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**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

**FACTORS AFFECTING SUSTAINABILITY OF
SMALL AND MEDIUM-SCALE ENTERPRISES:
THE CASE OF ADDIS ABABA, ETHIOPIA**

By;-

TEKLEMARIAM YEMANEKERSTOS

I.D No: - SGS/0066/2010A

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MEDIUM-SCALE ENTERPRISES:**

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TEKLEMARIAM YEMANEKERSTOS

ADVISOR: - MOHAMMED MOHAMMEDNUR

(ASST. PROF.)

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ST MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
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BY;- TEKLEMARIAM YEMANEKERSTOS

APPROVED BY BOARD OF EXAMINERS:

Dean, Graduate Studies

Signature

Advisor

Signature

External Examiner

Signature

Internal Examiner

Signature

DECLARATION

I, the undersigned, declare that this thesis Entitled “Factors Affecting Sustainability of Small and Medium - Scale Enterprises” is my original work, prepared under the guidance of Mohammed Mohammednur (Asst. Prof).

All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or full to any other higher learning institution for the purpose of earning any degree.

Name

St. Mary’s University, Addis Ababa

Signature

JUNE, 2019

ENDORSEMENT

This is to certify that Teklemariam Yemanekerstos carried out his project on the topic entitled “Factors Affecting Sustainability of Small and Medium - Scale Enterprises; The Case of Addis abeba , Ethiopia” under my supervision. This work is original in nature and is suitable for submission for the award of Master’s Degree in Business Administration at St. Mary University with my approval as university advisor

Advisor

Signature

St. Mary’s University, Addis Ababa

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ACRONYM'S

ETB	-----	Ethiopian birr
FeSMMIDA	-----	Federal Small and Medium Manufacturing Industry Development Agency
GDP	-----	Gross domestic product
GTP	-----	Growth and Transformation Plan
MDGs	-----	Millennium Development Goals
MOT	-----	Ministry of Trade
MSE	-----	Micro and Small enterprises
MSME	-----	Micro, Small and Medium enterprises
MUDC	-----	Ministry of Urban Development and Construction
SME	-----	Small and Medium enterprises
SSA	-----	Sub-Saharan Africa
SPSS	-----	Software Package for Social Sciences
UNIDO	-----	United Nations Industrial Development Organization
NBE	-----	National Bank of Ethiopia

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ABSTRACT

Small and Medium enterprises (SMEs) play an essential role in the sustainable development of a country. They help in employment generation, job creation, self-independence, industrial production increase, and export. The study examines factors that determine sustainability of small and medium enterprises in Addis Ababa, Ethiopia. The general purpose of the study was to identify the major internal & external factors that influencing sustainability of small and medium scale enterprises. And Primary and secondary data were used for this study. The target population was small and medium Government organized enterprises in Addis Ababa, Ethiopia. The choice of the study areas in ten sub cities was based on size and concentration of SMEs. Data were collected using questionnaires from 277 SMEs. The selection of respondents was done using census for closed SMEs respectively. The data collected were analyzed by using appropriate descriptive statistics and logistic regression techniques. The data have been analyzed with the help of Statistical package for social science (SPSS). According to the participants' perception, the study revealed that the most important internal and external factors that determine SMEs sustainability are work-related factor, marketing, financial, political-legal factors, management factor and Business Development are major factors that affecting SMEs sustainability. The major implication of the study is that improving financial and work-related problems is critical in guaranteeing the survival of the SMEs. The study realized that 97.9 percent of the variation in sustainability can be explained by the independent variables. The standardized beta value shows that, the contribution of an individual variable to the model or the dependent variable. As it can be compare them, the largest influence on the sustainability of SMEs is from the MGMTF (0.993), WORF (0.992), FINF, MARF, POLF (0.990) and BUDF (0.982). Therefore, as we compared with the Predicted sustainability value of the variables, all the independent variables are the largest influence on the sustainability of SMEs. Based on the finding there is no strong pair-wise correlation between Independent Variables.

Key words: *Government organized, Small and Medium enterprises (SMEs), factors and sustainability,*

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

There is no universally agreed definition of small and medium enterprises (SMEs) some of the commonly used criteria are the number of employees , value of assets , value of sales and size of capitals , the capital invested and the total balance sheet (asset, liability and capital). (Lepi, 2005, Story, et, al 2011).

Even there is no any universal agreement on the definition currently most authors and researchers used “The small and medium enterprises (SMEs) is recognized as an integral component of economic development and a crucial element in the effort to lift countries out of poverty (Wolfsan, 2007:28-39),” as a common definition, until we have the universally acceptable definition, despite of that he also state the dynamic role of small and medium enterprises (SMEs) in developing countries as engines through which the growth objectives of developing countries can be achieved has long been recognized.”

Due to a contemporary highly competitive environment, most governments have seen increasing awareness and recognition of the role played by Small and Medium Enterprises (SMEs) and their contribution to the economy (Hlatshwako, 2012). Small and medium enterprises (SMEs) play significant role in the growth and development of world economy. The need for SMEs considered as a means of ensuring self-independent, jobs creation, import substitution, effective and efficient utilization of local raw materials and participation to the economic development (Ong, 2012). SMEs are also important in many European countries. For instance in the US, and also in other industrialized countries such as Japan, Australia, Germany, French and Canada, small and medium enterprises (SMEs), are an important engine of economic growth and technological progress (Thornburg, 1993).

Not only industrialized countries, Low-income countries in Sub-Saharan Africa (SSA) are also, well aware of the positive role that small and medium-sized enterprises (SMEs) can play in their development (on their economy). SMEs can innovate, adopt new technology and know-how, create jobs, broaden the tax base, and diversify activities (risk) (Brixioval, 2009). It is estimated that SMEs employ 22% of the adult population in developing countries (Admasu abera, 2006:43). United Nations Industrial Development Organization (UNIDO) estimates that

SMEs represent over 90% of private business and contribute to more than 50% of employment and of gross domestic product (GDP) in most African countries (UNIDO, 2012) and also The SMEs are more fertile than larger enterprises in terms of innovation and development.

Currently Ethiopia implementing a five-year (2010/11-2014/15) Growth and Transformation Plan (GTP) in line with its long-term vision of achieving rapid, sustainable and equitable socio-economic growth and development, reducing poverty, and meeting the Millennium Development Goals (MDGs) within the framework of macroeconomic stability. In order to that, Small and Medium scale Enterprises (SMEs) are regarded as the engine of economic growth and equitable development in our country economies but, there is still a huge amount of failure in this sectors because of this and many reasons long term vision of our country may not be achieve easily. However, the five year Growth and Transformation Plan (GTP) and long term visions will only be a reality if the necessary requirements that meets the need of the present generation without compromising the ability of future generation to meet their need.

SME sector is one of the principal driving forces for economic growth and job creation. This particularly holds true for many low income countries in Africa, SMEs and the informal sector represent over 90% of businesses, contribute to over 50% of GDP, and account for about 63% of employment (Ahmed, 2012). Accordingly, most developing countries considered the massive potentials of the SMEs sector, and the significance, contribution and potential of the SMEs to job creation, poverty reduction and economic growth have been recognized in Ethiopia. And, despite the acknowledgement of its huge contribution to sustainable economic development, its performance still falls below expectation in many developing countries Arinaitwe, (2006). This is because the sector in these developing countries has been affected by several factors influencing against its achievement, and leading to an increase in the rate of SMEs failure.

Despite of that many researchers were try to assess about the influential factors on small and medium enterprises performance, success and growth e.t.c and they confirm that the existence of influential factors, those categorized under financial and non-financial, but which is not clear for third Party to use the finding or result for solution making due to unclarity, and before talking about the success, growth and performance should exist in the market. Therefore, this study intended to assess some of factors increasing the failure rate of SMEs.

Generally, the aim of this study is to investigate and identify the major factors that influence the sustainability of SMEs in Addis Ababa, Ethiopia.

1.2 Statement of the Problem

Enterprises, particularly small and medium enterprises (SMEs), are decisive or significant as a major source of income and employment and are at the heart of the economic activity and development in many developing countries (Mead & Liedholm, 2012). SMEs are directly involved in contributing to the performance of national economies; thus sustaining small and medium businesses is extensively related to economic development (Chen, 2011).

Ethiopia is one of the developing countries which have taken measures to enhance the operation of SMEs by considering their contributions According to the Ministry of Urban Development and Construction (MUDC, 2013).

The contributions of small and medium businesses to development are generally acknowledged but, the failure rate of the businesses is high globally. SME entrepreneurs face many obstacles that limit their long term survival and development. Research on small business development has shown that the rate of failure in developing countries is higher than in the developed world Arinaitwe, (2002). SMEs in developing countries for 95% of businesses, 50% of GDP and 60% of employment, their rate of failure range from 50% to 90 %.(Fachoki, 2014)

SMEs are the emphasis of economic development all over the world. A positive relationship has been documented between small business development and economic growth in developed countries (Harris and Gibson, 2006; Monk, 2000; & Sauser, 2005). However, not much research has been conducted on this relationship in developing countries.

As there has been MSMEs graduating from micro into small, small into medium size enterprises, there are also those disappearing ones due to a variety of reasons. Even, most of the studies have been done on performance, success and growth issues of micro, small and medium enterprises. It is believed in this study that, there are a lot of factors increases their influence and causing a huge effect on the sustainability of SMEs no matter what is location of SMEs and how strong is the market conditions are, influencing factor is always there for the small and medium businessmen (Bellema, 2009). The underdeveloped growth of the SMEs has often been blamed largely on the challenge of taxation. Taxation in general increases the costs of operation of running small and medium enterprises. To compensate for the increased costs of operation, prices on goods are raised (Gaskill,, Auken & Manning, 1993), thus causing the amounts of sales to go down, And the effects of reduced sales are reduced profits, reduced capital base and slow creation of employment resulting to slow growth (Thuronyi, 2009). It is within this backdrop or

gap that the current study is established. Since entrepreneurs are innovators, they should devise ways and means of managing with the adverse and threatening effects of taxation in order to survive, grow and sustain their businesses.

Access to finance gap the literature review discovered that there are a number of sources of credit and support for SMEs. Moreover, the study also reveals that much of the information in terms of access to finance and SME support available relates to government programs (Ihua, 2009) but which was missed the existence of unnecessary bureaucracy, the last but not least is the absence of significant study conducted on Addis Ababa administration city, Ethiopia, concerned on the issue therefore which will full fill a literature gap. The current research will seek to answer this research question.

SMEs are faced with many challenges and obstacles which affect their sustainability to function and contribute optimally to the economy. According to ministry of trade (MoT) , past statistical bulletin in the last 4 year 47,011 SMEs was organized in Ethiopia and among them, 12,810 (27.2%) failed SMEs are found within the last four years (2007/2015g.c-2010e.c/2018g.c) (MoT, 2018g.c). Majority of them around 11,090 (86.57%) were small enterprises and the other 1,720 (13.43%) of them were medium enterprises. Similarly, in Addis Abeba based on Addis Ababa City Administration Small & Medium Enterprises Development Agency, 861 SMEs organized in the past 3 years, among them 185 SMEs were organized in the last years, among them 41 were failed which are organized within the last years (22.16%) .

Table 1.1 Status of SMEs in Addis Abeba , Ethiopia

NO	STATUS	SMEs	SMALL	MEDIUM
1.	Existing	820	722	88
2.	Closed	41	37	4
3.	Total	861	759	92

Total Number Of Small and Medium Enterprises In Each Sub Cities

NUMBER	SUB CITIES	TOTAL NO OF SMEs
1.	Lideta	49
2.	Kirkos	76
3.	Bole	122
4.	Nifas silk	178
5.	Arada	56
6.	Akaki kality	43
7.	Addis ketema	48
8.	Kolfe keraniyo	66
9.	Yeka	172
10.	Gulele	51
Total		861

Source:- AACASMED Bureau , 2019

However, despite the attention devoted to SME growth and performance, there is still no significant study conducted on Addis Ababa (Based on the data collected or assessed from concerned body and based on literature) concerning the factors influencing sustainability of SMEs. In order to provide new insight the study will conduct on factors affecting sustainability of SMEs, taking those SMEs operating in different sub cities of the A.A administration city.

1.3 Hypothesis of the Study

With the help of sufficient and appropriate empirical data on the factors affecting the sustainability of SMEs, this study was test the following hypothesizes:

- ❖ **Ha1.** Management skills of the SMEs have statistically significant effect on their sustainability.
- ❖ **Ha2.** Marketing skills of SMEs have statistically significant effect on their sustainability.
- ❖ **Ha3.** Business Development skills of the SMEs have statistically significant effect on their sustainability.
- ❖ **Ha4.** Financial sources of the SMEs have statistically significant effect on their sustainability.
- ❖ **Ha5.** Work-related factor of the SMEs have statistically significant effect on their sustainability.
- ❖ **Ha6.** Political-legal factor of the SMEs have statistically significant effect on their sustainability.

1.4 Objectives of the Study

1.4.1 General Objective

The overall objective of this study is to investigate and identify the key factors that influencing sustainability of small and medium scale enterprises.

1. 1.4.2 Specific Objective

- ❖ To assess whether the Management and related is a factor influencing the sustainability of small and medium enterprises
- ❖ To determine whether the work-related is a factor influencing the sustainability of small and medium enterprises
- ❖ To examine whether Political-legal and related is a factor influencing the sustainability of small and medium enterprises
- ❖ To examine whether the Marketing and related is a factor influencing the sustainability of small and medium enterprises
- ❖ To determine whether the Financial is a factor influencing the sustainability of small and medium enterprises

- ❖ To assess whether the Business Development is a factor influencing the sustainability of small and medium enterprises in ten sub cities, Addis Ababa city Administration, Ethiopia.

1.5 Significance of the Study

The study conducted in this thesis was concerned on the following significant expectations. That is the suggestion including the discussion; result and recommendation that forwarding the study should be used to control or limit the effect of the factors that affect the sustainability of small and medium enterprises in Addis Ababa Administration city. It indicates how the sustainability of small and medium enterprise can be improved by minimizing the effects of the factors.

The significance of this study is to distinguish problems related with sustainability of small and medium enterprises in Addis Abeba and proposing the following contribution:

- ✓ **For city and sub city administration**:- The finding of this study is expected to help the Addis Ababa Administration city and sub city to create conducive environment for improving the sustainability of the enterprises by controlling or taking the precautionary action on the effects of the factors related with the administration.
- ✓ **For small enterprises**:- The findings of this study also help the enterprises in Addis Ababa Administration city, ten sub city, within an insight (awareness) into the benefits of using different factors studied in this research to predict the factors that affect the sustainability of small and medium enterprises.
- ✓ **Academics/Researchers**:- The finding of this study contribute a basis for further study on factors affecting sustainability of small and medium enterprises. In general the significance of this study is to provide a clear overview of the factors affecting sustainability of small and medium enterprises. And, provide a way of controlling the negative effect of these factors on the enterprises.

1.6 Scope / Delimitation of the Study

Conceptually the study is limited to the Management, work-related, Political-legal, marketing, financial and Business Development factors affecting sustainability of small and medium - scale enterprises particularly in Addis Ababa city Administration. The case area Addis Abeba is selected because it represents large number of SMEs in Ethiopia. The study was focus only on four (manufacturing, construction, trade and service) sectors of Government organized small and medium enterprises in Addis Ababa, Ethiopia. However, there are various private SMEs; the reason for excluding private SMEs in this study is size and concentration of SMEs and

Researching in a wider geographical area require more time and resources that are beyond the scope of this study.

1.7 Definition of Terms

Sustainability: - the most common definition of sustainability in relation to business is “meets the needs of its stakeholders without compromising its ability to meet their needs in their future” (Hubbard, 2009). But in this paper sustainability defined as the ability of the enterprises to continuously maintain in the business environment, with having concept and operating regarding long-term financial value, know how their actions on the environment and actively work to reduce their impacts if any, Care about their employees, customers and communities and work to make positive social change.

Enterprises: - Refers to one aspect of business organization or activity engaged in manufacturing, construction, service, urban agriculture and trade sectors.

Small enterprise: - Small Scale Enterprise is an enterprise which has 6-30 employees and total asset 100,001—1,500,000 ETB for industrial sector and 50,001—500,000 ETB for service sectors. (MOT , 2011)

Medium enterprise: - For medium scale Enterprise is an enterprise which has more than 31-100 employees and total asset above 500,000 ETB for service sector and 1.5 million - 20 million ETB for industrial sector. (MOT, 2011)

1.8 Organization of the Study

This paper has been organized to comprise of the following five chapters.

