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ADDIS ABEBA Ethiopia

**ASSESSMENT OF ACCESS TO FINANCE FOR MICRO
AND SMALL ENTERPRISE**

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SCHOOL OF GRADUTES FACULTY OF BUSINESS

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List of Acronym

SMEs –SMALL AND MICRO ENTERPRISES

GTP- GROWTH AND TRANSFORMATION PLAN

GDP- GROWTH DOMESTIC PRODUCT

MFI- MICRO FINANCE INSTITUTION

EEA- ETHIOPIA ECONOMIC ASSOCIATION

ADLI- AGRICULTURE LED INDUSTRIALIZATION

MSEs – MICRO AND SMALL ENTERPRISES

NGO- NON GOVERNMENT ORGANIZATION

FEMSEDA- (FEDERAL MEDIUM AND SMALL ENTERPRISE DEVELOPMENT
AGENCY)

CSA- CENTRAL STATISTICS AGENCY

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ABSTRACT

The main objective of this paper was to assess the financial access to small and micro enterprises in Addis Ababa, Yeka sub city. And Related challenges of SMEs which was an impediment for their success was also raised and discussed. These SMEs were expected for, holding huge unemployed people, a big contributor for GDP of a country, contributor of poverty reduction and etc.... in the country .The research was made in ADDIS ABABA , selected in Yeka sub city. In the sub city there are 3669 SMEs in 13(thirteen) weredas, with different sectors,(manufacturing, cobblestone ,trade, service, construction and urban agronomy) . Yamane (1967) method was used for determining the sample number 193(one hundred ninety three) and cluster sampling method was used for sampling. The results were analyzed through likert scale method(it is the most widely used approach to scaling responses in survey researchthe scale is used after its inventor psychologist Renson Likert . From this research the majority of enterprises said accessing the required money from MFI is a challenge. Most SMEs unable to fulfill the expected requirement by MFI, but other problems also held back them from the required growth rate to their success, like training problem in their respective field of work, the area given is not conducive for their work, proper market linkage is not established especially for trade and service etc. So as a solution when an area is prepared for service and trade .it should take into consideration the market assessment, easily accessibility to consumers and customers and the required thing for the business. If we look at the market linkage, construction, cobblestone are among the pleased enterprises in the study, The research could witness a good transformation in these sectors .They said we were a starter and now we do not need MFI support, because we muscle ourselves up financially .So as a recommendation this market linkage should be exercised well in manufacturing and urban agronomy to bring the desired change.

Key words: *micro enterprise, small, MFI,*

CHAPTER ONE

INTRODUCTION

1.1. Background of the study

Every nation on the planet work towards economic growth, poverty reduction and decreasing unemployment rate. This is a fact which prevails from developed nations to developing countries. When a country manages to show good result in economic growth, poverty reduction and low unemployment, they secure the countries existence, and it is counted as a mark for their success.

So, every government has a responsibility to design a policy and strategy which fit its country developmental stage, its blessings as well as its deficiencies. And what must be done towards utilization of its opportunities is the assignment of economists, policy makers and business experts.

When we ask, what would be the tricks of scoring consistence economic growth for a nation, score good result in all the aforementioned growth indicators and manage to lead the country from extreme poverty to middle income nation. We should look at the experience of a country that scored amazing economic growth in the last fifty years and manage their citizen to withdraw from extreme poverty and enjoy the benefits of developed nations.

According to Anna (2008), institute of regional and global studies, the South Korean economic miracle has been created by a careful analysis of the evolution of small and micro enterprises.

According to the United Nations study (2008), SMEs in Asia and the pacific, they said the following, one characteristics of this vast and diverse region is the presence and importance of large SME sector comprising the majority of enterprises in all regions of economies. Given the region diversity, enterprises in general, and SMEs in particular are at different stages of evolution in their respective economies. Their relative roles and contributions also differ. Thus, the constraints they faced and the corresponding policies aimed at strengthening their competitive performance are expected to vary. Nevertheless, there are also basic similarities

in the broad challenges faced by SMEs in this same region (Asia and the Pacific). Example in terms of access to finance, technology, human resources, market information and, above all, in adjusting to both the opportunities and threats of globalizations.

So Africa as a continent, who has been mentioned as a role model for a huge number of unemployed people, sluggish economic growth, extreme poverty, huge debt starts to emulate the best practices of far Asian countries and tries to move the economy forward, bring down poverty at a commendable result, and decrease unemployment rate.

Ethiopia as a country is trying to reduce its unemployment rate, poverty reduction and score a consistent economic growth by using different economic strategies like focusing on foreign direct investments (giving incentives like building industry zone, advertising that the country has less bureaucracy as compared to other African countries, informing investors that the country is going to be the power house in Africa etc.), increasing productivity in a farmer's plot of land (by using different fertilizers and using different techniques for the productivity), giving many incentives for development of service sector, encouraging micro and small enterprises and designing different strategies for different sectors.

As we have seen above encouraging micro and small enterprises is included in the government strategy (which could be counted as one important sector to focus on and which was shown as a best practice from Far East countries which has been used as a catalyst for fast economic growth). So, what do we mean by SMEs.

According to (Ayyana, Beck and Demiruc, (2007) on "How Important Are Financing Constraints? The Role of Finance in the Business Environment. there is no universally accepted definition for SMEs it varies from country to country. But according to Ethiopian central statistics agency report (2015), it depends on the number of variables such as level of employment turnover, capital investment, production capacity, level of technology and subsector.

If we look at the raw facts of Ethiopia, according to world fact book (2017), the Ethiopian economy is based on agriculture, 80% employment comes from agriculture. The country is led by agricultural led industrialization in previous years and now embarked on GTP 1 AND GTP 2. Transforming this agrarian economy to industrialization is the vision of a country, so most of the market comes from farmers. As arable land is getting lesser and lesser because of population increase, SMEs are becoming a bridge between agrarian economy and industrialization. SMEs already make up the vast majority of private agricultural business operating in countryside and because of their size and adaptability they are likely to be the main source of employment generation. Improving the agricultural business environment for SMEs development is a key objective of the rural policy framework as per ministry of agriculture (2015) report.

If we look again to urban SMEs, their contribution towards employment, entrepreneurship, increasing the economy growth of the country is paramount. Generally according to Jasmine and Rubayat (2008) the importance of the SMEs in the economy, is as follows ,Source of new employment opportunities , more flexible in terms of internal organization structure ,comparatively flexible in adopting , more rapidly and readily innovations and new technologies ,able to provide favorable environment of entrepreneurial skill and business culture ,closer to the ultimate consumers and can respond to their demands more rapidly and efficiently ,in some cases , generator of higher competitiveness on the market and primarily focus on domestic demand and local market.

Weakness of these small scaled businesses indicated by Jesmin and Rubayat (2008) follows, lack of access to financing , a great part of the small businesses is engaged in activities which are characterized by higher labor intensity than invested capital ,and thus ,leading to sub-optimal use of resources Due to difficult access to financing .on the other hand a substantial part of the entrepreneurs do not have sufficient marketing, financial, accounting and legal knowledge, which hinders smooth –running of their businesses and reduces the efficiency of the enterprises , low access level and disregard of the real needs for information and consultation ,underestimating of the quality requirements and lack of knowledge on standard specifications and Some entrepreneurs are not well acquainted with the current effective international agreements and requirements.

The focus of this paper is therefore, to assess the access of finance for SMEs and its challenges in Yeka sub city, Addis Ababa. As we already see the importance of SMEs in the economy growth and its contribution for a lot of employment. At this junction the question is that how do this entrepreneurs' who started by their own is supported during financial shortfalls, for their working capital, for items which they need for capital expenditure and so forth. The question again poses that, what makes them not to access in a suitable way?

Yeka sub city is chosen because yeka is one of the large sub cities from the other nine sub cities in Addis Ababa. It is perceived that all the challenges, shortcomings and opportunities will be visible there.

As it was known by many Ethiopians, there are many known financing means in Ethiopia for all types of business enterprises. Among the sources of initial investments' family members, friends could be considered by many as a source. There are also other forms of financing for enterprise that starts their business and tries to expand the businesses. Equb, is considered as one local financing instrument, commercial banks and micro credit association is also set up by the government to address the issues of finance related to SMEs .But for the readers' awareness. Equb is a locally developed form of getting finance from known group of business people (it could be ten or twenty or any number) who have consistent income and agreed to put a specified contribution monthly or weekly or daily and put their names in a circled paper and let any person to draw and have a sum of collected money for the winner and rollover again and again until each one of them get the draw, the most important thing is. There is no interest in it and the lucky get first whereas the not lucky ones get last.

