accepted standard performance measures left the door open to business organizations to decide and choose its own performance measure that might not truly reflect its performance (Alasadi and Abdelrahim, 2007). 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 as MSEs concerned, the financial measure of success that is the growth of total capital of the enterprises is used since it is better than the non financial measures in terms of reducing the subjectivity of the measurement results.

2.5 Success Factors of MSEs and Enterprise Performance

Previous studies investigating factors behind small business success have all lead to the valid assumption that there is a common set of underlying success factors, whose effect tend to vary depending on the cultural context in which small businesses operate Some of the literature sources written by different authors in the field that help to insight the small business success factors considered in this study are; Lussier (1995); Praag (2003); Shonesy and Gulbro(2004); Walker and Brown (2004); Lussier and Halabi (2010) and so on. The most extensive work was that of the Lussier's (1995) 'perceived causes of small business success factors and failure factors', because his work examined the efficiency of the 15 variables identified from 20 prior studies on the subject of small business.

In this study, the researcher has chosen seven success factors to investigate and discuss. These are: principal owners' educational background, ownership form of the business, record keeping and financial control practice of the enterprises, the use of planning, principal owners' age, owners' previous management experience, and owners' experience of establishing related enterprise.

2.5.1 Impact of Entrepreneur's Age on business performance

According to Bonte et al, (2009) Empirical studies based on individual data have found an inverse U-shaped relationship between age and the decision to start a business, using changes in the age distribution of the population of western German regions overtime, they found in accordance with micro level analyses an inverse U-shaped relationship between the regional age structure and start-up activity in a region. Moreover, their findings suggest that the age specific likelihood of becoming an entrepreneur changes with the size of the age cohort, pointing to the existence of a relationship between the ages of the entrepreneur and the performance of the enterprise.

Although Zimmerrer and Scarborough (1998) point out that most of entrepreneurs in the United States start business during their 30s and 40s, many researchers found that there is no limit of age for their entrepreneurial aspirations. Age variation at the start of business seems to have no direct relation to business success. According to Staw (1991), at the start of any business

age is not a decisive factor, but with enough training and preparation, the earlier someone starts business the better. Staw (1991) also notes that age is related to business success if it includes both chronological age and entrepreneurial age. This means that the older an entrepreneur is, the more experiences in business he has. Age thus implies extensive experience. A recent base line survey of small businesses shows that female ownership, Informality and sole proprietorship have negative effects on the ability to generate revenue. Such ability, however, increases with the entrepreneur's age, educational achievement and membership in business support groups (Kimuyu, 2008).

It is an observed factor that young people are very aggressive, impatient and ready to take risk. Hence this factor may influence on business practices of entrepreneurs. The individuals are socialized to behave in ways that meet with the approval of their role set. To take an example, a young person with a business owning parent may well be expected to join the family business and not to do so would create a vacuum in the business. If we accept that entrepreneurs require ideas, opportunities, resources skills and motivation for success, then the social structures and situations to which they are exposed will impact on the choice process. Simon (1998) found that actual and perceived entrepreneurial skills are acquired overtime and consequently age has an impact on entrepreneurship. For example it has been suggested that many people age thirty or less may not have acquired sufficient organizational experience while those age forty five or more may no longer posses the acquired energy. However, Longenelker M. (1991) found that there are no hard and fast rules concerning the right age for starting a business. This study therefore seeks to establish the relationship between the age of the business owner and the capital growth of the business.

2.5.2 Impact of Education on Performance of Small Businesses

Education and skills are needed to run micro and small enterprises. The study of Lussier (1995) suggested that '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. Education can provide the skills set and knowledge, which can help owner/managers with tools, like technology literacy, which helps to increase productivity and success. 'If education cultivates comprehensive literacy, this would help owner/managers to integrate relevant information to do effective planning and to make well-informed decisions, which would ultimately enhance the organization's success' (Mohan -Niell, 2009). Thapa and Goswami and Joshi (2008) in their study they found that the education of owners has positive effect on entrepreneurial and small

business success. Similarly Rose, Kumar and Yen (2006), in their study of the 'Dynamics of Entrepreneurs Success Factors', reported that, higher education level helps the business owners to have better knowledge and skills which contribute to the success of their venture. Working experience also assists the entrepreneurs with information and understanding about the industry and thus, assisted them in venturing into the current business they are in. King and McGrath,(2002) in their study suggest that those with more education and training are more likely to be successful in the SME sector.

As culture is a learned behavior, formal, non formal and informal education plays an important role in transferring cultural values from one generation to another. However, Hagen E. E, (1962) said that education plays a subsidiary role in promoting entrepreneurship, because entrepreneurs are born. It is often articulated that the supply of entrepreneurs will ultimately be increased more if awareness of the feasibility and desirability of starting a business is established at a young age. Thus education system is assisted to foster support and encourage those interested in knowing what it is like to run a business. In Sri Lanka, Sudatta Ranasinghe, (1996) noted that, most of the successful entrepreneurs have not gone through higher education or formal courses in entrepreneurship. Studies also show that, only a few of the entrepreneurs have had family business connections at the time they started a business. Prior experience and skills gained through informal learning have been useful in making a start.

A study conducted by Meng and Liang (1996) involving entrepreneurs in Singapore disclosed that successful entrepreneurs have higher education levels compared to that of unsuccessful entrepreneurs (p = 0.01). Seventy percent of successful entrepreneurs are university graduated, while 23% are not. According to Meng and Liang (1996), Staw (1991), and Holt (1992), after entering the entrepreneurial world, those with higher levels of education are more successful because university education provides them with knowledge and modern managerial skills, making them more conscious of the reality of the business world and thus in a position to use their learning capability to manage business. Similarly, Lussiers and Pfeifer (2001) also summarized that the entrepreneurs with higher education level and experiences have greater chances of succeeding than the people without education and experiences (quoted in Rose et al., 2006). However, Minniti and Bygrave (2003) have stated that people with more education are not necessarily more entrepreneurial. Thapa (2007) in his

study in Nepal has found that the education has positive effect on entrepreneurial success. This study will thus seek to establish the relationship between the educational levels of entrepreneurs and the capital growth of their businesses.

2.5.3 Impact of Prior Business and Industry Experience on performance of business

Prior to starting their businesses, entrepreneurs are involved in a number of different fields of work and for a variety of reasons such as desire, flexibility, independence, and family commitments decide to open their own businesses. In most instances, they start a business in an area in which they feel comfortable. However, there are also a number of individuals who have absolutely no experience in a given field, but\ start businesses nevertheless. Because prior business experience is useful training to both a prospective entrepreneur and to that person's prospective employers, the empirical effect of such experience on business success is not entirely unambiguous. Praag (2003), reported that experience as in the same industry as a business venture gives better chances and so does experience within the same occupation.

Relevant experience helps to become a successful business owner and to survive. Shonesy and Gulbro (2004) cited from the study of Beckman and Marks (1996) and reported that, business experience is a factor in the success of small firms. Dyke, Fischer, and Reuben (1992) also found that management experience may be a significant factor in achieving success or successful performance in the small business environment. In their study they stated that 'would be business owners should be concerned to gain related industry, management, and start-up experience regardless of the type of industry in which they plan to operate'. It was also noted, however, that while experience was a significant factor, it could vary by industry in importance. Lafuente and Rabetino (2011), in their study of the importance of human capital in small business growth in Romania using employment level as a measure of small enterprises success, reported that previous work experience of small business owners is an important factor for the success of the enterprises they operates in. This finding reinforces the argument about the importance of clearly identifying the enterprise owner's capacity to put into practice his/her specific knowledge in day-to-day and sound decisions, in order to effectively evaluate the relationship between the benefits derived from previous work experience and successfully manage the enterprises operations.