Chapter Two:- Literature Review: The concept of business sustainability, empirical studies and finally hypothesis of the study is presented and conceptual frame work is drawn from literature review. Chapter Three; - Research Methodology: - under these research design, approach of the study, data source and method of data Collection. Sampling method and sample, and then measurement of variables included. Specification of the model to this study is determined. Finally, methods for data analysis, validity and reliability of the variables are measured, and ethical considerations are explained in the section. Chapter Four;- Data Analysis and Interpretation: under these profile, and then tests the reliability of individual Cronbach“s Alpha. In addition Hypothesis testing is performed by using Binary logistic regression analysis. Chapter Five;- Conclusion and Recommendation: In this section the main findings is summarized and conclusions on major findings is presented. Recommendations are given based on the research findings and the limitation of the study is mentioned.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The purpose of the literature review is to provide insight into information from previous researches related to this study and the research questions which will facilitate the research process (Rowley, 2012). This chapter reviews works on SMEs in Ethiopia and other countries in general. Concepts on sustainability and determinants of sustainability were also reviewed. This help to understand the state of SMEs and its determinants of sustainability. This chapter comprises of five sections. These are definitions of SMEs, the concept of business sustainability, empirical studies, the conceptual framework and Hypothesis of the study.

2.2 Importance of SMEs

SMEs are accepted as a fundamental part of the economy of individual countries and, as such, the foundations of the world economy. Duarte (2004) mentions in his article that, without a doubt, SMEs is crucial for the overall sustainability and health of an economy. According to the Organization for Economic Cooperation and Development (OECD, 2000), SMEs represent more than 95% of enterprises and create 60-70% of jobs. Alternatively, the United Nations Industrial Development Organization (UNIDO, 2005) calculated that SMEs account for 90% of private firms and employ 50-60% of the total labor force. Either way, as Wennekers and Thurik (1999) note, “small firms are the vehicle in which entrepreneurship thrives or successes”. Small enterprises are crucial in ensuring competitiveness and bringing new techniques to production and finished products to market. It is worth mentioning that creating a good environment for SMEs, which can supply quality services and competitive products at a low cost, is significant for all countries around the world (Robu, 2013). Even in crisis times or periods of recession, SMEs have been linked to employment, economic growth and productivity (WIPO 2010). In the Asian financial crisis, small and medium scaled enterprises were depicted as an ‘army of ants’ for Taiwan to fight the crisis (Hu, 2003). SMEs have a considerable role in a country’s economy as healthy competitors; they stimulate competition which leads to greater efficiency, price reduction and higher quality products (Johnson and Soenen, 2003). Without the existence of SMEs, large enterprises would hold a monopoly on several areas of activity. When discussing increased efficiency, SMEs have a significant role to play. According to Stephen Jarvis (1996), certain activities can be done better by SMEs than their larger counterparts, particularly with SMEs acting as subcontractors for large enterprises and supplying raw materials and sub-

assemblies or distributing manufactured products. An economist, Zoltan J. Acs (1999), observed small businesses in the US and Europe and found an increasing trend in their importance since the nineteen-eighties. For example, U.S.'s General Motors uses some 37,000 SMEs for subassembly and other services. Not only American, but also European companies employ such practices, with one Italian company, Benetton, carrying out approximately 95% of production by means of subcontracting to SMEs (Iordache, 2014). Lukasc (2005) posited that SMEs are the backbone of the entire British economy, accounting for more than half of the trade turnover of the UK. In Romania, the share of SMEs in total enterprises is 99.47% and 98% of these SMEs are privately owned (Statistical Yearbook, 2012). Not only European countries individually, but the economy of the European Union as a whole is greatly supported by SMEs; SMEs in Europe are the first in generating revenue, innovation, employment and entrepreneurial skills. According to the Annual Report on the Situation of SMEs in the European Union (European Commission, 2014) out of the 20 million businesses that were currently registered in the EU, more than 99.8% were SMEs and a vast majority of which, 92% to be exact, consisted of small-enterprises having less than 50 employees. For 2012, it is estimated that SMEs accounted for 67% of total employment, representing over 87 million people and 58% of gross value added. In the above-mentioned numbers indicate that SMEs are the backbone of the EU economy: they are a main source of private investment, economic growth and jobs. Most countries' economies, both less or more developed, are based on the strength and dynamism of private enterprises (Hallberg, 2000). SMEs are not only important engines of economic growth for developed economies, but also have an important role in transitioning economies and developing countries, particularly with a view to increasing women's employment and promoting gender equality. SMEs embody an essential source of economic growth, dynamism and flexibility in advanced industrialized countries, just as much as they do in emerging ones, while they play an important role in development. In a study taking into account 132 countries, it was found that there were 125 million SMEs and 71.2% (89 million) of them located in developing countries (Kushnir et al., 2010).

2.3 Definitions of Small and Medium Enterprises

There is no universally agreed definition for small and medium enterprises. The term SME covers a wide range of definitions and measures, varying from country to country and varying between the sources reporting SME definitions. Also, based on the economic activity sectors, the definitions are different (Salimzadeh, Courvisanos & Nayak, 2013).

Some of the commonly used yardsticks are the number of employees, total net assets, sales and investment level, number of annual working hours, annual turnover, annual balance sheet or production volume, and independence of the company (Harjula, 2008). Among the various criteria, the number of employee and the annual turnover or revenue seem to be the most important criteria used to define SMEs (Peacock, 2004).

Therefore, there is no a single SME definition uniformly accepted around the world. (Gibson & Vaart, 2008) state that no single definition of SMEs appears to be universally recognized, but it is found that SMEs are in general:-

- ✓ Formally registered with government - or other registration bodies;
- ✓ obligated to pay taxes and social security charges;
- ✓ able to allow their employees to take sick- and annual leave while receiving compensation;
- ✓ able to provide skills training for their employees:
- ✓ able to invest in capital with a payback of longer than twelve months;
- ✓ Able and inclined to contribute to the local community

2.3.1 Some International Definitions Of SMEs

The World Bank defines SMEs as follows: Small enterprise; have greater than 10 up to less or equal to 50 employees, total assets and total sales of up to US\$3 million; Medium enterprise have greater than 50 up to less or equal to 300 employees, total assets and total sales of up to US\$15 million (Ayyagari, Beck, & Demirguc-Kunt, 2007). This definition provides a general context for understanding all SMEs studies.

Table 2.1 International definition of SME

	COUNTRY						
	EU	USA	Ghana	Russia	India	China	South Africa
Number of employees							
Small	< 50	< 100	6-29	15-100	0	< 300	50-99
Medium	< 250	< 500	30-99	101-250	0	300 - 2000	100-200
Turn over							
Small	\$13m	0	\$100k	400 m RUB max	Rs50 - 60m	< Y30	R1m-R32m
Medium	\$67m	0	\$1million	1B RUB max	Rs60-99m	Y30-Y300M	R5m-R64m

(Source: Mahembe, 2011)

2.3.2 Definition of SMEs in Ethiopia

In 1997, Ethiopia has defined Micro Enterprises as enterprises with a total asset of less than 20,000 Birr (\$1200) and Small Enterprises as Enterprises with a total asset of Birr 500,000 (\$30,000) or less. In this definition, the only base used is the total asset unlike international organizations definition base. To align the definition with at least some countries and international organizations, the country has revised the definition of Micro and Small Enterprises in 2011. (Esubalew and Raghurama, 2017). But the new established definition only focus on Micro and Small Enterprises it does not put any demarcation between Small and Medium; and Medium and large Enterprises.

According to Ministry of Trade and Industry Development Bureau (MOTI) the new Small & Medium Enterprises Development Strategy of Ethiopia (published 2011) the working definition of SMEs is based on capital and Labor. The same as micro and small enterprises the definition of medium enterprises also defined based on capital and labor.

Table 2.2 SMEs definition of Ethiopia

Sr.no	Enterprise level	Sector	Hired labor	Capital
1.	Small	Industry	6-30	100,001-1,500,000 ETB Or 4,001- 60,000 EUR
		Service	6-30	50,001-500,000 or 2,001 - 20,000 EUR
2.	Medium	Industry	31-100	501,000 - 7,500,000 ETB or 20,001-300,000 EUR
		Service	31-100	501,000 -7,500,000 ETB or 20,001- 300,000 EUR

(Source: MOT, 2011)

Currently the manufacturing sector is separated from the MSMEs by containing small and medium manufacturing sector only. It has been established before only one year and the other sectors will call federal urban job creation and food security agency. Based on federal small and medium manufacturing industry development agency (FeSMMIDA), —Small manufacturing industry means an industry having a total capital, excluding building, from birr 100,001 to birr

1,500,000 (One Hundred Thousand One Birr to One Million Five Hundred Thousand Birr) in the manufacturing sector and engages from 6 to workers including the owner, his family members and other employees. Medium manufacturing industry" means an industry having a total capital, excluding building. from Birr 1,500,001 to Birr 20,000,000 (One Million Five Hundred Thousand One Birr to Twenty Million Birr) in the manufacturing sector and engages from 31 to 100 workers including the owner, his family members and other employees;(Federal Negarit Gazette Regulation No. 373/2016;4).

When we compare the Ethiopian current definition of Small and medium Enterprises with the above some international definitions, it has a very visible gap, In Ethiopia, an enterprise is said to be small, if it employees less than fifty employees and has a total asset of less than 1,500.000 or Birr 100,000 for Manufacturing sector. For example when we compare it with definition of EU approximately one and half times less for employees for both small and medium enterprises and its asset value is less by many times. This figure is very significant that make comparison between Ethiopian Enterprises and Enterprises labeled by international organizations (e.g. EU) difficult. To reduce the gap, forward move could be one solution for Ethiopia to increase the asset requirements Daly defines sustainable development as "development without growth beyond environmental limits." By 1991 the phrase [sustainable development] had acquired such cachet of Enterprises.

2.4. Overview of Micro & Small Enterprises in Ethiopia

According to the Federal Micro and Small Scale Enterprise Development Agency (FeMESDA) and annual report (2013/14) of National Bank of Ethiopia, a total 200,319 new MSEs were established during the fiscal year 2013/14 against 77,415 during previous year i.e. 2012/13. The total no. of employment generated during 2013/14 was 2.4 million as compared to 1.2 million during 2012/13. Out of total newly established of MSEs in Ethiopia, Oromia region took the leading share (70,259 MSEs i.e. 35.1%) followed by Amhara (64,135 MSEs - 32%), Tigray (32,726 MSEs - 16.3%) SNNPR (22,632 MSEs - 11.3%) and Addis Ababa (7,392 MSEs - 3.7%).

These impressive facts indicate the rapid growth of MSEs and their role in employment generation. Studies have suggested that there is huge potential for employment and income generation by establishing MSEs and consequently, this will lead to poverty reduction in Ethiopia (Bekele, & Worku, 2008; Tadesse, 2014). Although the MSEs sector contributes

significantly to the national economy, but the high failure rate of MSEs is a major concern (Mead & Liedholm, 1998; Rogerson, 2000 and Gagoitseope, P. K., & Pansiri, J. (2012).

The existing phenomena indicate those large portions of MSMEs in Ethiopia are established with government support. This includes loan disbursement by various financial institutions like public and private banks and micro finance institutions etc. According to annual report 2013/14 of NBE Annual Resource Mobilization of ETB 111.4 billion & Disbursing Activities of Commercial Banks and Development Bank of Ethiopia (Specialized Bank) ETB 59,965.4 million was recorded as at June 30, 2014. The point here is to be noted that outstanding credit amount (Includes government borrowing in the form of bonds and treasury bills from commercial banks, DBE and other sectors other than NBE) is very high i.e. ETB 181,327.4 million. To recover the loans, these financial institution are usually depended on MSEs upto certain extent, in that case these MSEs are supposed to record growth in coming years. But, the previous studies indicate that enterprises managed by women have lower expected growth rates (Coad & Tamvada, 2012). In a study for women owned SMEs, it is observed that Women in Ethiopia represent up to 30 percent of all SMEs owners and have a 78 percent failure rate. (Bekele & Worku, 2008; Kipnis, 2013).

2.5 Concept of Business Sustainability

Sustainability by itself is not a new concept. But, the word is primarily associated with the environmentalism, and implies wise use of energy and resources. It has supplemented the old repetition of conservation, but the motivation behind its use is more or less the same. Therefore it was initially introduced by the Brundtland Commission in 1987 as a global concern about environmental damage. The Millennium Ecosystem Assessment (MEA) in 2005, which was funded by the United Nations (UN), World Bank, and Global Environment Facility, indicated that ecosystem damage had resulted in a massive wave of species extinction, threatening lives and well-being (probawali, 2013). The report of the Brundtland Commission in 1987, which was established by the World Commission on Economic Development (WCED), defined the sustainable development concept as —meeting the needs of the present without compromising the ability of future generations to meet their own needs, (Brundtland Commission, 1987). The concept is based on two fundamental conditions: the existence of human needs, and limited resources. This means that to achieve balance, human needs should be given priority; furthermore, the limitations in resources must be accommodated by technology and social activity to meet the needs of the present and the future (Brundtland Commission, 1987).

According to Daly this definition was sufficiently vague to allow for a broad consensus. Probably that was a good political strategy at the time a consensus on a vague concept was better than disagreement on a sharply defined one. By 1995, however, this initial vagueness is no longer a basis for consensus, but a breeding ground for disagreement. Acceptance of a largely undefined term sets the stage for a situation where whoever can pin his or her definition on the term will automatically win a large political battle for influence over our future (Daly, 1996),

2.6 Theoretical Literature

Daly defines sustainable development as "development without growth beyond environmental limits." By 1991 the phrase [sustainable development] had acquired such cachet that everything had to be sustainable, and the relatively clear notion of environmental sustainability of the economic subsystem was buried under 'helpful' extensions such as social sustainability, political sustainability, financial sustainability, cultural sustainability, and on and on. Any definition that excludes nothing is a worthless definition. Finally he concluded that, whenever we say just "sustainability," we usually mean environmental sustainability, because if that is not achieved, then none of the zillions of other types of sustainability matter (Daly, 1996).

The other author Maurice Strong said that the Brundtland Report of 1987, on definition of sustainability is flawed or unsound. Because, Brundtland commission definition is more inspirational than practical. It's not precise and measurable, so no one can agree on what it means. This caused the definition to be plagued by controversy from the day it was published. The definition has also fallen into the trap of scope creep by including solving the global poverty problem. (Maurice, 2000).

The Brundtland definition is not defining sustainability. It's defining sustainable development. What quietly happened long ago was the world's problem solvers redefined sustainability as sustainable development and then defined that. But sustainable development is a solution. It is not the problem to solve (Ibid.).

Many researchers define sustainability in different concept for instance; Sustainability has been defined by Forestry Commission of Great Britain as the concept having four goals. The first one deals with the social progress that provides to the need of everyone. Second one is for the environment protection. Third one deals with the judicious use of natural resources and the last one involves task of maintaining high and stable levels of growth of the economy and in

employment generation (Mannan, Khurana and Haleem 2016). A 2012 study by Lucky and Olusegun stated researchers define small businesses by size, the number of employees, sectors, returns generated by the firm, management structure, workforce, or the level of capital committed. Also, there is no universally accepted definition of either small business success or failure.

Therefore, for this paper purpose sustainability concept is mainly related with business sectors. In the business sector, sustainable development is translated into something that “meets the needs of its stakeholders without compromising its ability to meet their needs in their future” (Hubbard, 2009). Likewise, (Savitz & Weber, 2006) states that a sustainable firm is “one that creates profit for its shareholders While protecting the environment and improving the lives of those with whom it interacts”. Thus, sustainability emphasizes the balancing of stakeholders ‘needs and profits with protecting the environment. Sustainability of businesses could be interpreted in many ways and may in turn lead to adding value to the environment, communities, customers and the bottom line for businesses of different sizes. Companies recognize that successful business performance is the result of successful sustainability, as stated by (Rainsville, 2012) However, despite the attention devoted to SME growth and performance, there is still no universal definition for a sustainable SME, as suggested by (Janczak and Bares, 2010).

Business sustainability, also known as corporate sustainability, which is the management and coordination of environmental, social and financial demands and concerns to ensure responsible, ethical and ongoing success. According to the “Financial Times”, business sustainability represents resiliency or flexibility over time-businesses that can survive shocks because they are intimately connected to healthy economic, social and environmental system. Such businesses create economic value and contribute to healthy ecosystem and strong communities. Some practices that promote business sustainability include: stakeholder engagement, environmental management system, life cycle analysis, reporting and disclosure etc. (Wigmore, 2013)

Small and medium enterprises development agency of Nigeria (SMEDAN, 2013) also defines small business success as sustaining operations for five or more years. On the other hand, failed small businesses are firms which are involved in court proceedings or in involuntary action which involves losses to their creditors (Lussier & Corman, 2015; Marom & Lussier, 2014). Lussier and Corman indicated businesses which are closing without a loss to creditors are

businesses which are discontinued. Bearing in mind the definition of small businesses, SMEDAN declared 80% of small businesses failed within the first five years.