The paper tries to bring light on access to finance mainly and work on the possible challenges by SMEs. And the sub city and MFI is asked on how they manage to reach to unemployed and related issues. The process that yeka sub city do to bring the unemployed to the micro enterprise office is by taking the data from respective kebeles. The unemployed people will come to the kebele and then the micro enterprise office will give awareness for them to come and register for the business they want to deploy themselves in.

1.2 Statement of the problem

SMEs are considered as one of the big players in the economy of any country. Their contributions towards economic growth of a country, reducing unemployment and poverty reductions are paramount. Especially in Ethiopia, their contribution in meeting the government objectives of the road to industrialization is significant. They deployed themselves in manufacturing, construction, urban agriculture, trade, cobblestone sectors and etc. By doing so, they support their families; contribute for a significant amount of GDP for a country, a significant portion of employee is held there too. From the observation, as there are many who have succeeded in their endeavors, a considerable number of them bankrupted, faded away and flee their business. And most of them say that they did not get proper support from pertinent bodies especially in finance related issues. This ignites the case to be studied.

According to Eshetu and mammo ,(2009)The economy of Ethiopia get good support from the input of small and micro enterprises .the sector contributes to the national objective of creating employment opportunities, training entrepreneur, generating income and providing a source of livelihood for the majority of low-income households in the country, accounting for material amount of GDP . Had this sector been provided proper emphasis, the sector has a high potential for contributing to meet the objective they are envisaged for. Yet the majority of entrepreneurs in this sector are considered uncreditworthy by most formal credit institutions, as per the report of World Bank (2009) and by Abebe, million and Andrew (2009) about business and their access to finance in Ethiopia. While there are a number of constraining factors, obstacle for development and emergency of small firms ,the basic and the one that seek attention is access to finance (Ayyagors, Demirgu and Maksimovic, 2006).

Other studies on the same Topic are revised but this study differ from the others that it held both the borrower (micro-enterprises) and lender (micro- finance institute) into considerations.

1.3 Research Questions

1. What are SMEs challenges in accessing finance?
2. What other related support did they get from lending and micro finance institution?

3. Did they face any problems while on work?
4. Did the government have a plan to nurture them?

The main reason why this study tries to focus on this area is, from the observation many SMEs start a business and acclimate with their respective customers and faded away after some time.

1.4 .Objectives of the study

1.4.1 General Objective:

The objective of the paper is to assess the access of finance for SMEs in Addis Ababa in yeka sub city

1.4.2 Specific Objectives

1. To analyze the problems of accessing finance as per perception of enterprises.
2. To analyze what opportunities lending institution and micro finance office have for their customers.
3. To enumerate the list of problems that occurs while working as per perception of enterprises.
4. To examine the government intention to nurture them to a desired level.

1.5 Scope of the study

The study is to make analysis on access to finance in yeka sub city. The yeka sub city contains 13 weredas and 3669(three thousand six hundred sixty nine) micro enterprises. From this population the desired 193 (one hundred ninety three) sample was taken out and work on the challenges of accessibility of finance for SMEs. The study is made to address both the MFI support and SMEs challenges in finance and related issues.

1.6 Significance of the study

This study is useful for the development of the SMEs in Addis Ababa. The primary focus is on the impediment of accessing money, and related challenges raised by SMEs .so the challenges of accessing money and related problems of these SMEs are identified, so relevant solution is forwarded and could be implemented to help SMEs to succeed in their endeavor to escape from unemployment and failures of their business. The Government also benefits from the study by identifying the possible solutions that is forwarded as a remedy to the problem that holds the growth of SMEs back .The study also expected to give alternative solution to small and micro finance institutions and micro office bureau.

1.7 Limitation of the study

The main problem the researcher faced is most of the owners are managers of the enterprise and most of them are not there when the researcher is in their office and waiting for them take considerable time , and the other is some of the owners consider the questionnaire as if it creates problem with the institutions , even in MFI they are unable to bring data in a swift manner they appoint you to for long days to retrieve a certain file and tell you .

CHAPTER TWO

LITERATURE REVIEW

2.1 THEORETICAL REVIEW

There is no universally accepted definition for small and micro enterprises as per World Bank report 2015. The classification of enterprises into small, medium and large scale depends on a number of variables such as, level of employment turnover, capital investments, production capacity, level of technology and subsector in various countries

For Ethiopia, the following table shows what we mean by SMEs according to Ethiopian central statics and ministry of trade.

Table 1 Company size classification structure for Ethiopia

Sub-sector	Number of Employees			Remark
	Small-scale	Medium Scale	Large-scale	
Textile and Apparel	5-9	10-49	above50	According to the Central Statistics Agency(CSA)
Leather	2-10	21-50	above51	
Diary	2-10	21-50	above51	According to Federal Medium and Small Enterprise Development
Wheat	2-10	21-50	above51	
Wood Processing	10-20	21-50	above51	
Metal	10-20	21-50	above51	

Source: Ethiopia CSA(2014)

Table 2 According to ministry of trade and industry classification of the structure with respect to capital is as follows (2017)

Type		micro small	
Industry	up to	100,000br.	From 100,001 up to 1.5 million
Service	up to	50, 000br	from 50,001 up to 500, 000 br

As per World Bank report 2015, these variables differ from country to country. The definition is different in Zambia and again in Tanzania.

2.2 What do we mean by micro-finance enterprise?

As per Wikipedia, micro finance is a source of financial services for entrepreneurs' and small business lacking access to banking and related services. In Ethiopia, the parliament enacted a law which says micro-financing institution is set up by the permission of national bank of Ethiopia with a minimum capital of br. 100,000. The proclamation is required to insure the solvency of micro finance institutions and enhance gradual transformation of the sector from donation based operations to stable equity base is essential.

According to national bank of Ethiopia website, promoting strong viable micro-finance sector in the country is essential. Since it is required to protect the interest of depositors, creditors and the public in general and promote public confidence in micro-finance institution. The bank put by law that they should have a minimum capital adequacy ratio of 12 %(twelve percent) computed as a ratio of total capital to total risk weighted assets.

The bank again gives many directives for every possible thing like fraud monitoring, investment in equities of all allied activities, interest rate determination, limit on loans and various other directives as well.

MFI operate in a niche market as they address the needs of those clients who are considered "high risk" by bigger banks.

2.3 Financial sector in Ethiopia

According to national bank of Ethiopia website, Ethiopia's financial sector system is small and largely dominated by the state. Currently in the country there are 18 (eighteen) commercial banks. From them one is governmental and all the others are private banks (owned by the public at large). Foreign ownership of the bank is strictly forbidden.

If we look at all commercial banks in the country, they operate with the same boundary of law. The national bank of Ethiopia issues many directives which determines on how to behave in the market with regard to operations. Among this directive, the following is stated about interest rate, it is up to the commercial banks to decide on the rate of interests when they lend to their respective customers. for example, the commercial bank of Ethiopia (a government owned bank), lend money for huge investments and which they think bring significant change in the country economy .it seem that relatively less amount of borrowing regarding business is left for private banks. But all commercial banks do not seem to be interested in micro enterprises.

According to Jacob, Rangan and parasa (1989) the reasons why small enterprise have limited access to institutional finance is because of the following points ,Lending to small enterprises is considered to be risky due to high uncertainties facing small industries is high mortality rate of those enterprises .Besides they are vulnerable to market and economic change that may lead banks reluctant to deal with them , and there is parallel reluctance on the part of small scale enterprises to borrow from banks , Banks and financial institutions are biased in favor of lending to large corporate borrowers. However , In some countries, banks and corporate borrowers are highly linked that take the forms of joint dictatorship, joint ownerships, and various other joint financial dealings , The administrative costs (especially transaction costs) of lending small enterprises are high hand cut deep into the profitability of such loans , Small enterprises seeking loans are unable or unwilling to provide accounting records and other documentation enquired by banks or to provide securities or collateral for the loans.

2.4 Agricultural led industrialization (ADLI)

According to EEA, 2015, Industrialization is the process by which an economy is transformed from primary agriculture to one based of the manufacturing of goods.

An agrarian economy is a type of economy that relies primarily on agricultural industry including livestock farming or crop production .it is a form of economy whose major factor of production is the agricultural land (EEA 2015).

As per industrial development strategy (2002), Ethiopia's ADLI is a developmental strategy that aims to achieve initial industrialization through robust agricultural growth and close linkage between the agriculture and the industry sector.