In addition to the above studies Politis and Gabrielson (2002), in their study supports the argument that prior experience from starting up new ventures showed a significant and positive association with increased opportunity recognition. Consequently, previous start-up experience seems to impact the mindset and knowledge base of the entrepreneurs, which in turn enable them to identify and act on further business opportunities. Previous start-up experience and cross-functional experience seem to provide individuals with knowledge that improve their ability to recognize new venture opportunities. Previous small business management experience and varied management experience seem on the other hand to provide individuals with knowledge that increase their ability to handle liabilities of newness in the new venture creation process (Politis and Gabrielson,2002).

2.5.4 Prior Management Experience and Business performance

Management experience may provide entrepreneurs with prior knowledge of markets, ways to serve markets, and of customer problems. Zeleke (2009) conducts a study on the efficiency of management as a determinant of long-term survival in micro, small and medium enterprises in Ethiopia, and his research ascertains that high level of managerial skills significantly promotes long-term survival and profitability in small businesses and enterprises. Successful businesses are significantly associated with the ability to generate profit on a sustainable basis. Profitability has enabled successful businesses to achieve their next level of growth as well as the potential to stay competitive in business. The main reason for failure is inexperienced management. Managers of bankrupt firms do not have the experience, knowledge, or vision to run their businesses. In diagnosing the root causes of small firm failure it should not be surprising that this turns out to be the management inefficiency of owner-managers (Zeleke 2009).

Managerial effectiveness influences every aspect of a business and is often believed to be the most important factor contributing to small business failure. The management skills and Management concepts of business founders are deemed much more important than their technical skills and their concern about production which has resulted in an overall positive organizational performance (Lin and Yeh-Yun 1998). In contrast, the study report of Rose, Kumar and Yen (2006), indicates 'management experience prior owning business' was found not significant for the success of small enterprises.

Apparently individuals who were found successful in their small business venture were less dependent upon their previous business skills. In addition their study shows that; marketing functions such as 'promoting company and its product and services', 'understanding market needs', 'customer feedback' and 'market analysis' ensure the long term success of business ventures. In addition Temtime and Pansiri (2004) also reported in their study managerial of background has less significance on the success of the enterprises. This may arise from the fact that most managers of failed enterprises do not accept the fact that their lack of managerial education and experience is also responsible for failure.

Lin and Yeh-Yun (1998), in their study of, Success factors of small and medium sized enterprises, suggested that the management skills and management concepts of business founders are much more important than their technical skills and their concern about production which has resulted in an overall positive organizational performance. They argued in their study that, 'although technical skills may guarantee the survival of a given SME, for an enterprise to truly thrive, founders need to enhance their capabilities in carrying out contemporary management concepts, such as satisfying employees' growth needs, delegating responsibility, and participative management'. Another study done by O.Okpara (2011), on MSEs operating in Nigeria supports the argument that, lack of management experience of the small business owners is the other major reason to small business failure. As the findings of this study shows that, most business owners who do not have management experience and adequate training and skills to operate a business faces a problem of collapse of their businesses.

2.5.5 Planning and Performance in Small Enterprises

Planning was also recognized by several studies as a key factor to small business success such Lussier (1995), Lussier and Pfeifer (2001), Ahmed, Shahbaz and Mubarak (2008). A business often begins with an idea that is acted upon. However, to get from the idea stage to the actual business start-up generally involves considerable Planning. In many cases, the amount of actual Planning done is dependent on the willingness of the entrepreneur to do it. Some entrepreneurs prepare business plans as a means to attain financing for their businesses while others use a plan to get all their ideas down on paper to assess whether their business idea is sound and viable.

Ahmed, Shahbaz and Mubarak (2008) suggested that no one should start a business in today's economy without a business plan. They argued that success for small businesses is achieved through planning, commitment, and time, nurturing, financing, and positioning to seize opportunities. Many of these activities must be done on a continual basis as the environment in which businesses operate is continuously evolving.

Another fact rarely considered is that the majority of new businesses fail within a few years mostly due simply to poor planning or no planning at all. Most people who go into business enter a field related to their current employment or a favorite hobby. They don't do a market study first to see whether the demand for their product or service is growing, declining or stagnating.

2.5.6 Impact of Record Keeping and Financial Control on performance

Poor record keeping can also lead to strained relationships with vendors which may result in difficulty in obtaining and receiving merchandise. Inadequate working capital decisions and accounting information have been referenced consistently as causes of small business failure. The study of Lusseir (1995) supports this fact. In his study, he reported that 'businesses that do not keep updated and accurate records and do not use adequate financial controls have a greater chance of failure than firms that do. However, the study of Rose, Kumar and Yen (2006) did not show any significant relationship between small business performances and the record keeping, and financial control practices of the enterprises.

2.5.7 Form of Ownership and performance of business

The other study report of Lafuente and Rabetino (2011) indicates the relationship between enterprises performance and forms of ownership. They reported that rather than those firms with a single-tier leadership structure (entrepreneur-manager), the presence of entrepreneurial teams increases firm's resources and capabilities, a fact that enhances employment growth indicating that the presence of entrepreneurial teams improve internal decision making processes leading to higher growth rates. Similarly the study of Lusseir (1995) supports the fact that enterprises which are owned by more than one owners have a higher chance of success than those enterprises owned and managed by a single owner.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1. Introduction

It involves a blueprint for the collection, measurement and analysis of data. Moreover, the chapter reveals an overall scheme, plan or structure conceived to aid the researcher in testing the research hypotheses. In this stage, most decisions about how research was executed and how respondents were approached, as well as when, where and how the research was completed is discussed. Therefore, in general this part of the study describes the research design and methodology that were used to guide the study under the following sub-headings: the research design, target population, sample and sampling design, reason for the sampling, data collection instruments, data collection procedures, data analysis procedures and ethical consideration.

3.2. Research Design

According to Kerlinger (1986) research design is the plan and structure of investigation conceived so as to obtain answers to research questions or test the research hypotheses. The plan represents the overall strategy used in collecting and analyzing data in order to test research hypotheses.

In this study, a descriptive research design were used, the major purpose of descriptive research is description of the state of affairs as it exists at present. Then this study describes and critically assesses the factors affecting the capital growth of MSEs kirkos sub city of Addis Ababa.

3.3 Target Population

Target population is the specific population about which information is desired. According to Ngechu(2004), a population is a well defined or set of people, services, elements, events, group of things or households that are being investigated. Mugenda and Mugenda, (2003), explain that the target population should have some observable characteristics, to which the researcher

intends to generalize the results of the study. There are 738 MSEs which are registered in kirkos Sub-City MSEs office. Commonly the sub city classified MSEs in Five categories (Construction, Service, Petty Trade, Manufacturing, and Urban Agriculture) based on their type of engagements. All the Five categories (sub-sectors) of MSEs were used in the study.

Table I: Target Population

Target population	Frequency	Percentage
Construction	190	25.7
Service	96	13
Petty Trade	260	35.3
Manufacturing	*181*	24.5
Urban Agriculture	*11*	1.5
Total	**738**	**100**

3.4 Sampling Procedure and Sample Size

Ngechu (2004) underscores the importance of selecting a representative sample through making a sampling frame. From the population frame the required number of subjects, respondents, elements or firms was selected in order to make a sample.