In our country Ethiopia there is no common legislated definition for success or failure of SMEs. But, according to proclamation No 686/2010: Commercial Registration and Business Licensing Proclamation. Validity Period and Renewal of Business License (Article 36:2) stated that Unless the business license is renewed within four months after the expiry of the budget year in which the license has been issued or renewed upon payment of the appropriate fee, the business license shall not, in anyway, be put in use. (Article 36:5) also says a business license not renewed within the provided for under sub Articles of this Article shall be cancelled after the expiry of the time made available for the renewal of the business license with penalty (Negarit Gazeta, 2010:42). Generally those enterprises didn't renewed their trade licenses approximately for 24 months including the penalty months considered as failed enterprises.

2.7 Theoretical Views of the Variable

Internal Factors

The internal environment includes factors in the business environment that are largely controllable by the business (Fatoki & Garwe, 2010).

- 1. Management Factor;**-Among many Management factors (management skill, experience and strategic business planning) have been mentioned in many studies in link with SMEs growth and survival. A study conducted by (dun and Bradstreet, 2016) mentioned that, Irrespective of the size of any business large, medium or small, several researches and statistics appear to have ranked poor management or management inability the main cause of business failure in general (Argenti 1976; Dun and Bradstreet 1969 amongst other). In the contemporary global dynamic business environment strategically thinking and systematically decision-making are also important for small enterprises growth and survival (Dobbs & Hamilton, 2007).

Business strategies refer to an internal management action changing the firm plan premeditated to cope with external environment changes in order to achieve the firm's business objectives (Blackbur, 2013).

- 2. Work - Related Factors;**- One of the desires of most participants in these sector is to save on costs and this includes saving on rental; for them higher disposable income now is more important than a better quality premises. They therefore prefer to operate either from homes or from other rent free locations even if it means violation of existing

regulations (Sethuraman, 1997). Since incomes of the operators depend significantly on where they do their business within the city, they choose to operate closer to inner city or other locations despite the risks involved in violating the regulations where purchasing power, and hence demand for their output, is concentrated.

External Factors

Factors such as economic variables and markets; crime and corruption, labor, infrastructure and regulations make up the external environment (Fatoki & Garwe, 2010).

- 3. Financial Factor;** - The finance gap theory, as postulated by Bolton (1971), states that the components-knowledge gap and supply gap are the two sets of challenges faced by SMEs. points out that SMEs lack knowledge about available sources of external finance and that once these are determined, SMEs have distress satisfying the loan requirements from the external financier. Furthermore, external financiers do not understand the entrepreneur and their small business venturing. This means that the only possible way that SMEs can raise capital is through personal savings, friends, and family members. Additionally, since both their venture capital and sales value are small as compared to operating costs, they face challenges in maintaining the business resulting in eventual collapse of the SMMEs. (Bolton, 1971)

Financial factors can be both internal and external factor. Small firms are influenced by financial constraints than large and medium enterprises. According to Abdel, Rowena & Robyn, 2010), small business owner-managers have very basic understanding of financial and accounting information and have serious problems with financial planning literacy. Ademola & Michael also identified key challenges of SMEs among them poor accounting method and practices have been mentioned (Ademola & Michael, 2012).

In developing economies including Sub-Saharan Africa, SMEs are typically more credit on strained/stressed than large firms, severely affecting their possibilities to grow (Beck, 2005; Beck and Demirguc-Kunt, 2006; Beck, 2006; Ayyagari, 2008; Beck, 2008; Ayyagari et al, 2012). Hubbard, 1990 noted that when the company is smaller, the restrictions on credit are greater. Furthermore, according to (Beck, 2006) cited in (ElSaid, 2013), small firms consistently report more financing obstacles than medium and large enterprises.

According to Craig, 2007 although programs for assisting small businesses have been implemented in many Sub-Saharan African countries through cooperative services,

microfinance institutions, business planning, product and market development, and the adoption of technology, the programs have failed to realize sustained growth and development in small enterprises. This is because small-sized enterprises are quite vulnerable to bankruptcy arising from problems related to business and managerial skills, access to finance and macroeconomic policy. Such factors are responsible for the bankruptcy of a sizeable proportion of small enterprises in most Sub-Saharan African countries (Craig, 2007).

4. Marketing Factors; - Every business that exists is facing a solid competition around the world, hence it becomes very tough to rope (fasten) in customers. However, a business cannot be operated to reach its maximum point without it being marketed. Besides, it is essential to advertise the best products in the market so as to rope in customers to buy it. (Manoj Kumar Sharma, 2015)

5. Business Development (Business plan and market analyses);- A business plan is a mechanism used to enterprises in to the future, to for see difficulties and to identify possible solutions for the different situations that may arises, and makes arises, and makes it possible to reduce the projects risks by making decisions with more and better quality information as well as enabling the enterprises to connect with the environment in business strategy form (arendt & brettel, 2010 and liu & hsu, 2011)

A business strategy incorporates functional strategies namely; marketing, financial management, human capital and information system are included (Kotler & Armstrong, 2012). So, the firm's probability of survival and growth is highly depending on the ability of a business to plan and excited realistic strategy based on its resources (Fadahunsi, 2012).

In many cases, the amount of actual Planning done is dependent on the willingness of the entrepreneur to do it. Some entrepreneurs prepare business plans as a means to attain financing for their businesses while others use a plan to get all their ideas down on paper to assess whether their business idea is sound and viable(Tiruneh Abebe. 2011). Ahmed, Shahbaz and Mubarak (2008) and cited in Tiruneh Abebe. 2011),

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

- 6. Political and legal factors;-** Many SMEs fail in spite of support from government and private initiatives that support and develop small businesses. SMEs experience problems not only during economic downturns but also during economic progress (Kongolo, 2010).

2.8 Empirical Study

Different elements are introducing as driving factors of sustainability in different time. Past studies have mainly focused on the primary drivers behind the implementation of sustainability by firms which were thought to be external factors, including environmental regulation and standards set by governments (Azzone & Bertele, 1994). In recent years, the internal organizational pressures for the adoption of sustainability have been pointed out by several studies such as:- Staff turnover due to decreasing firm loyalty and work place satisfaction , Teamwork and reward systems, Top management support for environmental change And Human resource management and organizational culture , have been mentioned as internal organizational factors. (Wilkinson, Hill & Gollan, 2001), (Dailey& Huang, 2001) , (Dunphy& Griffiths, 2007) and (Cameron & Quinn, 2006) respectively.

Other failure stories of SMEs reveal that their characteristics which include reactive, fire-fighting mentality, resource limitations, informal strategies, flexible structures, and lack of strategic planning processes may have contributed to their failures (Gnizy, Baker, & Grinstein, 2014). A view expressed by Fredland and Morris (2009) argued that the causes of failure cannot be isolated and that “any attempt to do so is, at bottom, a futile or unsuccessful exercise”. However, they suggested that:-

The issue of causation is clarified somewhat by classifying causes as endogenous (internal to the firm and presumably within its control) and exogenous (external to the firm and beyond its control). Such a classification has the merit of providing a somewhat better policy handle since if causes are endogenous, appropriate policy “helps firms help themselves”, if exogenous, appropriate policy may seek to change the economic environment. Previous evidence suggests that, although endogenous factors were the main cause of failure, exogenous factors had a significant effect in approximately one third of small business failures (Peterson et al., 1983). According to (Hall, 1992) he identified two primary causes of small business failure appear to be a lack of appropriate management skills and inadequate capital (both at start-up and on a continuing basis).

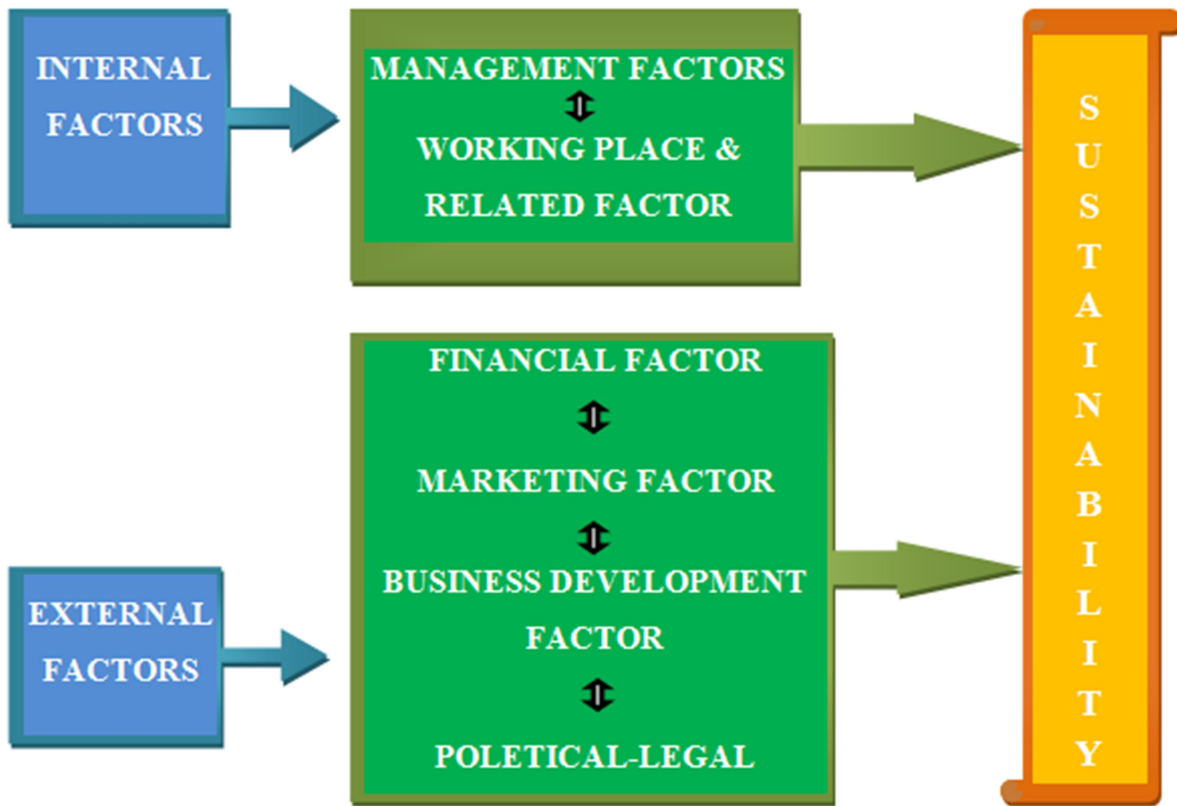
A comparative study conducted in UK and Nigeria on SMEs states the key failure factors, by using purposive sampling technique in each country; based on that examine the impact of ten key factors influencing SMEs failure in both the United Kingdom and Nigeria. This are; Disasters and Crises, infrastructural inadequacy and lack of social support, multiple and high taxes, poor accounting and book keeping practices, Management Inability or Inefficiency, Poor Marketing and Sales Efforts, Poor Economic Condition, improper and poor planning, financial problems. The results revealed that it was found that while the internal factor challenges of poor management was considered the most crucial factor influencing SMEs failure in the UK and external factors such as poor economic conditions and inadequate infrastructure were the most crucial factors identified in Nigeria (Gumel, 2017).

longitudinal study were made to assess the impact of influential factors that affect the long-term survival and viability of small and medium enterprises by using a stratified random sample of 500 MSMEs from 5 major cities in Ethiopia by Bekele & worku.z (2008). According to this research, that lasted from 1996-2001, the factors that affect the long term survival of MSMEs in Ethiopia are found to be adequacy of finance, level of education, level of managerial skills, level of technical skills, and ability to convert part of their profit to investment. This is so because the findings of the study revealed that businesses that failed, during the study period were characterized by inadequate finance (61%), low level of education (55%), poor managerial skills (54%), shortage of technical skills (49%), and inability to convert part of their profit to investment (46%). Bekele and Worku (2016 g.c)

2.9 Conceptual Framework

Conceptual framework is used to make conceptual distinctions and organize ideas. In fact, it can be defined as a way ideas are organized to achieve a research project's purpose. Based on the review of literature this study identified seven essential driving factors. These selected factors have been used frequently by previous literatures and supposed to be the critical success factors of SMEs. Sustainability of enterprises in Addis Ababa, Ethiopia depends on certain factors as set out into two categories as dependent and independent variables. Independent variables include: management factor, marketing factor, technological factor, financial factor, work related factor and political-legal factor. The dependent variable is sustainability of SMEs, and the relationship of the variables is displayed as follows; -

Figure 2.1;- Conceptual Framework of the study



Source: - Compiled Based On the Reviewed Literatures

2.10 Factors That Affect The Sustainability Of SMEs In Ethiopia

To sum up the constraints of the SMEs sector, it was also concluded by (Hussein, 2009) that SMEs are often confronted with problems that are uncommon to the larger companies and multi-national corporations.

Many SME owners and managers lack managerial training and experience. They just lead the business through trial and error method because of that, their management style is likely to be more intuitive than analytical, more concerned with day-to-day operations than long-term issues, and more opportunistic than strategic in its concept (Hill, 1987). In order to examine the effect of this management factor the following alternative hypothesis is proposed:-

Ha1. There is positive and significant effect of management factor on sustainability of small and medium enterprises.

Beyond Management and related problem internal work-related factor should be fixed. (Birley and Westhead, 1994) have identified seven different motives, namely, need for independence, need for approval, need for personal development, welfare considerations,

perceived instrumentality of wealth, tax reduction, and following role models that peoples decide to be self-employed. (Block & Sandner, 2009) found that being an entrepreneur out of necessity or opportunity driven motives does not have significant impact on duration in self-employment. To assess the effect of motivation and other work related factors the following hypothesis is developed:-

Ha2. There is positive and significant effect of work-related factor on sustainability of small and medium enterprises.

Financial problem is almost universally indicated as a key problem of SMEs. comparing small and large firms the World Bank finds that small firms face more challenges in obtaining formal financing than large firms; they are much more likely to be rejected for loans, and are less likely to have external financing (World Bank, 2015). (Nega & hussein, 2016) also revealed that The constraints that Ethiopian small and medium enterprises encounter different constraints which include access to land; tax rate and administration; labor constraints; and access to finance issues. SMEs generally tend to be confronted with higher interest rates, as well as credit rationing due to shortage of collateral. In order to examine the effect of these variables on SMEs sustainability the following hypothesis is developed:-

Ha3. There is positive and significant effect of financial factor on sustainability of small and medium enterprises.

Marketing is one of the most important functional areas and it is a concept of linking the product and service of a business to its customers intended getting the most competitive advantage Kotler and Armstrong (1999). Sustainability of SMEs may affected by poor customer handling and lack of available information about the market. To examine this and other marketing issues the following hypothesis is developed:-

Ha4. There is positive and significant effect of marketing factor on sustainability of small and medium enterprises.

In a competitive business environment the role of better business plan and good business development process in the process of providing effectively efficient services, products, and packages help to achieve a competitive advantage over competitors (Hassen & Svensson, 2014). In order to know the extent to which Business Development factor affected the sustainability of small and medium enterprises of Addis Ababa the following hypothesis is developed:-

Ha5. There is positive and significant effect of Business Development factor on sustainability of small and medium enterprises.

Political and legal factors are a major obstacle for SMEs as these firms tend to be poorly equipped to deal with the problems arising from regulations. Research by (Harper, 2004) observes that governments that are not concerned with the promotion of small enterprises should examine the impact of its policies and programs on the small businesses. Mann et al (1984) makes a similar observation that government regulation about wages, taxation, licensing and others are among the important reasons why the informal sector business develops. In order to examine the effect of political-legal factor on SMEs sustainability the following alternative hypothesis is proposed:-

Ha6. There is positive and significant effect of political-legal factor on sustainability of small and medium enterprise

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure (Kothari 2004). This chapter describes the research design explored, the research methodology and sampling design of the study. Specifically, it details selection of study area, sample size and sample selection and the procedure followed when gathering data. The chapter concludes with instrumentation, data collection and analysis methods..

3.1 Research Design

Basically the research design outlines the master plan of action to be followed in order to realize the research objectives. This is achieved through the methods and procedures for collecting and analyzing the required information (Zindiye, 2008:16).

A descriptive and casual research design was used for this study. A survey was administered to a selected sample from a specific population. Robson (1993) suggests that the term ‘survey’ is commonly applied to a research methodology designed to collect data from a specific population, or a sample from that population, and typically utilizes a questionnaire or an interview as the survey instrument. The researcher chose a descriptive research and casual methodology and designed a questionnaire survey instrument to assess the factors affecting the successful growth and survival of small and micro enterprises and it help to assess the effect of the factors on the sustainability in Addis Abeba city Administration, Ethiopia.

3.2 Research Approach

According to Mark et al. (2009:101) mixing qualitative and quantitative approaches gives the potential to cover each method’s weaknesses with strengths from the other method. In this study, a combination of qualitative and quantitative approaches was used. Quantitative is numerical in nature, it was obtained by assigning numerical values to responses whereas qualitative is contextual, that was obtain from field notes.