In general, the Ethiopian agricultural led industrialization indicates that. Since Ethiopia has an agrarian dominant economy there need to be a link between the agriculture and industry sectors through export led development, and expansion of labor intensive industries and related activities.

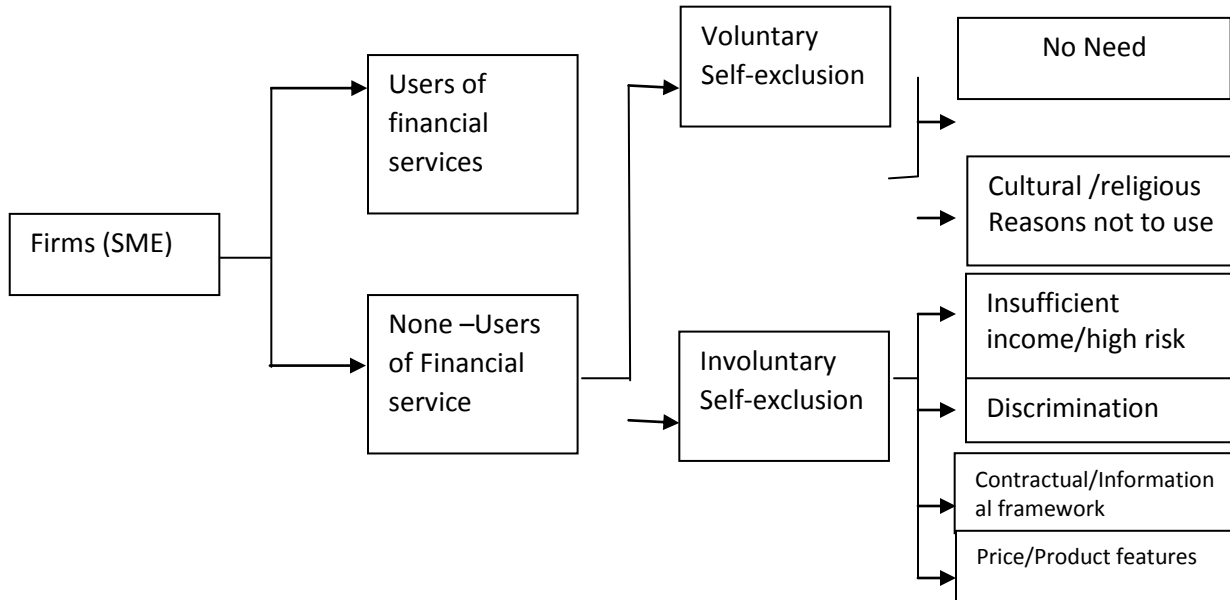
A good example could be a farmer may sale livestock products such as, hides of sheep and goat to leather industry, and through saving of money obtained from it coupled with assistance from the concerned government bodies might set up minor shoe production center (handmade shoe) and if they are successful they might end up in building a factory themselves or the same might go for dairy products, poultry. Etc... Or any factory is assumed to be set up taking into consideration the demand of farmers because 80% of the market of Ethiopia's is represented by farmers and their families

2.5 Financial Access to finance

According to World Bank report (2009).At this junction one need to understand the difference between that .The differences between financial service and access to finance .access to finance essentially refers to the supply of services, whereas use is determined by demand as well as supply.

The following figure is sketched by World Bank finance for all? Policies and pitfalls in expanding access with the explanation (2009).

Figure 1 difference between access to and use of financial users



The figure illustrates the difference between access to and use of financial users or financial services can be distinguished from non-users, and there are important distinctions among non-users. On the one hand are those who do not use financial services for cultural or religious reasons or because they do not see any need. These non-users include enterprises without any promising investment projects.

On the other hand there are involuntary excluded who, despite demanding financial services, do not have access to them.

2.6 Access to Credit Gap

Under hill credit corporations, in South Africa, prepared by national credit regulator (2014) .The main objective of the study is to assess the access to credit and support by SMEs in South Africa. The main research questions were is there a challenge in getting access of finance? The term “financing gap “refers to a situation where a sizeable proportion of economically significant SMEs cannot obtain financing from banks or other suppliers of finance .furthermore, it is often alleged that

1. Many entrepreneurs' or SMEs that do not currently have access to funds would have the capability to use those fund productively if the funds were available :
2. But due to structural characteristics, the formal financial system does not provide finance to such entities.

To adequately answer the question “is there a SMEs financing gap in yeka? The study divided the SMEs sector into two markets:

1. Demand for and
2. Supply of credit.

The analysis reveals that, just as for the rest of Addis Ababa, the SMEs sector is divided into two:

1. The first economy (where formal SMEs are operating) and
2. The second economy (informal SMEs)

Using the definition of financing gap above, only formal SMEs (by virtue of being formally registered and having a bank account) have access to banks, capital markets or other supplier of finance. Informal SMEs are excluded completely from the formal financial market.

2.7 Economic benefits

As per world bank, 2002 and 2004 cited in Tulus . SMEs are considered to have a crucial role in the economy and are key source of economic growth, dynamism and flexibility can adapt quickly to changing market demand and supply situations. They also help diversified economic activity and make a significant contribution to exports trade. SMEs enhance competition and entrepreneurship and therefore have external benefits on economy wide efficiency, innovation and aggregate productivity growth. From this perspective, supporting of SMEs will help countries to exploit the social benefits from greater competition and entrepreneurship. SMEs are generally more productive than large firms' .financial market failures impede SMEs development .thus pending financial and institutional improvements, broadening access to financial services to SMEs can boost economic growth and development.

2.8 Poverty reduction

According to the study by Amin, Abdul, Alharbia and Nabil (2001) several decades ago, scholars placed the emphasis on the promotion of large-scale enterprises as the major provider of jobs in developing countries. This was apparent in the 19th and 20th centuries when large enterprises were considered to be the engines of economic and technological progress (Klapper, 2002). This approach was adopted by post-colonial governments in Africa through the establishment of gigantic state-owned enterprises as well as nationalization of foreign ones.

Although small and medium-sized enterprises (SMEs) have also been advocated during the post-colonial era in Africa, when it came to planning to absorb the surplus labor force much of the emphasis was on developing the agricultural sector and expanding the public sector.

However, the early 1970s witnessed an increased interest in small enterprises as a means of promoting employment in both developed and developing nations (McRobbie, 1981:103). This interest was manifested by the establishment of SMEs in situations in a bid to accelerate economic growth and reduce poverty. It is worth noting that in the history of development, the advantages of SMEs have been notably controversial.

For example, advocates of SMEs suggested that such enterprises play a very important role in the economy of developing countries by enhancing competition and entrepreneurship (Beckel .. 2004; World Bank 2004). The competition, they argue, should lead to innovation and the subsequent development of skills and SME success. Backpedal (2005) further suggested that SMEs are more reproductive and create more jobs than large enterprises. This view is shared by a number of writers (e.g. Daniels, 1994; Kayanula and Quartey, 2000; Loadable and Garwe, 2010) who indicate that SMEs employ not less than 22 percent of the adult population in developing countries. We believe this figure is a conservative estimate. For example, Ntsika (2002) reported that in South Africa, micro enterprises and SMEs contribute 56 percent of private sector employment and 36 percent of the gross domestic product.

Also a few decades ago, Chuta and Liedholm (1985) reported that in Sierra Leone, SMEs employed up to 95% of the country labor force. In fact, OECD (2006:280) provided an even stronger argument for the role of the informal sector in economic growth and the eradication of poverty.

The informal economy forms a large part of the economies of many developing and transition countries .it comprised 42% of value added in Africa, 41% in Latin America and 35% in the transition economies of Europe and the former Soviet Union, compared with 13.5% in OECD countries. The informal economy provides employment and income for many who lose or cannot find work in the formal economy provides employment and income for many who lose or cannot find work in the formal and it includes a disproportionate number of women, young people and others from disadvantaged groups. For example it has been estimated that informal employment accounts for 84% of women's employment in sub Saharan Africa.

Similarly in developed countries such as the UK where there are more large-scale enterprises, it was reported that SMEs account for 99.8 % of all the UKS business and provide 56% of non-government jobs. Indeed Carlson (1996) and BIGGS (2003) argued that SMEs can add dynamism and flexibility to business activities which will in turn result in improved economic performance. the flexibility of small business structures provides ease –of entry for persons interested in the SMEs sector (Amin ,2004) and also benefits those working from home especially women in highly traditional settings (fiddand mc manus , 2005).similarly , it has been argued that SMEs are better at using local resources .thus , resources that would otherwise be wasted will be utilized by small business (Amin 2004 ; Marsden , 1981 Loadable \$garwe ,2010). Thesis critical for the developmental of local economies .an argument has also been advanced that SMEs shareable sub statue factors of production and adjust to economics shocks at a faster rate and a lower cost than larger enterprises (acs & Andretti, 1993,biggs 2003) . sharing a similar view , Aragon –Sanchez and sanchez-marin (2005) stated that SMEs are flexible because of the simplicity of their internal organization which helps adopt and respond rapidly to changes . They created dynamism.

