



**A Study on the opportunities and challenges  
of micro enterprise in empowering women**  
The Case of Adami Tulu Jido Kombolcha District, East  
Shoa Zone Oromia Regional State  
**Ethiopia**

A Research study Prepared in Partial Fulfillment of the  
Requirements for **Master of Arts in Rural development**

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# CHAPTER ONE

## Introduction

In the era of globalization Micro and Small Enterprises are gaining an increasing recognition. The era of globalization has its own challenges to Micro and Small Enterprises. Technological advancement is needed in order to compete globally by increasing efficiency and competitiveness. Hence, technological development and transfer are thought to be the important mechanisms for overcoming the challenges of globalization /Abraham 2007/

In the world economy, Micro and Small Enterprises play a significant role in the development process especially in developing countries. This role is increasing from time to time. Micro and Small Enterprises contribute to poverty alleviation, employment generation, local economic development as well as formalization of informal sector activities. There is a shift in the view of Micro and Small Enterprises as marginal and underproductive sector in the 1950s and 1960s to a means of sustainable development and efficiency in the 1990s (Tegene and Mulat 2005).

In all successful economies, Small Enterprises are seen as an essential spring board for growth, job creation, and social progress. It is also considered as an important force to generate employment, more equitable income distribution; activate competition; exploit niche markets; enhance productivity and enhance technical changes, increase local economic development as well as formalization of formal and informal sector activities It employs a significant portion of the labor force especially poor women in both urban and rural areas and contributing to household income and welfare as well as provision of opportunities, income distribution and poverty reduction /Abraham 2007/.

Micro and Small Enterprises, due to their better knowledge of local markets, use of indigenous technology and low level of capital requirement increase the flexibility of the economy and hence accelerate local economic development. (Mkandwire cited in Elias 2005). They also play a role in formalizing informal activities in the economy of developing countries. As a result, the term informal sector is often being replaced by Micro and Small Enterprises (Phillips 1997). Micro and Small Enterprises are characterized by highly diversified activities and heterogeneity in size, location and sector both in the formal and informal economy. In general, Micro and Small Enterprises are understood to be the nucleus for new and larger enterprises by creating forward and backward linkages.

In Ethiopia, the characteristics of Micro and Small Enterprises are very similar to the rest of the developing countries in terms of their diversified activities and heterogeneity as well as use of traditional means of production. Micro and Small Enterprises are also considered to be an important alternative due to their role in absorbing manpower in large quantities as well as their lower requirement of capital (MoI, 2002). The sector is believed to contribute to the rapid economic growth and income distribution using the skill and talent of the people with low level of training, with minimum capital as well as provision of the basis for medium and large-scale enterprises (MoTI, 1997).

The current practical situation of the Ethiopia shows that, though women engaged in community development programs and productive activities such as, farming, paid domestic labour, services, industries and other income generating activities was better than previous régime but there is still the problem in considering their empowerment. . In large area of the country, women generally excluded from economic, political and social participation that

affects their livelihood expressed by local saying “*nobody hears women particularly poor women.*” This implies that, men are the other being heard or when the men and women compete for service, the men always get priority. This shows us there is clear measure to be taken to empower women as the ultimate goal or objective to bring intended development. In this case, the role of micro-enterprise or small business run by women consider as the means to ensure women empowerment in all aspects such as access to information, participation, accountability and local organizational capacity.

/ Empowerment and poverty reduction World Bank 2002. /

### **Statement of the problem**

The industry development strategy of Ethiopia states that Micro and Small Enterprises through time will grow to medium and large scale industries /MoI, 2002/. Micro and Small Enterprises are believed as a means of developmental activities undertaken by the government and other stakeholders. It is also considered to link small enterprises with larger industries. In fact, the growth rate of Micro and Small Enterprises is higher than that of larger firms and industries in the world economy as a result of the replacement of the Keynesian macroeconomic demand management by the strategy of strengthening local capacity and endogenous growth by stimulating enterprise development /Abraham 2009/. The realization of such development depends on a number of factors which among empowerment of women is the most important elements.

In developing countries, women and men have different and unequal responsibilities in resource ownership and management because of their gender role. The status of women and men in such countries were quite different due to unequal empowerment. Women in

developing countries because of the absence of resource ownership, which results with less or no power to decide on resource, lack of control over self labour mobility as well as sexuality and fertility. /Social rural Development module Indira Gandhi / Studies made by social researchers shows that, poverty has a woman's face and in worldwide, women and girls are poorer and more disadvantaged than men because women traditionally exercises limited accesses to education or complete lack of access to education, property and economic rights, that many women have few opportunities to lift themselves out of poverty.

The gap between men and women which is the characteristics of in developing countries also one of feature which has been remaining women unrecognized and results with their low economic, political as well as low social status with regards to decisions made on household assets in the country as well. Though women play great role in the sphere of productive work and community affairs their contribution and empowerments has not been recognized. According to Hindira Gandhi Social Development teaching module while men's agricultural endeavor may result with income from farm produce, women may be busy preparing food for the family, she has no access to the income generated activities and the cash value remain hidden.

It is believed that, the engagement of women, in productive activities such as the operation of micro enterprises, it is possible for them to maintain their job and advance their capabilities economically, socially, politically and finally achieved empowerment which as the result, women are capable in active participatory, decisions making on issues distribution of resources equally with men in many parts of the country and in development programs Andualem Tegene (1997).Small scale enterprise and entrepreneurship development in Ethiopia .

Transformation of gender equality on the other hand also envisages the empowerment of women, requiring conditions that enable women to exercise their autonomy. To ensure the progress of women empowerment, the government of Ethiopia set and implements substantive transformation of policies and strategies on issues such as reallocation of resources, increase women's control over resources, confer power at individual, household and societal level and create appropriate environment for expanding self employment .

To expand the outreach of the large majority of poor households, and makes them to engage in operation of micro enterprises gets priority to ensure development in the country. In fact this task is not the task left only to the government, but it needs integration of different parties such as NGOs, community organization to involve in the process so that the development will be realized. Under the circumstances of lack of integration of these organizations, the expected out-come could be insignificant since some of the initiatives may lead to wastage of resources /Social rural Development module Indira Gandhi/

Practically, in various areas where micro-enterprises established and operated, their performance may either profitable or not-profitable both in rural and urban due to unfavorable environment they operate in. There are a number of challenges they may face and needs resolutions to support the progress made by the government and other stakeholders so that the stated goals are achieved through operation of micro and small enterprises.. This particular study there fore, seeks to fill the research gap in this area. It is also an important progress to address this issue because of its importance in increasing competitiveness of micro and small enterprises in empowering women as well as strength their success in achieving targeted development goals.



## **Objective of the study**

In this study, identifying the opportunities and challenges of operating micro enterprises and their opportunity toward ensuring empowerment of women are the general objectives designed for this study. The final result of this study is also expected to contribute social researchers, policy makers and management to fill the gap left untouched by other studies.

## **Specific objectives**

- To study the problem in operating micro enterprise.
- To study the benefit women received due to operating micro enterprise.
- To study the role of government, NGOs and community organizations in promoting micro enterprises.
- To study the change in status of poor women operating micro enterprise compare with previous condition.

## **Hypotheses**

The hypotheses formed for this study are as follows:

- a. There will be changes in livelihood status of poor women due to their entry in to operation of micro enterprise.
- b. There are number of major barriers of women in operating micro enterprises.
- c. Involvement of women in micro enterprise may lead to empowerment of women

## **Scope of the Study**

The study is limited to the challenges, opportunities and the role micro enterprises in empowerment of women in the major five sub sectors namely, Textile, Food Processing,

Construction, Service and Rural agriculture in the selected sub villages of adami Tulu Jido Kombolcha district.. The study will explore the status, source and process, challenges, prospects.

### **Significance of the study**

In the introductory sections, the importance of the micro and small enterprises in the economies of developing countries is illustrated. The importance of empowering women is the progress for the future prospects of micro and small enterprises needs to be supported by empirical studies which explore the process in detail. The study has a great significance since its focus on women empowerment which is a vital component of economic growth and development of the country. The outcome of this study will helps planners, administration at different level, NGO's, and other researchers to channel their effort on organizing such group and maintain effective planning to enhance the profitability of micro enterprise.

### **Type, source and collection Techniques of data**

#### **Type of data**

To conduct this study, both primary and secondary data are used. Primary data will be collected from women or the owner of micro and small enterprises, village population, concerned government offices, and NGOs officials.

### **Methodology**

For the present study, considering the situations of the projects, random sampling method was employed to identify the respondents. Interview, questionnaire, direct observation and discussion will be used as instrument for gathering primary data.

Secondary data will be collected from occasional papers, annual review reports, books, magazines and news paper prepared by different authors, organization, private enterprises and public body .reports made by small business enterprises at district, zonal, and regional level since they provide real situation of micro and small enterprises.

The study has employed a combination of both qualitative and quantitative data in order to understand the multidimensional aspects of the problem and interpret empirical data. The designed research is a survey method which is a method of gathering information from a population in a given subject. To reduce the chance of collecting incorrect information open discussion with the governmental officials, NGOs, beneficiaries and community members will be conducted. Ten women organizations found in Adami Tulu Jido kombolcha district of eastern shoa zone of Oromia region get emphasized.

For this particular study, six and two women associations are selected randomly from rural and urban village administration respectively. In selection of these organizations, certain important features have been taken into consideration which used to make the sample representative of the population. Among such features few are, Projects which where initiated at least three years prior to this study are selected at first. Projects which its concerned parties are voluntary for data provision and type of micro enterprise undertaken in respective village

community would also be taken in-to consideration to ensure that the selected projects possessed certain common characteristics and were, there fore, comparable.

Selection of sample projects is designed under assumption that different projects have versatile working conditions. Accordingly ten beneficiaries have been selected from each project and samples of ten respondents were identified. To find out the opinion of the government, NGO, and the community member at around, two staff from two different NGOs that supports the program, five community members residence in each village and two government officials at district level shall be interviewed. Overall one handed twenty four persons shall be conducted for this study which includes 5x8= 40 villagers, 10x8= 80 beneficiaries, 2 district level government officials and 2 from NGOs staff.

### **Sampling frame and Sampling Procedure**

The universe or population of the study is the micro and small enterprises in the major five sub sectors (Textile , Food Processing, Construction, Service and Rural agriculture) which are registered in Adami Tulu Jido Kombolcha district. A multi stage sampling is used in order to select a representative sample from the population. Multi stage sampling is preferred due to its advantage in enabling the sampler to isolate, in successive steps.

The first stage includes the selection of sub villages for the study. Accordingly out of the total population included in the administrative structure of Adami Tulu Jido Kombolcha district, eight were selected randomly using the lottery method, namely Ziway kebele 01,

Wolin Bulla, Habine Garmama, Elka Galama, Tokuma, Garbi Bidena, Harag worth union and Adami tulu kebele 01.

The next step in the sampling process is selecting the micro and small enterprises owned by women. For this purpose a proportionate stratification sampling is used in which the strata sample sizes are made proportional to the strata population sizes. Stratified sampling is preferred due to the existence of smaller sub-groups in the population. It is also preferred since it helps to select sampling fractions in accordance with the total number in the population from each stratum by giving greater weight to large units reducing the sampling variability.

The population in each stratum / association/, Sample of selected micro and small enterprises and the proportionate sample size of beneficiaries form each micro and small enterprises are presented in table 1.1, and table 1.2 respectively.

Table 1.1. Population in each stratum in the major eight villages in Adami Tulu Jido Kombolcha district.

<b>Sub Sector</b>	<b>Ziway kebele 01</b>	<b>Wolin Bulla</b>	<b>Habine Garmama</b>	<b>Elka Galama</b>	<b>Tokuma</b>	<b>Garbi Bidena</b>	<b>Harag worth union</b>	<b>Adami tulu kebele 01</b>	<b>Total</b>
Textile	14	3	---	---	1	---	---	4	22
Food Processing	20	5	4	10	---	9	23	15	86
Rural Agriculture	63	88	64	76	45	48	---	3	387
Construction	5	---	---	---	---	---	---	4	9
Service	70	---	---	7	1	---	12	9	99
<b>Total</b>	<b>172</b>	<b>96</b>	<b>68</b>	<b>93</b>	<b>47</b>	<b>57</b>	<b>35</b>	<b>35</b>	<b>603</b>

Source- own survey 2011

Table 1.1. Sample of selected micro & small enterprise from each stratum in each sub sectors

<b>Sub Sector</b>	<b>Ziway kebele 01</b>	<b>Wolin Bulla</b>	<b>Habine Garmama</b>	<b>Elka Galama</b>	<b>Tokuma</b>	<b>Garbi Bidena</b>	<b>Harag worth union</b>	<b>Adami tulu kebele 01</b>	<b>Total</b>
Textile	1		---	---		---	---		1
Food Processing	1	1	1	1	1	1		1	7
Rural Agriculture		1	1	1	1	1	1		6
Construction	1						-----		1
service	1	---	-----			-----		1	2
<b>Total</b>	<b>5</b>	<b>1</b>		<b>1</b>		<b>1</b>		<b>2</b>	<b>17</b>

Source- own survey 2011

Table 1.2. Sample of selected beneficiaries from each stratum in each sub sectors

Sample of selected beneficiaries	Ziway kebele 01	Wolin Bulla	Habine Garmama	Elka Galama	Tokuma	Garbi Bidena	Harag worth union	Adami tulu kebele 01	Total
Textile	1		----	----		----	----		1
Food Processing	5	5	5	5	----	5	5	5	35
Rural Agriculture		5	5	5	5	5	5		30
Construction	5						—		5
service	5	---	-----			----		5	10
Total	20	10	10	10	5	10	10	5	80

Source- own survey 2011

### Data Collection Techniques

A combination of qualitative and quantitative data collection techniques are employed in the research. The qualitative method is an observation of the technological aspects in the working premises of the micro and small enterprises operators and unstructured interview conducted with the officials at different levels of the micro and small enterprises support offices in Adami Tulu Jido Kombolcha district and grass root level. The quantitative



technique includes a structured questionnaire containing a combination of open ended and close ended questions administered to selected MSE operators in the selected sub cities and from each stratum.

### **Data Organization and Analysis**

The acquired data is first coded and organized into different categories to maximize the ease of analysis and interpretation. The data is analyzed using various statistical tools such as percentages and mean. Descriptive statistics using frequency tables is constructed for all descriptive variables..

### **Organization of the Paper**

The paper is organized in a logical manner and based on the standard of a research format. The paper is divided into chapters and subsections to ensure logical flow of ideas .Accordingly there are five chapters in the study. The first chapter is the presentation of introductory ideas, statement of the problem, objectives of the study, research questions, scope, significance and the methodology of the study.

Chapter two, deals with the review of literature which is relevant to the study. Hence, a review of various literatures related to the concepts of Micro and Small Enterprises are widely used. The concepts and empirical evidences are incorporated those demonstrations in the Ethiopian experience.