A sample is a smaller and more accessible sub set of the population that adequately represents the overall group, thus enabling one to give an accurate picture of the population as a whole, with respect to the particular aspects of interests of the study. Sample of responded MSEs was drawn from 738 target possible respondents. The sample size for this study is 10 % of the total population. Accordingly, a total of 74 questionnaires were distributed to the MSEs and 68 questionnaires were properly filled and returned back.

From the population frame the required number of subjects, respondents, was selected in order to make a sample. For this study stratified proportionate random sampling technique was used to select the sample. According to Oso (2009), stratified proportionate random sampling technique produce estimates of overall population parameters with greater precision and ensures a more representative sample.

Table II: Number of sample business enterprises

The type of industry Enterprises operating	Frequency	Percentage
Construction	19	25.7
Service Sectors	10	13
Petty Trade	26	35.3
Manufacturing	18	24.5
Urban Agriculture	1	1.5
Total	**74**	**100**

The study grouped the population into five cluster i.e. (construction, Service, petty trade Manufacturing and urban agriculture). From each cluster the study used simple random sampling to select 74 respondents. Stratified random sampling technique was used since population of interest is not homogeneous and could be subdivided into groups or clusters to obtain a representative sample (Table 3.2).

3.5 Data Collection Methods and Procedures

In order to achieve the research objectives, both primary and secondary data was collected through questionnaires and specifically questionnaires was designed and distributed to MSEs engaged in different economic activities (Construction, Service, Petty Trade, Manufacturing, and Urban Agriculture). The questionnaires were used because they are straightforward and less time consuming for both the researcher and the participants (Owens, 2002). The questionnaire was includes both the close and open ended questions.

The questionnaire was the main instrument of the study; the research questionnaire was administered to a stratified random sample of 74 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 Kirkos Sub City Micro and Small Business Development Agency.
Both open ended and cloth ended questions were used to extract the required data from respondents.

Capital growth of the enterprises is the dependent variable of this study. Total capital growth of MSEs is used to measure the performance of the sample enterprises from their establishment to date. To this end open ended questions about the enterprises total initial capital used to start the venture and the amount of the total capital enterprises currently have was included in the questionnaire. Then based on the data from these two questions, the capital growth of each Participant enterprises from establishment to date were calculated and then this growth percentage data was taken as indicator of enterprises performance.

The independent variables in this study are seven factors obtained from the literatures of small business: age of the principal owner, education level of the principal owner, prior management experience of the owner, industry experience of the owner, plan, record keeping and financial control and forms of ownership of the enterprises.

To measure the independent variable age, a discrete random data about the age of the enterprise owners is collected then this discrete random data of respondents' age has changed into categorical data at the time of data analysis in order to see the variation in performance in terms of capital growth for enterprises under each of the age categories.

The other independent variable education of the enterprise owners was collected as a discrete random data for education levels 10th grade and below by asking respondents the education level they completed. For owners who have an education level above 10th grade, ordered categorical measurement scale is given to choose.

Management experience shows the year in which principal owners spent in a managerial position either being employed in other organizations or managing their own independent enterprise before the current one. Then to measure this variable categorical form data was collected by asking the respondents a "yes ", "No" question.

 Industry experience of the owners shows the number of related independent enterprises respondents established before the business they are operating now. To measure this variable categorical form data was collected by asking the respondents a "yes ", "No" question.

The variable plan indicates the time coverage of the plan enterprises prepare in their business operation. Then categorical data about this variable is collected by asking the respondents the time coverage of their plan and ordered categorical measurement scale is given to choose.

Ownership form of the business indicates the way that the enterprises are possessed either by one individual or sole proprietor or more than one co owners. In this case data about the ownership form of the enterprises was collected in a categorical form by providing respondents two choices to select.

The last independent variable is record keeping and financial control. It indicates the internal practice of the enterprises' use of formal system to record their day to day operation and financial inflow and out flow data. Then a categorical yes, no choice is given to the respondents regarding the use of this system in their internal operation.

In order to obtain secondary data the researcher was examined various publications, different journals, articles related to the subject under study, other online materials, the kind of document (government or institution document) that expected to make the paper full and its author, dates, title, edition, where written and other relevant information with regard to secondary source of data has disclosed at the appendix part of this paper.

3.6 Piloting (Instrument Validation)

Before get on fieldwork, a pilot study was carried out to pre-test the instruments. This was done in order to assess the clarity of items, validity and reliability of the instruments. It was after the pilot testing that the main survey was followed.

3.6.1 Validity of the Research Instrument

To ascertain the validity of questionnaire, a pilot test was carried out. This was done by administering the questionnaire onto the pilot group. The content validity of the research instrument was evaluated through the actual administration of the pilot group. In validating the instruments, 4 MSEs was selected from each cluster, which was constituted a total of 20 MSEs. The population units in the pilot study were not included in the final sample. The study was used both face and content validity to ascertain the validity of the questionnaires. Face validity is actually validity at face value. As a check on face validity, test/survey items was sent to the pilot group to obtain suggestions for modification. Content validity is concerned with sample-population representativeness i.e. the knowledge and skills covered by the test items should be

representative to the larger domain of knowledge and skills.

The instruments were administered by the researcher after which a discussion was made to determine the suitability, clarity and relevance of the instruments for the final study. Ambiguous and inadequate items were revised in order to elicit the required information and to improve the quality of the instruments.

3.7 Data Analysis

The data collected from both primary and secondary sources were collated, synthesized and analyzed using quantitative analytical techniques using descriptive and inferential statistics. Descriptive statistics involved the use of frequencies and mean. Inferential statistics were used to see the variation in the performance of enterprises in relation to the different levels of each of the explanatory (independent) variables with the aid of Statistical Packages for Social Scientists (SPSS –version 20). Analysis of variance (ANOVA) is used to test the hypotheses stated because analysis of variance (ANOVA) is used to determine whether there are any significant differences between the means of two or more independent groups. In this study regarding the capital growth of enterprises in relation to each of the independent variables of the study were tested.

3.8 Ethical Considerations

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

CHAPTER FOUR

RESULTS AND DISCUSION

4.1 Introduction

This chapter presents analysis and interpretation of findings from data that were secured from the MSEs found within kirkos sub city. The data was obtained through questionnaires. To obtain more dependable information, diversified groups of respondents which engaged in Construction, Service, Petty trade, manufacturing and urban agriculture were involved to give information for the study. The data gathered through questionnaires were analyzed and interpreted.

A total of 74 copies of questionnaires were distributed to be filled out and 68 questionnaires were properly filled and returned back. The purpose of the study was to analyze factors that affect the capital growth of MSEs found in kirkos sub city of Addis Ababa. Accordingly descriptive statistics analysis and interpretation of the sample enterprises' responses with regard to the seven main research variables of this study is performed and ANOVA is used to test the null hypotheses.

4.1.1 Response Rate

The researcher targeted a sample of 74 SMEs, of which 68 of them were responded. This represented a 92% response rate as table 1 below clearly revealed. It is a reliable response rate for data analysis as Babbie (2002) posited that any response of 50% and above is adequate for analysis. Moreover, it is possible to generalize that as the response rate indicates all of the respondents were happy towards the study and its findings.

