



ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

DETERMINANTS OF MICRO AND SMALL SCALE ENTERPRISES
PERFORMANCE IN THE CASE OF GULELLE SUB CITY

BY

YOHANNES ZEKARIYAS (SGS/0104/2010A)

JUNE 2019

ADDIS ABABA, ETHIOPIA

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DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of MaruShete (Assoc. 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 in full to any other higher learning institution for the purpose of earning any degree.

YohannesZekariyas_____

Name Signature

St. Mary's University, Addis Ababa June 2019

St. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
MBA PROGRAM

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Advisor Signature

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June, 2019

Table of contents

Table of contents.....	i
List of tables and figures.....	v
Acknowledgment.....	vi
List of Acronyms/Abbreviations.....	vii
Abstract	viii

CHAPTER ONE

INTRODUCTION

1.1 Background of the study.....	1
1.2 Statement of the problem	3
1.3 Research question	4
1.4 General and specific objectives.....	4
1.5 Significance of the study	4
1.6 The scope and limitation of the study	4
1.7 Organization of the study	4

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction	6
2.2 Micro and small scale enterprises	6
2.3 Definition of MSEs from Ethiopian context	7

2.3.1 Micro and Small enterprises	7
2.4 MSEs national polices and development of strategy.....	8
2.5 The implementing bodies of the strategy	9
2.6 The role of MSEs for the economy	9
2.7 Business Performance.....	10
2.8 Measuring the performance of MSEs.....	10
2.9 Factors influencing MSEs performance	11
2.9.1 Education	11
2.9.2 Management and expertise skill	11
2.9.3 Marketing	12
2.9.4 Government rules and regulations	12
2.9.5 Financial resource	12
2.9.6 Entrepreneurship	12
2.9.7 Infrastructure	13
2.9.8 Technology	13
2.10 Empirical literature review	13
2.11 conceptual frame work.....	14

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Description of the study area	16
3.2 Research design and Approach	17

3.3 Sampling technique and sample size	17
3.3.1 Respondents from Micro and Small enterprises	18
3.4 Data collection Methods	19
3.5 Instrument design and Development	20
3.6 Methods of data analysis	20
3.6.1 Multiple linear regression analysis	20
3.7 Validity and Reliability of the research instrument	21
3.8 Ethical consideration	21

CHAPTER FOUR

Results and Discussion

4.1 Introduction	22
4.2 Background characteristics of respondents.....	22
4.3 Performance of MSEs in Gullele sub city	25
4.4 Descriptive statics of factors that determines performance of MSEs	25
4.4.1 Management and expertise skill.....	27
4.4.2 Educational factor	29
4.4.3 Marketing factor	30
4.4.4 Government factor	32
4.4.5 Financial factor	34
4.4.6 Entrepreneurial factor	35
4.4.7 Infrastructure factor	36

4.4.8 Technological factor	38
4.4.9 Performance of MSEs	39
4.5 Results from inferential statistics	40
4.5.1 Regression analysis	40

CHAPTER FIVE

Conclusion and recommendation

5.1 Introduction	42
5.2 Summary of the study	42
5.3 Conclusion	43
5.4 Recommendations	44
Reference	45
Appendix A	47
Appendix B	57

List of figure

Figure 2.1 conceptual frame work.....	15
Figure 3.1 map of Addis Ababa city within ten sub cities	16

List of table

Table 2.1 classification of MSEs.....	7
Table 3.1 Target population	18
Table 4.1 cross tabulation of respondents characteristics and type of business enterprise.....	22
Table 4.2 management and expertise skill factor	27
Table 4.3 educational factor.....	29
Table 4.4 marketing factor	30
Table 4.5 government factor	32
Table 4.6 financial factor	34
Table 4.7 entrepreneurial factor.....	36
Table 4.8 infrastructural factor	39
Table 4.9 technological factor	38
Table 4.10 Performance of MSEs.....	39
Table 4.11 estimation of multiple linear regression function	40

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List of Acronyms/Abbreviations

CSA = Central Statistics Agency

CSA = Central Statistics Authority

FDRE = Federal Democratic Republic of Ethiopia

FMSEDA = Federal Micro and Small Enterprise Development Agency

GDP = Gross Domestic Product

GEM = Global Entrepreneurship Monitor

ILO = International Labor Organization

MFI = Micro finance Institution

MSEs = Micro and Small Business Enterprises

MOTI = Ministry of Trade and Industry

SPSS = Statistical Package for Social Sciences

UNIDO = United Nation Industrial Development Organization

Abstract

This research aims to identify factors determining the performance/growth of MSEs with a special attention to manufacturing, service, construction, agro industry, urban agriculture and textile and garment in Gulelle sub city. The research approach that was followed in this particular study was quantitative and qualitative. The research design was stratified random sampling. Data were gathered from published and unpublished data and through the questionnaire from a sample of 312 operators and a face-to-face interviews were conducted with 12 MSEs owner and with 2 officers working at Gulelle sub city administration office. Data generated using questionnaires are analyzed using statistical techniques such as descriptive and inferential analyses. Results of analysis were presented using tables. The findings revealed that MSEs lacked financial support, infrastructure and management skills in order for them to be competitive and well performed. The findings further revealed that the government was not doing enough in terms of the performance of SMEs in Gulelle sub city as most of the respondents were complaining about the stringency of the government support and regulations pertaining to MSEs.

Keywords: *Micro and Small Enterprise (MSEs), performance, Gulelle sub city, Ethiopia*

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Micro and small scale enterprises are plays vital role in creating job opportunities, reducing unemployment problems, increasing economic growth and poverty reduction. Today there is the emergence of both micro and small scale enterprises sector as significant element for the economic development and employment (ILO, 1998 cited by Richardson et al., 2004). MSEs are seen as the most powerful and preferable sector of improving the living standard of citizen. Micro & Small scale enterprise Development Program in Ethiopia meaningfully has been given due attention by government since 2004/2005. Of course, in 1996/97 National Micro and Small Enterprise Strategy was developed by the government. However, the degree of recognition to the sector with regards to job creation and the alleviation of poverty was not sufficient.