Chapter three is a description of the study area, enterprises and the operators of the enterprises (beneficiaries or owners particularly women managers).

Chapter four discusses the result of the analysis in detail and In chapter five, summaries of the entire paper are presented along with conclusions and recommendations.

## CHAPTER TWO

### Review of Literature

Historically, the term micro enterprise have passed through a traditional historical process in the form of cottage industry, pottery industry, iron bending industry and other informal sectors which aims at to support their family income. But today the new type of approach become established to make weakest section specially poor women aware of their situations in order help them become active agent of their own business, can bring change in society, and ensuring sustain development for their family as well as national contribution. To achieve this success, organizing women in the form of self help group and making them active participatory in decision making regarding on what she want to do and on the types of business or projects they intended to run etc should be the primary factor to ensure their empowerment.

Self – Help Group (SHG) is a small voluntary association of poor people, preferably from the same socioeconomic background. They come together for the purpose of solving their common problems through self-help or mutual help. Self – Help Group organized through the process of social mobilization which enables them to form their own organization, enable them to build up their organization and encourage effective participation of group members in making decision on issue related to their performance and resources.

They promote small savings from the group members and kept it with a bank by the name of Self – Help Group. The saving made in such type is common fund which serve the

members in operating their business. Usually, the number of members in one Self – Help Group does not exceed twenty. / Prof. M.K.Ghadoliya, 2007/

The governments therefore, must take effective steps to enroll the members of self-help groups /SHGs/ in development Schemes to bring gender transformation and equality to envisages the empowerment of women/ Prof. M.K.Ghadoliya, 2007/

### **Empowerment**

Empowerment is not essentially political alone, it is the process having personal, economic, social and political dimensions. Empowerment is relevant at the individual and collective level, and can be economic, social, or political. In its broader sense, Empowerment is the expansion of freedom of choice and action. It means increasing one's authority and control over the resources and decisions that affects one's life./ Empowerment and poverty reduction world Bank 2002/ However, the concept of empowerment is a difficult that one can vary geographically, between stakeholders and in time. HERMa MajOOR & jOkE MaNdERS May 2009.

Successful empowering people, results with increasing their freedom of choice and action in different contexts. Women's empowerment obtained an important consideration in activities targeted at world-wide development which shall involve the goal or ultimate objective to be measured nowadays. Accordingly, the development strategy of Ethiopia focused on micro enterprise operation as a priority area to ensure gender equality and women's empowerment. There are thousands of approaches of empowerment that have been initiated by governments, civil society, and private sector and by the poor people themselves.

Micro-enterprise or small business run by women plays great role to ensure empowerment of women which can be explained using indicators or which often share four elements, such as Access to information, participation, Accountability and Local organizational capacity. / Empowerment and poverty reduction world Bank 2002/

#### **i. Access to information**

Access to information refers to flow of information to citizens. Informed citizens equipped to take the advantage of opportunities, access to service, exercise their right, negotiate effectively, and hold state and non state actors accountable. With out information that is relevant, timely, and presented in forms that can be understood, it is impossible for poor particular poor women to take effective action. To ensure responsiveness to poor women, government also need to institute ways of collecting information about poor women's priorities and preferences. / Empowerment and poverty reduction world Bank 2002/

#### **ii. Participation**

An empowering approach to participation views poor people particularly poor women as co-producers with authority and control over decisions and resources particularly financial resource devolved to the lowest appropriate level. It experience shared by individuals and group who live in some specific economic and social relation to each other in a society.

The term participation is very often used to refer to any of the various forms of action by which citizens 'take part' in the operation of administration. The word 'participation' is used broadly to refer to the role of members of the general public, as distinguished from that of appointed officials, including civil servants, in influencing the activities of government or

in providing directly for community needs. It may occur at any level, from village to the country as a whole. / Empowerment and poverty reduction world Bank 2002/

In this study, however, participation can only be described as much in the real sense of the term when the women who participate is fully aware of her action and is conscious of the responsibility she assumes in doing so. The kinds of participation which generally draw our attention as far as the strategies for empowering women are concerned are: participation in decision making, participation in implementation, participation in sharing the benefit, and participation in monitoring and evaluation. / Empowerment and poverty reduction world Bank 2002/

### **iii. Accountability**

Accountability refers to the ability to call public officials, private employers, or service providers to account, requiring that they be answer able for their policies, actions and use of funds. / Empowerment and poverty reduction world Bank 2002/

### **iv. Local organizational capacity**

Local organizational capacity refers to the ability of people to work together, organize them, and mobilize resources to solve problems of common interest. Often outside of the reach of formal systems, poor people turn to each other for support and strength to solve their everyday problems. Poor people's organizations are often informal, as in the case of a group of women who lend each other money. They may also be formal, with or without legal registration, as in the case of farmer's groups and the like. In other ward, organized community is more likely to have their voice heard and their demands met than communities

with no organization. Therefore, poor people's membership – based organizations may be highly effective in meeting their survival needs/ empowerment and poverty reduction world Bank 2002/

In developing countries, women particularly poor women generally excluded from economic, political and social participation that affects their life. These situations unless corrected, ensure with local saying “*nobody hears women particularly poor women,*” this implies that, it is men who are being heard or when the men and women compete for service, it is the men always get priority. This is the fact which binds women not to make decisions, accountable, responsible and challenges their empowerment.

The characteristics of an empowered woman mentioned were: inspiring, confident, courageous, and charismatic and many other positive adjectives. Apparently, the empowered woman is seen as someone to be envied.

Under practical situation, a woman plays a major role in supporting their family and the national economy through their engagement in community development programs and productive activities such as, farming, paid domestic labour, services, industries and other income generating activities.

### **Meaning and Concepts of Micro and Small Enterprises .**

Determining whether a firm is small, medium or large is a very difficult task. According to *Hogsett cited in Woldeamanuel 1996*, a clear definition is difficult since the big enterprises were small at some point in the past. The author further emphasizes that a clear

definition is difficult since the socioeconomic conditions of countries changes from time to time.

The meaning of Micro and Small Enterprises may varies in accordance with the sector or branch of business in which the enterprises operate (*Terefe, 1996*) and from country to country. .According to Nelson cited in *Derege (2008)*, there are 50 definitions in 75 countries around the world. For example, in United Kingdom small firms are defined as those managed by the owner in a personalized way with relatively small share of the market and independent of a larger firm. The definition in USA is a qualitative one which requires independent operation with small share of the market. The definition in Japan is either firms' capital or number of employees. South east Asia – Capital asset in case of Bangladesh, Indonesia and Srilanka while number of full time work force is used in case of Malaysia, Philippines, Singapore and Thailand..*(Anduaem, 2004)*

A workable definition of Micro and Small Enterprises is based on a number of criteria. *According to Harper (1984)* the most important criteria include number of employees, assets employed, sales turnover, and the number of employees and turnover. The author further elaborates that employee number is the most common criteria used in determining enterprises followed by value of capital employed by the enterprises. But the value of capital has a number of limitations including difficulty of measurement, difficulty of separating personal and enterprise assets as well as difficulty caused by preference of operators in deciding to rent or own their own business premises.

In Ethiopia, the definition of the size of enterprises is based on the criteria of capital and takes into account the level of technical and technological capability of the firm. According to Ministry of Trade and Industry, Micro Enterprise are those Enterprises with a paid up capital of not exceeding birr 20,000 and *and not exceeding birr 500,000 and excluding high tech. consultancy firms and other high tech establishments. (MoTI, 1997 )*

### **Characteristics of micro and small enterprises**

Having seen the definition of micro and small enterprises, let us now look at the peculiar features or characteristics that micro and small enterprises have in common. *Lidholm and Mead (1999)* characterize micro and small enterprises based on a number of parameters such as magnitude, size distribution, labor force characteristics, location, and composition of workers, gender and efficiency. Accordingly, micro and small enterprises are characterized by participation of large number of actors with small size using family labor, located in rural areas and operated primarily by women with relatively higher production costs. micro and small enterprises are characterized by high level of flexibility and cooperation. Flexibility is implied in terms of the character of the production facilities used. micro and small enterprises tend to use flexible production facilities in their operational activities.

Micro and small enterprises are also characterized by Lower levels of Productivity, Lower levels of Labor and managerial quality, Limited access to financing and Use of obsolete technology. Accordingly these characteristics are aggravated problems which are mainly the result of policy issues which favored large enterprises.



In all these aspects, heterogeneity (diversity) is considered as a defining element of micro and small enterprises, heterogeneity remains to be an important component. The micro and small enterprises sub sector remains to be diverse in terms of size, product range, technology, skill as well as manufacturing system with simple organizational structure and less complicated lines of communication as a common denominator. (*Dendena, 2004*)

The characteristics of micro and small enterprises also depend on the nature of the enterprises depending whether they are livelihood enterprises or growth-oriented micro-enterprises (*Harvie, 2005*). Based on the above ideas, the characteristics of the two types of enterprises are summarized in the table 2.1.

Table 2.1. Major differences between livelihood enterprises and Growth-oriented micro-enterprises

Criteria	Livelihood enterprises	Growth-oriented micro-enterprises
Capitalization	Relatively low	Higher, but initial capitalization is often similar
Education (entrepreneur)	Little formal	Usually at least secondary schooling
Skills and experience	Relatively low except skills acquired traditionally	Higher ,often acquired through vocational training
Gender	Higher Participation of women	Lower participation of women
Sector	Higher proportion in backyard poultry, food processing and petty trading	Higher proportion in manufacturing and services requiring skills
Competition	Usually function in perfectly competitive markets with low Barriers to entry and little scope for cutting costs by intensive use of family labor	Often occupy 'niche' markets with more scope for specialization and product differentiation
Seasonality	Often seasonal and tied to crop cycle, school year, and major festivals	Less affected by seasonality and function throughout the year, even if at varying levels
Whether only enterprise	Usually several enterprises	Usually one
Use of hired labor	Infrequent, usually family labor	More common ,usually children
Surplus and reinvestment	Limited and used for household	Reinvestment of surplus is a norm
Use of credit	Trading activities often started on a consignment	Credit available from a wider sources
Potential for growth	Limited in terms of new	Have growth potential

Source-abrham 2009

## **Conceptual Arguments regarding micro and small enterprises**

The continuous growth of micro and small enterprises in the world economy has resulted in contrasting views. The views emanate from various ideological back grounds and theories. There are several arguments supporting the development of micro and small enterprises. *Lidholm and Mead (1999)* argue that the expansion of micro and small enterprises is an encouraging sign since they provide people with the means to empower themselves. The promotion of micro and small enterprises is important due to their role in reducing poverty, enhancing local ownership control and use of indigenous knowledge as well as their ability in satisfying the needs of the poor (*Harper, 1984*). He further elaborates that micro and small enterprises development is also important since it encourages entrepreneurship and innovation and their role in providing job satisfaction to the operators and employees.

## **Views against micro and small enterprises Development**

Arguments against the development of micro and small enterprises mainly originate from the views of Marxists and anarchists. According to *Ozcan (1995)*, Marxists and anarchists view the emergence and expansion of micro and small enterprises as a result of underdevelopment and dependant capitalism. Other arguments focus on the fact that micro and small enterprises are less attractive due to their smallness as well as difficulty they cause to planners because of their undocumented nature of activities. Micro and small enterprises are also seen as the failure of the economy in providing productive jobs in which people are forced to join them with only minimum returns only for subsistence (*Lidholm and Mead*

1999). In spite of these contrasting views, micro and small enterprises remain to be an important component of the economies of developing in developed countries.

### **Types of micro enterprises**

Depending on number of factors ranging from landholdings, subsidiary occupations, agro climatic conditions and socio- personal characteristics of women and her family member the area of micro-enterprises also differ from place to place. Accordingly micro-enterprises are classified under three major heads.

- i. micro-enterprise development related to agriculture and allied agricultural activities like cultivated vegetables, oil seeds flowers and seed production etc
- ii. Micro-enterprise development related to livestock management activities like diary farming, poultry farm, and livestock feed production are among major areas activities.
- iii. Micro-enterprise development related to household based operation like knitting, weaving, bakery, petty shops and the like. /eSS Student papers Sathiabamal women empowerment, April 2010/

### **Roles of Small enterprises on Economic Development**

The role of micro-enterprises in the world economy especially in developing countries has become very significant. It can be expressed in terms of their contribution to poverty alleviation, employment generation, local economic development and formalization of informal sector activities. (MoTI, 1997)

Micro and small enterprises to the development process of economies through their role in enhancing self confidence and women empowerment, initiating social change, political stability and democracy and providing new opportunities for the poor, women in both urban and rural areas. (*Lidholm and Mead, 1999*)

According to *Zewde (2002)*, in successful developing countries, Medium and Small enterprises by virtue of their size, location, capital investment and their capacity to generate greater employment, have demonstrated their powerful propellant effect for rapid economic growth. The micro enterprises sector has been instrumental in bringing about economic transition by providing goods and services that are of adequate quality, and affordable cost to a large number of people in rural areas, and by effectively using the skills and talents of these people, without requiring high-level training, large sums of capital or sophisticated technology.

In assess of Global Entrepreneurship Monitor (GEM) studied the impact of micro enterprises activity on economic growth significant in various countries. From a global perspective; we can also conclude that micro enterprises play an important role in a country's economic growth (*Coulter, 2003*). Following are some contribution s of the micro enterprises to the society as well as the economy:

- \*. Creation of job opportunities
- \*. Better production methods and products
- \*. Identification of business opportunities and markets
- \*. Conservation of natural resources
- \*. Abolition of monopoly and enhancement of competition

- \*. Development of complementary goods producers
- \*. Better utilization of resources
- \*. Improvement of business policies and procedures
- \*. Positive externalities
- \*. Role to rapid economic growth
- \*. As an instrument to economic transition using low capital and technology requirement
- \*. and to ensure empowerment of poor women
- \*. Source of entrepreneurial activity
- \*. Source of employment and income distribution (MoTI, 1997).

Micro and small enterprises are also considered to contribute to the development process of economies through their role in enhancing self confidence and empowerment, Initiating social change, political stability and democracy and Providing new opportunities for the poor, women etc... ( *Lidholm and Mead 1999*).

The role of micro and small enterprises to employment is one of the prominent ones. *Charmes (1999)* argues that micro and small enterprises have a high potential for job creation and hence attract policy makers and donors. In Ethiopia the employment generation capacity of micro and small enterprises is based on the industry development strategy of the country. The strategy considers micro and small enterprises as a quick solution to the unemployment problem (*Gebrehiwot, 2004*). In addition to the above listed roles, the role of micro and small enterprises in utilizing local resources and knowledge as well as their contribution too the formalization of the informal sector in developing countries is significant. (*Woldeamanuel,*

1996). As discussed in the above in detail , one can understand that micro and small enterprises have a number of diverse contributions to the developmental endeavors of countries.