Table 1: Response Rate

Number	Respondents category	Frequency	Percentage
1	Responded	68	92
2	Did not respond	6	8
	Total	74	100

4.2 Enterprises Profile Data

As it is depicted in Table 2 majority of the enterprises 57 (83.8%) were Enterprises with a percentage change of capital growth below1100% while the rest of the sample 11 (16.2%) of the respondent enterprises are in the category of enterprises which have percentage change of capital growth abov1101% to 4601%.

The other measurement is educational level of the respondents or owners, in this regard 44 (64.7%) of the respondents were below grade 10+2 and first degree graduate business owners is only 8 (11.8%) of the total.

Also from Table 2 one can easily identify the type of planning practice that the enterprises short term and long term period planning. the majority of the enterprises 30 (44.1%) have a tradition of planning for two and less years, 20 (29.4%) has a planning tradition for 3 to 5 years a head of the current business period, and 13 (19.1%) enterprise has no any future planning for the business, they are involving only on already once developed business situation.

In this study the sample respondents included for the analyses are the record keeping tradition in this regard, the majority 47(69.10%) enterprises have good record keeping for their day to day business operation and the reaming 21 (30.90%) enterprises have no any record keeping practice in their business activities.

When we classify the enterprises involved in this study on the bases of managerial experience only 22 (32.4) of the enterprises have managerial experience and the remaining part 44 (67.6%) have no managerial experience and they lack most management skills.

Concerning the industrial experience of the enterprises, the majority 44 (64.7%) have no any industrial experience before the business and the remaining 24 (35.5%) have business experience at least in their past business activities.

Regarding the age of the business owner or enterprise managers, 49 (72.10%) are young age with age below 30 years old and 19 (27.9%) are above 31 years old. the majority of the enterprises are run by youngsters.

Table 2. Frequency and percentage of the respondents and profiles of the enterprises

Variable	Respondent	Frequency	Percent	Cumulative Percent
Education Level	<10	17	25	25
	10 to 10+2	27	39.7	64.7
	10+3	16	23.5	88.2
	first degree	8	11.8	100
Ownership Form	Partnership	31	45.6	45.6
	sole proprietorship	37	54.4	100
Plan	<1 year	4	5.9	5.9
	1 to 2 years	26	38.2	44.1
	3 to 5 years	20	29.4	73.5
	>5 years	5	7.4	80.9
	None	13	19.1	100
Record Keeping	Yes	47	69.1	69.1
	No	21	30.9	100
Management Experience	Yes	22	32.4	32.4
	no	46	67.6	100
Industrial Experience	yes	24	35.3	35.3
	no	44	64.7	100
Percentage of Capital Growth Change of the MSEs	<= 100	20	29.4	29.4
	101 - 600	32	47.1	76.5
	601 - 1100	5	7.4	83.8

Variable	Respondent	Frequency	Percent	Cumulative Percent
	1101 - 1600	5	7.4	91.2
	1601 - 2100	3	4.4	95.6
	2601 - 3100	1	1.5	97.1
	4601+	2	2.9	100
Age Of MSE Owner	<= 20	9	13.2	13.2
	21 - 25	21	30.9	44.1
	26 - 30	19	27.9	72.1
	31 - 35	10	14.7	86.8
	36 - 40	5	7.4	94.1
	41 - 45	2	2.9	97.1
	46+	2	2.9	100

4.3 Descriptive Statistics Results of Total Capital growth Vis-à-vis the Main Variables

The discussion here after is related to the descriptive statistics result of the seven independent variables in relation to the performance of MSEs operating in Addis Ababa.

The first variable considered in this study as factor for percentage capital growth which measures the performance of MSEs is the age of the principal owner of the enterprises. To examine the variation in the capital growth of the enterprises in different age categorizes, the sample is grouped into seven age groups as depicted in Table 3 below.

As it is indicated in the table, from the total sample taken 9 enterprises are possessed by principal owners with the age of 20 years old and below. When we look at the percentage capital growth of the enterprises in this age category on average they show a total capital growth of 166.33% from the time of establishment to date.

When we look at the percentage capital growth of the enterprises in all age categories on an average they show a total percentage capital growth of (625.88%) from the time of establishment to date.

The second group of age of possessed by principal owners with the age between 21 to 25 years old is 2l MSEs. When we look at the percentage capital growth of the enterprises in this age category on average they show a total capital growth of 622.19% from the time of establishment to date.

The third group of age (19 MSEs) possessed by principal owners with the age is 26 - 30 years old. When we look at the percentage capital growth of the enterprises in this age category on average they show a total capital growth of (751.84%) from the time of establishment to date.

The fourth group of age (10 MSEs) possessed by principal owners with the age is 31 - 35 years old. When we look at the percentage capital growth of the enterprises in this age category on average they show a total capital growth of 881.70% from the time of establishment to date.

The fifth group of age of possessed by principal owners with the age is 36 - 40 years old. When we look at the percentage capital growth of the enterprises in this age category on average they show a total capital growth of 5 (749.20%) from the time of establishment to date.

The sixth group of age of possessed by principal owners with the age is 41 - 45 years old is only 2MSEs. When we look at the percentage capital growth of the enterprises in this age category on average they show a total capital growth of (95%) from the time of establishment to date.

The remaining 2 MSEs have owners with the age above 46 years old. When we look at the percentage capital growth of the enterprises in this age category on average they show a total capital growth of 479.50% from the time of establishment to date.

Over all from this descriptive statistics result, those MSEs owned by individuals with the age of 31 to 35 shows higher average percentage capital growth than other age groups (those enterprises owned by individuals with age below 31 years and those individuals with age above 35 years old). This finding is consistent with Simon (1998) he found that many people age thirty or less may not have acquired sufficient organizational experience while those age forty five or more may no longer posses the acquired energy.

The possible argument for the better performance of those enterprises owned by individuals with this age group would be, first business owners in this age category would have better chance of acquiring business experience compared to those age group below 31 years old.

On the other hand relative to business owners above the age of 35, this age category would be more energetic to spend more time in their business.

Overall, these two conditions may in turn makes enterprises owned by those individuals in this age category perform better.

Table 3. Capital Growth Change of the MSEs to Different Age Categories of Owners

Age of MSE owner	Mean	N	Std. Deviation	Std. Error of Mean	Minimum	Maximum
<= 20	166.33	9	163.048	54.349	13	536
21 - 25	622.19	21	676.269	147.574	0	1900
26 – 30	751.84	19	1518.852	348.448	17	6757
31 - 35	881.70	10	1672.895	529.016	33	5567
36 - 40	749.20	5	1208.814	540.598	88	2900
41 - 45	95.00	2	77.782	55.000	40	150
46+	479.50	2	159.099	112.500	367	592
Total	625.88	68	1129.567	136.980	0	6757

The other independent variable of this study is the education level of the principal owners of the enterprises which is expected to have a relation with the percentage capital growth of the enterprises and in turn determines their performance. Some business owners are highly educated and extremely successful whereas others have yet to complete their high school but are equally successful. In many instances, it may depend on the individual himself/herself. Nevertheless, education level can have an effect on the performance of a business as noted in many studies.

To see the difference in the capital growth of enterprise with respect to the difference in the education level of the owners of the enterprises, the education status of the principal owners of the sample enterprises in this study is grouped into four categories.