3.3 Population, Sample Size and Sampling Procedures

3.3.1 Target population

The research was conducted in Addis Ababa Administration city, on the factors that affect sustainability of SMEs. Based on different literature and previous studies there are so many failed small and medium enterprises that are found in each woredas/sub cities , the researcher

was try to include all existing and closed target population of the study includes all existing and closed SMEs Government Organized in Addis Ababa, Ethiopia. The choice of the city is based on size and concentration of SMEs.

Table 3.1 Target Population;

NO	STATUS	SMEs	SMALL	MEDIUM
1.	Existing	820	722	88
2.	Closed	41	37	4
3.	Total	861	759	92

Source:- AACASMED Bureau , 2019

3.3.2 Sampling Size and Technique

The samples were selected by Taro Yamane, 1967 sample size determination formula and, stratified random sampling technique. (Kothari, 2004), recommends stratified random sampling because it is accurate, easily accessible, divisible into relevant strata and it enhances better comparison; under on the existence of similar group and many sample, hence representation across strata.

The total population is organized into strata. From each stratum, the study used simple random sampling to select the respondents. The reason behind the researcher to use stratified sampling design is because the population of the study have homogenous data's sub-divided into sub-units (sub cities or types of industries).

A. Target Population of the Study

Target population is the group or the individuals to whom the survey applies. The target population should be represented as a finite list of all its members, Kitchenham and Pfleeger (2002). In research methodology, 'population' does not refer to the population of a country, but rather to the objects, subjects, phenomena, cases, events or activities specified for the purpose of sampling; Robson (1993).

The study targeted managers and employees of small and medium enterprises (SMEs). The study used a large sample (N= 861) so that the sampling distribution of mean approximate to a normal distribution. This spanned across such SMEs as cafe and restaurant, tea- coffee, internet rent service, barber shops, mobile maintenance and photo copy service, among others.

B. Sampling Technique

For the survey sampling technique was used to record responses. This were consider as an appropriate tool to gather data because of the rationale that respondents are easily accessible,

their availability as well as being less time consuming and inexpensive to gather research information. Welman and Kruger (2001) argue that the advantage of non- probability samples is that they are less complicated and more economical than probability samples.

Since the population size is known, the formula which is designed by Taro Yamane’s was used for the calculation of the sample size.

$$n = N / (1 + Ne^2)$$

Where, **N** = is the Population Size and

n = is corrected sample size required

e = Margin of error = 5%

$$n = \frac{861}{(1 + 861(0.05)^2)} = 276.29 \sim 277$$

Table 3.2 Proportionate Sampling Determination

SAMPLE SIZE			
No	Sub Cities	Total No Of SMEs	Proportion Of Sample
1.	Lideta	49	[(49/861) x 277]= 16
2.	Kirkos	76	[(76/861) x 277]= 25
3.	Bole	122	[(122/861) x 277]= 39
4.	Nifas silk	178	[(178/861) x 277]= 57
5.	Arada	56	[(56/861) x 277]= 19
6.	Akaki kality	43	[(43/861) x 277]= 14
7.	Addis ketema	48	[(48/861) x 277]= 15
8.	Kolfe keraniyo	66	[(66/861) x 277]= 21
9.	Yeka	172	[(172/861) x 277]= 55
10.	Gulele	51	[(51/861) x 277]= 16
Total		861	277

(Source, own survey, 2018)

3.4 Sources of Data and Data Collection Methods

3.4.1 Source of Data

In this study, both primary and secondary sources of data were used as important sources of data.

The study was used a survey-based research method to gather data. The sources of primary data existed and failed / closed Government organized enterprises small and medium business employees operating in Addis Ababa administration city.

Surveys are popular as they allow the collection of a large amount of data from a sizeable population in a highly economical way. In addition, the data collected using a survey strategy can be used to suggest possible reasons for particular relationships between variables and to produce models of these relationships (Saunders, Lewis and Thorn hill, 2009).

3.4.2 Data Collection Method

The study used questionnaires to collect primary data. Gall and Borg (1996) points out that, questionnaires are appropriate for studies since they collect information that is not directly observable as they inquire about feelings, motivations, attitudes, accomplishments as well as experiences of individuals.

The questionnaires was designed and delivered in both English and Amharic languages to SMEs to create proper rapport and gain better responses from those who have no clear understand of the English language. Besides, some of the questions in the questionnaire were adopted from other sources.

Secondary sources like sub-city offices reports, government documents, books, journals, published and/or unpublished research papers and statistical documents were used in this study.

3.5 Methods of Data Analysis

After the required data was collected, the necessary data processing such as editing, coding and quantifying data were performed on it. The data processing task was accomplished through binary logistic regression method with the help of an appropriate statistical package for social science (SPSS) V20. And this is due to the fact that the software package was reduced time, cost and researcher's burden. In addition descriptive statistics such as mean, Standard deviation and correlation coefficient was used.

The data analyze and presentations were prepared in the form of diagrams, charts, and tables by using SPSS (Statistical Package for Social Science) software version 20. Statistical tools such as descriptive arithmetic mean of constructs, correlation, and binary logistic regressions were used to analyze the effect of the independent variables on the dependent variable.

3.6 Measurement of Variables

The absence of universally accepted standard to decide enterprise sustainability, open door to business organizations to decide and choose its Owen characteristics’ to decide whether the business enterprise is sustainable or failed that might not truly reflect their sustainability.

In this study, total number of operating enterprise in the business/market is used as a dependent variable to measure the sustainability of SMEs. Here the total number of operating enterprise in the business data was used as the measure of the dependent variable; i.e Sustainability of the enterprises, as recommended by Nkam,sena and Ndamsa (2016) ,Ugwushi (2009), abera (2012) and Ahmed (2007:6) variation of the total number of enterprises in the business/market has been widely adopted by most researchers and practitioners in business sustainability models. Also growth in employment level of the enterprises would not be appropriate alternative measure of sustainability because these SMEs are primarily established as a source of self-employment. The independent variables are management, work related (premises), financial, technological, marketing and political – legal factors.

Table 3.3 Measures of Variables

Variables	Measures		Source
Dependent variable	Sustainability of SMEs	Question no 8 .1to 8.3	Admasu ,Nkam, Sena and Ndamsa (2016)
Independent variables	Management factor	Question no 1.1 to 1.5	Admasu Abera , Rahel , blackbur(2013)
	Work related factor	Question no 2.1 to 2.5	Arinaitwe,(2006),Mulugeta (2014)
	Financial factor	Question no 3.1 to 3.7	AL-shaikh (1998)Admasu Abera (2012)
	Marketing factor	Question no 4.1 to 4.6	Ugwushi (2009),Mullugeta (2014) , Rahel(2013)
	Business Development	Question no 5.1 to 5.4	Mullugeta (2014), Daniel Nijoya(2017)
	Political-legal factor	Question no 6.1 to 6.4	Abera (2012) Mulugeta (2014)

Source;- Admasu abera (2012)

3.7 Specification of the Research Model

The analyses of the factors influencing sustainability of SMEs were examined by estimating a logistic regression model. Logistic regression is used to predict the likerts, outcome of a response (dependent) variable using one or several predictor (independent) variables. The predictors can be categorical, or numerical. Therefore a function formulated help to connect the independent variables to the dependent variable. Variables are carefully selected in review of literature which needs to be specified.

The equation of logistic regressions on this study is generally built around two sets of variables, namely dependent variable (sustainability) and independent variables (Management, marketing, technology, finance, work related and politico-legal). The basic objective of using regression equation on this study is to make the study more effective at describing, understanding and predicting the stated variables.

Regress sustainability on Selected Variables

$$\text{Log} (p/1-p) = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \epsilon_i$$

Where:-

- ✓ **log (p/1-p)** is the response or dependent variable – sustainability
- ✓ **X1=management, X2= marketing, X3= Business Development, X4=Finance, X5=work related, X6= political -legal** are the explanatory variables.
- ✓ **β_0** is the intercept term - constant which would be equal to the mean if all slope coefficients are 0.
- ✓ **$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5,$ and $\beta_6,$** are the coefficients associated with each independent variable.
- ✓ **ϵ_i** is the error term (other factors) those may have its own impact on dependent variable,

3.8 Validity and Reliability

Validity and reliability are interconnected concepts. This can be demonstrated by the fact that a measurement cannot be valid unless it is reliable (Sullivan & Feldman, 2015). Internal consistency was assessed by using item-to-total correlation, split-half reliability, Kuder-Richardson coefficient and Cronbach's α (Roberta and Alison, 2015). In this test, validity was tasted through pilot taste and Reliability was assessed using Cronbach's α ; it is the most commonly used test to determine the internal consistency of an instrument. Based on Roberta and Alison the Cronbach's α result is a number between 0 and 1. An acceptable reliability score

is one that is 0.7 and higher. The validity and reliability of the instruments found in this research can confirm that these survey questionnaires can be used in their complete form in this city.

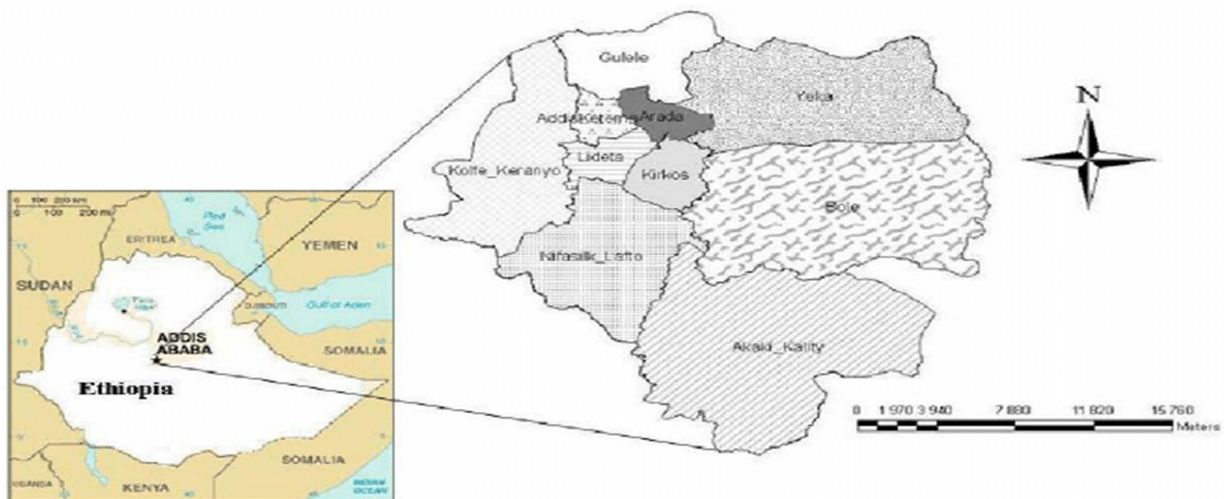
3.9 Ethical Considerations

Before the research was conducted, the researcher informed the participants of the study about the objectives of the study, and was consciously consider ethical issues in seeking permission, avoiding dishonesty, maintain confidentiality, respect the privacy, and protect the privacy of all respondents. A researcher was considered these points because the law of ethics on research condemn conduct a research without the consensus of the respondents for the above listed reasons.

3.10 The Study Area Profile

The study area covers Addis Ababa administration city was founded in 1887 by emperor Menilik II and Empress Taitu. Addis Ababa city was chosen as the residence of the emperor because of its thermal spring at a spot known as Filweha. In terms of climate, its average elevation is 2,500 meters above sea level, and has a fairly favorable climate and moderate weather conditions. Geographically, the city is located between 8°55' and 9°05' north latitude and between 38°40' and 38°50' east longitude, while its total area is 54,000 hectares. For political and administrative reasons, the city is made to be structured at three layers of government: city government at the top, 10 sub-cities administrations in the middle and 116 woreda level administrations at the bottom (AACMSEDA, 2011:42).

Figure 3.1: Map of the Study Area



Source:- Addis Abeba city government , 2018 (GTP Plan - 2) Document.,

CHAPTER FOUR

PRESENTATION AND DISCUSSIONS OF THE FINDINGS

4.1 Introduction

In this chapter, both descriptive and inferential data analysis and procedures are presented. The data analysis follows the phases discussed in chapter three (under research design and analysis methods). The first phase involves editing, coding and the tabulation of data. This assisted in identifying any inconsistencies (abnormalities) in the responses and the assignment of numerical values to the responses in order to continue with the analysis. The data was then checked for possible mistaken entries and corrections made appropriately. The data were entered by using SPSS version 20.

4.2 Response Rate

A total 277 questionnaires were returned out of A total of 299 questionnaires distributed to respondents which made the response rate 92.6 %. An acceptable figure to make the study rigorous and generalizable In this section of data analysis and interpretation, the first part presents and discusses descriptive statics results related with the demographic factors and the independent variables of the study and then followed by analysis of variance to examine in the variation on the performance MSEs in relation to the independents variables of the study.

4.3 Reliability Analysis

The reliability of an instrument refers to its ability to produce consistent and stable measurements. According to Cooper and Schindler (2003) reliability tests the stability, equivalence and internal consistency of an instrument. The reliability of an instrument refers to its ability to produce consistent and stable measurements.

The most common reliability coefficient is the Cronbach's alpha which estimates internal consistency by determining how all items on a test relate to all other items and to the total test - internal coherence or consistency of data. The reliability is expressed as a coefficient between 0 and 1.00. The higher the coefficient, the more reliable is the test. In this study to ensure the reliability of the instrument Cronbach's Alpha was used. Cronbach Alpha value is widely used to verify the reliability of the construct concept. Therefore, To test the reliability of the Likert scale used in this study, reliability analysis was done using Cronbach's Alpha as the measure.. (Note that a reliability co-efficient of $\alpha \geq 0.7$ was considered adequate or "acceptable" in most social science research.)

Table 4.1 Reliability Test

SUSTAINABILITY FACTORS	CRONBACH'S ALPHA
Management Factor (MGMTF)	0.749
Marketing Factor (MARF)	0.792
Political-Legal Factor (POLF)	0.700
Financial Factor (FINF)	0.704
Work Related Factor (WORF)	0.733
Business Development (BUDF)	0.731
Reliability Statistics Of Total Scale	0.744

Source: Survey Findings, SPSS 2019

The findings indicated that Management factor, Marketing factor, Political-legal factor, financial factor, Work related factor and Business Development had a cronbach alpha coefficient of 0.749, 0.792, 0.700, 0.704, 0.733 and 0.731 respectively. All constructs depicted that the value of Cronbach's Alpha are above the suggested value of 0.7 thus the study was reliable.

4.4 Results and Discussion

Prior to running inferential statistics (correlation and regression) to test the hypotheses, descriptive statistics analysis and interpretation of the sample enterprises' responses with regard to the demographic and the each main independent research variables of this study is performed.

4.4.1 Discussions about Demographic Factor

Gender, Age and Educational Qualification of the respondents

Information on the Gender, Age and Educational Qualification of the respondents is provided in

Table 4.2 Responses on the Gender, Age and Educational Qualification respondents

MEASURE	ITEM	FREQUENCY	VALID PERCENTAGE (%)
Gender	Male	85	30.69%
	Female	192	69.31%
	<i>Total</i>	<i>277</i>	<i>100%</i>
Age	< 20 age	5	1.81%
	21 – 30	81	29.24%
	31 – 40	154	55.6%
	41 – 50	35	12.63%
	>51	2	0.72%
	<i>Total</i>	<i>227</i>	<i>100%</i>
Level Of Education	Formal Education	2	0.72%
	Primary	87	31.41%
	High School	127	45.85%
	Diploma	32	11.55%
	Degree	27	9.75%
	MA/MSC	2	0.72%
	<i>Total</i>	<i>277</i>	<i>100%</i>

Source: Survey Findings, SPSS 2019

The information presented in Table 4.1 is statistically described as follows:-

➤ *Gender of the respondent's:-*

In this study thirty one (31%) of the participants was male, whereas 69% are female. This result reveals that there is an equal distribution of business owners/managers for both genders despite of that more women are highly engaged in the government organized SME's in Addis Abeba Administration city, Ethiopia.

➤ *Age of the Respondent's*

This information is crucial to assist the researcher to know whether the participants are youthful or elderly.

In these regard the major portion of the respondents 55.6% of respondents were was in the range of 31–40, while 29% of respondents were found in the range of 21–30 age unit or group, 12.63% of respondents were founded in the range of 41-50, 1.81% of respondents were the age

under age 20 and 0.72 % of respondents are over 50. This shows the majority of respondents are between ages of 31 and 40 years (55.60%) in which they are active work force ready to act where there is comfortable situation is prepared for them because of they are in adult age and have many responsibilities in the future also they are the age group expected to imitate and flexible according to the environment. Despite of that the major portion is young and Inexperienced with businesses startups based on trial and error. The SMEs tends to lose managers/owners at the age of 51 years or above. This can be adduced from the competitive nature of SMEs which needs vibrant, young and energetic managers who can easily change with hostile business environment.