### **Challenges for the Expansion of Micro Small Enterprises**

Micro and Small Enterprises face a number of challenges in the process of performing their activities. Various literature, such as *Dendena (2004)*, *Lidholm and Mead (1999)*, describe the challenges faced more or less in a similar manner. These problems vary from sub sector to sub sector and in accordance to the location of the enterprises. Women, due to number of influencing factors such as, absence of access to control over resource and unable to make decisions on resources equally with men results with less consideration by the society. According to *Stevenson and Annette (2005)*, the constraints facing Medium and Small enterprises in most developing economies are similar:

- \*. Unfavorable legal and regulatory environment and, in some cases, discriminatory regulatory practices;
- \*. Lack of access to markets, business information;
- \*. Low ability to acquire skills and managerial expertise;
- \*. Low access to appropriate technology; and
- \*. Poor access to quality business infrastructure.
- \*. Lack of access to raw materials and intermediate inputs and the like.

The problem of raw materials shortages, lack of working capital, and effective marketing practices faced by small manufacturing industries result in the failure of these business to expand. The same sets of problems, when experienced by informal sector

operators, have the effect of preventing their expansion almost from the beginning of their operations. Results of 1976 CSA survey shows that for about 50% informal sector operators, the first major difficulty when starting their operation was lack of sufficient initial capital. According to their responses, this problem becomes more critical when they intend to expand their businesses. Until 1997, there were no organized policy and support systems catering to the development of the Micro and small enterprises sector, so structural, institutional, and policy barriers were not being addressed. Premises, markets, finance, supply arrangements, regulatory barriers and legitimization of entrepreneurial activity are among the most urgent.

According to *Hailay (2003)*, small scale industries have been able to contribute substantially as needed to the economic development particularly because of-financial, production, and marketing problems. These problems are still major handicaps to their development. Lack of adequate finance and credit has always been a major problem of Ethiopian small business. Small scale units do not have easy access to the capital market because they mostly organized on proprietary partnership basis and are very small size. They do not have access to industrial resources of finance partly because of their size and partly because of the fact their surplus which can be utilized to repay loans are negligible. Because of their size and partly because of the limited profit, they search for funds for investment purposes. Consequently, the approach money lenders who charge high rate of interest hence small enterprises continue to be financially weak.

Small scale industries find it difficulty to get raw materials of good quality and at cheaper rates in the field of production. Very often they do not get raw material in time. As a result, these enterprises very often fail to produce goods in requisite quantities and of good



quality of low cost. Further more, the techniques of production, which these enterprises have adopted, are usually outdated. Because of their poor financial position they are not able to buy new equipment consequently their productivity suffers.

Besides, many small business enterprises are suffering with the problem of marketing their products. It is only by overcoming all constraints that small entrepreneurs can hope to make their enterprises successful.

The barriers that women especially poor women face in obtaining and using financial services are closely related to their gender roles which socially as well as culturally and define the roles and responsibilities of poor women that can influence the kinds of business or activities that are most likely to engage women and restrict their ability to take advantage of conventional banking and credit facilities.

Property that is acceptable as collateral, especially land, is usually in men's names, and the valuables women own are often deemed unacceptable by formal financial institutions. The transactions cost in obtaining, for transporting, paper work, and time spent on waiting their turn to get financial facilities, may be higher for women because of higher opportunity cost from forgone activities. In rural area , in addition to distance to a bank , there are also others factors which contribute significant determinant of women's probability of obtain credit, which but it does not affect men's borrowing behavior. Women's lower educational levels, coupled with social and cultural barriers, may constrain their mobility and their interaction with predominantly male credit officers. Women tend to be involved in relatively low- value crops not conversed by crop- related credit programs.

Seclusion, illiteracy, and lack of title to other assets reduce women's access to formal credit. Heavy responsibility for care and provisioning in the household restrict women's working hours and mobility in ways that affects their choice of sector and of business practices. A different research paper conducted by researchers suggests that, women's business tends to be smaller and grow slower than men's and they are more likely to be home based and to the point of market saturation.

From this perspective, the basic problem that relates with poor women is not only their integration in to development and empowerment, and also involve the following training, education, credit, self-esteem, and policies, strategies, programs, structures and processes that gives rise to women's disadvantage.

In addition to this problems most Medium and Small enterprises face critical constraints, at both the operation and start up level which some of these constraints are given below;.

i. Lack of clear and pragmatic national policy to enhance the development of Medium and Small enterprises –Despite the strategies such as the above mentioned and other rules and regulations that are in vigor in theory, most interventionist policies regarding Medium and Small enterprises are inappropriate and impractical. For instance, most government policies have a tendency to over regulate and limit the growth of private sector enterprises and they are over bureaucratized and unfriendly to support small businesses. Lack of access to capital and credit –

ii. Lack of adequate investment capital, lack of sufficient loan, and inefficient financial market in terms of facilitating financial resources to entrepreneurs are the major obstacles in doing business, particularly in the informal sector. Most micro and small enterprises are highly risky ventures involving excessive administrative costs and lack the experience in dealing with financial institutions and do not have a track record of credit worthiness with banks. Since most banking institutions are reluctant to provide small enterprises with loan and credits, most Medium and Small enterprises are unable to secure collateral requirements. Because of absence in financing, the creation of new enterprises and the growth and survival of existing ones will be impeded. Access to finance is a major bottleneck for the rapid growth and development of Medium and Small enterprises mainly due to targeted mechanism put in place to address the financial needs of small-scale enterprises.

Most micro and small enterprises do not have access to micro finance institutions and most banks are reluctant to avail credit facility to small enterprises unless they have acceptable collateral. The standard of loan appraisal, the long delay the banks takes to sanction loans, unfavorable disposition towards small loans and the limited collateral requirement, which is over 100% of the loan amount, are the major obstacles that small scale enterprises are facing at present. Moreover, the interest rate by most micro finance institutes, which is higher than the lending rate of formal banks, inhibits the effectiveness in addressing the needs of micro enterprises. Lack of premise and land-For Medium and Small enterprises, lack of premise is unquestionably a serious problem.

Most informal operators do not get access to suitable locations where they can get easy access to markets. The issue of acquisition and transaction cost has become very

prohibitive to the emergence of new enterprises and to the growth and survival of existing ones. The issue of land provision and the land lease system has greatly constrained the chances of micro, small and medium enterprises who aspire to start up businesses.

iii. Lack of managerial and other skills – There is a general lack of knowledge on entrepreneurial and managerial capacity and marketing experience. Lack of skilled labor, which in turn leads to problems in production due to the unfamiliarity of workers with rapid changing technology, lack of coordination of production process, and inability to troubleshoot failures on machinery and/or equipments is a critical problem that Medium and Small enterprises are facing since they cannot afford to employ specialists in the fields of planning, finance and administration, quality control, and those with technical knowledge. Moreover, Medium and small enterprises lack resources required for Research and Development and there are inadequate technical and entrepreneurial skills.

Iv. Lack of sufficient marketing and promotional support: There are no sufficient institutional facilities that promote the growth and development of Medium and Small enterprises. Marketing their products effectively as well as accessing and acquiring information on business opportunities are the major bottlenecks that small and micro entrepreneurs face all over the country. As a result, the design and quality of products of Medium and Small enterprises are below standard. In addition, lack of marketing skills, weak infrastructural facilities renders small businesses to be uncompetitive.

v. Lack of skilled workforce -The most common form of acquiring skills in the Medium and small enterprises sector is through apprenticeships. Though the formal education system

prepares students for paid employment, there are very few vocational institutions that cater for developing skills. This inevitably leads to low level of innovation in almost all sectors of the economy, severe shortage of training opportunities for potential entrepreneurs.

vi. Socio cultural constraints: The most socio cultural problems affecting the development of Medium and Small enterprises in Ethiopia are Lack of enterprise culture in the country, which required a drastic change, Considerable lack of positive attitude in the country and Excessive corruption, which actually constrain private enterprise

vii. Arbitrary and subjective tax system -Most Medium and Small enterprises, particularly the small-scale operators, are subject to subjective tax system, as most of them do not have a proper accounting system. Taxation is based on estimation of earnings and is highly subjective. Moreover, small scale operators face higher water and electricity tariff. Lack of formal or informal linkages or business cooperation amongst enterprises

The other factor that hinders growth and expansion of Medium and Small enterprises is the effectiveness with which they interact with large or similar firms. In other words, formal and informal linkages or business cooperation through networking are not common. Large public enterprises and the few foreign affiliates do not outsource some of their operations to local Medium and Small enterprises. The legal and institutional mechanisms to enforce contractual obligations and government policy to design appropriate incentive mechanism to encourage the expansion of business linkages/sub contracting managements is at its infant stage. In addition high taxes, choices of location, complexity of national laws and

bureaucratic and cumbersome regulations, escalating interest rates and inflation hinder the creation and continuity of medium and small enterprises.

The development of Medium and Small enterprises requires concerted efforts on the parts of all government institutions. In this regard, issues related to tax, information and availability of working premises need to be addressed to facilitate the development of medium and small enterprises. While national policies play an important role in the development of Medium and Small enterprises targeted interventions are much more effective to bring about a rapid change in the growth of Medium and Small enterprises' support services at the firm level. These are important mechanisms to ensure efficient allocation of resources by Medium and Small enterprises for them to grow and expand their operations. The promotion of Medium and Small enterprises needs to aim at creating a robust and dynamic private sector. There should be enhancement of enterprise growth and excellence. Medium and Small enterprises tend to be driver motives of survival rather than technological upgrading and growth.

According to *ILO (2003)*, Micro and Small Enterprises are pulling economic and employment growth worldwide, but they fit especially well in post-crisis contexts. They can spark off socio-economic revival, as they need little to operate, but can contribute much. They work with minimum, simple and inexpensive equipment and inputs, often available locally; use limited space; operate with basic technical and management skills; adapt swiftly; repair or replace infrastructure and equipment; produce basic tools for agriculture, manufacturing, construction, etc. Fabricate basic goods and deliver basic services needed by crisis-affected populations, create quickly self-employment and jobs, much needed by the innumerable job

seekers in post-crisis contexts, which large firms still existing cannot absorb. /Abreham, 2009: micro and small enterprise and technology transfer./

Provide opportunities to groups that did not have access to the labor market, constitute a means of reintegration for specific groups, such as ex-combatants, giving them employment and dignity, and helping them establish links with society. However, crisis contexts are fraught with challenges for entrepreneurship. Destruction of infrastructure, production facilities, equipment and stocks of inputs; loss or displacement of skilled labor; limited market demand, linked to limited purchasing power; interruption of electricity and other public services; reduced investment capacity. This might have wiped out savings; restricted movement of people and goods, due to damaged transportation networks and equipment, and political/administrative constraints; disruption of financial, marketing and other business support services.

Communication difficulties also hamper exchanges of information, coordination and collaboration among enterprises, disorganization of business networks and associations, and uncertainty which discourages investment and makes it harder to plan activities. A society that is weak and divided by discouragement, distrust, animosity between individuals and groups. The challenge is twofold, encouraging and helping micro and small enterprise start-ups, and ensuring their viability in such contexts.

## **Overview of the Micro and Small Enterprises Sector in Ethiopia**

According to Background issue paper on Legal Empowerment of the poor Entrepreneurship (2006), in most fast developing countries, Medium and Small enterprises by virtue of their size, location, capital investment and their capacity to generate greater employment have proved their powerful propellant effect for rapid economic growth. The sector is also known as an instrument in bringing about economic transition by effectively using the skill and talent of the people without requesting high level training, much capital and sophisticated technology. Moreover, they create job opportunities for a substantial unemployment problem, direct intervention and support of the government is crucial to facilitate the environment for new job seekers and self employment. One feature of the Ethiopian private sector as a whole is that it is highly dominated by micro and small enterprises, which are geared towards satisfying the needs of low income groups. Micro and Small scale enterprise sector, accounting for the bulk of none agricultural economic activities, are highly concentrated in the production and process of textiles, food and beverage processing.

A legal and regulatory framework that creates conducive environment is crucial for the promotion and growth of micro and small enterprises in general. After the change of government in Ethiopia in 1991, several policies were formulated and regulations promulgated relating to diverse social, economic and political issues. These frameworks relate to the:

- ~ Adoption of market economic policy;
- ~ Decentralization of power and the formation of regional states;
- ~ Formulation of a policy on women;



- ~ Privatization programs;
- ~ Revision of the investment code;
- ~ Enactment of laws on establishing capital goods leasing companies (Which provide an alternative option for access to credit);
- ~ Issuance of Proclamation NO. 40/96, which regulates the business of micro finance in the country
- ~ Issuance of the National Micro and Small Enterprises Development Strategy in 1997;
- ~ Formulation of a new labor law;
- ~ The issuance of Proclamation NO. 33/98 to provide for the establishment of the micro enterprises in Ethiopia cover a wide range of activities both in the formal and informal sector. /Abreham, 2009: micro and small enterprise and technology transfer. /

In Ethiopia, micro enterprises are largely owned and operated by active owners with small proportions of hired labor, mostly run by women with minimum start up capital. According to survey made by *Gebrehiwot and Wolday (2004)*, 94.2% of the micro enterprises are operated by active owners and partners with only 4.5% with employees and 73% are operated by women. / Abreham, 2009: micro and small enterprise and technology transfer./: micro and small enterprise and technology transfer. /

Prior to the Ethiopian People Republic Democracy Front government (EPRDF), the practical situation relate to factors such as culture, social, and economic trends between men and women shows that there was a wide gap in gender disparities which was appeared to be insurmountable difficulties and which some of them were attracted the men and not the

women for number of decades,. During this period, it was also assumed that the responsibility of women should not get consideration though they involve vast number portion in the population.

After EPRDF government came to power, the need to change and develop this g groups got great emphasizes assuming that, leaving this group /more than half of the total population/ out side of development process, it will be unthinkable to bring any transformation in both socially, culturally, economically as well as politically. Women then get great consideration by EPRDF government, considering their active participation in every aspect will be the pathway for anticipated transformation, their empowerment and for the entire development of the country. So, it is recognized that capacitating women economically is an instrument for their empowerment in every aspects and likely to have payoffs in terms of the key goals of a human centered development.

The development of an innovative approach in organizing poor women and makes them to operate micro enterprise is be come a recent phenomenon in Ethiopia. Provision of microfinance service facilities to poor women as the strategy then used to stimulate women's initiative for self employment and income generation at household level, with different operational approaches, has been spreading in both urban and rural areas of the country that they unable from formal financial institutions due to collateral.

Study by *Andualem, on /small scale development in Ethiopia 1997* states that, women have a lower likelihood of borrowing from formal sources and even from individuals because of collateral requirements, high transaction cost, limited education and mobility, social & cultural barriers, and the nature of women's business

The barriers that poor women may face in obtaining and using financial services are closely related to their gender roles which socially as well as culturally and define the roles and responsibilities of poor women that can influence the kinds of business or activities that are most likely to engage women and restrict their ability to take advantage of conventional banking and credit facilities.