Micro enterprises are those business enterprises with a paid up capital of not exceeding birr 20,000 and excluding high tech. consultancy firms and other technology establishments. Under manufacturing sector an enterprises operates with 5 people including the owner and their total asset is not exceeding birr 100,000. Under service sector it operates with 5 persons including the owner of the enterprises and the values of total asset is not exceeding birr 50,000. Small enterprise are those business enterprises with paid up capital of above 20,000 and not exceeding birr 500,000 and excluding high tech consultancy firms and other high tech establishments. Manufacturing sector it operates with 6-30 persons and with paid up capital of total asset birr 100,000 and not exceeding 1.5 million. Service sector it operates with 6-30 persons and total asset or paid up capital is with birr 50,001 and not exceeding birr 500,000 of the enterprises and the value total asset of not exceeding birr 1.5 million FMSEDA (2015).

Ethiopia is one of the developing countries which has taken measures to enhance the operation of MSE by considering their contributions. the Federal and Regional Micro and Small enterprises Development Agencies (FRMSEDA) was established by regulation No.33/1998. All these institutional platforms are created in order to promote the growth and development of MSE, which in turn are expected to contribute their parts in national growth and transformation. United Nations Development Programmers (UNDP; 2012) has indicated that the development of MSE's is the key component of Ethiopia's industrial policy direction that will contribute to the industrial development and economic transformation of the country. When they grow in size, they would

contribute more to economic growth and poverty reduction. MSEs Performance or growth is defined simply in terms of output terms such as quantified objectives or profitability Martin (2010:67). Performance has been the subject of extensive and increasing empirical and conceptual investigation in the small business literature (Bidzakin, 2009:31).

Global Entrepreneurship Monitor (GEM) defined Performance as the act of performing of doing something successfully; using knowledge distinguished from merely possessing it (GEM, 2004:10). A business organization can measure its performance by using financial and non financial measures. The financial measures includes profit before tax and turnover while the non financial measures focus on issues pertaining to customers satisfaction and customers referral rates, delivery time, waiting time, sales volume, and employees turnover. Beside of the fact that MSE's are playing great role, the sector is facing with many challenges whose severity varies across regions, cities and even within sub cities in determining their performance and development. Focusing on the factors which determines the growth or performance of the micro and small scale enterprises is essential because it helps the MSEs sector to consider the factors and use for their future in the business.

That is why important to study in the area of key business sector in doing this problem are identified and solved. This will creates good opportunity to the nation's development. In addis ababa Gulelle sub city six types of formal sector are accessible in both micro and small scale enterprises. Those are manufacturing sector, construction sector, urban agriculture sector, service sector, agro industry sector and garment and textile sector. In all these sectors there are 916 micro enterprises and 844 small enterprises and a total of 1760 MSEs which contains 8601 members both male and female, Gulelle MSEs office (2019).

1.2 Statement of the Problem

There are inherent problems which affect long term survival and business performance of the MSEs due to different reasons. For example, a study by (Bowen et al 2009, cited in Mekonnen and Tilaye, 2013) revealed that in Kenya, three out of five micro and small businesses failed within the first few months of operation due to competition, managerial inefficiency, insecurity, debt collection, lack of working capital, power interruptions, political uncertainty, cost of materials and low demand of their products. The problem confronting MSEs appears to be similar in least developed or developing countries. Currently, there are many internal and external challenges facing MSEs in their operations and hinder their growth in Ethiopia (MUDC, 2013).

The Government of the Federal Democratic Republic of Ethiopia has recognized and paid due attention to the promotion and development of MSEs for they are important vehicles to address the challenges of unemployment, economic growth and equity in the country (MoTI, 1997:5). Thus it evinced that the government exert much in ensuring the continuity of the MSEs for the growth and expansion of the enterprise in the sector. Despite government effort to promote and expand the sector, it is not functioning to its best. According to (Belay 2000, as cited in Eshetu and Mamo, 2009), 98% of business firms in Ethiopia are micro and small enterprises, out of which small enterprises represent 65% of all businesses. Moreover the study reveals that the majority of enterprises are micro and small indicates that established enterprises find it difficult to grow to the next stages of middle and large scale industries. A question here arise is that why the MSEs sector has not grow more by using the existing policy, the cheaply available labor force and by adopting production organizations that are suitable for MSEs to expand. from this perspective the study aims at identifying the different factors which determines the enterprises growth and reason for the poor performance of MSEs in Gulelle sub-city.

1.3 Research questions

Business performance can be measured using different indicators, like profitability, growth in capital, growth in employments, production level, sales volume and sustainability in the business.

1. What factors affect micro and small scale enterprise performances?
2. What is the relationship between economic, legal, business environment factors and performance of micro and small scale enterprises?
3. How can be performance of micro and small scale enterprise improved in the case of Gullele sub-city?

1.4 General and Specific objectives

The general objective of the study is to identify the factors determining the performance of micro and small scale enterprises. More specifically, the study address the following objectives.

1. Describe the internal factors for the performance of MSEs.
2. Examine the relation of economic, legal and business environment factors with MSEs in Gullele sub city.
3. To suggest way of improving the performance of micro and small scale enterprises in Gullele sub city.

1.5 Significance of the Study

This research is expected to be support both micro and small scale enterprise; entrepreneurs academic scholars, investment group and researchers. They may use the finding of this research as additional information to address the problems uncovered in the development of MSEs and the micro and small enterprises development office and the owners of such enterprises may be able to know the real problems and then to seek solution for those problem.

1.6 Scope and Limitation of the Study

Because of the limited time and resource, this study was conducted in one area, Gullele sub city. But this may not represent the situation of MSEs across different areas and it is difficult to generalize at the country level. Besides, the study were used likert scale method for data collection. Even if, quantitative data collection method is recommended it is difficult to gain the needed answer from the respondents.