According to Woldle, Leighton and Adesua (2008:6), the influence of the age of the owner/manager advocates the younger owner/manager because the younger owner/manager has the necessary motivation, energy and commitment to work and is more inclined to take risks, whereas the older owner/manager is likely to have reached his/her initial aspiration. Hence, younger owners/managers are more likely to sustain and grow their ventures than their older counterparts.

➤ ***Educational qualification of the respondent's;-***

According to the figure 4.3;- 45.85 % of the respondents are high school students , whereas 31.41 % of the respondents are primary students, 11.55 % of respondents have diploma, 9.75 % of respondents have degree and 0.72 % of respondents have master's degree and formal education each. The result displays that majority of small and medium enterprises employees , have lack of skilled man power. Education is very critical because it is a key to success. Therefore Educational background of the participants are widely believed to be a key source of innovative efforts because his/her attained education level is attributed to cognitive (intellectual) ability, capacity for information processing, tolerance for ambiguity and propensity or openness to innovation (Umidjon,2014:13).

This result also indicates that most participants are relatively reached high school level. Mostly, in Ethiopia participants of SMEs are individuals those who do not have job before joining the business and as this figure indicates the level of education of most participants is high school which implies students taking the National Examination of grade 10 and lost chance to join preparatory school are forced to seek the job. These groups do not have business course back grounds since Educational Curriculum Policy of Ethiopia starts business courses in preparatory. Even though educational qualification didn't aimed to be assesses in the study, it implies lack of business knowledge have impact on owners business.

4.4.2 Discussions about the Enterprises;-

Level (Status) and the Main Activity of the Enterprises:-

The information of the enterprises level and the main activities are summarized as follows;-

Table 4.3 Responses on status and activities of the enterprises

LEVELS OF ENTERPRISES	FREQUENCY	VALID PERCENTAGE (%)	CUMULATIVE PERCENTAGE (%)
Small	235	84.8%	84.8%
Medium	42	15.2%	100%
TOTAL	277	100	
Manufacturing	104	37.5%	37.5%
Construction	64	23.1%	60.6%
Trade	71	25.6%	86.3%
Service	38	13.7%	100%
Total	277	100%	

Source: Survey Findings, SPSS 2019

➤ *Levels of enterprises*

According to the figure 4.4;- 84.80 % of the respondents are involved or participate under small enterprises , whereas 15.20 % of the respondents are under medium enterprises,

These implies due to different factors like absence of market integration with successful enterprises, absence of flexible and cheap technology, the existence of high interest rate and tax and the existence of low skill to produce competitive product (standard product and service) in the market e.t.c has influence on the capital accumulation of the enterprises, therefore the rate of transforming from small to medium are very low.

This affects the sub cities and Addis Ababa administration city capacity and opportunity to minimize unemployed labor and revenue that collected from medium enterprises that are relatively high from small enterprises.

Also from the above Table 4.5 one can easily identify the type of the business that the enterprises engaging in. Majority of the enterprises 104 (37.5%) involved in manufacturing such as wood and metal work, cobble stone and tailor (modify based on the environment) , 71 (25.6%) were involved in trade such as Merchandise & retail business, baltena , supply of bread & enjera and butices, 64 (23.1%) were involved in construction such as stock breaks, blocks and paving bricks (concrete, flooring---) , And the remaining 38 (13.7%) were involved in

service business sector such as cafe and restaurant, tea- coffee, internet rent service, barber shops, mobile maintenance and photo copy service.

4.5. Descriptive Analysis

4.5.1. Descriptive Statistics Results and Discussion about The Main Variables

The discussion here is related to the descriptive statistics result of the six independent variables in relation to the sustainability of SME's operating in Addis Ababa administration city. The researcher asked different questions to the respondents regarding the factors affecting the sustainability of SMEs in Addis Ababa administration city, 10 sub cities. Their responses are organized in the following manner.

4.5.2. Results of Measures of Central Tendency and Dispersion by the Sample

Enterprises

There are many challenges SMEs face in their operations that hinder their sustainability. This part explains the descriptive statistics calculated on the basis of the factors that affect the sustainability. The results of measures of central tendency and dispersion were obtained from the sample respondents of manufacturing, construction, trade and services are shown in the following tables.

Table; - 4.4 Summarized Measures of Central Tendency and Dispersion Result between Sample Enterprises

S.N	<i>ENTERPRISES</i> →	Manufacturing		Construction		Trade		Services	
	FACTORS ↓	<i>MN</i>	<i>SD</i>	<i>MN</i>	<i>SD</i>	<i>MN</i>	<i>SD</i>	<i>MN</i>	<i>SD</i>
1	Management Factors	3.25	0.79	2.85	0.96	2.65	0.87	3.73	0.95
2	Working Place And Related Factors	4.02	0.90	4.14	0.97	3.48	0.78	3.52	0.96
3	Financial Factors	4.49	0.588	4.41	0.87	4.45	0.86	4.37	0.52
4	Marketing Factors	3.89	0.69	3.71	0.78	3.81	0.77	3.43	0.83
5	Business Development factors	3.6	0.74	3.64	0.66	3.73	0.79	3.83	0.70
6	Political -Legal Factors	3.35	0.79	3.19	1.02	3.55	1.04	2.83	1.01

Source: Survey Findings, SPSS 2019

➤ **Discussion about Central Tendency and Dispersion result of Management Factors;-**

The Management factors also considered as one variable that results variations on the sustainability of SMEs. As it is indicated in above table 4.7, the mean and standard deviation for the selected sample sectors (manufacturing, construction, Trade and Service) were calculated. According to the result, the mean for management factor on sustainability scores 3.25, 2.85, 2.65, 3.73 for manufacturing, construction, Trade and Service sectors respectively with standard deviation .79, .96, .87 and .95 for manufacturing, construction, Trade and Service sectors respectively. Employees 'response on this factor are agreed on the issues or the problems related to management factors.

The result of observation shows that most of the SMEs operators don't believe that management knowhow has statistical significant effect on their activities effectively and efficiently. They also mention the survival of successful business that managed by the people who have not adequate knowledge about the business know how and experience as an example.

➤ **Discussion about Central Tendency and Dispersion result of Working Place And Related Factors;-**

The table clearly shows mean scores and standard deviations of each sector concerning work related factors. According to the result, work related factor is main problem in construction sector hold mean score of 4.14 with standard deviation of .97 and followed by Manufacturing, service and trade, with mean score and standard deviation of 4.02 & 0.90, 3.52 & 0.96 and 3.48 & 0.78 respectively. Generally next to financial problem work related factor is highly affect sustainability of small and medium enterprises.

Besides, the result of observation shows that majority of SMEs operators in the study area does not have enough working premises. Because of this, the SMEs operators are not accomplish their business related activities effectively and efficiently And also The respondents of the five sectors are agreed that their Current working place is not convenient for their business activities and to attract the new customers that means, the working premises have no access to market. Due to that they can't increase their selling.

➤ **Discussion about Central Tendency and Dispersion result of Financial Factors;-**

Finance is the back bone of for any business enterprises regardless of their sizes whether large, medium and small. In order to run their business activities effectively and efficiently, any business enterprises should have adequate funds unless and otherwise it is difficult to operate their activities in a proper manners and sustain in the business

environments. As shown the above table 4.9, the mean score of 4.49, 4.41, 4.45, and 4.37 with standard deviation 0.588, 0.87, 0.86, 0.52 of the respondents in the table shows that those respondents engaged in manufacturing, construction, trade and Service have faced highest problem related to financial factor. The financial factors consists of Five items, from them Insufficient of source of finance , Shortage of working capital and High interest rate charged by banks and other lending institutions and High collateral requirement from banks and other lending institutions is the main problems that hinder the sustainability of SMEs. It shows

➤ **Discussion about Central Tendency and Dispersion result of Marketing Factors;-**

According to American Marketing Association (AMA) Marketing is planning and executing the conception, pricing, promotion, and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives.

Marketing factor is consisted of five items. From these factors Lack of awareness creation practice about the product /service, Insufficient knowledge on customer handling and relation system, Lack of available market information (price value of product or service in the market) and Lack of adaption for changing environment (Lack of product diversity and inability to modify existing products) are critical factors that affect the sustainability of SMEs engaged in all sectors.

The mean scores and standard deviations clearly show respondents agreement on the variables. That means, the mean scores and standard deviation of marketing factor for manufacturing, construction, trade and Service sectors are 3.89, 3.71, 3.81 and 3.43 and .69, .78, .77 and .83 respectively. As we seen from the mean and standard deviation values there were no high variation in manufacturing, construction, trade and Service mean scores.

➤ **Discussion about Central Tendency and Dispersion result of Business Development factors;-**

The Business Development is considered as one variable that results variations on the sustainability of SMEs. Business Development is very essential to perform the operation based on the scientific way and it also uses for the overall monitoring and evaluation of the enterprise activities effectively. Business Development Factors is consisted of four items, from those factors the absence of efficient preparation / the business was not started based on research and market analyses and Unable to participate concerned Group members in the planning practice/process, Lack of strategic business planning and Lack of

clear mission and vision has a critical effect on the sustainability of SMEs sustainability, these assured by the value of mean scores and standard deviations, and the result clearly shows that respondents agreement on the variables. That is, the mean scores and Standard deviation of Manufacturing, Construction, Trade and service are 3.6, 3.64, 3.73, 3.83 and 0.74, 0.66, 0.79, 0.70 respectively. They were agree with they have the problem Regarding Business Development and related issues.

This shows that SMEs have a problem with developing, Monitoring & evaluation and implementing Different short and long term plans based on the result of strategic business planning activities successfully.

➤ **Discussion about Central Tendency and Dispersion result of Political -Legal Factors;-**

As it can be seen in table the political -legal factors are factors that affect the sustainability of selected SMEs. This can be justified by the mean scores and Standard deviations of 3.35 & 0.79, 3.19 & 1.02, 3.55 & 1.04 and 2.83 & 1.01 for operators engaged in manufacturing, construction, Trade and service respectively.

Therefore the mean scores show that the respondents' of the four sectors are most of their responses are near to agreed. The results of the mean scores ranged between 2.83 and 3.35. This shows that majority of the respondents of the four sectors are disagreed that their business activities are not significantly influenced by political- legal factors.

The SMEs operators didn't get an information about government regulations that are relevant to their business (absence awareness creation regarding the rules and regulations that are newly developed) and they also poorly equipped to deal with the problems arising from regulations like price floor, tax, license and capital guarantee at the given study area this made them unsustainable in the Business.

4.6 Comparing Of Factors

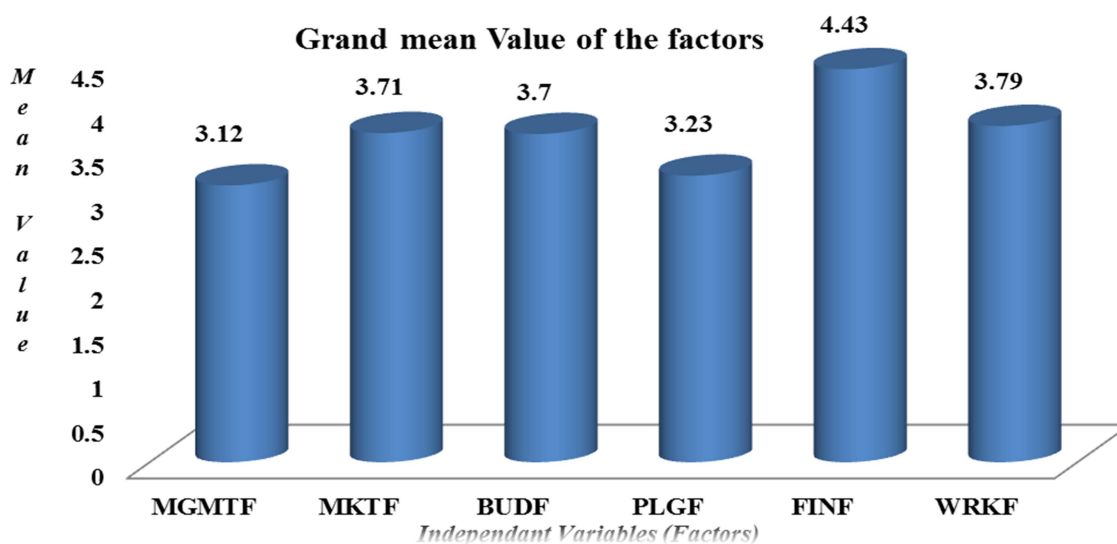
It is true, financial factor, Work related factor, marketing factor, Business Development factors , political-legal factors and management factors are factors that affect the sustainability of SMEs, and this does not mean that all factors are equally affect the sustainability of the business enterprises. The following table clearly compares the overall impact of all key factors discussed in detail above.

Table 4.5 Comparison of the major factors

S.N	DESCRIPTIVE STATISTICS			Rank of Factors
	Factors	Grand Mean	Grand Standard Deviation	
1	Management factor	3.12	0.877	6 th
2	Marketing factor	3.71	0.701	3 rd
3	Business Development factors	3.70	0.740	4 th
4	Political- legal factor	3.23	0.969	5 th
5	Financial factor	4.43	0.732	1 st
6	Work related factor	3.79	1.00	2 nd

Source: Survey Findings, SPSS 2019

Figure 4.3:- statistical representation of major factors Grand mean



Source: Survey Findings, SPSS 2019

As it can be compared the above factors, financial factors and Work related factors are the series factors that affect the sustainability of SMEs activities at a selected area of study, followed by marketing factor, Business Development factors, political – legal and management factors. As compared with the other factors, Insufficient of source of finance, shortage of working premises, poor customer handling(insufficient knowledge on customers handling) and absence of short and long term business plan for start-up and expansion purposes are the top most factors that affect the sustainability for government organized SMEs sustainability at Addis Ababa administration city.

4.7 Inferential Analysis

Precisely, this study needed to establish relationship between; the six factors affecting the sustainability of SMEs, as well the relationship of independent variables with the dependent variable (sustainability). The inferential statistics analyses aimed to reach conclusions are drawn and decisions are made from the results of research hypothesis.

4.7.1 Pearson's Product Moment Correlation Coefficient

In this section, Pearson's Product moment correlation Coefficient used to determine the relationship of financial factor, Work related factor, marketing factor, Business Development factors, political-legal and management factors with the sustainability of SMEs. According to Patton, (2002) , Duncan C. and Dennis H. (2004:38-41, correlation coefficient value is between -1 to +1. The value of -1 represents a perfect negative correlation while a value of +1 represents a perfect positive correlation. A value of 0 correlations represents no relationship. The results of correlation coefficient may be interpreted as follows.

Value of Correlation coefficient between Dependent and Independents Variable	Interpretation of the result	Direction of relation between Dependent and Independents Variable
-1.00 to - 0.8	Strong	Negative
- 0.8 to - 0.6	Substantial	
-0.6 to - 0.4	Medium	
-0.4 to - 0.2	Low	
-0.2 to 0.2	Very low	
0.2 to 0.4	Low	Positive
0.4 to 0.6	Medium	
0.6 to 0.8	Substantial	
0.8 to 1.00	Strong	

Source;- Duncan C. and Dennis H. (2004:38-41)

Table ; - 4.6 , The relationship between independents variables and Dependent Variables

		<i>SUSTAINABILITY</i>
Management Factors	Pearson Correlation	.993**
	Sig. (2-tailed)	.000
	N	277
Marketing factors	Pearson Correlation	.990**
	Sig. (2-tailed)	.000
	N	277
Business Development factors	Pearson Correlation	.982**
	Sig. (2-tailed)	.000
	N	277
Political & legal factors	Pearson Correlation	.990**
	Sig. (2-tailed)	.000
	N	277
Financial Factors	Pearson Correlation	.990**
	Sig. (2-tailed)	.000
	N	277
Working Place and related Factors	Pearson Correlation	.992**
	Sig. (2-tailed)	.000
	N	277

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

Source: Survey Findings, SPSS 2019

The table presented above clearly shows that, the relationship between the selected variables and sustainability of SMEs for a sample of 277 operators in Addis Abeba administration 10 sub cities. Findings from the correlations in table indicate the following results:

- There is a strong positive significant correlation between Management Factors and sustainability ($r=.993$, $p< .01$) which are statistically significant at 99% confidence level of SMEs operators which are engaged in manufacturing, construction, trade and services.
- There is a strong positive significant correlation between Working Place Factors and sustainability ($r=.992$, $p< .01$) which are statistically significant at 99% confidence level

of SMEs operators which are engaged in manufacturing, construction, trade and services.