From this perspective, the basic problem that relates with poor women is not only their integration in to development and empowerment, but also their invisibility, lack of training, education, credit, self-esteem, and policies, strategies, programs, structures and processes that gives rise to women's disadvantage

To increase women's access to credit the establishment of new micro credit policy as the mechanism is then what the government of Ethiopia emphasizes for. Efforts also have been made from the success stories of NGOs, which have already established their credentials in the field of micro credit for women and encourage them to expand their activities.

Taking their cue from countries that shows better improvement in their economy with in short period of time such as India, the Ethiopian government initiative number organization with the hope of changing the economic, social and cultural conditions of the poor women. */Hindira Gandhi Social Development module /* Following the examples of their counterparts

in other developing countries, policy makers in Ethiopia have shown interest in promoting the informal sector as a source of income and employment growth. In terms of direct contribution to the development of the informal sector, the most important elements of the overall policy and institutional reform are the safety net program that provides support for those in extreme need as a result of the reform process, and the provision of an enabling environment for private sector development. Reforms in overall development policies including decentralization, market economy, and agricultural development led industrialization, and human resource development and utilization have been undertaken.

Moreover, a number of sector specific policy reforms and concomitant restructuring of regulatory institutions that might have directly or indirectly contributed to the process of creation of micro and small enterprises which include

- \*. Deregulation of domestic markets and prices;
- \*. Financial sector reforms;
- \*. Trade liberalization;
- \*. Launching of Technical Vocational Education and Training (TVET) program;
- \*. The adoption of an industrial development strategy that emphasizes the need for strengthened informal sector as a promising way forward towards broadening the industrial base and local production structure;
- \*.Restructuring of the Handicrafts and Small Industries Development Agency (HASIDA) and the establishment of FeMSEDA and ReMSEDA

The Global Entrepreneurship Monitor (GEM) report provides conclusive evidence that promoting entrepreneurship and enhancing them promoting small business in a country should be an integral element of any government's commitment to boosting economic well-being (Coulter, 2003). The government recognized the contribution of the informal sector. It has recognized and paid due attention to the promotion and development of Medium and Small enterprises for they are important vehicles to address the challenges of unemployment, economic growth and equity in the country.

To this effect, the government of Ethiopia has formulated a national Medium and Small enterprises Development and Promotion Strategy in 1997, which enlightens a systematic approach to alleviate the problems and promote the growth of Medium and Small enterprises. The overall objective of the strategy is to create an enabling environment for Medium and Small enterprises, with specific objectives to facilitate economic growth; bring equitable development; create long term jobs and the like. Such policies also formulated in the way that to strength the capabilities of women particularly poor women economically, politically, culturally and socially. There for, Ethiopian government takes No of initiations during the last decade such as the operation of micro enterprises by poor women as a main get to start their own business, help them to become self employment, capacitate them to generate their own income, to ensure sustain economy and make them empowerment.

The developmental role of Micro and small enterprises in Ethiopia is recognized and acknowledged in post 1991 period. Under the Darg regime, all types of manufacturing activities were under the direct control of the public except cottage industries (Terfe,1996).The author further explains that the only institution supporting small scale

industries the Handicraft and Small Scale Industry Development Agency established in 1977 which focused on supporting associations in favor of the Marxist ideology.

Micro and Small Enterprises in Ethiopia cover a wide range of activities both in the formal and informal sector (*Gebrehiwot and Wolday, 2004*). The Micro and small enterprises play a significant role in the economy of the country in various aspects. Micro and small enterprises employ large population contributing to the employment generation efforts in the country. The sectors contribution to livelihood is second next to agriculture (*Solomon, 2004*).

Micro and small enterprises also have a significant contribution in the trading activity of the country. According to *Dendena (2004)*, Micro and small enterprises cover 60% of all the trading activity in Ethiopia. Micro and small enterprises in Ethiopia are largely owned and operated by active owners with small proportions of hired labor, mostly run by women with minimum start up capital. According to CSA cited in *Gebrehiwot and Wolday (2004)* 94.2% of the Micro and small enterprises are operated by active owners and partners with only 4.5% with employees and 73% are operated by women. The majority of the Micro and small enterprises has a start up capital of 250 birr (87%) with 12.3 % between 250 and 5000 birr and only .4% above 5000 birr.

### **Major Challenges of micro-enterprise operation in Ethiopia**

In Ethiopia's situation, Medium and Small enterprises are confronted by various problems, which are of structural, institutional and economic in nature. Lack of Capital, market and working premises, marketing problems, shortage of supply of raw materials and lack of qualified human resources are the most pressing problems facing Medium and Small enterprises. Although the economic policy of Ethiopia paid due emphasis for entrepreneurship

values and appreciation of the sector's contribution to the economy, there are still constraints related to infrastructure, credit, working premises, extension service, consultancy, information provision, prototype development, imbalance preferential treatment and many others, which therefore need proper attention and improvement (Anne Schorling,2006).

According *Zewde and et.al (2002)*, in most developing countries, Medium and Small enterprises faced a wide range of constraints and they are often unable to address the problems they face on their own-even in effectively functioning market economies. The constraints relate amongst others to: the legal and regulatory environments; access to markets; finance; business information; business premises (at affordable rent); the acquisition of skills and managerial expertise; access to appropriate technology; access to quality business infrastructure; and in some cases, discriminatory regulatory practices.

In Ethiopia specifically, Medium and Small enterprises have been confronted by many of these problems. According to the CSA report (1994-1995), the major obstacles experienced by small-scale manufacturing industries were the irregular and erratic supply of raw materials and a shortage of suitable working premises. The lack of working premises was also found to present difficulties for the informal sector operators who faced with insufficient capital, were often impeded from the start. It is suggested that the problems of raw material shortage, lack of working capital and effective marketing which face small manufacturing industries, result in the failure of these businesses to expand. Whereas the same set of problems; when experienced by informal sector operators, have the effect of preventing their expansion almost from the beginning of their operations. For instance, the results of the survey on “District Informal Sector Activities” showed that out of the 603 informal sector activity operators,

about 50% replied that their first major difficulty when starting their operation was the lack of sufficient initial capital.

Micro and Small Enterprises in Ethiopia face a number of challenges at the time of performing activities. Some of the most common challenges include Lack of capital- includes both initial capital as well as working capital, information, infrastructure, skills, incentives, packaging material (*Terefe, 1996*). Other challenges include lack of diversification of products, poor recording systems and lack of inter-ceptoral linkages (*Woldeamanuel, 1998*). Lack of enterprise culture is also another problem in addition to the above mentioned problems and challenges (*Andualem, 2004*). From this, it is clear that the challenges faced by the enterprises are a combination of internal as well as external environment of the enterprises.

Market problem related to the lower quality of products that Micro- Enterprises Produce. Lack of technical, vocational and managerial skills Lack of information -about supply of raw materials, rules and regulations and business information, Lack of access to raw materials and intermediate inputs, Lack of institutional and physical infrastructure and Lack of working premises due to the high cost associated in leasing and or renting land in favorable conditions for production, marketing and Discriminatory business regulations which favor large enterprises. /eSS Student papers Sathiabamal women empowerment April, 2010/

Micro-enterprises operation faces number of challenges and determinants at various stages of operations level. Hence, challenges faced at various stages in the process of empowering women include financial constraints, Lack of coordination among stakeholders,



Lack of implementation capacity and Lack of skilled and technical personnel, Shortage of financial resources, inaccessibility of technology, lower quality of technologies available, lack of support from concerned bodies, lack of experience to manage micro-enterprise, lack of information and cultural influence from partners as well as the community Abraham, 2009: micro and small enterprise and technology transfer./

According to the study made by *Abraham in 2009*, various gaps which require solution for future improvement are identified and recommended as follows. Build the Capacity of the support institutions in terms of trained manpower and financial resources strengthen the linkage among the micro- enterprise operators to create an innovative environment as well as sustaining the empowerment process, Improve Research and Development by involving actors need to be involved in the process of research and development such as the support institutions, the private sector, NGOs and higher institutions such as Universities. / *Abraham 2009; micro and small enterprise and technology transfer. /*

Generally, the problems faced by businesses of all sizes, whether small, medium or large, are similar. However, the magnitude and impact of the problems on various organizations differ, the greatest influence being on small scale businesses. Most entrepreneurs start their entrepreneurial careers by establishing small businesses which will be bombarded with myriad of problems starting from their birth. Given the limited financial resources and expert knowledge, the entrepreneur will soon be pre occupied with fighting the entire spectrum of problems in order to save newly established business. According to *Zimmerer and Norman (1998)*, although owning a business has many benefits and provides many opportunities, anyone planning to enter the world of entrepreneurship should be

aware of its potential drawbacks. ‘If you are not 100% sure you want to own a business. ‘Says one business consultant, “there are plenty of demands and mishaps along the way to dissuade you,” Uncertainty of income.

According to Unity University Course material for Strategic Entrepreneurship, in the present, although the free market economic policy encourages the development of micro-enterprise, there are many unfavorable factors or problems such as;

i) Access to working place: working place is a major source of resource in the Ethiopian economy. The promulgation that has made the chance of micro, small and medium entrepreneurs and startups in general to get working place on aviation gloomy. It is then a major constraint to new establishment and expansion of micro-enterprise.

ii) Financial Limitations: the very limited of the public financial institution has made it inaccessible to the great majority of the business community. The existing high collateral requirements and non-inclusion of machinery as collateral, and in general the absence of local financial credit system with relate relaxed requirements have barred the great majority of small entrepreneurs from access to credit. On the other hand, a problem of access to credit is more acute at start-ups and the informal sectors at large with their very limited financial capacity, too weak to meet the requirements of the banks at any standard.

iii) Technology: lack of domestic technology is also one serious problem. The absence of modern indigenous technologies forces the businessmen in Ethiopia to depend on traditional or imported technologies.

iv) Market Problem: the availability of market for the products produced by the local micro-enterprise is low due to the negative attitude of the society towards domestic products. Moreover, both Ethiopian and foreigners import variety of products in the name of the frequent exhibitions, free of custom and other charges. The price of such products is usually less than the price quoted by local producers producing similar products.

v) Poor infrastructure: the lack of or poor communication and transportation facilities, the absence or limited water and electricity services, lack of information on business opportunities and the lack of or little business advocacy add up to the major hurdle the private sector faces. In general, the most common problems of the Ethiopian entrepreneurs are absence of technology, shortage of working capital, inadequacy and high price of raw materials, non availability of qualified staff, managerial incapability, bureaucratic red tape, illegal imports, and weak market for domestic products, non-existence of strong institutional support and inaccessibility to resources. Even though there are many problems, which hindered the development of entrepreneurship there are also some favorable factors for entrepreneurial activities in Ethiopia. The private sector had been neglected for a long time and it is now given the opportunity to manage its destiny. As part of the economic reform program necessary to revive the economy the liberalization policies are considered positive move in the right to sell their product at competitive price. The package incentives which include exemption

Many micro-enterprise owners are lured by the challenge that a companies going into business for oneself. Research reveals that most successful micro-enterprise owners like to feel they have a chance to succeed (they want to know success is possible) and a chance to

fail (success is not a sure thing). But one thing is certain i.e the final outcome depends heavily on them. They want to use or lose on their own abilities. This challenge gives them psychological satisfaction (Hailay, 2003). The entrepreneur faces problems perhaps starting from the day he/she identifies the business idea. In fact, problems follow the entrepreneur like a shadow. Given the limited information and experience of the entrepreneur, even the simplest challenges may emerge as a big problem.

### **Supporting poor women in Micro and Small Enterprises**

Small enterprises constitute a large and growing share of employment in the developing world, and are generally more labor intensive than larger firms. In many countries, a business with more than ten workers is already quite large, while in others an enterprise with fewer than 50 employees is considered small. In Latin America, small businesses with fewer than 20 employees accounted for 51 per cent of total employment in 1998, up from 48 per cent in 1990. In Thailand, 90 per cent of all private establishments employ under 20 persons. (Melesa 2009, opportunity & challenge of Micro and Small Enterprises development).

Informal enterprises provide work for seven out of ten people in non-agricultural employment in India. Furthermore, between 60 and 70 per cent of workers in the nonagricultural parts of the informal economies of the developing world are self-employed, in effect one-person businesses. Home-based workers and street vendors make up the largest groups in urban areas, but many workers are employed in small workshops, often in or adjoining dwellings, making garments, processing food and engaging in other forms of small-scale manufacturing and assembly work. Categorization of the women and men involved in

such businesses is an invidious task. Some work for somebody else, others on their own account, while still others employ people as well as working themselves. Many may pass to and from through these categories during their working life. Often the business unit is the family, with perhaps three generations working together and pooling earnings. Not all workers or employers in the informal economy are poor; but many are, or live with the constant risk that some event may push them into poverty.

The size of the small business sector depends, amongst other things, on the “birth” and “death” rates of enterprises. Both statistics are high, varying according to the rate of economic growth and the availability of other employment opportunities. If the conditions for small businesses to escape from the struggle to survive and start to grow were improved, their employment-creating potential could become a key component of a poor growth strategy. Since most women and men earn their living in micro and small enterprises, in self-employment and as home workers, improved policies, regulations, business training, market development and organization building ca poverty reduction.

By improving job quality in small enterprises, increasing economic opportunities for women, promoting association building of employers and workers in the sector and upgrading employment for workers in the informal economy, the goal is to unlock the potential for creating more and better jobs in the small enterprise sector.

For micro and small businesses, acquiring the management skills to survive and grow is vital. The ILO assists partners in building national and local capacity in cost-effective and

sustainable business development services, such as management training, access to finance, information on technologies, export and domestic market access, and inter-firm linkages.

## **Resources for New Venture**

According to Unity University Course material for strategic micro enterprise, resources are the things that a business uses to pursue its ends. They are the inputs that the business converts to create the outputs it delivers to its customers. They are substance out of which the business is made. There are three sorts of resources that entrepreneurs can call up on to build their ventures. These are:

1) Financial Resources:-are those which take monetary form. For example, cash in hand, over draft facilities, loans, and others are all financial resources which have a role to play in entrepreneurial venture.

2) Operating Resources: -the facilities which allow people to do their jobs such as buildings, vehicles, office equipments, machinery, raw materials, etc...

3) Human Resources: -refers to people and their efforts, knowledge, skill and insights they contribute to the success of the venture. Financial and operating resources are not unique and they can not in themselves, confer an advantage to the business. To do so they must be used in a unique and innovative way by the peoples who make up the venture. Measure taken to overcome the challenges of small Business Development In recent years, an

increasing assistance in supporting the capacity building within public and private institutions that promote the informal sector has been observed. The following are among the supports taken.