1.7 Organization of the Thesis

This paper is organized as follows: chapter one discusses the introduction and chapter two presents theoretical and empirical related literature to the study. While chapter three discusses research designs and methodology, chapter four give the conclusion and chapter five puts the recommendation

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Micro and small scale enterprises are in general and in Ethiopian context are discussed and the criteria use to differentiate them from other business activities. Then the literature was focuses on defining what performance mean and how it is measured. Then the factor that is assumed to influence the performance was discussed briefly. Then performance related factors which are discussed in the sections here after was independent variables of the study in the future which is assumed to have relation and Contribution to the performance of enterprises in Gulelle sub city. Then the literature were review those studies that was related the independent variables and dependent variable of the study, finally empirical studies undertaken on micro and small business were discussed briefly.

2.2 Micro and small scale Enterprises

MSEs are considered to play a pivotal role in promoting grassroots economic growth and reasonable sustainable development. High prevalence of economic growth contributes to economic and social development. The quality of growth is also important and includes the composition of growth, the spread and distribution and the degree of performance and therefore it is important to understand various factors responsible for quality growth and the performance of MSEs (Pandya, 2012:427). There is a concern among policy makers, economists, and business experts that Micro and Small Enterprises (MSEs) are drivers of economic growth. A healthy MSEs contributes prominently to the economy through creating more employment opportunities, generating higher production volumes, increasing exports and introducing innovation and entrepreneurship skills.

The legal definition of Small and Micro Enterprises often varies from country to country and from industry to industry. In the United States, SMEs are generally defined as institutions that consist of fewer than 100 employees while fewer than 50 employees in the European Union (Endalkachew, 2008). In Kenya, MSEs are defined as those non-primary enterprises (excluding agricultural production, animal husbandry, fishing, hunting, gathering and forestry), whether in the formal or informal sector which employ 1-50 people (Ronge et al., 2002 cited in Mulugeta, 2011)

2.3 Definition of MSEs from Ethiopian context

According to Ethiopian context there is no uniform definition at the national level to have a common understanding of the MSE sector. Ministry of Trade and Industry (MoTI) and the Ethiopian Central Statistics Authority (CSA) have defined MSEs separately. While the definition by MoTI uses capital investment, the CSA uses employment and favors capital intensive technologies as a yardstick. The definition used by MoTI, which uses capital investment as a yardstick, has been developed for formulating MSEs development strategy in 1997 (MoTI, 1997:8-21). based on the revised sector both micro and small scale Enterprises are categorized into industrial sector and service sector.

Table 2.1: Classification of MSEs

Level of enterprise	Sector	Human power	Total asset
Micro enterprise	Industry	<5	<100,000
	Service	<5	<50,000
Small enterprise	Industry	6-30	<birr 1.5 million
	Service	6-30	<birr 500,000

Source: FMSEDA (2015)

2.3.1 Micro and Small enterprises

Micro enterprise are those small business enterprises with a paid up capital of not exceeding birr 20,000 and excluding high tech. consultancy firms and other high technology establishments. Under manufacturing sector an enterprises operates with 5 people including the owner and their total asset is not exceeding birr 100,000. Under service sector it operates with 5 persons including the owner of the enterprise and the values of total asset is not exceeding birr 50,000.

Small enterprises are those business enterprises with paid up capital of above 20,000 and not exceeding birr 500,000 and excluding high tech consultancy firms and other high tech establishments. Manufacturing sector it operates with 6-30 persons and with paid up capital of total asset birr 100,000 and not exceeding 1.5 million. Service sector it operates with 6-30 persons and total asset or paid up capital is with birr 50,001 and not exceeding birr 500,000. According to the

new small and micro enterprises development strategy of Ethiopia (2011) the working definition of MSE is based on capital and labor.

2.4 MSEs National Policies and Development of the Strategy

The role of MSEs is accepted internationally, and so nations can coordinate the vital activities and prioritize goals by putting the sector development policy against the countries targets. According to (OECD, 2004:7) some of the risks and complexities can be addressed by governments as they relate to the differing regulatory, administrative and policy environments that governments create. The barriers and impediments which inhibit an entrepreneurs access to international markets will be reviewed, along with the policy implications which they give rise to specific goal can be set regarding the MSE contribution to job creation, poverty reduction, the welfare of specific group and growth to add value. The focus of new small business development projects may also be improved by setting targets for MSE relative to competitiveness.

By recognizing the importance of MSEs, Ethiopian government on the socio-economic development of the country and, giving due attention to the sector, MSE strategy and policy was formulated and has been implemented in the past years entitled - Federal Democratic Republic of Ethiopia MSE strategy (2011: 6). The government gives further attention to the sector as indicated, in GTP II (2010:36) as it is stated, the government will continue to initiate, promote and strengthens micro and small scale enterprise development through industrial extension services. So far, agencies have been established at both Federal and Regional levels. Strengthening the capacity of these institutions in implementing the initiation, promotion and strengthening activities will continue in a more coordinated manner. These developments are believed to create additional employment opportunities in the private sector.

Ethiopian government released the country's first MSE development strategy in November 1997 E.C. The primary objective of the national strategy framework is to create an enabling environment for MSE. In addition to this basic objective of the national MSE strategy framework, the MoTI has developed a specific objective which includes, facilitating economic growth and bring about equitable development, creating long term jobs, strengthening cooperation between MSEs, providing the basis for medium and large scale enterprises, promoting export, and balancing preferential treatment between MSEs and bigger enterprises (MoTI, 1997:8-27). The strategy outlines the policy framework and the institutional environment for promoting and fostering the

development of MSEs and stimulating the entrepreneurial drive in the country. The second Micro and small enterprise strategy has released after 13 years in 2011 having similar objectives but with some additions. Enabling the sector to be competent, facilitate economic growth and lays foundation for industry development and expanding the sector's development in urban areas by creating developmental investors (GTP II, 2016:15).