2.9 Barriers to small enterprises' growth

According to Amenti and Negash (2016) in spite of great importance to the economy of the country SMEs faced many barriers to their growth, Absence and timely supply of bank finance. , getting continuous supply of raw materials, great challenges of distribution and non availability of suitable technology.

2.10 Government participation

AS per ministry of trade The government of Ethiopia knows that the SMEs contribution to the economy is great, so the government designed a supporting legislation as well as some incentives to the development of the sector .some of the laws and support is predicted as follows, which is taken from ministry of trade and industry publications.

The absence of clear institutional arrangements between the various public agencies established at federal and regional levels for the promotion of MSEs have resulted in , among others , the lack of effective coordination and utilization of resources .in view of this and others short comings , the establishment of a federal agency is a matter of top priority , The Federal Agency will be autonomous, not a profit entity and will be financed by the Federal Government in addition to the modest revenue it generates , The agency will be managed by board of management consisting of government ministers, private organizations, other organized institution and prominent personalities involved in MSE activities , The Agency will assist, encourage and support the regional MSE development agencies or the designated organs ,The agency will have its own training technology center at the federal level and will be equipped with skilled personnel and other required facilities ,The Agency will focus on training of trainers, dissemination of developed prototypes, information and consultancy, facilitation, Marketing ,technology database, to be used by region agencies or the designated organs and other

2.11 Regional micro small enterprises development agency or the designated organs

As per ministry of trade (1997) In order to design and implement MSEs support programs at regional and local levels, it has become imperative to establish regional agencies or designate appropriate organs in every part of a country, which will be considered as independent to the federal agency, The regional agencies or the designated organs will provide extent ended services to MSEs at regional, zonal, and wereda level, The extension service packages to be provided by the regional agencies or the designate agencies like human resource development, information and consultancy, facilitation, technical and marketing services, The regional agencies or the designated organs will be working in close cooperation with regional bureau delegated to promote MSEs within the regions and will be financed by the regional government

in addition to them the services rendered to clients ,Each regional agency will be managed by aboard of management consisting of bureau, private organization, other organized institutions and prominent personalities involved in MSEs activities.

2.12 Micro and small enterprises support service center at local level (zonal and wereda level)

As per ministry of trade publication 1997 ,and as per the need and requirement of the specific regions .MSEs support centers will be established at zonal and wereda levels ,Small business support service centers will be established under the respective regional agencies or the designated organs at zonal and wereda level in order to provide promotional support services at grass root levels, All local support service centers will be responsible for providing information and advisory services to MSEs within their vicinity, The centers will report to the respective regional agencies or the designated organs about the activities and will be funded mostly by the regional governments.

2.13 NGOs Involvement in Micro and Small Enterprises Support

As per MOT(1997) Experiences have shown that government institutions engaged in supporting MSEs have succeeded in providing limited services due to resource constraints. In order to solve the problems as exercised in other developing countries, (NGO) especially local ones, with funding coming from local foreign sources will be encourage providing their support. Those wanting to be eligible or MSEs support will be accredited with the concerned organization.

2.14 Lease financing

According to Ethiopia government proclamation (2013),capital finance include financial lease and hire-purchase .The government set up an organization called Addis capital goods finance trading .The organization main objective is to lease capital lease and hire-purchase and what does this mean as per the organization.

2.14.1 Financial lease

This type of lease is a type of finance lease that is performed according to capital goods lease business proclamation. It is a business of financial lease performed according to article 3 of the proclamation, The contractual agreement obligate the lessee to use the capital goods during the entire period of the financial lease, The lessee does not have any rights or what so ever on the capital goods during the effective period of the lease, The contractual agreement is subjected to full payment of the lease amount is not revocable, Upon the expiration of the agreement, if the parties agree the lessee shall receive the capital equipment. If there is no agreement in this regard the capital equipment shall be returned to the lessor, The lessee have the obligation to purchase insurance coverage to the capital equipment as well as keep maintenance of the equipment and such condition should be provided in the contract, The capital equipment should be registered in the relevant governmental office before being transferred to the lessee, The lessee shall be responsible for any insurance costs of damages incurred beyond the insurance cover by the supplier.

2.14.2 Hire purchase service

This type of lease is a type of hire purchase lease that is performed according to capital goods lease business proclamation. It is a business of hire purchase performed according to article 4 of the proclamation. This hire purchase agreement shall be drawn and signed according to proclamation 103/1990. According to this manual, the hire purchase lease agreement shall have the following characteristic, Based on the agreement between the lessor and the lessee, the lessor shall permit the lessee to use the capital equipment through payment to be effected in the certain period of time, It is the responsibility of the lessee to purchase insurance coverage for the capital equipment as well renewal of the insurance coverage, The lessee shall be responsible for any insurance costs of damages incurred beyond the insurance cover by the supplier, Upon payment of each lease payment, percentage of ownership proportional to the lease payment shall be transferred to the lessee, Upon settlement of the last lease payment, the capital equipment shall be fully transfer to the lessee. The transferring procedure shall be according to the company's instruction.

2.14.3 Benefit of capital goods finance lease

Capital saving: since the lessee uses its capital for other purposes as the capital equipment are obtained through lease, the lessee will take advantage of excess capital ,It is possible to make an agreement based on the lessees economic stand as well as convenient payment schedule ,Cash flow plan: the lessee may manage its cash flow through appropriately designed plan, Improving financial capacity: it enhances the financial capacity of the lease using various payment methods and in consideration of status of the lessee ,Has tax advantage for the lessee

In general the fundamental principles of the capital goods lease are what been stated in the above paragraph and type of leases that are provided by capital goods lease share company in our city are financial and hire purchase. Detail and procedure of lease types is as follows.

2.15 Empirical study

Access to finance in Mozambique

According to Heron and Hillarie(2015),SMEs play an important role in economic development of Mozambique .Access to finance is important for growth of SMEs .the factors that were addressed included structure of financial sector ,awareness of funding opportunities ,collateral requirement and small business support services . The study findings are significant since they would enable the government to come up with appropriate regulation, funding programs and schemes toward improvement of access to finance by SMEs. The study concludes that small business support services should be provided to SMEs to improve access to finance and there is a need for more funding programs and financial schemes to assist SMEs.

As per Fetene Zeru (2010) research on access to finance research he said the following The most pressing problem identified, from response of small businesses and from responsible officers interviewed, was accessing fund to finance working capital and in fixed investment. The basic factors aggravated the problem for small business are loan covenants need by financial institution, lack of collateral, level of cost of financing and availability of other financing instruments. In addition; as it was confirmed from the research, luck of credit history with the financial institutions, willingness of banks and suppliers to provide credit and the firm's specific outlook about sales and profitability have contributed to the problem.

Being one of the basic sectors that would have been contributed a lot to the GDP of the country not counting the employment opportunity that they create for the citizens, Ethiopian small businesses are lagging behind every other sector. Their growth is sluggish, marketability of their product is limited because of quality, competition, lack of market (deficient in place to market their product), the access that they have for input was limited and expensive in put price and their access as well as use of finance is extremely limited.

As per Getahun Challa on, challenges and opportunities of micro and small scale enterprise in the case study of Sebeta Town, 2014. He said the following.

Due to lack of business skill, many enterprises are in challenge and fail to compete in the market .in addition more than half of the employees are not satisfied on their job. Dissatisfaction create gap in knowledge transformation to enterprises. In market analysis, work place provided for enterprises are on major road which is accessible for market .but there are working places in the main road with few residents live in the area that needs consideration. Searching new market is difficult for many enterprises .this is happening because of many enterprises are working on similar services in similar area. The plan performance in job creation and market linkages for enterprises are good .But financial performance is much lower than the planned one.