A considerable number of grassroots NGOs have diverted their assistance from self operations to integrated development that typically includes activities toward the promotion and development of Medium and small enterprises National development agencies and their international partners such as the ILO and GTZ are actively involved in the development and use of Training of Trainers (TOT) manuals for the provision of basic business skills training to informal sector operators.

There has been a growing interest in the establishment of a network or a forum of entrepreneurs, organizations and support institutions concerned with Medium and small enterprises promotion and development; To advance entrepreneurs' access to credit for start up and operation capital, donors such as USAID/Ethiopia assist in the establishment and operation of loan guarantee schemes. The proliferation of micro finance institutions, since the mid-1990s, and the ongoing efforts to establish and strengthen rural financial intermediaries /Abrham 2009/

## **Opportunities of Informal Sector Development**

The Challenges and Opportunities of small business firms are free from paying import duties and various taxes which as the result are expected to attract and promote entrepreneurs. The availability of untouched natural resources, labor resources, and favorable physical environments are additional opportunities for small business operation in Ethiopian



## CHAPTER THREE

### Description of the Study Area and the Enterprises Operators

An Overall view of Adami Tulu Jido Kombolcha district

Adami Tulu Jido Kombolcha district is one of districts in East Shoa zone of Oromia regional state which covers 142, 295.32 hectares. The district lies in the rift valley and located at 1500 to 2300 above sea level. /AdamiTulu Jido Kombolcha 2002 report/As per the information based on the 2002 yearly district's report, currently the district has a population of 155,330 out of which 78,152 are Male and 77,178 are female. Regarding the administration structure of the district, there are 43 rural villages and 4 town administrations /AdamiTulu Jido Kombolcha 2002 report./

Adami Tulu Jido Kombolcha district of east shoa zone was selected as the study area by the researcher taking the importance of micro enterprise in the district. The district is found 176 km from Addis Ababa in southern part of the country and is situated in a strategic location along the railway line between Addis Ababa and Shashemene and near by lake Ziway, Langanu, Abjata and Shala. This has made the district an important and vibrant tourist center since long time back. In addition, the district is at the cross road of different administrative regions, namely Addis Ababa and south region.. As a result, there are significant numbers of Micro and Small enterprises in the town that provide services and as a result, this area is considered as the study area of the researcher Agricultural activity remains dominant and the means for survival of the majority of the population in the district. However, due to low rainfall, degradation of forest, and traditional farming practice, the expected out-come of agricultural production remains low, from year to year which results

with low income, underemployment, and poor life style. Poverty is the main feature of rural communities of the country, as is the case of the district, and especially, poor women are trapped in marginal exist stance engaged in day to day survival.

The availability of infrastructure in the district is inadequate. For example, road network is not available with-in the 22 rural villages out of the total 43 rural villages. The existing road network is also restricted to seasonal services as it is not in service during the rainy season. /AdamiTulu Jido Kombolcha read construction office report 2002/

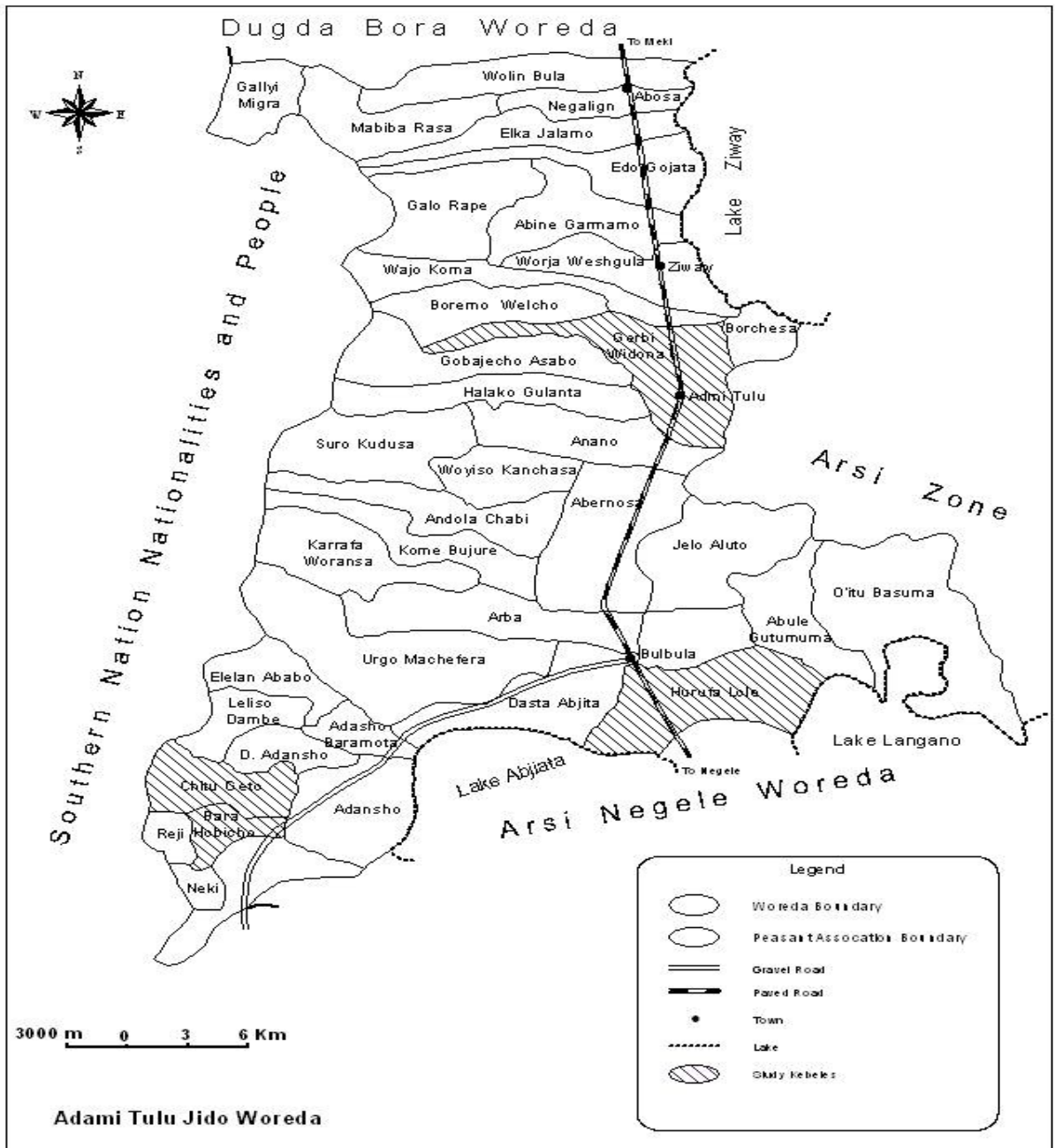
The district education office 2002 report shows that, there is no village with-out elementary school. Each town administration in the district has one high school except one /the education office 2002 report. /

The health service is given as per the strategies under two programs, one is through extension package /preventive 80%/ and the remaining 20% is through treatment process. But the existing service is very unequally distributed between men and women, as well as, urban and rural areas in the district.

Furthermore, the district is known for its warmer temperature and low rainfall which may result with less agricultural production. Efficient utilization of the other sectors, such as, operation of service sectors and small industries should get great consideration. For unemployed group, particularly poor women, the expansion of such sectors can improve productivity. In this study, therefore the roll of established micro-enterprises in empowering women will be investigated.

Adami Tulu Jido Kombolcha district is among the districts in eastern Shoa zone where different policies and strategies are applied to eradicate poverty. Among the strategies, organizing poor women through self help-group and supporting to establish operate micro small enterprise is the main component. Currently with in the district there are about 103 micro enterprises among this 30 micro enterprises are women organizations in the form of self-help group and operate their own small businesses. Adami Tulu Jido Kombolcha micro small enterprise agency, 2002 fiscal year Report/

The district is best suited for business engagement due to several factors like proximity to the center, cross road for different cities, proximity to recreational centre like langano, Abjata & Shala lakes. These all facts make Adami Tulu Jido KOMBplcha district a centre of business. Then the first part of the questionnaire consists of the profile of the beneficiaries which are women who are the owners of selected micro enterprises of this research. This part of the questionnaire requested a limited amount of information related to personal and professional demographic characteristics of respondents. Accordingly, the following variables about the respondents were summarized and described in the subsequent tables and figures. These variables include the type of business they are engaged in, year of establishment, the highest educational level achieved, sources of initial capital, and the contribution of micro and small enterprises in creating job opportunities



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Figure 3.1. Map of Adami Tulu Jido Kombolcha is as shown below

### **Description of the enterprises and the ownership**

The general description provides general background information required, understanding the situation of the micro small enterprise owners and the enterprises which serves as spring board for further analysis.

### **Description of the ownership (beneficiaries)**

In general, the beneficiaries of the enterprises in the district are mostly dominated by male operators with low educational level. For the sample I had taken, the result is in opposite because it relates to self help group organized by women. Accordingly, the members in this study are females with low educational level and age between 18 and 40 years old. They are also characterized by their full time participation in their respective enterprise and limited prior experience in the enterprise and they are engaged with the main objective starting their business for creating a job for themselves. As far as marital status is concerned, out of the beneficiaries 2% are single, 94% married, 3% divorced and the rest 1% widowed, which this refer to that the dominant share is occupied by married beneficiaries.

### **Form of Ownership**

The ownership types of an enterprise I included in the study involves sole proprietorship, partnership, and association and the legal form of ownership of the enterprises under study falls in one of these categories. As far as ownership types of an enterprise is concerned, out of the enterprise (87.23%), are sole proprietorship, (12.27%) partnership, and (.49%) are associations. As shown below Table 3.1.

Table 3.1. Form of ownership of the enterprises

Sub sector	Form of owner ship		
	Sole proprietorship	Partnership	Association
Textile	17	5	----
Food Processing	82	4	-----
Construction	----	9	----
Rural Agriculture	344	40	3
Service	83	16	----
Total	526	74	3
Total percentage	87.23 %	12.27 %	0.49 %

Source-Own Survey (2011)

### Major products and Services

In the district, there are number of small scale business that are run by the poor people particularly poor women among which is provision of service, sales of commodity and the like. When the types of business in the district identified, the following can be the major business runs by poor women in the district.

- i. Fruits and vegetables
- ii. Making/ selling injera/
- iii. Selling fire wood/ charcoal/

iv. Super market such as sugar, salt, soap and the like

Each sub sector has its own range of products and services. The major products in each sub sector could be summarized follows. In the textile sub sector major products include traditional cloths and different modern ready made cloths. The food processing sub sector has its own range of products including dry food, Enjera, and processed traditional food and in rare cases cafeteria service. In the constriction sub sector the major product is hollow bricks (Blockets) followed by pre cast blocks. Agricultural product such as different vegetables and milk are included in the rural agriculture sub sector.

## CHAPTER FOUR

### **DATA PRESENTATION, ANALYSIS AND INTERPRETATION**

In the previous sections the study explored the overview of the research (introduction), Literature review and methodology of the study respectively. This section presents data Presentation, analysis, and interpretation of the raw data obtained through primary means (Questionnaire and Interview). This chapter relies on 80 Questionnaires distributed and collected from micro and small enterprises beneficiaries found in Adami Tulu Jido Kombplcha and Interview conducted with concerned government body( Adami Tulu Jido Kombplcha district micro and small enterprises Development Agency), NGOs officials and community members in the district. The data obtained from these respondents were presented in tables and figures and discussed by using frequency (count) and percentage

#### **Profile of Micro and Small Enterprises Found in Adami Tulu Jido Kombplcha district**

In the endeavor to develop one country's economy the role of women, take part a lion-share and they needs to be organized to bring a tangible and realizable outcome in the development of the country. To mobilize women, the Ethiopian government has designed micro and small enterprises Development strategy since 2003. The government has recognized and given due attention to the promotion and development of micro and small enterprises believing that for they are important vehicles to address the challenges of unemployment, economic growth and equity in the country and women empowerment.

To alleviate the problem of unemployment, inequity of income distribution and empowerment of women and ensure sustainable economic growth, the government encourages micro and small enterprises sector through out the country. In Adami Tulu Jido



Kombplcha district alone, there are several sectors of micro and small enterprises operated by women. Among such sectors Rural Agriculture, Industry, Constructions, Service and Trade are main businesses that are operated by women. The figure below (figure 4.1) shows the types of micro and small enterprises and its percentage contribution.

Fig.4.1. micro and small enterprises quantity and percentage contribution

No	Types of business	Quantity	percentage
1	Rural Agriculture	387	64.17 %
2	Food Processing	86	14.26 %
3	Service	99	16.41 %
4	Textile	22	3.64 %
5	Construction	9	1.49 %
	Total	603	100%

Source: 2010 Adami Tulu Kombolcha district yearly report.

As seen from above table 4.1. 64.17 % were Rural Agriculture is, dominated while followed by Service 16.41 %. Food Processing 14.26 % Service (16.41 %), textile (3.64 % and construction (1.49 %).

### **Establishment of Micro and Small Enterprises**

Legally, micro and small enterprises in Ethiopia were started in 2003 by recognizing its advantage in economic development of the country. The objective of establishing micro and small enterprises is to resolve multi facet of unemployment. Accordingly, in Adami Tulu Jido Kombplcha district report micro and small enterprises has come to existence in 2003. Aimed at to alleviate the problems unemployment and ensure the socio-economic

development of the country in general and in the district in particular. The following table depicts the establishment period of micro and small enterprises in Adami Tulu Jido Kombplcha district.

Table 4.2: Establishment Period of Micro and Small Enterprise

No	Sector	Year (G.C.)							Total
		2003	2004	2005	2006	2007	2008	2009	
1	Urban Agriculture	2	9	25	50	68	113	120	387
2	Food Processing	----	-----	8	17	23	18	20	86
3	Service	7	8	5	9	16	25	29	99
4	Textile	----	---	3	5	4	5	5	22
5	Constructio n						4	5	9
	Total	9	17	41	81	111	165	179	603

Source: Adami Tulu Jido Kombplcha district 2010 report

In Ethiopia, encouraging self employment via micro and small enterprises has been started since 2003 (1995 E.C). Since then a number of individual entrepreneurs join the micro and small enterprises throughout the country, both in urban and rural areas. As shown in the above table, the majority of micro and small enterprises formed in 2008 and 2009 mainly related to the New Ethiopian Millennium. From the table, it can be observed that during the

inception of micro and small enterprises (in 2003); there were only small portion which were able to form Micro and Small Enterprises. Since then, the number of newly established micro and small enterprises has increasing trend. In net shell, creating one's own job or to become an entrepreneur via micro and small enterprises has been increasing from its inception (2003) to the present.

### **Educational Attainment of Micro and Small Enterprises**

Education plays a key role in the ability of a developing country to absorb modern technology and to develop the capacity for self-sustaining growth and development (Todaro and Smith, 2009). Education plays a crucial role in ensuring entrepreneurial development of entrepreneurs.