2.5 The Implementing Bodies of the Strategy

There are different bodies which participates in implementing the strategy of MSEs The implementing bodies of micro and small enterprise development agency were established from federal to woreda levels. With national approach implementation, the federal and regional state executive bodies had undertaken their roles in identified and integrated ways (Federal Democratic Republic of Ethiopia MSE strategy, 2011:61). The second five year Growth and Transformation Plan (GTP II) has given particular attention to the expansion and strengthening of micro and small scale enterprises. As mentioned in GTP II (2016:148)) based on the small and micro enterprises development strategy, supporting frameworks and implementation strategies intensive work will be undertaken to organize Small and micro enterprises (SMEs) operators and support them to start business.

2.6 The Role of MSEs for the economy

MSEs play a vital role for the nation's economic growth and reducing unemployment problem and eradicating poverty. according to Edmiston (2007:87) the MSEs indeed create a substantial majority of net new jobs in an average year On the same document it argues that MSEs are largely thought to be more innovative than larger firms for three reasons: a lack of entrenched bureaucracy, more competitive markets, and stronger incentives (such as personal rewards). The hope is that MSEs can grow to become the large firms of tomorrow and offer the kinds of benefits that typically come with employment in a large firm. The small business sector is regarded as a fundamental ingredient in the establishment of a modern, progressive and vibrant economy.

Ethiopia country Report (2014:19) the necessity of micro and small scale enterprises, which usually constitute the majority of the informal sector, have long been recognized, and increasingly support programs have emerged in Ethiopia to leverage the economic growth potential of this sector. The MSEs sector have great roles in improving economy, especially in creating employment

opportunity, improving the income level, empowering women capacity, making people intends to save money, developing the operators' skills and knowledge, improving people's living conditions and social issues, and contributing to integrating different business levels, establishment of larger businesses and partnership for the people in the study area (Shiferaw, 2013:134).

2.7 Business performance

Performance is defined simply in terms of output terms such as quantified objectives or profitability Martin (2010:67). Performance has been the subject of extensive and increasing empirical and conceptual investigation in the small business literature (Bidzakin, 2009:31). Global Entrepreneurship Monitor (GEM) defined Performance as the act of performing; of doing something successfully; using knowledge distinguished from merely possessing it (GEM,2004:10). However, performance seems to be conceptualized, operationalized and measured in different ways thus, making cross-comparison is difficult (Srinivasan et al., 1994:22). Among the most frequently used operationalization are survival, growth in employees and profitability. According to Rami and Ahmed (2007:6-13) the most commonly adopted definition of success good performance is financial growth with adequate profits. Other definitions of success good performance are equally applicable. The accomplishment of giving a task measured against preset known standards of accuracy, completeness, cost, and speed. In a contract, performance is deemed to be the fulfillment of obligation, in a manner that releases the performer from all liabilities under the contract. Regular participation of employees in deciding how their work is done, making suggestions for improvement, goal setting, planning and monitoring of their performance (Business dictionary 2019).

2.8 Measuring the Performance of MSEs

A business organization can measure its performance by using financial and non financial measures. The financial measures includes profit before tax and turnover while the non financial measures focus on issues pertaining to customers satisfaction and customers referral rates, delivery time, waiting time and employees turnover. By recognizing the limitations of financial and non financial measures owner-managers of modern MSEs have adopted a hybrid approach of using both financial and non-financial measures. These measures serve as precursors for course of actions (Chong, 2008). In this study the research will consider both financial and non financial measures.

2.9 Factors influencing MSEs performance

MSEs have been confronted with a number of factors that affect their Growth. In particular, the study made by Mekonnen and Tilaye (2013) had pinpointed factors like inadequate infrastructure facilities, inadequate finance, poor managerial and technical skills, and inadequate working premises as the major factors of MSEs. Micro and small enterprises considered as a vital component of the socio-economic development of both developed and developing countries, usually some of these enterprises collapse within the first few years of their start-up. Of those operating, some grow rapidly, while others grow slowly. So, it is important to identify the cause factors of better performance because it helps new entrants of the sector consider the factors and use for their future in the business. MSEs have faced a number of constraints, like lack of access to markets, finance, business information; lack of business premises; low ability to acquire skills and managerial expertise; low access to appropriate technology and poor access to quality business infrastructure (Woldetsadik et al, 2018). There are several factors which are problems for the growth of MSEs some of these are the education level, managerial and expertise skill, Marketing skills, customer handling, finding financial source, the ability to come up with new idea and adapting with new technologies quickly. these factors are that micro and small business enterprises should possess to be successful survival in the future.

2.9.1. Education

Some business owners are highly educated and extremely successful whereas others have yet to complete their high school but are equally successful. In many instances, it may depend on the individual himself/herself. Nevertheless, education level can have an effect on the performance of a business as noted in many studies. A reason for supposing it would do so is that education improves literacy, quantitative training, and social and communication skills. And of course specialized education is necessary for many occupations. The study of Lussier (1995) suggested that people without any college education who start a business have a greater chance of failing than people with one or more years of college education.

2.9.2 Management and expertise Skills

SME owners or managers with more experience (managerial, sector or previous small businesses experience) tend to have more growth potential than with a lack of expected potential and also the higher the level of education attained by the owner/manager, the higher the likelihood of growth of

the enterprise (Woldie et al., 2008). Managerial skills and experience affects businesses performance at certain level (Mbugua, et al., 2014).

2.9.3 Marketing

Marketing activities such product/service marketing, marketing research and information and promotion impact negatively on the performance of MSEs due to lack of marketing skills by SMEs owners. Most MSEs in Ethiopia lack marketing skills such as market surveys or analysis hence they rely on their immediate daily community demands (Gebeyehu and Assefa, 2004). However, if the marketing analysis is done it is done on a limited scale because of scarce resources. Because SMEs at times compete for the same customers with large enterprises, sometimes it is difficult for SMEs to secure markets for their products.

2.9.4 Government rules and regulation

There are government policies that supports the development of the micro and small scale enterprises. The growth targets set in the growth and transformation plan (GTP) have been clearly presented in government policy documents i.e. employment creation, market linkage, technical and financial support, availing sales and manufacturing premises and the like (FeMSEDA, 2015). Since our country has limited capital government support to SMEs depending up on the importance of the sector in the economy. Accordingly growth oriented sectors are selected for Maximum government support and the rest non selected sectors will get Minimum support.