As it is indicated in Table 4, of the total sample, 17 enterprises have principal owners below 10th grade in terms of their education level. When we see the percentage capital growth of these enterprises in terms of total capital growth in relation to the education status of the principal owners of the business enterprises, on average they scored a 293.47% growth of total capital in their stay in the business from the time they have established to date.

The other 27 enterprises or enterprise owners of this study have an education status of 10th to 10+2 which means those completed 10th grade and have 2 years additional education either in technical and vocational or preparatory classes. Enterprises owned by owners with this education level or status on average scored 589.85%   growth in total capital from their establishment time to the time of data collection.

The third group 16 enterprises or enterprise owners of this study have an education status of 10+3 which means those completed 10th grade and have 3 years additional education either in technical and vocational or preparatory classes. Enterprises owned by owners with this education level or status on average scored 666.50%   growth in total capital from their establishment time to the time of data collection.

The last group 8 enterprises or enterprise owners of this study have an education status of first degree. Enterprises owned by owners with this education level or status on average scored 1372.62% growth in total capital from their establishment time to the time of data collection.
Over all, MSEs owned by individuals with first degree education level shows better capital growth compared to those enterprises with owners education status 10+3and below. A reason for supposing this better capital growth of enterprises owned by owners would do so is that education improves literacy, quantitative training, and social and communication skills and this in turn increases the chance of success to the enterprises. This finding is consistent with Atsede et al l, (2008) they showed that the higher the educational qualification of the owner/manager is, the higher the level of growth attained appears to be. Similarly the finding here supports past empirical work by various writers (see, for example, Cooper et al., 1992; Storey, 1994; Tiruneh, 2011).

Table 4. Capital growth change of the MSEs to Different Education Level

Education Level	Mean	N	Std. Deviation	Std. Error of Mean	Minimu m	Maximu m
< 10	293.47	17	390.464	94.701	33	1650
10 to 10+2	589.85	27	1106.394	212.926	0	5567
10+3	666.50	16	836.122	209.030	33	2900
first degree	1372.62	8	2214.663	783.001	139	6757
Total	**625.88**	**68**	**1129.567**	**136.980**	**0**	**6757**

The third variable of this study is the ownership form of the enterprises. This ownership form deals with whether the enterprises are possessed by single individual (sole proprietorship) or owned by more than one owner (partnership) and this ownership form of the enterprises would have relation to the percentage capital growth of MSEs and determine their success in the business environment they are working in.

As shown from Table 5, of the total respondents, 37 MSEs are owned and operated by one person as sole proprietorship business. When we look at the percentage capital growth of the enterprises under this category ownership type in terms of capital growth, on average they show 576.22 % growth since establishment to date.

On the other hand, from the same Table 5, the remaining respondents 31 sample enterprises in this study are owned by two or more owners either as partnership or private limited company. Looking to the capital growth of the enterprises in terms of the percentage growth in total capital, on average they show a 685.16% growth in total capital to date.

Generally from this statistical data, those enterprises owned by more than one owner perform better in total percentage capital growth compared to those possessed by only one owner. The possible reason for the better capital growth of those enterprises owned by more than one individual is that the pooled entrepreneurial capacity and skill of different individuals may positively contribute to the capital growth of the enterprises. This finding is consistent with the study of Lusseir (1995) it supports the fact that enterprises which are owned by more than one owners have a higher chance of success than those enterprises owned and managed by a single owner.

Table 5. Capital growth change of the MSEs to Different Ownership form

Form Ownership	Mean	N	Std. Deviation	Std. Error of Mean	Minimum	Maximum
partnership	685.16	31	1288.999	231.511	0	6757
sole proprietorship	576.22	37	992.205	163.118	33	5567
Total	**625.88**	**68**	**1129.567**	**136.980**	**0**	**6757**

The other variable in this study is the management experience of the principal owners of the business which is expected creates variations on the capital growth of MSEs operating in Addis Ababa.

From Table 6, of the total respondents, 46 principal owners of MSEs in this study have no any prior management experience acquired either being employed in other organizations and working in a management position or managing their own independent enterprises before the current one. In terms of capital growth of enterprises owned by individuals without any prior management experience, they show on average total percentage capital growth of 505.17%.

From the same Table 6, the remaining respondents, 22 SMES are owned and managed by owners which have a prior management experience. Regarding the capital growth of the enterprises in this category on average they show 878.27% increase in total percentage capital growth from their establishment time.

Generally from the descriptive statistics results in Table 6, the percentage capital growth of those enterprises owned and managed by those individuals having management experience is better than the others. This is because, management experience may provide entrepreneurs with prior knowledge of markets, ways to serve markets, and of customer problems and this kind of exposures in turn increases the chance of the enterprises' success in their business environment. The study of Zeleke (2009) supported this fact that in diagnosing the root causes of small firm failure it should not be surprising that this turns out to be the management inefficiency of owner-managers.

Table 6. Capital growth change of the MSEs to Different Managerial Experience

Management Experience	Mean	N	Std. Deviation	Std. Error of Mean	Minimum	Maximum
Yes	878.27	22	1420.425	302.836	33	6757
No	505.17	46	955.049	140.814	0	5567
Total	**625.88**	**68**	**1129.567**	**136.980**	**0**	**6757**

Prior industry experience in related business areas is considered here in this study as another variable that may result difference on the capital growth of MSEs which in turn determines their success in operation.

As it is shown in Table 7, of the total respondents 44 owners of MSEs in this study have established and run the current business without any prior experience of establishing and operating business of their own which was related to the business enterprises currently operating. In terms of the percentage capital growth of enterprises run by individuals without any prior industry experience, on average the growth they register is 555.2% increase in total capital growth since establishment to date.

The remaining 24 owners of the MSEs in this study have a prior experience of establishing and running at least one business of their own similar to the business they are operating currently. The percentage capital growth of these enterprises owned by owners having prior industry experience, on average they show 755.46% increase in total capital growth since establishment to date.

Overall SMEs owned and run by individuals who have prior industry expertise shows better performance in percentage capital growth compared to those enterprises operated by individuals without any prior industry experiences. The possible argument for this better performance of enterprises with prior industry experience of the owners is because prior business experience is useful training to utilize opportunities that maximize performance and minimize the risk of failure. This finding contradicts that of Brush and Changati (1998) who found no association between prior experience and growth of business. It however supports the findings by Tiruneh (2011), Storey (1994) and Atsede et al (2008).

Table 7 Capital Growth Change of the MSEs to Industrial Experience

Industrial Experience	Mean	N	Std. Deviation	Std. Error of Mean	Minimum	Maximum
Yes	755.46	24	1377.303	281.141	13	6757
No	555.20	44	979.248	147.627	0	5567
Total	**625.88**	**68**	**1129.567**	**136.980**	**0**	**6757**

Use of formal record keeping and financial control mechanism in the enterprises day to day business operation is considered as another variable that would result difference in performance between those use the system and those do not use.

As it is depicted in Table 8 below from the total respondents enterprises considered in this study, 21 enterprises do not use any kind of formal record keeping and financial control mechanisms related to their day to day operation. When we look at the percentage capital growth of enterprises in this category in terms of total percentage capital growth from the time they have established to date, on average they have show 167.29% growth in total capital.

The remaining 47 respondents enterprises included in this study use record keeping and financial control system to facilitate their day to day business activities. In terms of their performance in percentage capital growth, enterprises in this category on average shows 832.13% increase in total capital since their establishment.