As per Batta Ganbold on ,Improving access to finance for SME in Mongolia ,

The ability of SMEs to grow depends highly on their potential to invest in restructuring, innovation and qualification. All of these investments need capital and therefore access to finance. Against this background the consistently repeated complaints of SMEs about their problems regarding access to finance is a highly relevant constraint that endangers the economic growth of a countries. Mongolias transition to a market economy and the accompanying reforms measures in the financial sector during the past decade have brought about a general policy environment and an overall regulatory framework that encourages formal and informal institution to provide financial services to different group of individuals, households and organized businesses, including low income segments of population micro enterprises and small and medium businesses in both urban and rural areas.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN

This research uses survey research design. The research questions and objective of this research was addressed using likert scale (5 scale), where enterprises were asked about their perception about bundles of questions in relation with access to finance by micro and small enterprises.

3.2 Description of the study area

The study is made in Addis Ababa , yeka sub city .Since making a research on ADDIS ABABA is a census , a choice is made and yeka sub city is selected because of its proximity and being a large sub city from all other sub cities and it is assumed that all the challenges and opportunities will be found there.

3.2.1 Addis Ababa ;- the city is the capital and largest city of Ethiopia .it has a population of 3,384,569 according to 2007 population census with annual growth rate of 3.8% . Addis Ababa has 10 sub city under the administration and it is where the African unions , economic commission for Africa ,numerous continental and international organization are found .

3.2.2 Yeka sub city (population)

Yeka-sub city is located in north east part of Addis Ababa city. The total area of the sub city is 85.98km square and 4285people live in one kilometer square. Moreover, its entire population of the area is 368418 people. There are 13 woredas under it; the administration has 547 permanent and 24 contract employees. Furthermore, in the fiscal year of 2008/09. In this 13(thirteen) woredas there are 3669 enterprises which are divided in 6 sectors.

3.3 Types and source of data:

The data were obtained from primary and secondary sources. Primary data were obtained from enterprises using semi structured questionnaire, FGD (Focus Group Discussion) check list, key informants interview schedule, personal notes for personal passive observations(by taking a

note). Secondary data were collected from pertinent offices such as micro and small enterprise offices (like the number of SMEs, etc and qualitative research approach is used

3.4 Sampling Method (Procedure)

Among Addis Ababa sub city Administrations, Yeka sub city was selected purposively based on proximity and availability of diverse enterprises. Yeka sub city has 13 woredas, in which this study considers only 6 of them (randomly). All enterprises in these woredas were selected for analysis. Random sampling method was used to select of six (all) business streams namely construction (50), manufacturing (27), trade (37), service (19), cobble stone (56) and urban agriculture(4). Finally 193 enterprises were selected using Yamane (1967) sample size determination formula for the analysis.

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

Where , n = sample size required

N = number of population

e= level of precision

A 93% confidence level and 7% error is assumed by the researcher so accordingly

$$n = \frac{3669}{1+3669(.07)^2} = 193$$

CHAPTER FOUR

DATA ANALYSIS:

Data obtained from enterprises using likert scale were cleaned and entered to statistical software (spss v.22). Then the results were presented using graphs, tables and narrations. Qualitative data which was obtained from Key informants' interview and focus group discussants were cleaned, categorized in to themes and narrated. On the other hand data obtained from secondary sources were reviewed and presented in line with the research objectives.

4.1 Data from micro finance office and MFI office

Among these businesses, service, manufacturing, urban agriculture, cobblestone, trade and construction is included. They said “ we will give each group of people (enterprise) good training , as per the nature of business they deployed themselves in” In Yeka sub city, Addis Ababa, the sub city encourages micro enterprises to have a minimum saving in every sector to start a business , as initial capital is needed to start a business. And that will make them to be eligible for borrowing as one factor from many.

Commonly the Yeka sub city works with Addis credit and saving institution Sc .The share company is set up mainly for purpose of small and micro enterprises .Among the services this MFI give ,saving service, loan service ,lease capital ,consultation ,in order to get a loan you should save 20% up to 30% of what you want. They give maximum loans to micro up to 100,000br.and up to 500,000br for industry and service respectively as per Addis finance and saving (2017).

The interest rate when any enterprise borrow is 10%, the enterprise asks any one of the following as a guarantee when somebody asks for a loan, the letter from the organization when an employee wants to give warranty, collateral on property, group insurance (making one another for each other if in cases they fail to refund to make accountable), bond warranty, micro lease, etc....

4.2 Types of business enterprises

This study considers enterprises who are engaged in various types of business such as construction, manufacturing, trade, service, cobble stone and urban agriculture. The percentage share of each is indicated in figure 1 below.

Figure 2 Distribution of enterprises by type of business

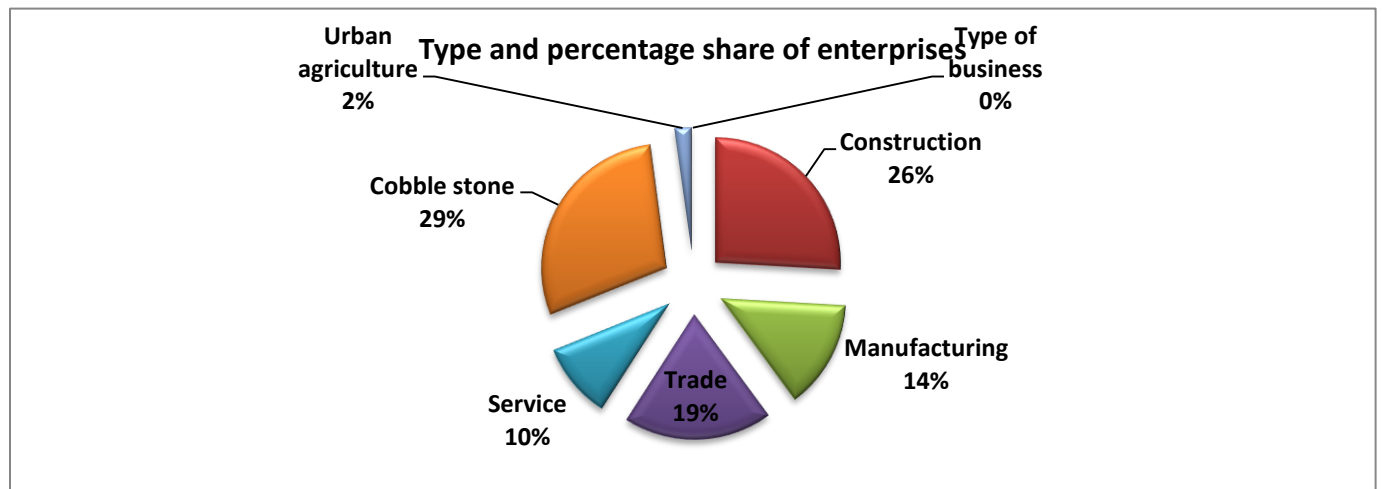


Table 3 Distribution of enterprises by their perception on level of business awareness, access to finance and sales support from MF

[Question items	Response categories	Type of business													
		Construction(50)		Manuf.(27)		Trade(37)		Service(19)		Cob stone(56)		Urban Agri.(4)			
		Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%		
Level of awareness before starting a business	Strongly disagree	1	2	1	4	0	0	0	0	0	0	0	0	0	
	Disagree	2	4	5	19	2	5	0	0	0	0	0	0	0	
	Undecided	7	14	4	15	15	41	4	21	0	0	0	0	0	
	Agree	26	52	10	37	11	30	15	79	13	23	4	100		
	Strongly agree	14	28	7	26	9	24	0	0	43	77	0	0		
Accessing money from MFI is my challenge	Strongly disagree	2	4	4	15	1	3	0	0	0	0	0	0	0	
	Disagree	3	6	6	22	14	38	7	37	0	0	0	0	0	
	Undecided	10	20	8	30	17	46	4	21	56	100	0	0		
	Agree	28	56	9	33	5	14	7	37	0	0	4	100		
	Strongly agree	7	14	0	0	0	0	1	5	0	0	0	0	0	
Access to good sales support from MFI	Strongly disagree	0	0	12	44	12	32	4	21	0	0	1	25		
	Disagree	4	8	10	37	20	54	9	47	0	0	3	75		
	Undecided	7	14	5	19	5	14	6	32	0	0	0	0		
	Agree	28	56	0 ₂₅	0	0	0	0	0	6	11	0	0		
	Strongly agree	11	22	0	0	0	0	0	0	50	89	0	0		