2.9.5 Financial resource

MSEs are faced with a challenge of accessing financial means to get their businesses off the ground and make them grow and be sustainable. According to Simeon and Lara (2005:72) MSEs appear to be disproportionately afflicted by the underdeveloped nature of financial institutions in developing countries. For various reasons ranging from a lack of collateral to bias against small firms, MSEs tend to face greater financial constraints than do larger firms. In Ethiopia nearly half of micro enterprises, 40 percent of small firms, and 18.5 percent of medium firms reported access to finance to be a major constraint to daily operations (World Bank, 2015:35).

2.9.6 Entrepreneurship

Entrepreneurship is the phenomenon associated with entrepreneurial activity, which is the enterprising human action in pursuit of the generation of value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets (OECD, 2016).

2.9.7 Infrastructure

MSEs have been confronted with a number of factors that affect their Growth. In particular, the study made by Mekonnen and Tilaye (2013) had pinpointed factors like inadequate infrastructure facilities. These factors play a great role in determining the performance or the growth of micro and small scale business. The major infrastructure facilities are like electric power, water supply, telephone access and the surrounding environment development which means good working environment.

2.9.8 Technology

According to Noghor (2015:77), the small business owner that recognizes the dynamic trend, with a strategy implemented for the application and insertion of technological tools in his or her business would be in an advantageous position to be competitive in the 21st century business environment. MSEs are facing challenges brought about by changes in technological environment; hence they are failing to keep abreast of these changes. Large businesses, because they have the advantage of being technologically advanced, end up poaching the MSEs market niche and resulting in MSEs being kicked out of the game. Failure not to employ the latest technology means producing at higher cost than do competitors in the market thus, eventually exiting the market due to tough competition.

2.10 Empirical literature review

A study by Hall (1992) has 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). There search undertaken in Tanzania by surveying 160 micro enterprise showed that high tax rates, corruption, and regulation in the form of licenses and permits, are found to be the most important constraints to business operations of microenterprises (Fredland et al, 2006 cited in Mulugeta, 2011). Roy and Wheeler (2006) identified that the level of training of micro entrepreneurs (both formal and informal); experience and number of years in operation; knowledge of the market level of differentiation (in terms of price, quality or other) and diversification of products access to the necessary resources and/or technologies; level of planning; vision for the future; and the entrepreneur's level of poverty are among the factors contributing to success of MSEs while lack of market knowledge and training, limited access to capital, and lack of co-operation among possible business partners are some of the factor inhibiting the growth and development of the micro enterprise sector.

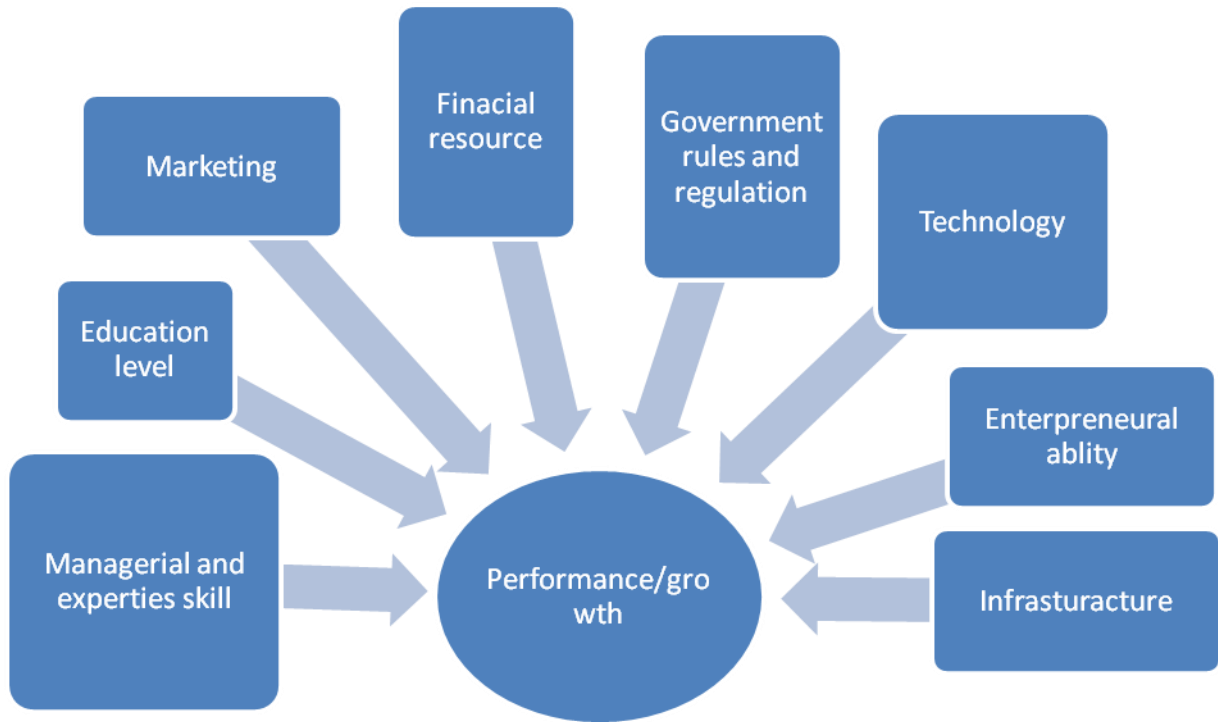
Dereje (2008) studied the nature, characteristics, economic growth, opportunities and challenges of MSEs in the construction sector based on 125 sample enterprises. The results of the study revealed that the main constraints of MSEs were shortage of capital, lack of raw materials, absence of government support, lack of market, lack of credit facilities and high interest rate. Studies were also conducted specifically with a purpose of identifying the problems that MSEs encounter. For instance, Workneh's (2007) research undertaken in Kolfe Keraneo sub-city of Addis Ababa indicated that lack of capital, lack of market, unfavorable policy, and inadequate infrastructure, absence of adequate and relevant training, bureaucratic structure and procedures are among constraints faced by MSEs. Similarly, Adil (2007) carried out a study in Addis Ababa shows that inappropriate government intervention, shortage of capital, location disadvantage, lack of market and lack of display room are the major challenges that obstruct MSEs. Mulugeta (2011) has also identified and categorized the critical problems of MSEs into market-related problems, which are caused by poor market linkage and poor promotional efforts; institution-related problems including bureaucratic bottlenecks, weak institutional capacity, lack of awareness, failure to abide policies, regulations, rules, directives, absence of training to executives, and poor monitoring and follow-up; operator-related shortcomings like developing a dependency tradition, extravagant and wasting behavior, and lack of vision and commitment from the side of the operators. MSE-related challenges are including lack of selling place, weak accounting and record keeping, lack of experience sharing, and lack of cooperation within and among the MSEs and finally society-related problems such as its distorted attitude about the operators themselves and their products.