Overall the average performance of those enterprises using record keeping and financial control system in their operation is better than those do not use. This system helps enterprises to distinguish the financial expenses as well as revenues generated by the business operation. The study of Lusseir (1995) supports this fact. In his study, he reported that 'businesses that do not keep updated and accurate records and do not use adequate financial controls have a greater chance of failure than firms that do.

Table 8. Capital Growth Change of the MSEs to Different Record Keeping

Record Keeping	Mean	N	Std. Deviation	Std. Error of Mean	Minimum	Maximum
Yes	832.13	47	1306.023	190.503	0	6757
No	164.29	21	165.975	36.219	13	536
Total	**625.88**	**68**	**1129.567**	**136.980**	**0**	**6757**

The other variable of this study which is expected to have relation to the performance of MSEs is the internal practice of planning in advance for different activities to be executed in the day to day operation of the enterprises for attaining pre established goals.

As it is indicated in Table 9, from the total respondents enterprises in this study, 13 MSEs do not use any kind of plan in their day to day operation of business. Looking to the performance of the enterprises that do not use any plan using percentage capital growth of the enterprises as a measure of performance, on average these enterprises show 653.62% growth in total capital from the year they have established to date.

On the other hand 26 enterprises in the sample taken have planning practice in their day to day business operation that covers 1 to 2 years. In terms of performance using capital growth as a measure, enterprises which uses 1 to 2 years plan for their business activities have scored 403.12% average capital growth.

Of the total respondents 20 have a plan that covers 3 to 5 years which can be considered as a medium term plan. The performance of the enterprises in this category in terms of average capital growth is about 552.00%. 4 of the total MSEs have planning practices only for a year and their performance is 2506.00% average capital growth and only 5 respondents have a planning practices for more than 5 years which show only this group having long term strategic plan.

The overall picture of the descriptive statistics result about enterprises performance and their planning practice shows that, those enterprises using a plan covering one year performs better in terms of total capital growth when compared with other groups. Planning was also recognized by

several studies as a key factor to small business success such Lussier (1995), Lussier and Pfeifer (2001), Ahmed, Shahbaz and Mubarak (2008).

Table 9. Capital Change of the MSEs to Different Planning Practices

Plan	Mean	N	Std. Deviation	Minimum	Maximum
<1 year	2506.00	4	2916.419	217	6757
1 to 2 years	403.12	26	627.661	0	2900
3 to 5 years	552.00	20	601.657	33	1900
>= 5 years	503.60	5	434.713	25	1083
none	653.62	13	1496.218	40	5567
Total	625.88	68	1129.567	0	6757

4.4 ANOVA Results and Discussion

The second part of this data analysis and discussion section deals with the analysis and interpretation of the ANOVA results in relation to the variation in each of the independent variable of the study and the related variations in the performance of enterprises taking percentage capital growth of the enterprises from their date of establishment to date as a performance measure of the enterprises.

The Table 10 given bellow shows the ANOVA result of performance of MSEs in relation to the variation of the eight explanatory variable of the study.

Table 10. ANOVA in Percentage Capital Growth in relation to the different levels of to each of the independent variables

Variable	Source of Variation	Sum of Squares	df	Mean Square	F	Sig.
Age of MSEs	Between Groups	12.769	6	2.128	.551	.767
	Within Groups	235.510	61	3.861		
	Total	248.279	67			
Education Level	Between Groups	16.429	3	5.476	1.512	.220
	Within Groups	231.850	64	3.623		
	Total	248.279	67			
Form Ownership	Between Groups	.170	1	.170	.045	.832
	Within Groups	248.110	66	3.759		
	Total	248.279	67			
Planning Practice	Between Groups	42.852	4	10.713	3.285	.016
	Within Groups	205.427	63	3.261		
	Total	248.279	67			
Record Keeping Practice	Between Groups	25.765	1	25.765	7.642	.007
	Within Groups	222.515	66	3.371		
	Total	248.279	67			
Management Experience	Between Groups	7.080	1	7.080	1.937	.169
	Within Groups	241.200	66	3.655		
	Total	248.279	67			
Industrial Experience	Between Groups	1.927	1	1.927	.516	.475
	Within Groups	246.352	66	3.733		
	Total	248.279	67			

Significance level α = 0.05
df. :- Degree of freedom
Sig.:- calculated significant level, or it is probability (p)
Note: - if the value of sig. or p less than the level of significance (α = 0.05) we reject the null hypothesis.

As show in Table 10, there is no significance difference between MSEs performance (as defined by percentage capital growth) with respect to the difference in the Age of MSEs, Education Level, Form Ownership, Management Experience, and Industrial Experience at 5% level of

significance. The rejection values (probability or percent) of those variables are 76.7%, 22%, 83.2%, 16.9% and 47.5% respectively. All those values are greater than 5% level of significance. Hence, the null hypotheses (H_{o1}, H_{o2}, H_{o3}, H_{o6} and H_{o7}) are accepted for all these variables in the analysis and the alternative hypotheses (H_{a1}, H_{a2}, H_{a3}, H_{a6} and H_{a7}) are rejected. But this does not mean that each group of those variables not significance on the percentage capital growth of the MSEs.

ANOVA analysis does not show individual activities rather it tells us about the overall activities of the variables. To sum up about the variables as no factor that contribute to the success of MSEs, the statistical result do not show a significant variation on the performance of the variables. Based on this it can be conclude that, Age of MSEs, Education Level, Form Ownership, Management Experience, and Industrial Experience are not the factor that determines the performance of MSEs operating that is percentage capital growth.

Concerning the two variables, planning practice and record keeping practice, there is significance difference between MSEs performance (as defined by percentage capital growth) with respect to the difference in the planning practice and record keeping practice at 5% level of significance. The rejection values (probability or percent) of those variables are 1.6% and 0.7% respectively. Both values are less than 5% level of significance. Hence, the null hypotheses (H_{o4} & H_{o5}) are rejected for planning practice and record keeping practice and the alternative hypotheses (H_{a4} & H_{a5}) are accepted. Therefore the ANOVA result shows that there is significant difference on the capital growth of enterprises in relation to the difference in planning practice of the enterprises. Similarly there is significant difference on the performance of enterprises in relation to the difference in using record keeping and financial control mechanism.

To sum up about the two variables as each factor that contributes to the success of MSEs and planning practice and record keeping practice are statistical significant effects on performance of MSEs operating i.e. Percentage capital growth.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

In this chapter, the major findings are summarized; conclusions are drawn based on the findings and recommendations are forwarded for the concerned bodies.

5.1summary

In this study, it was designed to assess the factors that affect the capital growth of MSEs in kirkos sub city .A sample of 74 MSEs was taken for the study using stratified and simple random sampling. Both open ended and close ended questionnaire were used to collect data. After the data has been collected, it was analyzed using descriptive (mean and standard deviation) and inferential(ANOVA) statistical techniques by using SPSS version- 20.Based on 68 respondents acquired from the MSEs, the major findings of this study are summarized as follows.

➢ Majority of the enterprises (83.8%) were Enterprises with a percentage change of capital growth below1100% and education level of below grade 10+2 (64.7%) with planning practice for two and less years (44.1%) and have record keeping tradition(69.10%).

➢ Most of the respondents have not managerial experience (67.6%). Similarly most of MSEs (64.7%) have no any prior industrial experience. More over regarding business owner (72.10%) are young age with age of below 30 years old. Beside this majority (54.4) of the MSEs are sole proprietorship forms of owner ship.