- There is a strong positive significant correlation between Marketing factors and success ($r=.990$, $p< .01$), Financial Factors and sustainability ($r=.990$, $p< .01$) and Political - legal factors and sustainability ($r=.990$, $p< .01$) which are statistically significant at 99% confidence level of SMEs operators which are engaged in manufacturing, construction, trade and services.
- There is a strong positive significant correlation between Business Development factors and sustainability ($r=.982$, $p< .01$) which are statistically significant at 99% confidence level of SMEs operators which are engaged in manufacturing, construction, trade and services.

4.8 Regressions Analysis

Logistic regression is used to predict the presence or absence of a characteristic or outcome based on values of a set of predictor variables. It is similar to a linear regression model, but suited to models where the dependent variable is dichotomous (Bian, 2013). For the purposes of determining the extent to which the explanatory variables explain the variance in the explained variable, Logistic regression analysis was employed. The results of such analysis are narrated under.

Table 4.7 omnibus test and model summary

Omnibus test of model coefficient			
	Chi-square	Df	Sig.
Model	18.240	6	.006
Model summary			
	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
	180.042 ^a	.124	.256
a. Dependent variable: sustainability			
b. Predictors: (constant), MGMTF, MRKF, TECF, FINF, WORF, POLF			

(Source: Own Survey, SPSS 2019)

This is the table 4.7 that shows the output of Omnibus (compilation) test and model summary. Omnibus test of mode coefficient shows the result of X^2 test to determine whether sustainability has significant relationship with predictors.

Can write in the form of; X^2 (6, N=277) = 18.240, $P<0.006$.

As it shows in the above table this X^2 produce significance value of 0.006 (i.e., $P=0.006$), which is below 0.05 making our sustainability model significant.

Model summary part shows how much of the variation in sustainability is explained by the model. Cox & Snell and Nagelkerke R Square indicated that between 12.5% and 25.6% of the variation in sustainability is explained by MGMTF, MARF, BUDF, FINF, WORF and POLF.

A regression model was developed to test the developed hypotheses so as to determine the significance of the impact of various factors affecting the sustainability of SMEs. This model incorporated the Factors (independent variables) to predict the sustainability of SMEs. The dependent variable was the sustainability of the enterprises and the independent variables includes management, Marketing, Business Development, political-legal, finance and Working Place and related factors.

A regression is used to predict the value of certain variable based on the other variable. $Y = a + bx$ Where, x is independent variable Y is dependent variable “ a ” is constant “ b ” is coefficients of independent variable .

Table 4.8 coefficient Results obtained from regression analysis.

	Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	Variables	B	Std. Error	Beta		
Coefficients	Constant	-.414	.255		12.16	.298
	Management Factors(a1)	1.006	.010	.993	101.69	.000
	Marketing factors(a2)	.950	.012	.990	82.30	.000
	Business Development Factors(a3)	.950	.015	.982	61.79	.000
	Political – Legal Factors(a4)	1.034	.012	.990	84.12	.000
	Financial Factors(a5)	.998	.012	.990	82.72	.000
	Working Place & related Factors(a6)	.944	.010	.992	92.07	.000

Source: Survey Findings, SPSS 2019

The above Table 4.8 shows that, the result of the multiple regression of sustainability against its variables for the sample of 277 SMEs operators. The hypothesis which states that the business environments of Addis Ababa administration city SMEs activities was affected by different factors. These factors are management, Marketing, Business Development, political-legal, finance and Working Place and related factors; this can be tested at a 1 percent or (0.01) level of significance. Therefore, as above-mentioned independent factors at the aim of SMEs

development do play a significant role in determining the sustainability of SMEs activities at Addis Abeba administration city ten sub cities.

The above table 4.15 also presents the level of significance called the sig value (p- value). This is the coefficient that is used to test hypothesis and the significance of the independent variables and the level of significance for this study is 0.01.

The unstandardized coefficients B column, gives us the coefficients of the independent variables in the regression equation including all the predictor variables as indicated below.

Predicted sustainability score = $-.414 + 1.006$ (Management a1) + 0.950 (Marketing a2) + 0.950 (Business Development Factors (a3) + 1.034 (Political – Legal Factors (a4) + 0.998 (Financial a5) + 0.944 (Working Place and related a6).

Which indicate that Management contributes 1.006 units, Marketing accounts for 0.950 units, Business Development Factors generates 0.950 units, Political – Legal Factors contributes 0.1034 units, Financial accounts for 0.998 and Working Place and related issues are contributes 0.944 units of efficiency, the findings also indicate that if all the independent variables are held constant at zero, the sustainability firms recorded would be -0.414 (its sustainability decreased or affected by 0.414 unit) of small and medium enterprise sustainability of manufacturing , construction , trade and service firms each when the other independent factors are kept unchanged. The model results also indicate that there is a significance association between the variables and the sustainability of the enterprises in Addis Ababa administration city ten sub cities area.

The standardized beta coefficient column shows that, the contribution of an individual variable to the model or the dependent variable. As it can be compare them, the largest influence on the sustainability of SMEs is from the Management factor (0.993), Working Place Factors (0.992), Financial Factors, Marketing factors, political legal factors (0.990) and Business Development factors (0.982). Therefore, as we compared with the Predicted sustainability value of the variables, all the independent variables are the largest influence on the sustainability of SMEs at Addis Ababa administration city ten sub cities. A t test also states that the probability of those results happening by chance.

Table 4.9 Model summary about variation in sustainability can be explained by the independent variables;-

Model summary	R	R square	Adjusted R square	Std. Error of the Estimate	Sig.
	.995	.979	.979	.169	.000

Source: Survey Findings, SPSS 2019

The correlation between the observed value of sustainability and the calculated value of the independent variables (management, Marketing, Business Development, political-legal, finance and Working Place and related factors) is 0.995, as indicated by multiple R. Besides, given the R Square value of 0.979 and adjusted R square value of 0.979, it realized that 97.9 percent of the variation in sustainability can be explained by the independent variables. The remaining 2.1 percent of the variance is explained by other variables not included in this study.

4.8.1 Multicollinearity

According to (Pallant, 2007), there is no formal way in the logistic regression procedure of SPSS to test multicollinearity. But, she suggested that we can use the procedure of linear regression and focus only colinearity statistics which contain tolerance value and variance inflation factor (VIF). Tolerance values that are very low (less than 0.1) indicate that the variable has high correlation with other variables in the model (pallant, 2007).

The VIF measures how much the variance of an estimated regression coefficient increases if your predictors are correlated (Ringle et al., 2015). More variation is bad; we're looking for precise estimates. If the variance of the coefficients increases, our model isn't going to be as reliable. Some papers argue that a VIF less than 10 is acceptable (Hair et al., 1995), but others say that the limit value is 5 (Ringle et al., 2015).

As it can be seen in the table below; the result didn't violate any of the above assumptions. Tolerance value of all variables is very far from 0.1 and VIF is closer to 1, then the model is seems much stronger and the factors are not impacted by correlation with other factors.

Table 4.10 Colinearity Statistics

no	Factors	Colinearity statistics	
		Tolerance	VIF
1.	Management factor (MGMTF)	.723	1.384
2.	Marketing factor (MARF)	.608	1.646
3.	Business Development (BUDF)	.686	1.457
4.	Financial factor (FINF)	.636	1.571
5.	Work related factor (WORF)	.678	1.474
6.	Political-legal factor (POLF)	.719	1.390

(Source: Own Survey, SPSS 2019)

We can also test this assumption using correlation matrix table. When predictor variables are very highly correlated, we have to wonder whether they are not in fact measuring the same thing and would be better combined into one new variable (Muijs, 2010).

Table 4.11; - The correlation matrix between Independent Variables

SPEARMAN'S RHO		INTER ITEM CORRELATION MATRIX						SUSTAIN ABIL
		<i>MGMTF</i>	<i>MARF</i>	<i>POLF</i>	<i>FINF</i>	<i>WORF</i>	<i>BUDF</i>	
MGMT	Correlation coefficient	1.000	.479**	.231**	.319**	.384**	.173**	.993**
	Sig. (2tailed)	.	.000	.000	.000	.000	.004	.000
	N	277	277	277	277	277	277	277
MARF	Correlation coefficient	.479**	1.000	.358**	.423**	.486**	.315**	.990**
	Sig. (2tailed)	.000	.	.000	.000	.000	.000	.000
	N	277	277	277	277	277	277	277
POLF	Correlation coefficient	.231**	.358**	1.000	.420**	.428**	.417**	.990**
	Sig. (2tailed)	.000	.000	.	.000	.000	.000	.000
	N	277	277	277	277	277	277	277
FINF	Correlation coefficient	.319**	.423**	.420**	1.000	.386**	.492**	.990**
	Sig. (2tailed)	.000	.000	.000	.	.000	.000	.000
	N	277	277	277	277	277	277	277
WORF	Correlation coefficient	.384**	.486**	.428**	.386**	1.000	.263**	.992**
	Sig. (2tailed)	.000	.000	.000	.000	.	.000	.000
	N	277	277	277	277	277	277	277
BUDF	Correlation coefficient	.173**	.315**	.417**	.492**	.263**	1.000	.982**
	Sig. (2tailed)	.004	.000	.000	.000	.000	.	.000
	N	277	277	277	277	277	277	277

Source: Survey Findings, SPSS 2019

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

As we can see from above table there is no strong pair-wise correlation between Independent Variables. As a rule of thumb, Bryman and Cramer (1999,) stated that the independent variables that show a relationship at or in excess of 0.80 suspected of exhibiting multi co-linearity. In this study as shown in table 10, there is no relationship that equals or exceeds spearman correlation coefficients of 0.80. Finally the result observed form the table is generally indicates that the correlation coefficients for the relationships between independent variables are linear and positive ranging from substantial to minimum correlation coefficients.

Table 4.10 Hypothesis Summary

Hypothesis		Result
Ha1.	Management skills of the SMEs have statistically significant effect on their sustainability.	Accept
Ha2.	Marketing skills of SMEs has statistically significant effect on their sustainability.	Accept
Ha3.	Business Development skills of the SMEs have statistically significant effect on their sustainability.	Accept
Ha4.	Financial sources of the SMEs have statistically significant effect on their sustainability.	Accept
Ha5.	Work-related factor of the SMEs have statistically significant effect on their sustainability.	Accept
Ha6.	Political-legal factor of the SMEs has statistically significant effect on their sustainability.	Accept

Finally, the study sought to know the various ways through which the respondents idea to improve or minimized the problems of sustainability. Majority (65.6%) of the respondents ‘suggested Financial Factors as the greatest way of improving sustainability of enterprises while 19.5% work related factors. And the remaining 14.9% suggested improved skill and access to marketing, Business development, political & legal and management as a way.

CHAPTER FIVE

5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Summary

This study aimed at investigating the key problems which affect the sustainability of SMEs based on the questionnaires consisting of 277 randomly selected SMEs and unstructured interviews were conducted to the SMEs operators. The study covers enterprises from manufacturing, construction, trade and services, which are the most prioritized and targeted areas of the strategy of SMEs in Ethiopia particularly in Addis Ababa. The major objective that initiated this study is to assess the factors that are mostly affecting the sustainability of SMEs at Addis Ababa in ten sub cities.

In the descriptive part of the analysis, this research examined the trend of number of members and it founds that the current number of members is decreased from the starting time in all types of the enterprises. This research shows that Majority of the enterprises 104 (37.5%) involved in manufacturing such as wood and metal work, cobble stone , production of leather product and tailor (modify based on the environment) , 71 (25.6%) were involved in trade such as Merchandise & retail business, baltena , supply of bread & enjera and butices, 64 (23.1%) were involved in construction such as stock breaks, blocks and paving bricks (concrete, flooring---) , And the remaining 38 (13.7%) were involved in service business sector such as cafe and restaurant, tea- coffee, internet rent service, barber shops, mobile maintenance and photo copy service.

The most important sources of finance to start up SMEs are microfinance institutions 79 (56.4 %), own personal saving 45(32.1%), families 7 (5 %), banks 5 (3.6 %), NGOs 4 (2.9 %). Therefore, majority of SMEs operators in the study area uses Micro Financial Institution (MFIs) as a source of finance. The other formal financial institutions have not been able to meet the credit needs of the SMEs. The reason for emphasizing on stated source of finance sector is that the requirement of collateral/guarantor is relatively rare as compared with sectors like banks. Since such sources usually take place among parties with intimate/friendly knowledge and trust of each other. But the supply of credit from those institutions is often so limited to meet the credit needs of SMEs with high interest rate.

The finding of this research shows that, most of the SMEs operators have no efficient management knowhow or skill and experience to perform their activities effectively and efficiently. These lead to them unsuccessful because they run their business activities without

having adequate knowledge about the business environment. Lack of managerial know-how and skills and absence of harmonious relationship among employees places significant constraints on SMEs development and expansion. Even though SMEs have a tendency to attract motivated managers, they can hardly compete) with larger firms due to they face a challenge to pay more. The scarcity of management talent and skill is predominant in most countries in the region has a magnified impact on SMEs. The shortage of support services or their relatively higher unit cost hamper SMEs efforts to improve their management because consulting firms often are not equipped with appropriate cost effective management solutions or alternative way for SMEs. Furthermore, absence of information and/or time to take advantage of existing services results in weak demand for them.

The most basic factors which affect the sustainability of SMEs are financial factor which includes insufficient source of finance, existence of high interest rate, shortage of working capital, unavailability of book keeping and insufficient availability of raw material influence on the product and productivity of the enterprises.

Regarding Business Development, most of SMEs operators had no prepared sufficient Business Development tasks, before they inter to the operational activity in the given study area, specially insufficient and interrupted preparation of Business plan.

These lead them, unable to create long-term value for an organization from customers, markets, and relationships. Inadequate Business Development preparation problem is not only the problem of the study area problem it is a country wide problem, therefore this problem is not solved by the SMEs operators rather than by the government of the country and other concerned group.

The result of the finding shows that majority of SMEs operators in the study area does not have enough working premises. Because of this, the SMEs operators are not perform their business related activities effectively and efficiently. And also, the location of the working premises is not suitable for attracting the new customers that means, the working premises have no access to market.

Regarding political-legal factors, majority of SMEs operators activities are affected by political – legal problem such as Bureaucracy (in the case of authorizing), Tax policy (tax rates and incentives), Intellectual property law (Copyright, patents) Competition regulation, Laws that regulate environment pollution and other related problems. In addition to that The SMEs operators are poorly equipped to deal with the problems arising from regulations at the given study area this influence them to out from business due to that

The other external problem is, there were market linkage and other related problem with the external parties such as vendor, suppliers and customers. Because of there were a problem of marketing linkage through external parties, most of the time the SMEs operators are kept their products in the store. It is true, Management, marketing, Business Development, political – legal factors, Finance and working place & related are factors that affect the sustainability of SMEs, and this does not mean that all factors are equally affect the sustainability of the business enterprises. As compared with the other factors, shortage of finances, shortage of Work related (premises) and Absence of marketing linkage factors for start-up and expansion purposes are the top most factors that affect the sustainability of SMEs activities at Addis Abeba Administration city ten sub cities.

Pearson's Product moment correlation Coefficient was also used to determine the relationship between factors related to finance, Business Development, marketing, management, working place and political-legal factors with the sustainability of SMEs. The results Findings from the correlations in table indicate the following:

- There is a strong positive significant correlation between Management Factors and sustainability ($r=.993$, $p< .01$) which are statistically significant at 99% confidence level of SMEs operators which are engaged in manufacturing, construction, trade and services.
- There is a strong positive significant correlation between Working Place & related Factors and sustainability ($r=.992$, $p< .01$) which are statistically significant at 99% confidence level of SMEs operators which are engaged in manufacturing, construction, trade and services.
- There is a strong positive significant correlation between Marketing factors and success ($r=.990$, $p< .01$), Financial Factors and sustainability ($r=.990$, $p< .01$) and Political - legal factors and sustainability ($r=.990$, $p< .01$) which are statistically significant at 99% confidence level of SMEs operators which are engaged in manufacturing, construction, trade and services.
- There is a strong positive significant correlation between Business Development factors and sustainability ($r=.982$, $p< .01$) which are statistically significant at 99% confidence level of SMEs operators which are engaged in manufacturing, construction, trade and services.

The multiple regressions in this research tested the determinants of enterprises' sustainability by including a wide variety of factors that might affect business sustainability. Therefore, the

largest influence on the sustainability of SMEs at Addis Abeba administration city ten sub cities is from the Management and Experience factor (.993), Working Place Factors (.992), Financial Factors, Marketing factors, External Environmental factor (.990) and political-legal factors (.982).

5.2. Conclusions

Six independent variables were taken in this study to examine their impact on the sustainability of small and medium enterprises.

Regarding sex of the SMEs operators which are engaging in different sectors, majority of the SMEs operators are female. The result of the finding shows that, majority of the SMEs operators of the business are laying their age in between 26 up to 40, therefore majority of the operator of the business enterprises are Young, who have full of enthusiasm and dynamism and the ability to create "boundless."