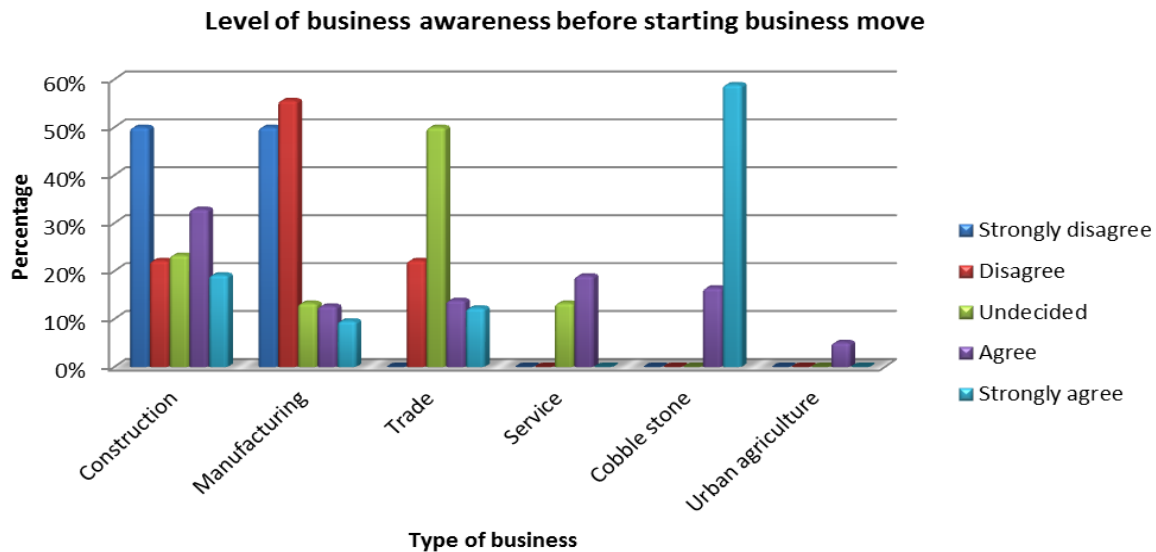
4.2 Measuring perceptions of enterprises

4.2.1. Level of awareness before starting a business

The enterprises were asked as to how they respond to various questions related with access to finance to small and micro enterprises. The existing enterprises were operating in various business types, namely, Construction, Manufacturing, Trade, and Services, Cobble stone and urban agriculture. Hence 52% and 28 % of respondents replied that they agree and strongly agree on the level of their awareness before starting anew business. Similarly, the trend of other sectors for this issue seems positive. 63% OF manufacturers, 54 of traders, 79 % of service provides and 100% of

Cobble stone and urban agriculture sectors agreed that they were aware of entrepreneurial training before they had started their business.

Figure 3 Distribution of enterprises by their level of awareness before starting any business



4.2.2 Access to financial resource

Financial resource mainly money is crucial for any business in general and small and micro enterprises in particular. In this connection enterprises were asked how to how they access their money from MFI and whether accessing money from those institution was a challenge. The finding revealed that 70% of construction, 33% of manufacturing, 14 % of trade, 42% of service providers, 4% of cobble stone and 100 % of urban agriculture agreed that accessing money from MFI is a challenge. From this finding can be depicted that the challenge is stronger for some specific sectors such as urban agriculture, construction and manufacturers (Table 1).

4.2.3 Good sale support from MFI

One of the basic supports rendered by MFI to enterprises is assumed to be facilitating access to enterprises to facilitate sales. In this regard the enterprises were asked to level their perception towards accessing good sale support by MFI. Accordingly, 78% of construction and 100% of cobble stone had access to sales facilitation from MFI; however, other enterprises replied that they don't have access to good sales from enterprises. Here it can be noted that, in terms of support to sale their goods, other enterprises seems looking for other alternatives or they don't have access to sale their produces.

Table 4 Distribution of enterprises by their perception on access to get training support, awareness to get lease and working area

Question items	Response categories	Type of business Activity											
		Constr.(50)		Manuf.(27)		Trade(37)		Service(19)		Cob stone(56)		Urban Agri.(4)	
		Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Access to training	Strongly disagree	5	10	6	22	0	0	9	47	56	100	3	75

support	Disagree	11	22	8	30	5	14	7	37	0	0	1	25
	Undecided	14	28	2	7	12	32	3	16	0	0	0	0
	Agree	15	30	11	41	20	54	0	0	0	0	0	0
	Strongly agree	5	10	0	0	0	0	0	0	0	0	0	0
Awareness how to get lease	Strongly disagree	5	10	11	41	19	51	13	68	0	0	2	50
	Disagree	13	26	10	37	9	24	6	32	0	0	1	25
	Undecided	32	64	6	22	9	24	0	0	56	10	1	25
	Agree	0	0	0	0	0	0	0	0	0	0	0	0
	Strongly agree	0	0	0	0	0	0	0	0	0	0	0	0
I get working area for my business	Strongly disagree	0	0	0	0	0	0	0	0	0	0	0	0
	Disagree	1	2	0	0	0	0	0	0	0	0	0	0
	Undecided	3	6	2	7	6	16	0	0	0	0	0	0
	Agree	21	42	14	52	24	65	11	58	1	2	2	50
	Strongly disagree	25	50	11	41	7	19	8	42	55	98	2	50

4.2.4. Access to training support

Capacity building trainings in relation to their area of specialization is assumed to bring desired development and desired changes among the enterprises under study. Hence the enterprises were asked whether they have access to such supports from various stake holders, and all enterprises except Services, cobble stone and urban agriculture , they agreed that they have got training support from concerned stakeholder. As it has been shown in table 2,

40%, of construction, 41% of manufacturing and 54% of traders have received training support. On the other 47% of service sectors, 75 % urban agriculture and hand other all cobble stone enterprises replied that they don't have access to training support from any organization, be it governmental or non-governmental.

4.2.5 Awareness how to get lease

Awareness how to get lease was one of the issues as for the mentioned enterprises. Different enterprises react differently for this particular issue. According majority of the enterprises is indifferent to level their responses. For instance 64 % of construction and 100 % of cobble stone enterprises replied that they are indifferent about their level of awareness as to how they can get lease. On the other hand, 50% of urban agriculture and 68% of service enterprises level their responses as strongly disagree about their level of awareness how to get lease. This shows that these enterprises have little access to know about the lease process and related business matters.

4.2. 6 Provision of working areas

One of the necessities of the government to interfere in market economy is to facilitate favorable environment for market players. One of the major participants of such market is enterprises. The aforementioned enterprises needs special support from the government side mainly through provision of working area to discharge their responsibility. Thus, the enterprises were asked to how they perceive the provision of working area to undertake their activities. The finding shows that 92% of construction, 93% of manufacturing, 84% of traders and all service, cobble stone and urban agriculture enterprises agreed that they have got working area to run their business.

But from observation there are some challenges especially in trade and service in relation with working areas .The area that this service and trade enterprise gets is unmatched or not conducive for their business that is why most of enterprises flee after they started for few months. Example traditional cloth shop in a congested sheep selling area, especially in summer time. Barber at last storey building without lift and frequent interval of water and electricity, a manufacturing site without a capacitated kilowatt hour meter (kotari) for electricity .

Table 5 Distribution of enterprises by their perception on awareness on existence of MFI, training how to sale and existence of market linkage

Question items	Response categories	Type of business											
		Constr.(50)		Manuf.(27)		Trade(37)		Service(19)		Cob stone(56)		Urban Agri.(4)	
		Freq	%	Freq	%	Fr	%	Fr.	%	Fr	%	Fr	%
The existence of MFI is briefed well before I start business	Strongly disagree	3	6	0	0	0	0	0	0	0	0	0	0
	Disagree	1	2	1	4	5	14	2	11	1	2	0	0
	Undecided	10	20	5	19	16	43	4	21	43	77	0	0
	Agree	25	50	9	33	15	41	13	68	12	21	3	75
	Strongly agree	11	22	12	44	1	3	0	0	0	0	1	25
Access to	Strongly	12	24	15	56	9	24	8	42	56	100	1	25

training support	disagree												
how to	Disagree	16	32	4	15	18	49	11	58	0	0	3	75
sale	Undecided	18	36	8	30	9	24	0	0	0	0	0	0
	Agree	3	6	0	0	1	3	0	0	0	0	0	0
	Strongly agree	1	2	0	0	0	0	0	0	0	0	0	0
Access to market linkage from the government and MFI	Strongly disagree	0	0	13	48	13	35	12	63	0	0	0	0
	Disagree	5	10	6	22	15	41	7	37	0	0	2	50
	Undecided	12	24	5	19	8	22	0	0	0	0	2	50
	Agree	28	56	3	11	1	3	0	0	8	14	0	0
	Strongly agree	5	10	0	0	0	0	0	0	48	86	0	0

4.2.7 Existence of MFI before starting business

Small and micro enterprises are believed to be one of the hopes of future Ethiopia in terms of achieving the country's ambitions GTP. MFI also have paramount importance to support enterprises achieve their desired goal. In this regard different enterprises were asked how they consider existence of MFI before they started their business. Accordingly 72% of construction, 77% of manufacturing, 44% of trade, 68% of service and all of urban agriculture agreed that they know existence of MFI before they started their respective business.