➢ Those MSEs owned by individuals with the age of 31 to 35 shows higher average percentage capital growth (881.70%) than other age groups.

➢ MSEs owned by individuals with first degree education level shows better performance compared to those enterprises with owners education status 10+3and below, they show 1372.62% growth in total capital from their establishment time to the time of data collection.

➢ Enterprises owned by more than one owner perform better in total percentage capital growth compared to those possessed by only one owner. On average they show a 685.16% growth in total capital to date.

- The percentage capital growth of those enterprises owned and managed by those individuals having management experience is better than those who haven't managerial experience. They show 878.27% increase in total percentage capital growth from their establishment time to date.

- SMEs owned and run by individuals who have prior industry expertise shows better performance in percentage capital growth compared to those enterprises operated by individuals without any prior industry experiences. On average they show 755.46% increase in total capital growth since establishment to date.

- The average performance of those enterprises using record keeping and financial control system in their operation is better than those do not use. Enterprises in this category on average shows 832.13% increase in total capital since their establishment.

- The descriptive statistics result about enterprises capital growth and their planning practice shows that, those enterprises using a plan covering one year performs better in terms of total capital growth when compared with other groups. Their performance is 2506.00% average capital growth.

- The ANOVA result shows that there is no significance difference between MSEs capital growth with respect to the difference in the Age of MSEs, Education Level, Form Ownership, Management Experience, and Industrial Experience at 5% level of significance. The rejection values (probability or percent) of those variables are 76.7%, 22%, 83.2%, 16.9% and 47.5% respectively. On the other hand there is significance difference between MSEs capital growth with respect to the difference in the planning practice and record keeping practice at 5% level of significance. The rejection values (probability or percent) of those variables are 1.6% and 0.7% respectively

5.2 Conclusions

The statistical result indicates that, there is no significant variation on the capital growth of MSEs operating in kirkos sub city in relation to the age difference of the principal owners. In this study, enterprises owned by individuals with the age of 31 to 35 shows higher capital growth than the other groups of enterprises but the ANOVA result does not support it to say this age group of owners' is the most important factor that affect capital growth of MSEs.

Moreover, this study indicates that, there is no significant variation in the capital growth of MSEs operating in kirkos sub city in relation to the difference in education level, management experience, and prior industry experience. But as education level of the owners concerned, those enterprises owned by individuals who have an education level of first degree shows higher capital growth. In relation to management experience of owners, those enterprises that have management experience show better capital growth. Similarly in relation to industry experience, those enterprises owned by individuals who have prior industry/business experience shows better capital growth.

With regard to ownership type, there is no significant variation on the capital growth of MSEs operating in kirkos sub city in relation to the difference in terms of the type of ownership of the enterprise as possessed by single owner or more than one owner. But in terms of percentage in capital growth the ownership of enterprises, those owned by more than one owner show better capital growth than those owned by one owner.

This research has identified that, there is significant variation on the capital growth of MSEs operating in kirkos sub city in relation to planning and record keeping practices.

5.3 Recommendations

The following possible recommendations are suggested mainly based on the descriptive statistics results of each of the seven independent variables and its impact on the performance of MSEs. Because the ANOVA result show a significance variation in capital growth of the enterprises only with regard to the variations in planning practice and record keeping.

➤ In relation to the education level of the owners, those enterprises owned by individuals with education level of first degree shows better capital growth. In this respect enterprise owners should focus on up grading themselves in education by using alternative programs.

➤ In relation to management and prior industry experience, enterprises owned by individuals with previous management and industry experience shows better capital growth. So the stake holders of the sector should work on preparing training programs on management issues and creating experience sharing opportunities especially to those enter into the sector without any previous business background.

➤ Both the descriptive statistics and the ANOVA results show planning have significant effect on the capital growth of the enterprise. Those enterprises that have below1 year plan show better performance. Hence, MSEs should start using plan to their business activities. On the other hand stakeholders of the sector should work on increasing the capacity of enterprise owners by providing assistances in the area of training which enables them to prepare their own plans

➤ Similarly, the descriptive statistics as well as The ANOVA result clearly shows that those MSEs who use record keeping have significant effect on capital growth. Therefore, MSEs should enhance their record keeping skill through proper training and experience sharing with other MSEs.

References

Admasu Abera.(2012). Factors affecting the performance of micro and Small enterprises in Arada and Lideta sub cities: *MBA thesis*, Addis Ababa University.

Ahmed, N., Shahbaz, M. and Mubarak, S. (2008). Success Factors of Small Enterprises. Available twww.yasni.com/munir+uddin/check+people

Andualem Tegegn. (2003). Challenges in the Effective Development and Promotion of MSE's in Ethiopia: *paper presented in International workshop*, Addis Ababa.

Atsede .W, Patricia L. and Adebimpe A. (1998). Factors influencing small and medium enterprises (SMEs): *an exploratory study of owner/manager and firm characteristics.* Banks and Bank Systems, Volume 3, Issue 3. *UK.*

Babbie, E. (2002). *The basics of social research*. Belmont, CA: Wadsworth Publishing.

Bonte, Worner et al.(2009). Economic Geography Vol85,number3,pp26-27 Blakwell Publishing.

Brush, C.G. and R. Chaganti (1998). Business Without Glamour? An analysis of resources on performance by size and age in small service and retail firms, *Journal of Business Venturing*, 14, pp. 233-257.

Central Statistical Agency. (2004). Report on bio-annual employment, unemployment survey, *1st year round two statistical bulletins, Addis Ababa.*

Central Statistical Agency. (2007). Report on *small scale manufacturing industries survey*. Addis Ababa

Central Statistical Agency (2010). report on urban annual employment, unemployment survey, *statistical bulletin 504, Addis Ababa*

Central Statistical Agency (various years). *Report on Urban Informal Sector Sample Survey*. Addis Ababa: various issues, Research Paper No. 2009/51.

Cooper, A., J. Gimeno-Gascon, and C.Y. Woo (1994). Initial Human and Financial Capital as Predictors of New Venture Performance, *Journal of Business Venturing*, Vol. 9, pp. 371-395.

Dyke, L., E. Fischer, and A. Reuben. (1992). An inter-industry examination of the impact of owner experience on firm performance", *Journal of Small Business Management,* Vol.30 No.4.

Federal Democratic Republic of Ethiopia (FDRE), Micro and Small Enterprise Development Strategy (2011). *Provision framework and methods of Implementation*. Addis Ababa

Federal Democratic Republic of Ethiopia (FDRE), Ministry of Finance and Economic Development. (2012). *Growth and Transformation Plan Annual Progress Report* for F.Y. 2010/11, Addis Ababa.

Federal Democratic Republic of Ethiopia (FDRE), Ministry of Trade and Industry. (1997). *Micro and Small Enterprise Development Strategy*.

Federal Democratic Republic of Ethiopia (FDRE), Ministry of Urban Development and construction. (2011*). Urban Sector Five Years Growth and Transformation Plan* (2010/11-2014/15): Addis Ababa.

Federal micro and small enterprises development agency. (2004). *Proceeding of the international workshop on the role of MSEs in the economic development of Ethiopia*, Addis Ababa

Frankfort-Nachmias, C. and Nachmias, D. (1996). *Research Methods in the Social Science* 5th ed. U.S: St. Martin's Press.

Gebreyesus, M (2007). *Growth of micro-enterprises: Empirical evidence from Ethiopia.* Ethiopian Development Research Institute (EDRI).