2.11 Conceptual Framework

The researcher attempts to develop a conceptual framework for this study by reviewing the previous works. Since business growth is influenced by both internal and external (contextual) factors, operators need to understand what influences businesses to reach peak growth. The contextual factors include government rules and regulations, technological, infrastructural, marketing and financial factors. The internal factors that influence the firm's growth can be classified as management and expertise skill, education and entrepreneurial factors. To align the conceptual framework with the research objectives, business growth (change in capital) is the dependent variable whereas management and expertise skill, education, entrepreneurial skill, Access to finance, access to technology and infrastructure, Government policies and regulations and

marketing skill are the independent variables of the study. In this study capital growth is use to measure growth of these MSEs.

Figure 2.1: conceptual frame work



Source: Own construction based on literature (2019)

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1. Description of the Study Area

The study was carried out to see the factors determining the performance of micro and small scale enterprises in Gullele sub city. Gullele is one sub city of Addis Ababa city among the ten sub cities. The sub city is located in the northern suburb of the city. According to CSA (2011) the total population of Gullele sub city was counted to be 284, 865. The numbers of male being about 137,690 while the number of female about 147,175. According to structural plan (2009), Gullele sub city has a total area coverage 30.18sqkm. The sub city is subdivided into ten woredas.

Figure3.1: map of Addis Ababa city within ten sub cities



Source: Addis Ababa city administration (2019)

3.2 Research Design and Approach

The mixed/combined research approach is conducted in this study because the researcher used both quantitative and qualitative sources of data. The other rationale for applying mixed research approach is that it helps to triangulate evidence using data from both approaches and is assumed to minimize the weakness of relying on either approach (Creswell, 2019). This clearly means that mixing quantitative and qualitative approaches gives the potential to cover each method's weakness with strength from other methods.

In this study, a causal research design is used. This type of research is used to measure what impact specific factors have had on the existing MSEs. This enables the researcher to make valid conclusions based on finding an association between the independent variable and the dependent variable. Due to this, there is greater confidence the study has internal validity because of the systematic subject selection, and it critically assesses the factors affecting the performance of some selected MSEs in Gulelle sub-city of Addis Ababa.

3.3 Sampling techniques and Sample size

There are 1760 MSEs which are registered in Gulelle sub-city MSEs Office which are engaged in manufacturing, construction, urban agriculture development, service, agro industry and garment and textile. To select a sample of enterprises from the total population of MSEs, a stratified simple random sampling is applied to get a representative number of enterprises from each sector that are considered in this study and available in Gulelle sub-cities of Addis Ababa. This technique is preferred because it is used to assist in minimizing bias when dealing with the population. If a population from which a sample is to be drawn does not constitute a homogeneous group, stratified sampling technique is generally applied in order to obtain a representative sample (Kothar, 2004:62). The strata are sectors including: construction, service, manufacturing, urban agriculture, agro industry and textile and garment under both micro and small scale enterprises. The sample size which is selected from MSEs of the strata is considered as representative and also large enough for precision, confidence and generalizability of the research findings.

Table 3.1: Target population

No.	Sector	Micro	Small	Percentage
1	Construction	199	179	19.4
2	Manufacturing	231	221	24.8
3	Service	180	160	20.6
4	Urban agriculture	23	31	2
5	Agro industry	113	103	11.8
6	Textile and garment	170	150	21.4
		916	844	100

Source: Gulelle sub city MSEs Office (2019)

Based on Yemane (1996) sample size determination formula, it is possible to determine the sample size, at 95 % confidence level and 0.05 precision levels.

$$n = \frac{N}{1 + Ne^2}$$

Where e^2 – Margin of errors/error margin 5%
 N – Population size
 n – Sample size

$$n = \frac{1760}{1 + 1760 * (0.05)^2} = 326$$

Accordingly, 326 respondents are selected and from this respondents $[(844/1760) \times 326] = 156$ are small enterprises and $[(916/1760) \times 326] = 170$ are micro enterprises from the total of 1760 Micro and small scale enterprises are selected.

3.3.1 Respondents from small and micro enterprises

From this 36 construction enterprises out of 197, 40 Manufacturing enterprises out of 221, 29 service enterprises out of 160, 5 urban agriculture enterprises out of 31, 19 agro industry enterprises out of 103 and 27 garment and textile enterprises out of 150 are selected for small enterprises and 37 Construction enterprises out of 199, 43 manufacturing enterprises out of 231, 33 service enterprise out 180, 4 Urban agriculture enterprises out of 23, 21 Agro industry enterprise

out of 113 and 32 Garment and Textile enterprises out of 170 are selected for micro enterprises and finally random sampling method was used to select the sample respondent.