4.2. 8. Training how to sale their produce

Enterprise are assumed to have training support how to sale their products. These trainings are assumed to enable these enterprises to keep them in tack and sustain their businesses. They were asked to level their responses as to how they see training support to sale their products. Accordingly, 36% of construction, 49 % of traders and 58% of service enterprises don't agree that they have support training how to sale their products. However, 56% of manufacturing, 42% services and all cobble stone enterprises agreed that they have got training support to sale their products.

4.2.9 Market linkage facilities by the government

As part of their business, the enterprises need to have market linkage. In this regard, government bodies and MFI need to play crucial role. Enterprises perceived this issue in different ways. 66% of construction and 56% of services agreed and strongly agreed that they have access to market linkage for their products. As far as market linkage is concerned, 70% of manufacturers, 76% traders and all service providers don't agree that there is access to market linkage.

Table 6 Distribution of enterprises based on their perception on awareness about business challenges, market dynamism and intention of MFI

Question items	Response categories	Type of business											
		Constr.(50)		Manuf.(27)		Trade(37)		Service(19)		Cob stone(56)		Urban Agri.(4)	
		Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
I am well informed about challenges of fierce competitio	Strongly disagree	4	8	9	33	6	16	4	21	56	100	1	25
	Disagree	20	40	4	15	15	41	9	47	0	0	3	75
	Undecide	17	34	14	52	16	44	6	32	0	0	0	0

n	d													
	Agree	8	16	0	0	0	0	0	0	0	0	0	0	0
	Strongly agree	1	2	0	0	0	0	0	0	0	0	0	0	0
I am aware of the dynamism of the market as challenge to move	Strongly disagree	1	2	0	0	0	0	1	5	56	100	3	75	
	Disagree	4	8	2	7	3	8	0	0	0	0	1	25	
	Undecided	11	22	8	30	9	2	5	26	0	0	0	0	
	Agree	20	40	11	41	22	6	12	63	0	0	0	0	
	Strongly agree	14	28	6	22	3	8	1	5	0	0	0	0	
The MFI intention is only to collect their money	Strongly disagree	3	6	4	15	1	3	2	11	0	0	1	25	
	Disagree	14	28	7	26	12	3	2	11	0	0	3	75	
	Undecided	20	40	7	26	13	3	7	37	56	100	0	0	
	Agree	7	14	7	26	9	2	8	42	0	0	0	0	
	Strongly agree	6	12	2	7	2	5	0	0	0	0	0	0	

4.2. 10. Expectation on fierce competition

Apart from their success in making profit and sustaining their business, enterprises face various challenges particularly fierce competition; Enterprises were categorized based on their responses

regarding their awareness about the challenges while undertaking their business. 40% of construction, 41% of trade, 47% of service and 75% of urban agriculture enterprises don't have awareness about fierce business competition. On the other hand, 34%, 52% and 43% of construction, manufacturing and trade enterprises respectively were undecided about their level of awareness about the market related challenges such as fierce competition among market actors of respective enterprises, only 18% of construction enterprises responded that they are informed about the fierce competition as marketing challenge.

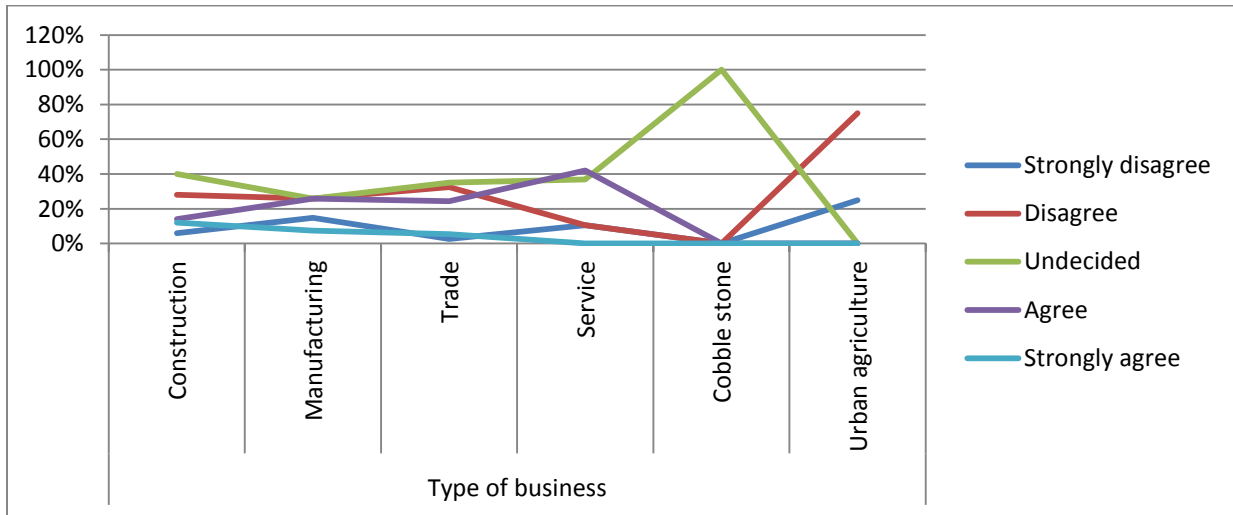
4.2.11 Market dynamism

Dynamics of market govern the behavior of demand and supply and hence success of enterprises. Awareness of market dynamism is crucial for enterprises. In this regard they were asked how they perceive this type of marketing characteristics. The result has shown that 68% of construction, 63% of manufacturing, 68% of trade and service enterprises agreed that they are aware of market dynamism as one of the challenges they may face while undertaking their business. On the other hand, 22%, 30%, 24% and 26% of construction, manufacturing, trade and service enterprises, respectively were indifferent about their level of awareness whether market dynamism is a challenge or not.

4.2. 12. Intentions of MFI

As it has been mentioned above the role of MFI institutions for the sustained development of small and micro enterprises is crucial. However, it is sometimes observed, that the intention of micro enterprises merely on profit making rather than discharging their responsibilities vis a vis supporting enterprises to enable them keep their right track of development. The enterprises were asked how they perceive the intension of MFI. Accordingly, only 26% of construction, 33% of manufacturing, 29 % of trade and all of Cobble stone and urban agriculture enterprises agreed that the intention of MFI is collecting money. However, 40%, 26%, 35%, 37% and 100% of construction, manufacturing, trade and service enterprises neither agree nor disagree whether the intention of MFI is only to collect money or not.

Figure 4 Perception of enterprises about the intention of MFI



As per Addis credit and saving institution in Addis Ababa (2017) the following is happening as a plan and what happened in reality. Despite Addis credit and saving institution is set up majorly for SMEs, they will give loan to any Ethiopian business as long as they fulfill the requirement. But the table below shows that their plan is by far big as compared to their actual performance. These shows that despite ample money are there the demand from the SMEs are less than the supply.

Table 7 Plan Versus Actual

YEAR	PLAN	ACTUAL
2008e.c	50,000 individual (2.2 billion br.)	32196 individual (1.8 billion br.)
2009ec	47,500 individual (2.2 billion br.)	10724 individual (692 million) in five month

As per the table above despite government avails considerable amount of money for borrowing and hoping a significant amount of turnout. The actual does not match with planned so the MFI institutions should consider revising their policies and strategy.

CHAPTER FIVE

5.1 SUMMARY,

The aim of this study was to assess perceptions of enterprises on how to access finance and related issues. Business types considered for this study were construction, manufacturing, trade, service, cobble stone and urban agriculture. These business types reacted differently for different questions provided to them.

Urban agriculture, cobble stone and construction enterprises had better awareness level about their business as compared to other enterprises. The enterprises generally perceived that access to training support and awareness and their awareness how to get lease is found to be less. In relative terms, Construction, manufacturing and trade had better perception about the aforementioned issues.

The finding shown that the perception of respondents regarding government's role in provision of working area is good. Almost all the enterprises agreed that the government is ready for the provision of working area for those planning to be engaged in business activities.

Enterprises seem well informed about the existence of MFIs and their role for their business before they had started any move. Construction, manufacturing and urban agriculture had better awareness level about the existence of MFIs as compare to other enterprises.