Table.4. 3 Educational status of the beneficiaries by sub sector

Sub sector	Level of education							Total
	illiterate	Primary (Grade1-6)	Junior school (Grade 7-8)	High school	TVET Graduate	Diploma		
Textile	-----	2	----				2	
Food Processing	4	4	3	3			14	
Construction	5	6	3	4	2	1	21	
Rural Agriculture	22	9	5	1			37	
Service		4	1	1			6	
Total	31	25	12	9	2	1	80	
Percent	38.75	31.25	15	11.25	2.5	1.25	100	
Cumulative percent								

Source-Own Survey (2011)

As shown in the table 4.3 above, the majority of the owners of micro and small enterprises 38.75, are illiterate followed by primary school (31.25 %), but only 3.75% have attained TVET and diploma program, in Adami Tulu Jido Kombplcha district. More than 61.25% have attained formal education and 38.75% are illiterate. Literacy is crucial to resolve conflict, manage resources wisely and proactively search solution for immediate and long confronting challenges that hinder the potential growth of entrepreneurs. The research finding as cited by Dereje (2009), stated education offers a highly reliable correlation with participation because it helps to develop a sense of civic duty, political competence, interest and responsibility as well as personal characteristics of self confidence, dominance, interest, responsibility, and articulateness.

### **Sources of Financial Resources for Entrepreneurs**

Basically, there are two sources of finance for an initial capital: equity and debt finance. Micro and Small Enterprises secure financial resource from different sources either from personal capital (equity) or borrowing from different creditors (debt).

Table 4.4: Sources of Initial Capital

<b>No</b>	<b>Respondent</b>	<b>Quantity</b>	<b>Percentage</b>
1	Credit	30	37.5
2	Owned	5	64.7%
3	Both own capital & credit	25	13.8%
4	Government	15	18.75
5	Others	15	1.7%

Source-Own Survey (2011)

Table 4.4 above summarizes the sources of financial capital used by micro and small enterprises when establishing their business. Besides, the table depicts sources of credit for entrepreneurs used debt as source of initial capital. Below table shows that, majority of respondents (64.7%) used their own capital to initially establish their business and (37.5%) of micro and small enterprises established their business using funds obtained from Microfinance institutions in the form of credit. 18.75 % and 13.8% of the respondents have started their business using capital obtained from government and both own capital and credit respectively as a source of initial capital to start business. Among the respondents only 1.7% indicated that they have used other means of sources such as donation from NGOs as initial capital during their start up.

### **Employment Opportunities in Micro and Small Enterprises**

Employment and economic growth are related directly. The higher employment rate ensures the sustainability of economic growth (Jinghan, 2007). Micro and Small Enterprises play a great role in creation of employment. Accordingly, a survey conducted by CSA in 1997, with Micro and Small Enterprises sector, micro enterprises (handcraft and informal operators) account for 99.6% of employment opportunities created. Besides, a Brochure of the Adami Tulu Jido Kombolcha district Office (2010) notify that Micro and Small Enterprises have been created employment opportunities for about 1,355 since 2003 .E.C .

Table 4.5 Employment opportunities created by micro and small enterprise

No	Sector	Percentage
1	Textile	20
2	Food Processing	85.7
3	Construction	80
4	Rural Agriculture	52
5	Service	80.6

Source: Primary Data

### **Challenges of Micro and Small Enterprises operation**

It is customary that a new entrant in the business environment faces several challenges. Entrepreneur faces problems perhaps starting from the day he/she identifies the business idea. Most micro enterprises face critical constraints both at the start up level and operation .The challenges include stiff competition, lack of access to finance, lack of demand for produce, lack of access to premises are few of them. Accordingly, this research presents some of the challenges of entrepreneurs in Micro and Small Enterprises found in Adami Tulu Jido Kombolcha district during their establishment and at their operation.

### **Challenges of women Entrepreneurs during Establishment**

At time of start up, women entrepreneurs encountered different challenges or difficulties. Identified difficulties are not equally severe on start up of all sectors of Micro and Small Enterprises. Among these challenges some of them are access to finance, ability to prepare business plan, supply of infrastructure, chance of getting loan from financial institutions, Business know how and others are some of them major challenges women entrepreneurs

Table 4..6 Percentage of micro and small business influenced by each challenge.

No	Items	Severity of Difficultie s	Not Difficult at all	A bit difficulty	Difficult Highly difficult	Extremely difficult	
1	Chance of getting loan from financial institutions	21	12	7	6	29	25
2	Lack of Initial capital to start business	15	13	11	9	22	30
3	Business know how	19	-	9	8	34	30
4	Ability to prepare Business plan	-	5	5	35	25	30
5	Increment in Price of raw materials	-	10	5	10	40	35

Source: own survey 2011

### Challenges of women Entrepreneurs during Operation



Entrepreneurs face different challenges and constraints when they are fully operationally. Such challenges may constraint their development and the development of the nation at large. Challenges follow entrepreneurs like a shadow (Hailay, 2003). Financial and technical problems are among the few constraints. The intensity of constrains for least developed countries by far exceeds the developed countries. Entrepreneurs involved in Micro and Small Enterprises in Ethiopia in general and in Adami Tulu Jido Kombolcha district in particular face constraints like lack of infrastructure and backward technology. In this section some challenges are identified by the researcher and their degree of influence on over all operation of entrepreneurs in Micro and Small Enterprises are discussed in the subsequent tables.

Table 4.8 Challenges Faced by Entrepreneurs in Operation

No	Items	Severity of Difficulties					
		Total	Not Challenge at all	Little Challenge	Challenge	Strong Challenge	Very strong Challenge
1	Commitment of all members					80%	20 %
2	Relationship with other MSEs		10%	15%	20%	25%	30%
3	Access to finance		20%	8%	10%	30%	50%
4	Skilled workforce			10%	15%	25%	50%
5	Attitude of societies to wards MSEs		35%	5%	25%	25%	45%
6	Increment in price of raw materials				5%	40%	55%

Source: own survey 2011

The above table (table 4.8) shows us that lack of financial resource and increasing cost of raw material were found to be a very difficult problem affecting business during its operation. From this one can conclude that access to financial resources and continues increases in the price of raw materials needed for their operation are the most important challenge of all sectors of Small Enterprises. Where as, skilled manpower, , tax rate, and attitude of society towards Micro and Small Enterprises were also considered as a problem. The rate and nature of challenges differ from one sector of the Micro and Small Enterprises to the others.

### **Challenges Faced by Entrepreneurs in Service Sector during Establishment**

The Micro and Small Enterprises operators are faced with a number of obstacles that have hindered the smooth operation of their activities. The four most important factors faced by Micro and Small Enterprises in service sector at the time of start up were raw material price increases, lack of business know how, lack of initial capital, and chance of getting loan from financial institutions.

### **Challenges of Entrepreneurs in Rural Agriculture during Establishment**

Data gathered regarding this investigations revealed that Micro and Small Enterprises engaged in rural Agriculture on the degree of severity of difficulties they faced at the time of start up. Accordingly, all of the respondents (100%) replied that lack of initial capital to start the business was the severe challenge encountered during establishment and followed by 80% that indicated availability of loan, and increment in price of raw materials were the major challenge they encountered during establishment.

### **Challenges of Entrepreneurs in Industry during Establishment**

The above survey result revealed difficulties that entrepreneurs in industry type of Micro and Small Enterprises faced and the extent of each difficulty at time of establishments of Micro and Small Enterprises, more than half of respondents replied that increment in price of raw materials and lack of initial capital to start business were severely influence the establishment of Micro and Small Enterprises.

**Picture 1. women engaged in rural agriculture**



## **Opportunities for women Entrepreneurs in Micro and Small Enterprises**

In the previous section challenges that entrepreneurs faced at time of establishment and in operation have discussed and their severity also rated based on the responses of respondents by using five scale rating. In this section available opportunities for entrepreneurs in Micro and Small Enterprises found in Adami Tulu Jido Kombolcha district are identified. Opportunities are positive external options that a business could exploit to accomplish its mission, goals, and objectives. Moreover, this section rates the frequency of availability of opportunities using three scales (not available at all, sometimes available, and always available) for each sector of Micro and Small Enterprises separately.

The frequency of available opportunities for entrepreneurs in rural Agriculture of Micro and Small enterprises found in Adami Tulu Jido Kombolcha district. Concerning the access of land the opinion of respondents was evenly distributed. And 40% of respondents land was freely accessible and the same proportion of respondents feels that the access to land was available only sometimes. Where as, for 20% of respondents land was not freely accessible at all.

Regarding loan policy of financial institutions most (80%) of Micro and Small Enterprises replied that it was not encouraging the Micro and Small Enterprises and was almost impossible to access loan from the financial institutions in general from Commercial Banks in particular. Regarding the availability of demand for the products produced by

entrepreneurs in rural Agriculture, all % of the respondents responded that always there was demand for the products.

In view of 60% and 20% respondents there was no training given by non governmental and Micro and Small Enterprises development Agency respectively. And 40% and 60% of respondents said that training was sometimes given by non governmental organization and Micro and Small Enterprises Development Agency respectively.

Regarding material support given by government to Micro and Small enterprises in Rural Agriculture sector, the majority of them said that such assistant was not given to them. And the remaining same of them said it was some times given to assist their operation. These all facts reveal the fact that there was no such favorable chance available for women entrepreneurs in rural Agriculture.

### **Availability of Opportunities for women Entrepreneurs in Industry**

No of responses engaged in Industry type of micro and Small Enterprises found in Adami Tulu Jido Kombolcha district regarding the frequency of availability of opportunities. Accordingly, Access to finance is among the important factors that lead women entrepreneurs to success. One of the means to get finance is from loan given by financial institutions. Accordingly, entrepreneurs asked whether there were favorable policies for them or not; consequently, of respondents said that policies of financial institution were only sometimes favorable. Whereas disclosed there were no favorable policies of financial institutions that encourage women entrepreneurs. However, replied financial institutions have favorable policies that enable entrepreneurs to get loan that strength their financial position.

Regarding the availability of training given by non governmental organization and Micro and Small Enterprises Development Agency separately, half of respondents said that there was no training given by NGOs and Development Agency respectively, however, sometimes training was given by NGOs. Micro and Small Enterprises in the industry sector always available.

Moreover, the promotion given by government to Micro and Small Enterprises is considered as opportunities for entrepreneurs involved in. In this view, the largest group of respondents disclosed government rarely gave promotion. Regarding material support given by government to encourage entrepreneurial development in Micro and Small Enterprises (Industry sector) of Adami Tulu Jido Kombolcha district. Accordingly, the majority of the respondents indicated that there was no machinery given by government, and followed by sometimes given, and assured it was always given based on the type of industry they engaged.

### **Availability of Opportunities for women Entrepreneurs in Construction**

The majority of the respondents replied land was freely given to Micro and Small Enterprises some times, and followed by sum response that indicated there was no land that was freely given to them. Regarding the policies of financial institutions for Micro and Small Enterprises in Construction sector. Accordingly, 47% of the respondents indicated that there was no favorable policy of financial institutions that enables entrepreneurs to get loan, because the requirements asked by financial institutions did not consider the capacities of Micro and Small Enterprises in Construction sector.

. The Micro and Small Enterprises Development Agency is another organization established to encourage entrepreneurial development via Micro and Small Enterprises. Accordingly, the majority of the respondents replied there was no training given by Development Agency, followed by replied Development Agency was giving training sometimes. Yet, some of them replied the Development Agency always gave training for Micro and Small Enterprises in Construction sector. For the question that attempt to ask whether material support was given to Micro and Small Enterprises or not, of the respondents indicated there was no such gift from government, and replied it was given some times (either during the beginning or in the operation). However, the same amount was said such gift was given from government whenever demand arises by enterprises.

#### **Availability of Opportunities for women Entrepreneurs in Service**

The existence of the same opportunities discussed in others table for service sector of Micro and Small Enterprises found in Adami Tult Jido Kombolcha district. As it is seen, the majority of the respondents replied there was no free land given to them, followed by answered free land was given sometimes. Regarding the financial policy of financial institutions, large group of entrepreneurs in service sector said there was no favorable policies that consider the capacity of Micro and Small Enterprises (service sector) to give loan. And the others and indicated only sometimes based on the situation and always creditors have favorable policy respectively that encourage entrepreneurs to get loan to ensure their business development.

On the other hand, training given by NGOs and Micro and Small Enterprises Development Agency was considered as an opportunity for entrepreneurial development in



service sector of Micro and Small Enterprises Most of the respondents said that training was given neither by different NGOs nor by Micro and Small Enterprises Development Agency respectively. The development of women entrepreneurs in Micro and Small Enterprises also guaranteed by the availability of appropriate outlets for sales especially that have proximity to customers. Nevertheless, 45% of entrepreneurs in service sector were said that there was no such opportunity given to them.

In view of the promotion given about Micro and Small Enterprises by government, the majority of the women entrepreneurs in service sector (42%) said that government gave promotion about Micro and Small Enterprises sometimes followed by 35% of responses no promotion at all. But 23% said government encourages women entrepreneurial development by giving promotion about Micro and Small Enterprises. It can be seen that majority of the respondents said there was no material support given to them, and revealed sometimes such benefit was given by government.

**Picture of women engaged in service business**



## **Availability of Opportunities for women Entrepreneurs in trade**

Regarding the favorability of financial institutions to give loan for entrepreneurs in trade sector of Micro and Small Enterprises, of the respondents replied as there was a favorable policy of financial institutions. Few entrepreneurs answered there was no favorable policy in financial institutions that encourage entrepreneurship. majority of the respondents replied demand for the service provided by entrepreneurs in service area exists infrequently, followed by of the respondents assured no problem for the demand of the service provided by them.. In respect to training, of entrepreneurs replied training was not given by either NGOs and Micro and Small Enterprises Development Agency.. Appropriate out let for sale is really crucial input for this sector. Accordingly, the largest portion of respondents revealed it was only available some times. And of respondents replied there was no appropriate sale out let. The last two item indicates the available promotion and material support given by government. Accordingly, of the respondents indicated that promotion was given by government sometimes.. Most of the respondents indicated that there was no material support given , more than half of respondents indicated free access to land and availability of demand for the products produced.



**Picture for trade sector**

## **Motivating Factors for Being Entrepreneurs**

Motivating factors are factors encouraging an individual or a group of individual to create their own job. There are several factors that motivates individuals to become entrepreneur such as government, background, marketing, role models, and finances are contribute to the creation of new venture. The entrepreneurs in Micro and Small Enterprises found in Adami Tulu Jido Kombolcha district were asked to rate the factors that motivate them to start their own businesses. The evidence obtained from women entrepreneurs in Micro and Small Enterprises found in Adami Tulu Jido Kombolcha district is presented in table below and the description follows the table.