The major type of business operating at the given study area by the SMEs operators are manufacturing type of business activity as compared with the other types of business activities and the major sources of finance or funds for most of SMEs operators are by borrowing money from microfinance institutions followed by own personal saving, families, banks, NGOs. The result of the finding shows that majority of SMEs operators in the study area Micro financial institutions; the reason for emphasizing on MFI and other sources is that the requirement of collateral/guaranty is relatively rare as compared with formal sectors like banks.

The most basic factors which affect the sustainability of SMEs are financial factor which includes insufficient source of finance, high interest rate charged by banks and other lending institutions, shortage of working capital, unavailability of book keeping, high collateral requirement from banks and other lending institutions, shortage of working capital, and too complicated loan application procedures of banks and other lending institutions and insufficient availability of raw material. The workings premises and related factors include absence of own premises and inadequate working premises, And the marketing factors include Lack of skill to set competitive price, inability to promote the products, Lack of efficient distribution channel and networking, Poor customer handling and relationship and Lack of product diversity and inability to modify existing products are factors which affect the sustainability of SMEs for all sectors.

The statistical result indicates that, there is a strong positive significant correlation between Management Factor, Working & related Factor, Marketing factor, financial factor, Political - legal factor, Business Development factor and sustainability of SMEs.

In this study, the existence of Favorable (a relative encouraging) business environment has a positive significant contribution to the sustainability of SMEs. Enterprises in unfavorable environment are facing challenges and they are not able to sustain in the business.

5.3. Recommendation's

Based on the findings of this study, the researcher forwarded the following important suggestion/recommendations to operators of SMEs, to government bodies and for other researchers.

- ✓ In relation to management factor, an enterprise operate by individuals with management skill, ability and previous industry experience are existed on better condition from different perspective as compared with those SMEs operators who have no previous management skill , ability and industry experience. Therefore, Addis Ababa small and medium scale enterprise agency with other government bodies are better to work on preparing training programs on management issues and creating experience sharing opportunities especially to those enter into the sector without any previous business background.
- ✓ In relation to marketing skills, such as setting competitive price for their products, creating good interpersonal relationship with customers and the way of promoting their outputs to the customers in an effective manner, the SMEs operators are better to enhance their marketing skills through proper training and experience sharing with other successful SMEs, medium and large scale enterprises. In addition to this, the government bodies such as Addis Ababa small and medium scale enterprise agency and the other stockholders are better to assist them by searching market for their products which is produced by the SMEs operators, by doing this, they are try to save them from losses. Lack of available market information and lack of creating awareness about the product is also major marketing constraint; therefore the culture of participating in exhibition and bazaar must also give take off since it benefits the economy as a whole and SMEs operators in particular. And also there is a great lack of information on the changing environment market information if, small and medium enterprises have to be sustainable there has to be available information as fast as possible.
- ✓ In relation to Business Development, to overcome the problems happened in stage of establishing, starting and expanding the SMEs it is needed primarily to conduct sufficient Business and market analysis, which includes properly scan the business environment so as to identify the opportunities and threats there in, and develop the various techniques that will help them to adapt to the changing environments as they emerge. This can identify and

prioritize the type of SME business, to pin point the sources of inputs, to identify the working place and other premises, to establish and to start the type of business. Moreover, it is required to train and council the SMEs in developing saving culture and to generating initial capital by themselves.

- ✓ In relation to Finance, Many SMEs hope that government would help seriously reduce and prevent their problems. The Ethiopia government needs to focus urgent attention to addressing the strict financial conditions impeding the survival of the SMEs sector such as reducing interest rates, resolving multiple tax issues and through easy loan application from formal financial institutions. The Access to information about regulations should be made available to SMEs at minimum cost. Research by (Harper, 2004) observes that governments that are not concerned with the promotion of small enterprises should examine the impact of its policies and programs on the SMEs.(it gives high attention for medium and large enterprises for the purpose of growing them into industry first))
- ✓ The major sources of finance or funds for most of SMEs operators at the study area are by borrowing money from microfinance institutions. The reason for emphasizing on informal sector is that the requirement of collateral/guaranty is relatively rare as compared with formal sectors like banks but the informal sectors like MFIs are unable to provide/supply enough credit to them as they want. Therefore, Addis Ababa small and medium scale enterprise agency in cooperation with other government bodies have to develop comfortable source of finance for SMEs by organizing and supporting the capital capacity of MFIs (in the revolving form) and other source of finance. This can be done by communicating with the banks and other credit institutions to minimize their requirements to provide fund. By doing so, the MSEs can get enough access to finance for their business activities. Government should adjust fund that could use for SMEs credit purpose only.
- ✓ In relation to working premises, at the study area the SMEs operators are faces not have enough working premises and also, the location of the working premises is not suitable for attracting the new customers. Because of this, the SMEs operators are not perform their business related activities effectively and efficiently that means, the working premises have no access to market, therefore, Addis Ababa small and medium scale enterprise agency in cooperation with other government bodies such as Addis abeba city municipality and other responsible government bodies are better to prepare and provide enough working space that is suitable for attracting customers for their output.

Despite of that there are also infrastructural facility problems like power interruption, inadequate supply of water and transportation problems. Therefore, Addis Abeba city administration Small and Medium Enterprises Agency and Addis Abeba city administration Municipality need to give attention to minimize the problem related with work place and related problems to improve the success and performance of SMEs.

- ✓ Regarding the political-legal factor the tax system needs proper attention as many SMEs have complaints over the existing subjective method of tax assessment and taxed amount which is based on subjective estimation and beyond the ability to bear as most of them do not have audited financial statements (conventional financial record keeping). Therefore, Addis Abeba city administration Small and Medium Enterprises Agency and Addis Abeba revenues and custom Authority need to give attention to minimize the problem related with double tax problems to improve the success and performance of SMEs.

5.4 Limitation of the Study

The major constraints faced by the researcher while conducting this study were: First lack of formal and documented data on closed/ failed enterprises. In addition to difficulty during data collections & lack of up-to-dated information from MOTI, the findings of this study can't necessarily represent for other private SMEs & similar to these businesses in the country, because the sample is not a representation of the entire SMEs in the country.

5.5 Suggestions for Further Studies

The study identified three areas, as outlined below, that could be addressed by further studies to enable complete understanding and broadening of knowledge of the factors influencing the sustainability of small and medium enterprises in the other region cities and other urban areas of Ethiopia cities. These further studies could provide additional information for interventions to enhance the survival, success, profitability etc

- Further studies are required to include more respondents (e.g., private enterprises), using longitudinal research design in order to make these results general and applicable for all small and medium-sized enterprises in Addis Ababa, Ethiopia.
- A comparative research study between Addis Ababa and other regional cities which have SMEs that are performing satisfactorily,
- Further studies can be carried on Government strategy and policies concerned on resource provision and promotion of small enterprises, should examine the impact of its

policies and programs on the SMEs.(it doesn't give an equal chance to large and SMEs)
(it gives high attention for successful medium and large enterprises for the purpose of growing them into industry first)

- Other influential business environments factors specially in relation to technology; because technology is very vital for the purpose of producing their products in a best quality and also help to generate a new idea for the purpose of producing a new products with a new design and style.

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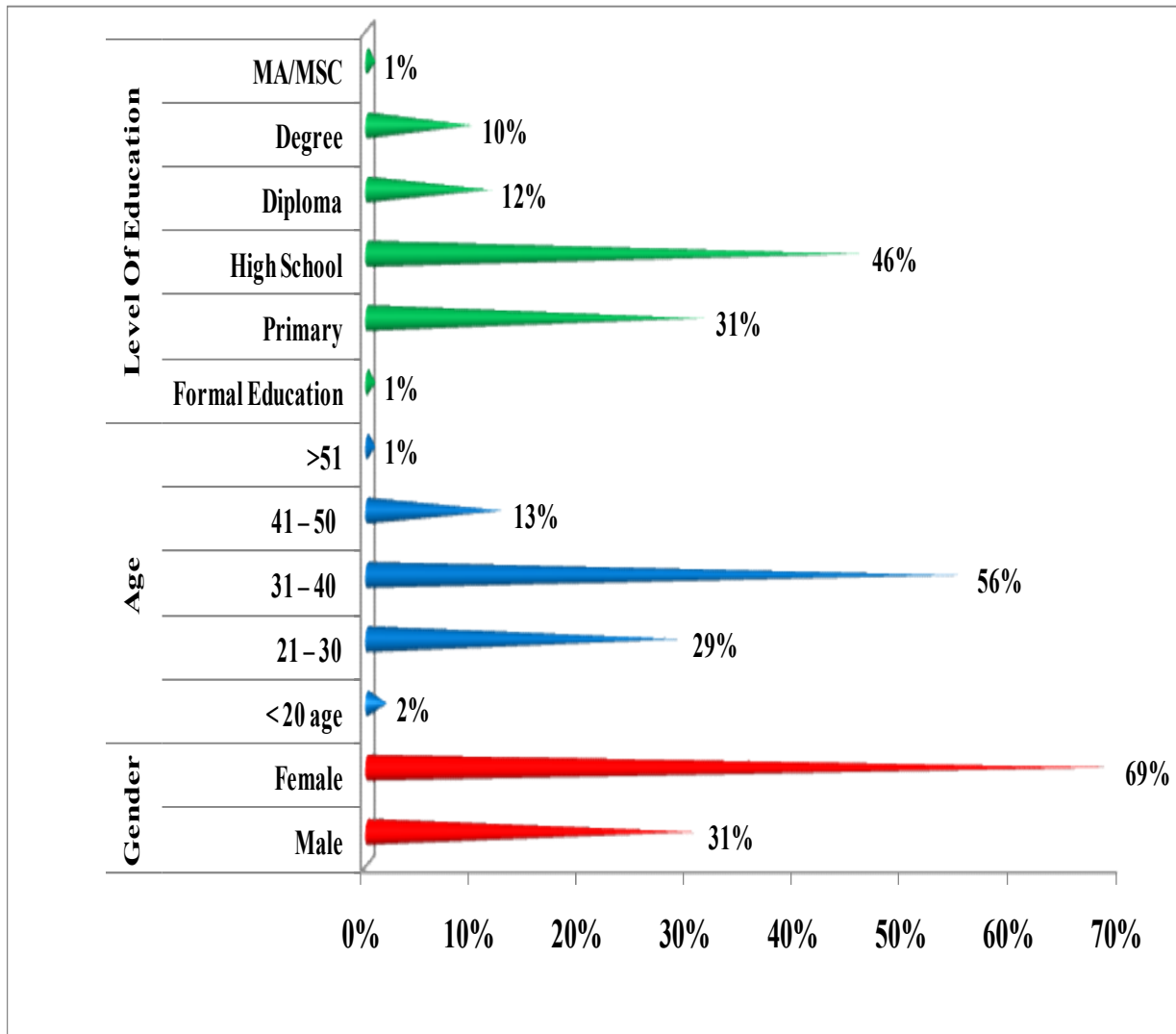
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Appendix -1

The information presented in Table 4.1 is statistically described as follows:-

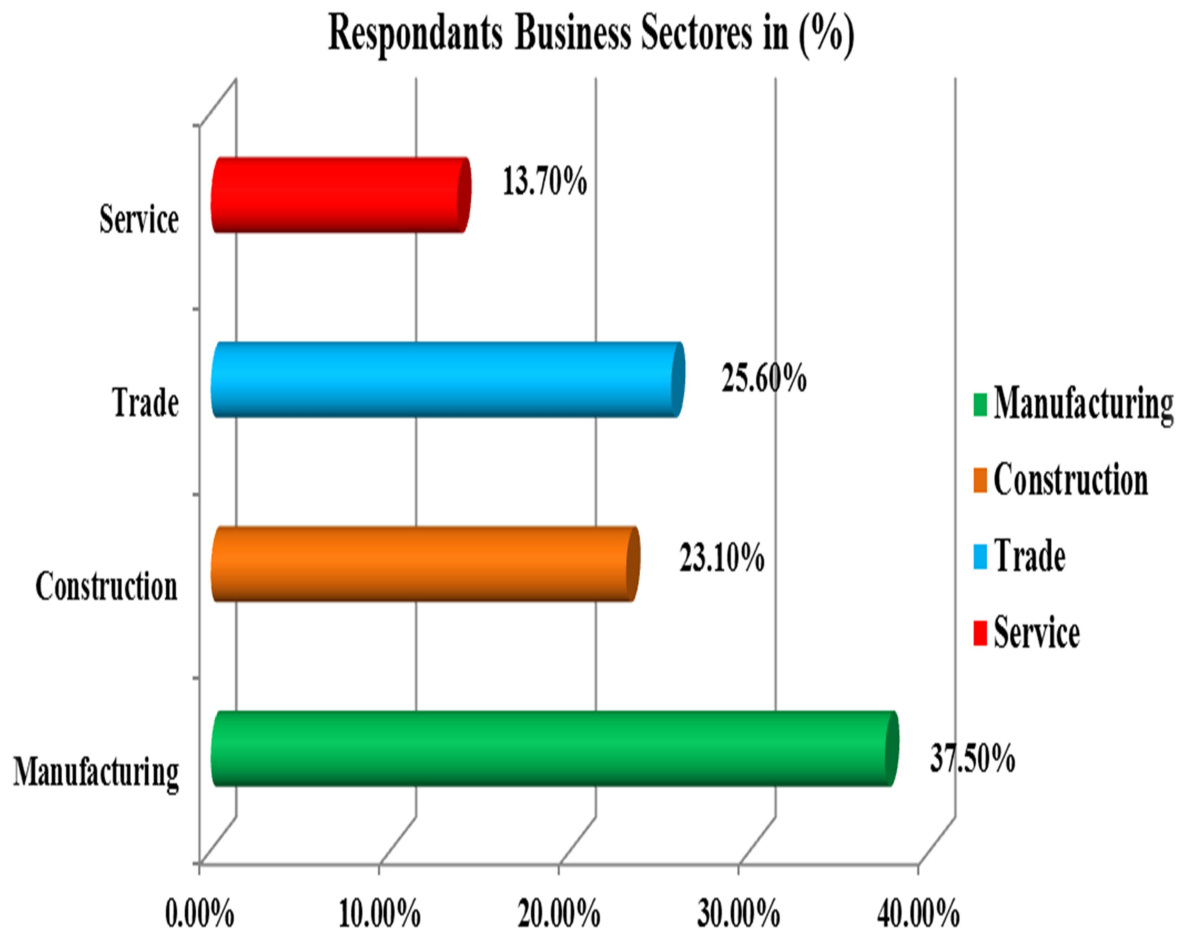
Figure 4.1 Statistical Analyses of Gender, Age and Educational Status of Respondents

Frequency of Gender , Age and Educational status



SOURCE;- field survey , 2019

Figure 4.2:- The information regarding the main activity (Products manufactured or service delivered) of the respondent's statistically representations.



Source: Survey Findings, SPSS 2019

QUESTIONNAIRE
ST MER'Y UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS DEPARTMENT OF
MANAGEMENT MBA PROGRAM

SECTION 1: INTRODUCTION

Dear respondent,

I am a graduate student in the department of management, St Mary's University. Currently, I Am Undertaking A Research Entitled “*Factors Affecting Sustainability of Small and Medium-Scale Enterprises.*”. You Are One Of The Respondents Selected To Participate On This Study. Please Assist Me In Giving Correct And Complete Information To Present A Representative Finding On The Current Status Of The Factors Affecting Sustainability of Small and Medium-Scale Enterprises In Cities Of Addis Ababa. Your Participation Is Entirely Voluntary And The Questionnaire Is Completely Anonymous.

Finally, I Confirm You That The Information That You Share Me Will Be Kept Confidential And Only Used For The Academic Purpose. No Individual's Responses Will Be Identified As Such and the Identity of Persons Responding Will Not Be Published or Released to Anyone. All Information Will Be Used For Academic Purposes Only. Thank You In Advance For Your Kind Cooperation And Dedicating Your Time.

Sincerely, Teklemariam Yemanekerstos

Instruction

- No need of writing your name.
- For multiple choice questions indicate (√) sign in the appropriate block.
- For likert scale type statements mark (√) sign only once for the given variables

depending on your level of agreement.