The enterprises perceived that they didn't receive training as to how they can sale their produce and so forth. Except very few enterprises under construction and trade, all of them revealed their disagreement on this issue.

As part of their business the enterprises perceived that their awareness about market linkage is low except construction and coble stone enterprises. None of manufacturing sector enterprises was informed about market linkage and knows nothing about it.

On the other hand, awareness of enterprises on market dynamics was good and it had been better among all enterprises except cobble stone and urban agriculture.

Enterprises perceived the intention of MFIs differently, the researcher has been observed that many of the enterprises were not sure about the intentions of MFI. Majority of the respondents either disagree or neutral whether the intention of MFIs is only to collect money or not.

Overall the government tries to do its best on nurturing the SMEs by providing, MFI (which addresses their problem of cash), designing different policies which is expected to help them, providing working areas and etc

5.2 Conclusion

The enterprise response to access to finance is not at a satisfactory level. The majority of enterprises confirmed there is a challenge in accessing money , the challenges arises from expected collaterals and interest rate and other expectations from MFI ,which is a little bit hard for enterprises .

Almost all enterprises get working areas, so the micro enterprise office did a commendable job, especially for construction, manufacturing, cobble stone and urban agriculture.

At the market linkage Assessment , construction ,cobblestone are among the pleased enterprises in the study ,the researcher could see a good transformation in these sectors .They say we were a starter and now we do not need MFI support because they muscle themselves up financially .

On training assessment, most of the responses were unpleasant in all sectors .as an example one enterprise who were in poultry explained that because he has no training on the vaccines and medicine to the hens, he is exposed for huge death of the hens and incurred loss, most of the required training were not given .these information is shared to Micro-office officials .they said we do not have adequate staff.

Despite the micro-finance –office officials talk proudly about their creation of lease financing policy, which talks about getting equipment for good, once you pay down payment and the rest of the payment in lease forms, none of the respondents know about it and even if they know they respond that it is not practical, they say despite we ask for many times the simple response of the micro office is to assure us and to ask us to tolerate until they call us. So we brought the issue

again to micro office. And they said only 10 enterprises started and enough awareness work is not made on enterprises.

The manufacturing and trade enterprises were found to show no awareness about access to goods sales support from MFI. This lack of awareness might be emanated from different reasons.

Trade, service and urban agriculture enterprises were found to be lowest perception level in terms of their awareness about provision of marketing linkage from MFIs and government side.

5.3 Recommendation

So as a recommendation for access to finance, since MFI, is primarily established to serve the micro-enterprises, profit should not be a thing which comes first. The focus should be on helping enterprises. By lowering the existing interest rate and making a bit relaxed return period. It can achieve the desired result. As we have already seen it in the tablethere is a gap between the planned money and actually used .this shows that a little adjustment on the interest or any adjustment might raise the demand side .so careful study must be made to increase the participation of SMEs in credit access.

So as a recommendation for an area when an area is prepared for service and trade .it should take into consideration the market assessment, easily accessibility to consumers and customers and the required thing for the business.

So as a recommendation the market linkage should be exercised well in manufacturing and urban agronomy to bring the desired change.

So as a recommendations for training proper training should be given in all aspect and equip the enterprises before we talk about failures.

So as a recommendation proper awareness must be made to bring the use of lease fruitful.

Thus, further research that may enquire reasons for low awareness level about the issue and actions that may enhance their awareness level and provision of sales support from MFIs need to be rendered.

Thus, concerned government bodies need to address this issue using appropriate policy measures and actions.

All enterprises either they are not sure or they don't know about the challenges they may face in their business. In this regard, comprehensive training about the marketing challenges and how to cope the fierce competition need to be implemented.

The government seems to have determination of reducing unemployment rate by large .even this year they budgeted 10 billion birr country wide through SMEs .but revising some of the policies and making it comfortable, creation of jobs and proper training as well as careful follow-up bring the success of the budgeted money .

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**APPENDIX QUESTIONERS
SAINT MARYS UNIVERSITY**

**MA PROGRAM IN GENERAL BUSSINES ADMINISTRATION
QUESTIONNAIRES TO BE FILLED BY RESPONDENTS**

Dear respondents,

This questionnaire is designed to collect primary data about the access to finance on SMEs . The research is undertaken as academic requirement of Master’s Degree in General MBA. I want to assure you that this research is only for academic purpose which is authorized by Saint Mary’s university. Your inputs are important for the study and will be treated with anonymity and confidentially.

Thank you very much for your cooperation.

በጥቃቅንና አነስተኛ ዘርፍ የገንዘብ አቅርቦትን በተመለከተ የመመረቂያ ጽሁፍ እየሰራ ነው። ስለሆነም የመጀመሪያ መረጃ ለመሰብሰብና ጥናቱን እንዳጠናቅቅ ትልቅ እገዛ እንድታደርጉልኝ በትህትና እየጠየቅሁኝ የምትሰጡኝ ግብአት ለጥናቴ በጣም ጠቃሚ ነው። የምትሰጡኝን መልስ በሚስጥር እንደሚያዝ አሳስባለሁ።

የጥቃቅን እና አነስተኛ ኢንተርፕራይዞች መጠይቅ

Questioner for small enterprises

እባክዎትን የሚከተሉትን ጥያቄዎች ለቢዝነስዎ እንደሚመጥን አድርገው ይመልሱ

Please mark to the answers for the questions below. Which you think fits your business evaluation.

እባክዎትን መልሱን (√) በማድረግ ይመልሱ። 5 በጣም እስማማለሁ 4 እስማማለሁ 3 አልወሰንኩም 2 አልስማማም 1 በፍጹም አልስማማም

Please make a tick mark (√) under the choices below. Where 5 = strongly agree 4=agree 3 =undecided 2= disagree 1 = strongly disagree

ተ.ቁ S/No	ዝርዝር ጥያቄዎች Factors	5	4	3	2	1
1.	እንዴት ሥራ እንደምጀምር ቀደም ብሎ ግንዛቤ አግኝቻለሁ I am well informed how to start a business before I made any move					
2.	ገንዘብ ለሥራ ስፈልግ ከአባዳሪ ተቋም ለመበደር ተግዳሮቶች አሉብኝ I have a problem in accessing money from MFI when the need arises					
3.	ምርቶቼን ለመሸጥ ስፈልግ አባዳሪው ተቋም ገበያ በመፈለጉ ሒደት ይረዳኛል I get good sales support from MFI					
4.	ስለ ሒሳብ አያያዝ ስልጠና አግኝቻለሁ I get good training support in finance handling					
5.	ለሥራዬ የሚያስፈልገኝን በገንዘብ ለመግዛት የሚያስቸግረኝን መሣሪያዎች በቀላሉ በኪራይ ለማግኘት እድል ይመቻችልኛል I know how to get lease when huge capital investments forbade me to acquire it					
6.	የመሥሪያ ቦታ ተመቻችቶልኛል I get proper working areas for my business					
7.	አባዳሪ ተቋም እንዳለ ሥራ ከመጀመሪያ በፊት አውቀዋለሁ The existence of MFI is briefed well before I start a					

	business					
8.	የሽያጭ ስልጠና ወስጃለሁ I get good training support how to sale					
9.	መንግስትና አብዳሪ ተቋም ቀጣይነት ያለው ገበያ እንዳገኝ ግንኙነት ፈጥረውልኛል The government together with MFI create linkage to the market and its sustainability					
10.	ስለ ጠንካራ ፉክክር እና ለለውጥ ስላለው አስተሳሰብ ግንዛቤ ተሰጥቶኛል The challenge and strategic thinking in tackling the fierce competition is well informed.					
11.	የገበያውን መለዋወጥ አንዱ ወደፊት እንዳልራመድ ያደረገኝ ነው The dynamism of the market is one challenge which resist me to move					
12.	የአብዳሪ ተቋም ዕቅዳቸው ገንዘብ ለመሰብሰብ ብቻ ነው። The MFI only intention is to collect their money					

ከዚህ ጥያቄ ውጭ ያጋጠመዎት ችግር ካለ (Any challenge you faced and must be rectified)

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Declaration

I, the under signed, declare that this thesis is my original work, prepared under the guidance of Simon Tarekegn (Ass. Prof.) .All resource of material used for the thesis has been duly acknowledged. I further confirm that thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

.....

Name

St. Mary's university college, Addis Ababa

.....

Signature

JUNE, 2017

ENDORCEMENT

This thesis has been submitted to St Mary University, school of graduate studies for examination with my approval as a university advisors.

Advisor

Signature

St Marys university Addis Ababa

June,2017