### **Start up Motives for women Entrepreneurs**

In order to understand the start up motives of entrepreneurs in Micro and Small Enterprises, the above table describes the responses of entrepreneurs. As it is possible to observe from the above table, the majority of the respondents indicated that favorable government policy , lack of any other job opportunity , improvement in life of previous entrepreneurs , friends , demand to be one's own boss , independence/freedom of job were the motivating factors to start up their operation. Regarding the influence of family to start a business majority of the respondents replied they were disagreeing and neutral. In net shell, the eight motivating factors identified by the researcher are also assured by the respondents (those who create their own job via Micro and Small Enterprises) as they have been motivated by the above factors for their being entrepreneurs via Micro and Small Enterprises.

### **Satisfaction Level of women Entrepreneurs in Micro and Small Enterprises**

Satisfaction is the pleasure that entrepreneurs achieve by creating one's own job through Micro and Small Enterprises. Accordingly the satisfaction level of entrepreneurs in Micro and Small Enterprises for selected five variables is presented in table below as follow as.

Table 4 indicates the satisfaction level of women entrepreneurs in Micro and Small Enterprises found in Adami Tulu Jido Kombolcha district. As clearly seen from the above table, the researcher identifies five variables towards which entrepreneurs responded their satisfaction level. The first item of the above table reveals the satisfaction level of entrepreneurs with their current income. Accordingly, the majority of the respondents (41%) replied that they were somewhat satisfied with the current income they earn, followed by the response of 34% of respondents that indicated entrepreneurs in Micro and Small Enterprises were very satisfied with the income they earn. This evidence tells as the majority of entrepreneurs in Micro and Small Enterprises found in Adami Tulu Jido Kombolcha district are satisfied with the income they have earned in their business.

Regarding job opportunity, they have secured most of the respondents (47%) replied they were somewhat satisfied, and 37% said they were very satisfied with job opportunity they have obtained. Item three of the above table indicates the satisfaction level of entrepreneurs in the sector they have engaged in. Accordingly, of respondents revealed they were somewhat satisfied and very satisfied respectively with the sector they engaged in. Micro and Small Enterprises are a group of three or more individuals working together.

The entrepreneurs asked the satisfaction level they have had with their partner. Consequently, Micro and Small Enterprises found in Adami Tulu Jido Kombolcha district assured, they were somewhat satisfied with the people they are working with , and very satisfied. The last item of the above table shows the satisfaction level of entrepreneurs in Micro and Small Enterprises with government policies designed for Micro and Small Enterprises. Basically many of them indicated they were somewhat satisfied and replied they were very satisfied with government policy designed for Micro and Small Enterprises. In net shell from the above table one can conclude entrepreneurs in Micro and Small Enterprises found in Adama Town are satisfied with current income, job opportunity, sector of work they engaged in, partner they are working with, and government policies designed for Micro and Small Enterprises as most of the respondents indicated.

### **Role of Micro and Small Enterprises Development Agency for Entrepreneurial Development**

Micro and Small enterprises Development Agency is established in order to encourage and organized unemployed individuals to create their own job via Micro and Small Enterprises. And it is believed that entrepreneurial development is assured by the help of this Agency, hence unemployment is reduced in the country especially in Adami Tulu Jido Kombolcha district. Therefore, this section describes the responses of entrepreneurs regarding the contribution of Adami Tulu Jido Kombolcha district Micro and Small Enterprises Development Agency for entrepreneurs' success.

The level of agreement of the entrepreneurs in Micro and Small Enterprises of Adami Tulu Jido Kombolcha district towards seven evaluation criteria identified by the researcher.

These are also roles or activities expected by Micro and Small Enterprises Agency. Accordingly, the largest groups of the respondents agreed with the continuous follow up of employees of Micro and Small Enterprises Development Agency about their activities. However, there were also respondents who disagreed with the statement and the remaining respondents became neutral on the issue. Among others, one of the major objectives of Micro and Small Enterprises Development Agency is to facilitate the means to get loan from financial institutions for entrepreneurs in Micro and Small Enterprises. But the majority of the respondents pointed out that they disagreed with the statement, and the second largest respondents responded as they were neutral to the statement that states Micro and Small Enterprises Development Agency facilitate the means to get loan. But a few respondents agreed with the statement respectively. Entrepreneurs in Micro and Small Enterprises of Adami Tulu Jido Kombolcha district pointed out that they disagreed with the statement that stated Micro and Small Enterprises Development Agency participates in planning of the activities of their enterprises. But the next largest percentage depicts their agreement for the statement. The remaining became neutral for the statement.

The agreement level of women entrepreneurs with Micro and Small Enterprises Development Agency gave adequate training on how to prepare business plan; for this statement agreed. The rest of respondents became neutral on the issue. Regarding whether the performance of Micro and Small Enterprises evaluated by the Development Agency few of respondents agreed that their performance was evaluated by the Development Agency. And followed by most of respondents disagreed with the statement that explains performance of entrepreneurs evaluated by development Agency.

The last but not the least item of the above table is the contribution of Micro and Small Enterprises Development Agency in creating a network with the buyer of their products. But the majority of the respondents disagreed and hence they said Micro and Small Enterprises did not create a net work with buyer.

Interview was conducted with head of Adami Tulu Jido Kombolcha district Micro and Small Enterprises Development Agency in order to substantiate the analysis of questionnaire discussed in previous section. Accordingly, the head stated the available resources, tax exemption, free access to land; appropriate sales outlet and market place available in Adami Tulu Jido Kombolcha district are among the major opportunities available to entrepreneurs in Micro and Small Enterprises. And, it is assured by the government attention to achieve the vision of the country that is to categorize Ethiopia under middle income country. Different facilities become available that encourages entrepreneurship via Micro and Small Enterprises. As per the information obtained from Adami Tulu Jido Kombolcha district Micro and Small Enterprises Development Agency the following are services that is provided by .

- 1) Creation of awareness about Micro and Small Enterprises
- 2) Identifying users need
- 3) Organizing and certifying them by giving license
- 4) Giving training on Business Development Services
- 5) Facilitating working area for Micro and Small Enterprises
- 6) Facilitating loan by communicating with creditors
- 7) Counseling and providing information
- 8) Follow up the performance of Entrepreneurs and
- 9) Conducting market research and create a network



Even if the Agency stated the above mentioned services are given for Micro and Small Enterprises, entrepreneurs disagree with its appropriate implementation as personal observation and questionnaire results shows as. Challenges faced by entrepreneurs at beginning of establishment and during operation of the business are not synonymous. The head at the office replied at the time of establishment there is no as such severe difficulty since government develops a guideline that is suitable and attract jobless to the sector. Consequently, those who fulfill these criteria can create their own job via Micro and Small Enterprises.

The government encourages women to create their own job and improves the quality of their life and hence assures the development of the country. However, when joined the operation phase, entrepreneurs faced different challenges. Among the challenges mentioned shortage of finance, appropriate sales outlet, disagreement among the owners of the business were the major challenge. Regarding the inadequacy of the service given to entrepreneurs in Micro and Small Enterprises, the head of Adami Tulu Jido Kombolcha district Micro and Small Enterprises Development Agency did not deny. Rather he justified the reasons why. He said there are more than 603 Micro and small enterprises in Adami Tulu Jido Kombolcha district addressing these all enterprises was difficult with available manpower and resources but gradually the Agency will attempt to give all the necessary facilities to ensure entrepreneurial development. For the question raised on how often the office follows or visits the operation of Micro and Small Enterprises? This power is delegated to Kebeles found in Adami Tulu Jido Kombolcha and in every Kebele there are employees who follow the performance and status of Micro and Small Enterprises. In order to ensure this with every

Kebeles' Generalist report about newly entering Micro and Small Enterprises and the status of existing

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS AND INTERPRETATION

In the previous sections the study explored the overview of the research (introduction), Literature review and methodology of the study respectively. This section presents data Presentation, analysis, and interpretation of the raw data obtained through primary means (Questionnaire and Interview). This chapter relies on 80 Questionnaire distributed and collected from Micro and Small Enterprises found in Adami Tulu Jido KOMBPLCHA district and Interview conducted with head of Adami Tulu Jido KOMBPLCHA district Micro and Small Enterprises Development Agency. The data obtained from these respondents were presented in tables and figures and discussed by using frequency (count) and percentage.

#### **Profile of Micro and Small Enterprises Found in Adami Tulu Jido KOMBPLCHA district**

In the endeavor to develop one country's economy the role of women, take part a lion share. Women need to be organized to bring a tangible and realizable outcome in the country. To mobilize women, the Ethiopian government has designed Micro and small enterprises Development strategy since 2003. The government has recognized and given due attention to the promotion and development of Micro and Small Enterprises for they are important vehicles to address the challenges of unemployment, economic growth and equity in the country and women empowerment.

To alleviate the problem of unemployment, inequity of income distribution and to bring sustainable economic growth, government encourage micro and small enterprise sector through out the country. In Adami Tulu Jido KOMBPLCHA district alone there are 5 sectors of

Micro and Small Enterprises engaged in different sub sectors of the economy: Rural Agriculture, Industry, Constructions and Service.

The district is best suited for business engagement due to several factors like proximity to the center, cross road for different cities, proximity to recreational centre like langano, Abjata & Shala lakes. These all facts make Adami Tulu Jido KOMBPLCHA district a centre of business. Then the first part of the questionnaire consists of the profile of the participants of this research. This part of the questionnaire requested a limited amount of information related to personal and professional demographic characteristics of respondents. Accordingly, the following variables about the respondents were summarized and described in the subsequent tables and figures. These variables include the type of business they are engaged in, year of establishment, the highest educational level achieved, sources of initial capital, and the contribution of Micro and Small Enterprises in creating job opportunities.

### **Sector of Micro and Small Enterprise**

Entrepreneurs in Micro and Small Enterprises are classified in to different sector based on the nature of work they engaged in. Accordingly the figure below (figure 4.1) depicts entrepreneurs in Micro and Small Enterprises found in Adami Tulu Jido KOMBPLCHA district by type of business. This includes Rural Agriculture, Industry, Construction, Service, and Trade.

4.1 Table: Micro and small enterprises types, quantity and percentage contribution

No	Types of business	Quantity	percentage
1	Rural Agriculture	387	64.17 %
2	Food Processing	86	14.26 %
3	Service	99	16.41 %
4	Textile	22	3.64 %
5	Construction	9	1.49 %
	Total	603	100%

Source: own source 2011

The profiles of the respondents indicate that the majority of the respondents (61.7%) were taken from Rural Agriculture, followed by Service (16.41%). The rest of the respondents are food processing 14.26% , textile 3.64% and Construction (1.49%),. Their sizes were determined in proportionate to their population size as disclosed in the Methodology part of this study.

#### 4.1.2. Establishment of Micro and Small Enterprises

Legally, micro and Small Enterprises in Ethiopia were started in 2003 by recognizing its advantage in economic development of the country. The objective of establishing Micro and Small Enterprises is to resolve multi facet of unemployment. Accordingly, in Adami Tulu Jido KOMBOLCHA district Micro and Small Enterprises has come to existence since then to alleviate the problems and ensure specifically the socio-economic development of the country in general and the district in particular. The following table depicts the establishment period of MSEs in Adami Tulu Jido KOMBOLCHA district.

Table 4.2: Establishment Period of Micro and Small Enterprise

No	Sector	Year (G.C.)							Total
		2003	2004	2005	2006	2007	2008	2009	
1	Urban Agriculture	2	9	25	50	68	113	120	387
2	Food Processing	----	-----	8	17	23	18	20	86
3	Service	7	8	5	9	16	25	29	99
4	Textile	----	---	3	5	4	5	5	22
5	Construction						4	5	9
	Total	9	17	41	81	111	165	179	603
	Percentage	1.5	2.8	6.8	13.43	18.41	27.36	29.68	100

Source: Owner survey 2011

#### 4. Analysis and Discussion

The information gathered through the various methods such as interview, questionnaire, observation and secondary sources is analyzed based on the objectives of the study. Accordingly, the analysis is divided into five thematic parts. The first part of the analysis explores the status of empowerment. The second part discusses the, process of empowerment. In this part detailed analysis is conducted to reflect the situation on the ground. Based on different criteria the third part explores the challenges faced and determinants at

different levels in the process of operating micro and small enterprises .Part four of the analysis provides information regarding the impact of Micro and Small Enterprise. The last and fifth part of the analysis is a list of proposed strategies based on the results of the previous sections of the analysis. This detailed workable recommendations and strategies are proposed based on gaps identified through out the analysis. In each step of the analysis variations and differences among sub sector are given due attentions. Those unique features are addressed regarding each sub sectors realities.

#### **4.1. Status of empowerment of women**

In this section of the research detailed discussions are presented regarding the status, of empowerment, condition of empowerment and awareness as well as knowledge of the empowerment. In order to get a clear picture of empowerment women, it is better to start from the awareness that women them selves have regarding the various components of empowerment. In general the micro and small enterprise under investigation have a moderate awareness regarding the empowerment in their respective sub sector. Accordingly 66% of the respondents have a moderate awareness about the empowerment. Only 10.9% responded that they have full awareness while and the rest 18.5% responded that they are unaware about the situation as shown in below table.

Table 4.3. Awareness regarding empowerment women

No	Sector	awareness about the empowerment	Status of awareness		
			Unaware about empowerment	full awareness about empowerment	moderate awareness about empowerment
1	Urban Agriculture		26%	4	4
2	Food Processing		17%	4.5	2
3	Service		13%	3	1.9
4	Textile		8%	2	1
5	Construction		2%	5	2
	Total		66%	18.5%	10.9%

Source: Owner survey 2011

Since empowerment has different components, it is important to see its detail in the awareness levels about the components. Accordingly the awareness level regarding participation, decision making, regarding their production systems and assets etc are investigated. The result of the analysis (Table 4.3.) indicates that, there are variations in the awareness level of empowerment. These variations are indicators for the fact that there is gap in all the necessary information about the empowerment of women available and provided to them.



In transferring empowerment of women, micro and Small Enterprise are assumed to be the source of information and an important factor. The decision of the enterprises to the empowerment of women also affected by the availability of information. The route through which the information is disseminated is an integral part of the empowerment of women process. Accordingly, various bodies could be involved in ensuring empowerment of women formally such as governmental agencies, media NGOs and informal communication among the micro and Small Enterprise.

In the study (refer Table 4.4) the dominant source of information for the Micro and Small Enterprise was identified to be government extension workers (42%) followed by informal communication with other micro and Small Enterprise ( 33.3%) and medial (TV and Radio) 17.5% the rest 7.5% the respondents do not have any idea regarding the source of technological information.

Table 4.4.

No		
1	Government extension workers	(42%)
2	Informal communication	33%
3	Medial (TV and Radio)	17.5%
4	The respondents do not have any idea	7.5%

Source: Owner survey 2011

The analysis indicates that government effort in discriminations information about empowerment is significant and hence it is the major source of information. Informal communication among Micro and Small Enterprise is also an important aspect which needs to

be taken into account when designing strategies. The informal networks could be used as a means of spreading information since it requires limited resource from the concerned stakeholders. There are also about 7.5% which did not have any information as per their respond since they are idle from any source.