3.4 Data Collection Method

In order to achieve the research objectives, both primary and secondary data are collected through questionnaires and interview specifically questionnaires were designed and distributed to MSEs engaged in different economic activities. The questionnaire distributed for those enterprises includes both open and close ended questions and Secondary data's are from policy papers will be used to provide additional information. The questionnaire was used because they are straight forward and less time consuming for both the researcher and the participants (Owens, 2002). The research questionnaire was administered to a stratified simple random sample of 326 Micro and Small Business owners. The sample frame of the study in which the enterprises were chosen at random was accessed from a record archive of Gulelle Sub City Micro and Small Business Development office. To enhance the response rate, the questionnaires was delivered by hand to the enterprises randomly approached and convinced to participate on this study. The participants of this study fill up most of the questionnaires by themselves but when necessary the data collector (the researcher) gave assistance by elaborating and explaining the idea of the questions. This kind of distribution and collection has done to minimize the problems of non-response error of respondents to some questions which they considered sensitive as well as to those questions they do not understand in a way as they intended to be in the questionnaire.

The questionnaire was designed as to encompass two sections: the first part of the questionnaire is about the personal profile of the principal owners and the rest is on business related information about the participant enterprises. Both open ended and close ended questions are used to extract the required data from respondents. Performance of the enterprises is the dependent variable of this study. Total capital growth of MSEs is used to measure the performance of the sample enterprises from their establishment to date. To this end open ended questions about the enterprises capital growth and market for their products/ service are included in the questionnaire. Then based on the data from these two questions, the capital growth of each participant enterprises from establishment to date are calculated and then this growth index as a ratio data are taken as indicator of enterprises performance. The independent variables in this study are eight factors obtained from the literatures of small business: education level of the principal owner, management and expertise skill,

marketing skill of the enterprises, technological factors, government factors, financial factors, entrepreneur factors and infrastructure factors of the enterprises.

3.5. Instrument Design and Development

Basically, the instruments were developed based on the objectives of the study and research questions. The principles of questionnaires such as, use simple and clear languages, statements should not be too long and use of appropriate punctuations were also considered when developing the instrument. In addition, interviews were taken as an instrument to strength the investigation. The instruments were designed in such ways that can strength the viability of the study. The questionnaires were designed both in English and Amharic languages. The purpose of translating from English to Amharic language was to utilize those who couldn't clearly understand English language so that responded easily. The interview questions were designed in English language only, because the discussion was in Amharic while making interviews.

3.6. Methods of data analysis

Data were analyzed by using descriptive and inferential statistics. Descriptive statistics involve the use of frequencies, mean and standard division. Inferential statistics uses to see the variation in the performance of enterprises in relation to the different levels of each of the explanatory (independent) variables with the aid of Statistical Packages for Social Science (SPSS Version 20). Multiple linear regression.

3.6.1 Multiple Linear Regression Analysis

The study used multivariate regression analysis to establish relationship between the independent variables and the dependent variable by use of the following regression formula:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + \epsilon$$

Where: Y = performance/ growth (Dependent Variable), X₁ – X₈ = Independent Variables.
X₁ = Management and expertise's skill, X₂ = Education, X₃ = Marketing skill, X₄ = Government
X₅ = Finance, X₆ = Entrepreneur, X₇ = Infrastructure, X₈ = Technology

β_0 = Coefficient of the model

$\beta_1 - \beta_8$ = Beta Coefficient of Determination

ϵ = Stochastic Error Term

3.7. Validity and Reliability of the Research Instrument

Validity is defined as the accuracy and meaningfulness of the inferences which are based on the research results. It is the degree to which results obtained from the analysis of the data actually represents the phenomena under study. Creswell (2009) contends that the validity of the questionnaire data depends on a crucial way the ability and willingness of the respondents to provide the information requested. A pilot study was conducted to refine the test instrument such as the questionnaire before administering the final phase. Questionnaires were tested on potential respondents to make the data collecting instruments objective, relevant, suitable to the problem and reliable as recommended by John Adams et al. (2007). Issues raised by respondents were corrected and questionnaires were refined. Besides, proper detection by the advisor was also taken to ensure the validity of the instruments. Finally, the improved version of the questionnaires were printed, duplicated and dispatched.

The reliability of instruments measures the consistency of instruments. Creswell (2009) considers the reliability of the instruments as the degree of consistency that the instruments or procedure demonstrates. In this study each statement rated on a 5 point Likert response scale which included strongly agree, agree, undecided, disagree and strongly disagree. Based on this an internal consistency reliability test was conducted in Gullele sub city. the Cronbach's alpha coefficient for the instrument was found to be 0.92 which is moderately strong reliability test .This indicates that instruments used in this study are reliable about 92% .

3.8 Ethical consideration

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

CHAPTER FOUR

RESULTS AND DICUSSION

4.1. Introduction

In this chapter, data collected from sample respondents are presented and interpreted. To facilitate ease in conducting the empirical analysis, the results of descriptive analyses are presented first, followed by the inferential analysis. For the sake of convenience, related questions were treated together. Interview responses obtained from MSE managers and Gulelle sub city administration officers were incorporated to substantiate the data obtained using questionnaire three hundred twenty six questionnaires were distributed across the six MSE sectors of the Gulelle sub city, out of which 312 were completed and collected back successfully, representing 95.7% response rate. Out of the 312 questionnaires administered 74, 99, 60, 29, 30 and 35 were distributed to construction manufacturing, service, urban agricultur, agro industry and garment and textile respectively. The numbers of questionnaires retrieved from construction manufacturing, service, urban agriculture agro industry and garment and textile are 66, 99, 56, 29, 30 and 33 respectively. This represents a response rate of 21.2%, 31.7%, 17.9%, 9.3%, 9.6% and 10.3% for construction manufacturing, service, urban agriculture, agro industry and garment and textile respectively. Generally, in order to draw results and discussion this section is organized in the following manner: First, the general information about MSEs were presented and analyzed. Second, data collected through questionnaires and interviews were analyzed concurrently. Moreover, the results of regressions analysis were analyzed.