Gebreeyesus, M. (2009). Innovation and Micro enterprises Growth in Ethiopia, *world institute for economic development research*.

Holt, D. H. (1992). Entrepreneurship: *New venture creation*. New York: Prentice Hall.

Kerlinger, F. (1986). *Foundations of Behavioral Research*, 3rd edn. New York: Holt, Rinehart, and Winston.

Kimuyu Peter (2008). Mcrolevel Institutions and Revenue Generations: Insights from Kenya's Small Business sector. Discussion paper.

King, K. & McGrath S. (2002). Globalisation, Enterprise and Knowledge: Educational Training and Development*, International Review of Education,* Vol. 50(1), 74-76(3).

Lafuente,E. and Rabetino,R. (2011). Human capital and growth in Romanian small firms Journal *of Small Business and Enterprise Development* Vol.18No.1.

Lin and Yeh-Yun, C. (1998). Success factors of small- and medium-sized enterprises in Taiwan: *an analysis of cases. Journal of Small Business Management.*

Lussier, R.N. and. Halabi,C.E.(2010). A Three-Country Comparison of the Business Success versus Failure Prediction Model. *Journal of Small Business Management,* Vol.48 No.3.

Lussier, R.N. (1995). A nonfinancial business success versus failure prediction model for young firms. *Journal of Small Business Management*, Vol. 33 No. 1.

Mead, D. C. and Liedholm, C. (1998). *Dynamics of micro and small enterprisesin developing countries*. [Online] World development, *26*(1), pp. 61-74

Mohan-Neill, S. (2009). The influence of education and technology use in the success of US Small Businesses, *Journal of Management Systems,* Vol. 21 No. 1.

Mugenda, O.M & Mugenda. A.G (1999). *Research methods. quantitative and qualitative approaches*.(pp. 46 - 48). Nairobi, Kenya: ACTS Press.

Mulu Gebreeyesus. (2009). Innovation and Microenterprises Growth in Ethiopia. *Word Institute for Development, Economic research*, United Nations University, No. 51.

Ngechu. M. (2004). *Understanding the research process and methods. An introduction to research methods*. Acts Press, Nairobi.

O. Okpara, J.(2011). Factors constraining the growth and survival of MSEs in Nigeria. *Implicaton for povertiy alivation*, Management Research Review Vol. 34 No. 2

Oso, W.Y & Onen, D. (2009). *Writing research proposal and report*. Nairobi. Sitima Polits, D. and Gabrilesson,J.(2002). *Prior Career Experience and he Development of Entrepreneurial Knowledge*.

Praag, M. (2003). Business survival and success of young small business owners, *Tinbergen Institute Discussion Paper.*

Rose R.C., Kumar, N. and Yen, L.L. (2006). The dynamics of entrepreneurs' success factors in influencing venture growth, *Journal of Asia Entrepreneurship and Sustainability*, Vol 2 No. 2.

Shonesy,L. and Gulbro, R.D.(2004). *Small business success: a review of the literature*.

Simon, M., Houghton, S.N., Aquino, K. (1999): Cognitive bias, risk perception and venture formation: How individuals decide to start companies, Journal of Business Venturing, 15:113-134

Solomon Wole.(2003). The Micro and Small Enterprise sector in Ethiopia: *an over view* presented *in international workshop*, Addis Ababa.

Staw, B. M. (1991). Psychological dimensions of organizational behavior. Sydney: MacMillan

Temtime, Z. and Pansiri, (2004). Small Business Success/Failure Factors in Developing Economies, *American Journal of applied Science*, Vol1 No .1.

Thapa, A., Goswami,T. A, and Joshi, P. (2008). Determinants of street entrepreneurial success, *The Journal of Nepalese Business Studies*,Vol 5. No 1.

Tiruneh Abebe (2011). Analysis of the Success Factors of Micro and Small Business Enterprises in AddisAbaba, *MBA thesis*, Addis Ababa University

Wasihun, R & Paul, I (2010). Growth determinants of women operated micro and small enterprises in Addis Ababa. *Journal of Sustainable Development in Africa*, *12*(6), pp. 233-246. [Online] http://www.jsdafrica. com

Walker, E. and Alan Brown, A. (2004). What Success Factors are Important to Small Business Owners? *International Small Business Journal*, Vol.22 No.6.

Zeleke, W. (2009). Efficiency in management as a determinant of long-term survival in micro, small and medium enterprises in Ethiopia, *Problems and Perspectives in Management*, Volume 7, No 3.

Zimmerer, T. W., & Scarborough, N. M. (1998). Essentials of entrepreneurship and small business management (2nd ed). New York: Prentice Hall.

QUESTIONER

ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

MBA PROGRAMME

Dear Respondent,

My name is Alemu Assefa. I am a student at St. Mary's University undertaking a degree in Masters of Business Administration. I am undertaking a research entitled: **Factors affecting the capital growth of Micro and Small Enterprises (MSEs) in kirkos Sub-city of Addis Ababa.** You have been selected to participate in this study to obtain your perceptions and views regarding various aspects of the SME sector. Please, answer the questions that follow by ticking the appropriate option (if provided) or writing unrestrictedly for open-ended questions. Please answer all questions freely but objectively.

Finally, I confirm you that the information that you share me will be kept confidential and only used for the academic purpose. Thank you for your assistance and for sparing your precious time.

Sincerely,

Alemu Assefa

PART 1: PERSONAL RERLATED DETAILS

1. Gender   Female (   )   Male (   )

2. Age of the principal business owner(s)…………………

3. What is your education background?

         Below 10th grade   (   )

         10 to 10+ 2 completed   (   )

         10+3 completed   (   )

         First Degree   (   )

         Above first Degree   (   )

4. Do you have any management experience before establishing this business?

       Yes   (   )   No (   )

5. If your response for question 4 is yes, how many years? ……………………………….

6. Do you have experience on establishing similar business in the industry before establishing the current business?

       Yes   (   )   No   (   )

7. If your response for question 6 is yes, how many similar businesses did you establish and operate before this one? …………………………………………………………….

PART II: BUSINESS RELATER DETAILS

8. Name of the enterprise and physical location

   …………………………………….………………………………..

9. What is the main activity of the enterprise?

   Construction (   )

   Service   (   )

   Petty trade   (   )

   Manufacturing   (   )

   Urban Agriculture (   )

10. How much was your startup capital?

…………………………………………………………………………………………….

11. How Much is your Current capital?

…………………………………………………………………………………………

12. What is the form of organization of the enterprise?

   Sole proprietorship   ( )

   Group (Partnership)   ( )

13. What is the age of your business under the current ownership?

   ………………………………………………………………………………..

14. Do you have Record keeping and Financial control Mechanisms?

   Yes ( )   No ( )

15. If your answer for question number 14 is "yes "what kind of Recordkeeping you use?

…………………………………………………………..

16. Do you prepare a plan for your future operations of the enterprise?

   Yes ( )   No (   )

17. If your response for question 16 is yes, what is the time span your plan covers?

    Below 1 year ( )   3 to 5 years ( )

    1 to 2 years (   )   above 5 years ( )

18. Does your business experience any challenges?   Yes (   )   No   (   )

19. If yes. What would you say are the main challenges that your business faces? If no, why?

……

…………………………………………………………………………..

20. How have you handled the challenges you have mentioned?

……

…………………………………………………………