### **Source of know-how and skill Training**

Empowerment of women has number component. One of such important component includes know how needed to manipulate the empowering of women. The owners of the Micro and Small Enterprise may attain the needed know how regarding empowerment from various sources such as government agencies, NGOs, co-workers as well as other micro and small enterprises which could be done by either providing training.

Training should be done in continuous basis so as the micro and small enterprises owners can up date theirs know how about the empowerment. Accordingly the owners of micro enterprises were asked whether they have attended any training during the last three year related to empowerment of women and operation of micro enterprises.

Table 4.5. % of participation in Training in the last Year

<b>Have you participated in training during the last year related to empowerment?</b>		
	<b>Frequency</b>	<b>Percent</b>
<b>yes</b>	<b>30</b>	<b>37.5%</b>
<b>No</b>	<b>50</b>	<b>62.5%</b>
<b>Total</b>	<b>80</b>	<b>100</b>

Source-Own Survey (2011)

The difference in the information gathered from the micro and small enterprises owners the government institutions could be the responsible to coordinate training programs. In other words the government institutions should have necessary strategies need to up grade the know how needed for beneficiaries particularly women but lack the ability to implement the strategies

### **Challenges of the empowerment of women**

In the process of implementing empowerment of women to end users, micro and small enterprises, plays crucial role through various institutional arrangements. Accordingly, a number of challenges and determinants are observed. The challenges faced in the process of implementation of women empowerment and operations of micro and small enterprises by women could be categorized to be at the institutional level and at the operator level.

## **Challenges at the institutional level**

Institutional level challenges are those faced by the various institutions and organizations involved in implementing empowerment of women and micro and small enterprises. As mentioned in part two of the analysis and discussion there are a number of institutions at federal, regional, and Kebele level involved in implementing empowerment of women and micro and small enterprises. Hence, challenges are faced by these institutions at each level in implementing empowerment of women. The challenges include the following

### **Financial constraints**

Implementing of women empowerment is a costly process. Costs incurred in developing prototypes and training manpower as well as distributing the available ones. Financial constraint is identified to be the major challenge which hinders the activities of the micro enterprise development agencies at different level of institutions such as regional, zonal and Kebele level. Thus Limited activities are undertaken in research and development, prototype development and training of technical man power. In general limitation of financial resources is the major determinant affecting the process in general.

According to the information gathered from government and NGOs officials, supporting the development of micro and small enterprises and the process of empowerment of women is the most plans and strategies left undone due to mainly limitation of finance.

As per survey made for this particular study, engagement in to the process of empowering women in terms of research, prototype development, popularization and

dissemination requires huge financial resources. There fore, financial constraints have been observed as the main constraints to run the indicated process in general at every level of the institutional arrangement.

### **Lack of co-ordination among Stakeholders**

It is obvious that the coordination of various organizations and institutions supporting the operation of micro and small enterprises so that ensure empowering women must necessary for number reasons. However, the efforts made in this regard are not as such and results with minimum effects. For example the linkage between government and NGOs in supporting micro and small enterprises operation is very loose. The loose coordination has a significant effect on the dissemination of empowerment know-how. The involvement of organizations such as NGOs, and commercial suppliers is not also coordinated. Hence scattered individual efforts are observed in general.

### **Limited implementation capacity**

In General speaking, the Micro and small enterprises development offices especially in district and Kebeles I conduct my study do not have the necessary technical personnel with the know-how required to support the Micro and small enterprises in terms of entrepreneurial development.

The challenges mentioned in the previous section have resulted in general limitation in the implementation capacity of the organizations. The limited financial resource coupled with lack of coordination and of skilled human resource has resulted in a gap between

organizational objectives and implementation on the ground. The main problems in this regard include

- \*. Absence of evaluation mechanism about appropriateness of the micro enterprise and empowerment process.
- \*. Absence of need assessment in terms of micro and small enterprises requirements and appropriate training for micro and small enterprises owners.
- \*. Lack of good working system needed to integrate efforts at various institutions and organizations.

### **Challenges at operator level**

There are challenges once the empowerment reach to the micro and small enterprises in addition to the one mentioned above. The operators of micro and small enterprises face a number of challenges which hinder them from getting the necessary performance to success with empowerment.

The challenges identified to be faced by the micro and small enterprises owners at operator level in transferring of empowerment include;

- \*. Shortage of financial resources,
- \*. Inaccessibility of technology
- \*. Lack of support from concerned bodies,
- \*. Lack of knowledge to implant business process
- \*. Lack of information.

## **Impact of Usage on operating performance of the micro and small enterprises**

Having seen the status source and process of empowerment in line with the challenges faced; the next important question which needs to be answered is the impact of the empowerment. In this particular subsection, the nature of the impact expressed whether it is observable in a short time table and the level of the impact based on various categories is discussed .The nature of the impact refers to whether it is quickly seen, gradual, or difficult to observe. Impact in terms of decision making, participation and accountability are analyzed.

### **Nature of the impact**

According to the response gathered from the micro and small enterprises under study, the impact of the empowerment is generally observable. Below table shows us the nature of impact of the empowerment which either quickly seen (50%) or gradual (39.06%) and In the rest 10.9% of cases, the operators have failed to determine the nature, whether it is quickly seen or gradual.

Table 4.6. Nature of the impact

<b>No</b>	<b>impact of the empowerment</b>	<b>percentage</b>
<b>1</b>	Quickly seen	(50%)
<b>2</b>	Gradual	(39.06%).
<b>3</b>	Failed to determine whether it is quickly seen or gradual	10.94%
	Total	100%

**Source owner survey 2011**

## **CHAPTER FIVE**

### **CONCLUSIONS AND RECOMMENDATIONS**

Based on the results of the study obtained through the questionnaire distributed to 85 Micro and Small Enterprises, benefactors the interview conducted with head of Adami Tulu Jido Kombolcha district Micro and Small Enterprises Development Agency, concerned NGOs and community members the following conclusions and recommendations were made.

#### **Conclusions**

Now Entrepreneurship has become a big and hot issue that every one wants to study. The increasing difficulty of finding job and the need for a better life are making people to consider self employment. Consequently, the number of entrepreneurs has increasing trend every where in Ethiopia. The government of Ethiopia has developed the National Strategy of encouraging entrepreneurship through Micro and Small Enterprises since 2003. This research underlines the Challenges, and opportunities of Micro and Small Enterprises in women empowerment found in Adami Tulu Jido Kombolcha district . Through out this research paper, the researcher tried to investigate the major challenges that hinder the development of entrepreneurs and opportunities available for farther development of women empowerments to operate in Micro and Small Enterprises.

Women entrepreneurs in Micro and Small Enterprises found in Adami Tulu Jido Kombolcha district are classified under five sectors based on the nature of job they are engaged in. These are Rural Agriculture, Industry, Construction, Service, and Trade. This research considered all



sectors and took them as strata and determined the sample size for each stratum proportionate to their size of population.

The number of entrepreneurs in Micro and Small Enterprises has shown an increasing trend in Adami Tulu Jido Kombolcha district since its inception (2003) in all sectors. Micro and Small Enterprises found in Adami Tulu Jido Kombolcha district play a crucial role in creating job opportunities for unemployed citizen. The results of this finding indicate that in all sectors of Micro and Small Enterprises more than 80% of the enterprises have created employment opportunities for themselves.

The severe challenges that women entrepreneurs in Micro and Small Enterprises found in Adami Tulu Jido Kombolcha district faced during the establishment are lack of initial capital to start the business since there is no favorable credit facility for Micro and Small Enterprises, and increment in price of raw materials. Besides all of the respondents (100%) in Rural Agriculture stated that lack of initial capital for purchasing fertilizer, selected seeds others was the severe challenge during establishment and operations and women entrepreneurs in Trade sector of Micro and Small Enterprises were severely influenced by lack of appropriate place of business during the start up and operation as all of the respondents indicated .

Challenges that entrepreneurs face in Micro and Small Enterprises are many and varied from one sector to other sectors. The finding of the paper indicates the responses of the respondents, accordingly lack of access to finance and costs of raw materials are the major challenges of entrepreneurs in Micro and Small Enterprises. The results of interview add the

lack of commitment of all members in Micro and Small Enterprises is a key constraint for the entrepreneurial development.

Most of the respondents agreed on availability of work place by Micro and Small Enterprises which this may be opportunities for entrepreneurs in Micro and Small Enterprises.

Majority of the entrepreneurs in Micro and Small Enterprises indicated that there is favorable government policy, lack of job opportunities , improvement in life style and independence/freedom of job were factors that motivates them to be self employed.

Many of women entrepreneurs indicated that they are satisfied with current income they have earned; job opportunity they have secured; sector of work they have engaged in; partner they were working with; and government policies designed for Micro and Small Enterprises.

Even though the results of interview shows Micro and Small Enterprises Development Agency facilitate the means to get loan for entrepreneurs, conduct market research and create net work of market, the majority of the respondents disagreed with the statements.

### **Recommendations**

One of the objective of this study is to identify the challenges and available opportunities for women entrepreneurs in Micro and Small Enterprises found in Adami Tulu Jido Kombolcha district and then to recommend certain remedial action to overcome such challenges and enable them to exploit the available opportunities to ensure women empowerment and economic development. Thus, the following measures are recommended to be undertaken by all concerned Stakeholders.

Majority of the challenges have been raised from gap in understanding. Those who became organized in Micro and Small Enterprises assumed that every facilities and infrastructure given to them by the government but the fact is not. The extent to which the government provides facilities is limited because of scarce resources. Therefore, during establishment a detail orientation should be given at Kebele levels to underline success is number one rely on the owners endeavor.

The finding of this study indicates lack of initial capital was the major challenges for entrepreneurial development through Micro and Small Enterprises. The problem that aggravates this challenge was unfavorable policy of financial institutions (creditors) for entrepreneurs in Micro and Small Enterprises. Financial Institutions including private Micro Finance Institutions require collateral that most of entrepreneurs in Micro and Small Enterprises do not own. Therefore, by looking the contribution of Micro and Small Enterprises in achievement of Millennium Development Goals, the government should take long lasting solution for this problem. If possible the researcher recommends the Government expands the capacity of a separate financial institution that exclusively responsible in financing entrepreneurs in Micro and Small Enterprises in the country.

Market research is very important before entering to the business for success of entrepreneurs in every sector. There fore Micro and Small Enterprises Development Agency should intensively conduct research on the feasibility of the business and the sector they have entered before entrance. And the sector entrepreneurs eager to enter should be related with their

previous experience and their field of study. This all detailed should assessed by Keble's generalist.

The result of the Interview reveals that the attitude of the community is still not changed in accepting the empowerment of women and there is priority for men to decide on resource, participating in development program and the like. This may be the major challenges of women entrepreneurs regarding their empowerment Therefore, such should be broken by the coordination of concerned parties which should be toughened by Adami Tulu Jido Kombolcha MSEs Development Agency and women affairs office.

The contribution of mass media plays a great role in women entrepreneurship development and empowerment. However, even though currently there is better strat in this area, the promotion made for this sector by mass media is not adequate to ensure entrepreneurial development. As a result, the researcher recommends at least there should be weekly program (once in a week) by different mass media (Television, Radio, News Paper, Magazines, etc) to create awareness and encourage people to be self employed particularly that of job less people.

Lack of commitment among the members of Micro and Small Enterprises is the challenge that comes when they have started the job. To solve this problem from its root when they approach each Kebele generalist, they should duly consider the relationship among the members and they should encouraged Micro and Small Enterprises created among family members.

### **Build the Capacity of the support institutions**

A number of challenges have been observed which are directly related to support institutions .The challenges include shortage of finance , lack of implementation capacity, and lack of trained manpower. Strategies which could help alleviate these challenges include Create commercial technology proto type development and dissemination centers at different levels of the support structure. This strategy will have a two dimensional effect. The first effect is strengthening the financial power of the micro and small enterprises support institutions. It will also enhance innovation since commercial benefit is available.

### **Creation of bilateral and multilateral relationships with international donors.**

This strategy is important in generating financial resources as well as training for technical staff involved in the technology transfer process. Capacity needs to be built which is necessary to undertake technology need assessment of the micro and small enterprises as well as, monitoring the impact of the transferred technologies. This strategy is important because the micro and small enterprises operators in the various sub sectors under study need to be provided with technological inputs based on their needs. The impact of the technologies also needs to be accessed continuously in order to check the results of the transfer.

### **Strengthen the linkage among the MSE operators**

The micro and small enterprises of the various sub sectors could create technological linkages. The linkage could also be among micro and small enterprises of the same sub sector by producing and using technologies which can support one another. This is impotent since it helps in creating an innovative environment as well as sustaining the technology transfer process. In the analysis the existence of such linkage is illustrated in terms of source of

technology, spare parts, information and maintenance. For this end, the following strategies could be used. Exhibitions should be held on a continuous basis especially for technological products and services produced by the micro and small enterprises. It will help the micro and small enterprises identify the technological inputs produced by others either in their own sub sector or other sub sectors. The producers of the technologies and spare parts could also provide training to the recipients of the technology.

Cluster Formation- Clusters should be formed for the micro and small enterprises especially for those involved in production process. It will help in promoting innovation and large scale production through collective effort.

### **Encourage the involvement of various actors in the transfer process**

Lack of co-ordination of Stakeholders is one of the major challenges identified in the technology transfer process. Hence the coordination of the actors needs to be ensured for achievement of better result. The following strategies are essential for this purpose

Provision of incentive for private sector involvement in R&D which is essential for the technological development micro and small enterprises .Experience sharing events should be organized among the various stake holders. It will help share and promote best practices and seek solution for the challenges faced in the process of technology transfer.

### **Improve Research and Development**

Research and development is the central point of technological advancement. The operators of the micro and small enterprises may not be in a position to perform R&D due to

their smallness and composition lower educational background of their members. Thus other actors need to be involved in the process of R&D such as the support institutions, the private sector, TVETs and higher institutions such as Universities. The following strategies will help in promoting R&D.

As part of the analysis and discussion in chapter four, a number of strategies were recommended. The strategies were recommended based on the various gaps indent Micro and Small Enterprises infield which require solution for future improvement and suggestions made by the Micro and Small Enterprises operators as well as workers in the support institutions. The recommended strategies include

- Build the Capacity of the support institutions in terms of trained manpower and financial resources
- Strengthen the linkage among the Micro and Small Enterprises operators to create an innovative environment as well as sustaining women empowerment.
- Encourage the involvement of various actors in supporting women in effective operation of micro and small enterprises and to ensure co-ordination of Stakeholders
- Improve Research and Development by involving actors needs to be involved in the process of Research and Development such as the support institutions, the private sector, TVETs and higher institutions.

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