SECTION 2: GENERAL INFORMATION ON THE BUSINESS ENTERPRISES AND PARTICIPANTS

1. Gender A. Female B. Male
2. Age A. <20 B. 21-30 C. 31-40 D. 41-50 E. > 50
3. Educational qualification A. No formal education B. Primary C. High School D. Diploma E. Degree F. MA/MSc G. PhD
4. Level of your enterprise is: - A. Small B. Medium

5. Main activity of the enterprise? A. Manufacturing B. Construction
 C. Trade D. Agriculture E. service F. Mining and quarrying
 G. others

6. Current Status of the enterprise? A. existing B. closed

SECTION 3:- FACTORS AFFECTING SUSTAINABILITY OF SMALL AND MEDIUM ENTERPRISE

Questioners developed for independent variable (factors)

1. Please indicate your opinion regarding following statements (1.Strongly disagree (SD), 2.disAgree (D), 3.Neutral (N), 4. agree (A), 5. Strongly agree (SA))

S.No	Management and Experience factor	1	2	3	4	5
1.1	Shortage of Experienced Managers					
1.2	Nonexistence of harmonious relationship among employees/team work					
1.3	Poor management skill on work and resources administration					
1.4	selection of business partner and the practice was not intentional					
1.5	Lack of clear division of duties and responsibilities among employees or members					

2. Please indicate your opinion regarding following statements (1.Strongly disagree (SD), 2.disAgree (D), 3.Neutral (N), 4. agree (A), 5. Strongly agree (SA))

s.no	Work Related Factor	1	2	3	4	5
2.1	Absence of own premises and inadequate working premises					
2.2	Absence of cooperation within the employees/the existence dis comfortable work environment					
2.3	Lack of employees motivation to do jobs by their Own /lack of belongingness					
2.4	Absence of sharing the feedback on strength and weakness part (with in employees and concerned one who manage them)					
2.5	Lack of tolerance to work hard / tolerance					
2.6	Inflation of materials / supplies from suppliers					
2.7	Unable to get the working (workshop) and selling places/ shades					

3. Please indicate your opinion regarding following statements (1.Strongly disagree (SD), 2.disAgree (D), 3.Neutral (N), 4. agree (A), 5. Strongly agree (SA))

s.no	Financial factor	1	2	3	4	5
3.1	Insufficient of source of finance					
3.2	Book keeping not available					
3.3	High interest rate charged by banks and other lending institutions					
3.4	Shortage of working capital					
3.5	Insufficient availability of raw material					
3.6	The existence of high collateral requirement from banks and other lending institutions					
3.7	The Presence of complicated loan application procedures of banks and other lending institutions					

4. Please indicate your opinion regarding following statements (1.Strongly disagree (SD), 2.disAgree (D), 3.Neutral (N), 4. agree (A), 5. Strongly agree (SA))

S.No	Marketing factor	1	2	3	4	5
4.1	Lack of skill to set competitive price					
4.2	Insufficient knowledge on customer handling system					
4.3	Lack of available market information (price value of product or service in the market)					
4.4	Lack of awareness creation practice about the product					
4.5	Lack of inter connection with successful business (to increase sale by taking them as an agent)					
4.6	Lack of product diversity and inability to modify existing products					

5. Please indicate your opinion regarding following statements (1.Strongly disagree (SD), 2.disAgree (D), 3.Neutral (N), 4. agree (A), 5. Strongly agree (SA))

S.No	Business Development Factor	1	2	3	4	5
5.1	The business was not started based on research and market analyses					
5.2	Unable to participate concerned Group and members in the planning practice/process					
5.3	Absence of strategic business planning					
5.4	Lack of clear mission and vision					

6. Please indicate your opinion regarding following statements (1.Strongly disagree (SD), 2.disAgree (D), 3.Neutral (N), 4. agree (A), 5. Strongly agree (SA))

s.no	Political –legal factor	1	2	3	4	5
6.1	Lack of government support (taxation, licensing)					
6.2	The Tax levied on my business is not reasonable					
6.3	Political intervention (poorly equipped to deal with the problems arising from regulations like setting of price floor and asking capital guarantee (collateral))					
6.4	insufficient information on government regulations that are relevant to my business (absence awareness creation regarding the rules and regulations that are newly developed)					

7. What is your financial source for your operations at starting and expansion phase ?-----

Questioner for Dependent variable sustainability

Please rate the following according to the level of each effect on your enterprises sustainability.

8. Please indicate your opinion regarding following statements (1.Strongly disagree (SD), 2.disAgree (D), 3.Neutral (N), 4. agree (A), 5. Strongly agree (SA))

➤ The Business Enterprises are sustainable in the operation (market) when

S.No	Business Enterprises are sustainable in the operation when :-	1	2	3	4	5
8.1	The revenue is increased (increment of profit)					
8.2	The market share increased (an increase sale Volume)					

ቅድስት ማርያም ዩኒቨርሲቲ
የቢዝነስና ኢኮኖሚክስ የትምህርት ክፍል
የቢዝነስ አስተዳደር ድህረ ምረቃ ፕሮግራም

ክፍል 1: መግቢያ

ውድ የጥናቱ ተሳታፊዎች፡-

ይህ መጠይቅ የተዘጋጀው በቅድስት ማርያም ዩኒቨርሲቲ የስራ አመራር ድህረ ምረቃ ት/ቤት ለመመረቂያ ጽሁፍ መስሪያ እንዲሆን ታስቦ ነው። የዚህ መጠይቅ ዋና አላማ በአነስተኛና መካከለኛ ኢንተርፕራይዞች ቀጣይነት ላይ ተጽእኖ የሚያሳድሩ ውስጣዊና ውጫዊ ጉዳዮች ላይ መረጃ ማሰባሰብ ሲሆን፣ በዚህ መጠይቅ ላይ የሚሰጡት ሀሳቦች ሚስጥራዊነቱ የተጠበቀና ለትምህርት አላማ ብቻ የሚውል መሆኑን በቅድሚያ ለማስታወቅ እወላለሁ። በመሆኑም የእርስዎ ግልጽና እውነተኛ የሆነ ምላሽ ለመመረቂያ ጽሁፌ በጣም አስፈላጊ በመሆኑ ከዚህ በመቀጠል ያሉትን ጥያቄዎችን በጥንቃቄ እንዲሞሉ ስል በትህትና እጠይቃለሁ።

ከ ትህትና ጋር
ተክለማርያም የማክክርስቶስ

መመሪያዎች

- በዚህ መጠይቅ ላይ ስም መጻፍ አስፈላጊ አይደለም።
- ለምርጫ ጥያቄዎች ከምርጫው አጠገብ ባለት ክፍት ቦታዎች ይህን ምልክት(✓) ያስቀምጡ
- በተሰጡት አማራጮች ውስጥ ምልክቱን (✓) አንዱ ቦታ ብቻ ያስቀምጡ

ክፍል 2 : ስለ ቢዝነስ ኢንተርፕራይዙ እና ስለ ስራው ተሳታፊዎች ሁኔታ አጠቃላይ መረጃ

1. ጾታ ሀ. ሴት ለ. ወንድ
2. እድሜ ሀ. <20 ለ. 21 - 30 ሐ. 31 - 40 መ. 41 - 50 ሠ. > 50
3. የትምህርት ደረጃ ሀ. መደበኛ ት/ት ያላገኘ/ች ለ. የመጀመሪያ ደረጃ ሐ. ሁለተኛ ደረጃ መ. ዲፕሎማ ሠ. ዲግሪ ረ. ማስተርስ ሰ. ዶክትሬት
4. የተሰማሩበት የስራ መስክ ደረጃ :- ሀ. አነስተኛ ለ. መካከለኛ
5. የተሰማሩበት የስራ መስክ ? ሀ. አምራች ዘርፍ ለ. ግንባታ/ኮንስትራክሽን ሐ. ንግድ መ. አገልግሎት
6. ኢንተርፕራይዙ አሁን ያለበት ሁኔታ ሀ. በስራ ላይ ያለ ለ. የተቋረጠ

ክፍል 3: በአነስተኛ እና መካከለኛ ኢንተርፕራይዞች ላይ ተጽእኖ የሚያሳድሩ ነገሮች

በኢንተርፕራይዞችን ዘላቂነት እና ቆይታ ላይ ተጽእኖ የሚያሳድሩ መንስኤዎችን መሰረት በማድረግ መረጃ ለማሰባሰብ የተዘጋጀ መጠይቅ፤-

1. ለእያንዳንዱ ጥያቄ ከአማራጮቹ አንዱን ብቻ ምልክት (✓) በማድረግ ምላሽ ይስጡ።

የስያሜ ቁጥሮች ትርጉምም፤- 1. በጣም አልስማማም 2. አልስማማም 3. ለመወሰን

እቸገራህው 4. እስማማለው 5. በጣም እስማማለው

ተ.ቁ	ክስራ አመራር ክህሎት ጋር ተዛማጅ ችግሮች	1	2	3	4	5
1.1	የቢዝነስ እቅድ አለመኖር					
1.2	በሰራተኞች መካከል መልካም የስራ ግንኙነት አለመኖር(የቡድን መንፈስ አናሳ መሆን)					
1.3	የስራ አመራር እና የሃብት አስተዳደር ብቃት አነስተኛ መሆን)					
1.4	በዘፈቀደ የተደረገ የንግድ ሽርክና(ከወኪሎች እና ከ አከፋፋዮች ጋር)					
1.5	ግልጽ ያልሆነ በሰራተኞች መካከል የተደረገ የስራ ክፍፍል መኖር					

2. ለእያንዳንዱ ጥያቄ ከአማራጮቹ አንዱን ብቻ ምልክት (✓) በማድረግ ምላሽ ይስጡ።

የስያሜ ቁጥሮች ትርጉምም፤- 1. በጣም አልስማማም 2. አልስማማም 3. ለመወሰን

እቸገራህው 4. እስማማለው 5. በጣም እስማማለው

ተ.ቁ	ክስራው ጋር ተዛማጅ የሆኑ ችግሮች	1	2	3	4	5
2.1	የራስ የሆነ የሥራ ቦታ አለመኖር					
2.2	በሰራተኞች መካከል ያለው ተባብሮ የመስራ ሳህል አጥጋቢ አለመሆን					
2.3	አነስተኛ የሆነ የስራ ተነሳሽነት (ስራን በራስ ተነሳሽነት ያለመፈጸም)					
2.4	በሰራተኞች እና በሚመለከታቸው ሃላፊዎች መካከል ጠንካራ እና ደካማ ጎን መገምገምና ማመላከት ያለመቻል					
2.5	ከባባድ የሆኑ ስራዎችን ተቋቁሞ መስራት ያለመቻል					
2.6	የጥሬ እቃዎች ዋጋ መናር(ግሽበት)					
2.7	ምቹ የሆነ የመስሪያና መሸጫ ቦታ አለማግኘት					

3. ለእያንዳንዱ ጥያቄ ከአማራጮቹ አንዱን ብቻ ምልክት (✓) በማድረግ ምላሽ ይስጡ።
 የስያሜ ቁጥሮች ትርጉምም፡- 1. በጣም አልስማማም 2. አልስማማም 3. ለመወሰን
 እቸገራህው 4. እስማማለው 5. በጣም እስማማለው

ተ.ቁ	ከገንዘብ ጋር የተያያዙ ችግሮች	1	2	3	4	5
3.1	በቂ የሆነ የገንዘብ ምንጭ አለማግኘት					
3.2	የሂሳብ መዝገብ አያያዝ አለመኖር					
3.3	ከፍተኛ ሆነ የብድር ወለድ መጠየቅ					
3.4	የመስሪያ ገንዘብ የሚሆን ካፒታል እጥረት					
3.5	ለስራው የሚሆኑ የጥሬ እቃዎች እጥረት					
3.6	ለብድር ማስያዣነት ከፍተኛ የሆነ ዋስትና መጠየቅ					
3.7	ብድር ከመጠየቅ ጀምሮ እስኪጠናቀቅ ያለው አላስፈላጊ የሆነ አሰራር በስፋት መኖር					

4. ለእያንዳንዱ ጥያቄ ከአማራጮቹ አንዱን ብቻ ምልክት (✓) በማድረግ ምላሽ ይስጡ።
 የስያሜ ቁጥሮች ትርጉምም፡- 1. በጣም አልስማማም 2. አልስማማም 3. ለመወሰን
 እቸገራህው 4. እስማማለው 5. በጣም እስማማለው

ተ.ቁ	ከግብይት ጋር ተዛማጅ ችግሮች	1	2	3	4	5
4.1	በገበያ ውስጥ ተወዳዳሪ የሆነ የምርት እና የአገልግሎት ዋጋ ማስቀመጥ አለመቻል					
4.2	የደንበኞች አያያዝ ችግር መኖር(የእውቀት እና የክህሎት ችግር)					
4.3	የገበያውን መረጃ በፍጥነት አለማግኘት (ወቅታዊ የምርቶች እና አገልግሎቶች ዝርዝር ዋጋ)					
4.4	ስለ ምርቱ/አገልግሎቱ በቂ የሆነ መረጃ ለማህበረሰቡ አለማስተላለፍ					
4.5	በስራው ዘርፍ ከተሳካላቸው የንግድ ማህበራት ወይም ሰዎች ጋር አናሳ የሆነ ግንኙነት(የሽያጭ መጠንን ከፍ ለማድረግ ከሚረዱ አጋጥኞች ጋር)					
4.6	በፍጥነት ከሚለዋወጠው የገበያ ሁኔታ ጋር የሚለዋወጡ ና ስብጥራቸው የተሟላ ምርቶች/አብሮ አለመሄድ (የሽያጭ ክህሎት ወ.ዘ.ተ)					

5. ለእያንዳንዱ ጥያቄ ከአማራጮቹ አንዱን ብቻ ምልክት (✓) በማድረግ ምላሽ ይስጡ።

የስያሜ ቁጥሮች ትርጉምም፡- 1. በጣም አልስማማም 2. አልስማማም 3. ለመወሰን እቸገራህ 4. እስማማለሁ 5. በጣም እስማማለሁ

ተ.ቁ	የአዋጭነት እቅድ እና የገበያ ጥናት ጋር ተዛማጅ ችግሮች	1	2	3	4	5
5.1	የስራው አዋጭነት በጥናት ላይ የተመሰረተ አልነበረም					
5.2	በጥናት እና በእቅድ ወቅት የሚመለከታቸው አባላት በሙሉ አልተሳተፉም ነበር					
5.3	የረጅም ጊዜ የ ቢዝነስ እቅድ አለመኖር					
5.4	እቅዶች ጥራት ያለው ራዕይ እና ተልዕኮን ያካተቱ አይደሉም					

6. ለእያንዳንዱ ጥያቄ ከአማራጮቹ አንዱን ብቻ ምልክት (✓) በማድረግ ምላሽ ይስጡ።

የስያሜ ቁጥሮች ትርጉምም፡- 1. በጣም አልስማማም 2. አልስማማም 3. ለመወሰን እቸገራለሁ 4. እስማማለሁ 5. በጣም እስማማለሁ

ተ.ቁ	ፖለቲካዊና ህጋዊ ጉዳዮች	1	2	3	4	5
6.1	የመንግስት እርዳታ በቂ ያለመሆን፣ቴገበያት-ስስር ከመፍጠር ፣ ከግብር እፎይታ እና ፈቃድ አሰጣጥ ወ.ዘ.ተ)					
6.2	የሚጣለው ግብር ተመጣጣኝ ያለመሆን					
6.3	የፖለቲካው በንግድ ላይ ጣልቃ መግባት(የዋጋ ተመን መንግስት በራሱ ማስቀመጥ ፣ በጫራታ ወቅት ተቀማጭ ካፒታል ከባንክ እንድናመጣ መጠየቅ ወ.ዘ.ተ)					
6.4	በየጊዜው ለሚወጡ የመንግስት አዋጆችና የንግድ ስምምነቶች(ህግጋቶች) በቂ መረጃ ያለማግኘት					

የኢንተርፕራይዞች በገበያ ላይ ያላቸውን ዘላቂነት እና ቆይታ ላይ ተፅእኖ የሚያሳድሩ መንስኤዎችን ለመለየት እና መረጃ ለማሰባሰብ የተዘጋጀ መጠይቅ፡-

7. ስራ ለመጀመር እና ለማስፋፋት የሚያስችል የገንዘብ ምንጭ ከየት ታገኛላችሁ?-----

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8.ከዚህ በታች ከተዘረዘሩት ችግሮች የኢንተርኔት ላይ ይበልጥ ተጽእኖ የሚያሳድሩትን በደረጃ ያመለክቱ :: ለእያንዳንዱ ጥያቄ ከአማራጮቹ አንዱን ብቻ ምልክት (✓) በማድረግ ምላሽ ይስጡ።

የስያሜ ቁጥሮች ትርጉምም፤- 1. በጣም አልስማማም 2. አልስማማም 3. ለመወሰን እችላለሁ 4. እስማማለሁ 5. በጣም እስማማለሁ

➤ ኢንተርኔት (ድርጅቶች/ተቋማት) በገበያ ላይ ያላቸው ቆይታ የሚገለጸው፡-

ተ.ቁ	ኢንተርኔት (ድርጅቶች/ተቋማት) በገበያ ላይ ያላቸው ቆይታ የሚመሰረተው፤-	1	2	3	4	5
8.1	ከሽያጭ የሚገኘው ገቢ ሲያድግ (ትርፋማነት ሲጨምር)					
8.2	የሽያጭ መጠን (ብዛት) ማደግ					