4.2. Background characteristics of the respondents

Table 4.1: Cross tabulation of Respondent's Characteristics and Type of Business Enterprises

Characteristics of entrepreneur	Category	Type of enterprise		Business sector					
		Micro	Small	Construction	Manufacturing	Service	Urban Agri	Agro industry	Garment and textile
Sex	Male	104	83	43	62	32	18	21	15
	Female	74	51	23	37	24	11	12	18
Age	<20	-	-	-	-	-	-	-	-

	20-35	143	109	50	78	48	24	27	26
	36-50	35	25	16	21	8	5	3	7
	> 50	-	-	-	-	-	-	-	-
Education	Read , write	27	12	-	23	9	3	7	5
	High school	49	27	5	31	13	15	11	9
	Certificate	26	24	21	16	18	6	8	16
	Diploma	34	32	17	20	12	6	1	3
	>=Degree	37	44	23	9	4	-	3	-
Marital	Single	83	64	41	47	21	14	13	11
	Married	95	70	25	52	34	15	17	22
Experience	0-5	138	81	44	61	38	27	25	24
	6-10	31	42	17	30	15	2	2	8
	11-20	9	11	5	8	3	-	3	1
	>20	-	-	-	-	-	-	-	-
Employees	0-5	178	-	39	58	31	16	17	17
	6-30	-	133	36	41	25	13	13	16
	>30	-	1	1	-	-	-	-	-
Finance	Saving	65	26	18	21	24	11	7	10
	Family	31	49	15	19	25	6	9	6
	NGO	-	8	-	3	-	5	-	-
	Micro finance	28	15	13	16	5	-	6	3
	Iqub	33	12	7	18	4	4	4	9
	Bank	11	45	23	21	2	3	2	5
	Other	-	1	-	1	-	-	-	-
Capital	<100000	189	-	27	56	44	21	17	24
	100001-1.5million	-	123	39	43	12	8	13	9

Source: filed survey 2019

In this study 59.9% of the participants are male, whilst 40.1% are female. This result reveals that more men are engaged in their own ventures than females. According to Woldle, Leighton and

Adesua (2008:6), research on gender of owner/manager tends to focus on the male owner/managers, as the proportion of businesses owned by men exceeds those owned by women with most studies reporting that failure rates for businesses owned by females are higher than those for male. So most of the MSEs in these sub city are tends to succeed.

As shown in the table above, 80.8% of respondents are in the 20-35 age categories, 19.2% of respondents are found in between age of 36-50 and the respondents under age of 20 years and over 50 years were not found. Majority of the respondents are found in between age of 20-35 which indicates MSEs which organized by governments are found in the young age. 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 background of owners/managers are widely believed to be a key source of innovative efforts because his/her attained education level is attributed to cognitive ability, capacity for information processing, tolerance for ambiguity and propensity or receptivity to innovation (Umidjon, et al, 2014:13). In this study educational status of the respondents, 12.5% are read and write, 24.4% high school complete, 16% are certificate, 21.2% are diploma, and 26% are degree and above. From this data one can understand that the education status of respondents in the research looks like low. Therefore, they may face a problem in complex business decision making processes; and this will have a negative impact on the growth of their business activities. With regard to marital status of the respondents, 52.1% are married, 47.9% are single. Married and Single owners happened to be proportional each. Revealing that, marital status of the respondent doesn't affect ownership of an MSE.

Regarding work experience 70.2% of respondents have experience on their businesses for the past five years, 23.4% of respondents are in existence for six to ten years. The respondents of 6.4% have business experience of eleven to twenty years and above twenty years experience respectively. The result basically indicates that most of the MSEs are young in existence with less than five years in the sector which is difficult evaluate their performance. Literatures assert that the failure rate for start-ups is higher than for existing businesses. In coincidence to this, the one year rate is around

85%, but drops to 50% at five years which would indicate that it's tough to establish a new small business (Lord, 2015:9).

The above table shows that majority of the surveyed enterprises in Gulelle sub city were micro enterprises 57.1% and the remaining 42.9% were small enterprises. Among the sampled sectors of SMEs they were engaged in manufacturing 31.7% followed by construction 21.2%, service constitute 17.9%, 10.3% of garment and textile, 9.6% of agro industry and urban agriculture constitute 9.3%. Dividing MSEs by sector is believed to be very helpful in studying factors determining the performance of the MSEs. This is because firms in different sectors of the economy face different types of problems. That means the degree of those critical factors in manufacturing sector may differ from the factors that are critical to service, construction, urban agriculture, agro industry and garment and textile sectors. The majority of enterprises having 0-5 employees constitute 57.1%, 42.6% of the enterprises employ 6-30 staff and only 0.3% enterprise have more than 30 employees. From this it can be understood that the study covers 99.7% of the study samples were indeed micro and small enterprise. Micro enterprise, according to the strategy in use, consist of employees (including the owner or family) not greater than 5 and while small scale enterprise is an enterprise which has 6-30 employees (Federal Democratic Republic of Ethiopia MSE strategy, 2011). As can be seen from the table 4.2 personal saving 29.2%, are the most frequently used sources, followed by family 25.6%, iqub 14.4%, micro finance institutions 13.8%, NGOs (5.22%), banks 3.5% and 0.3% others are used by MSEs as sources of their finance. The results depicts that most of the respondents have sacrificed by saving their hard earned money with a view of starting their own ventures to provide for their families and create jobs.

4.3 Performance of MSEs in Gulelle sub city

As indicated in the methodology chapter in Gulelle Sub City Administration up to last June 2019 there are about 916 Micro and 844 Small Business enterprises engaged in six different business sub sectors.

As indicated in the sub city MSEs registered book these 1760 enterprises managed to create jobs for about 8,601 individuals and could managed to accumulate and run about birr 238,501,151 capital, Gulelle sub City MSE Development office register book (2019).

4.4 Descriptive statics of Factors determining the performance of MSEs

Respondents were asked different questions regarding the factors determining the performance of MSEs in Gulelle sub city and their responses are organized in the following manner. There are a number of challenges that determine the performance of MSEs in association with different factors. This part explains the descriptive statistics calculated on the basis of the factors that determine the performance of MSE. The results of measures of central tendency and dispersion were obtained from the sample of respondents of construction (C), manufacturing (M), service(S), urban agriculture (U), agro industry (A) and garment and textile (T) are presented in the following table.

4.4.1 Management and expertise skills that determine the performance of MSEs

Table 4.2 Management and expertise skill factor that determine the performance of MSEs

ITEM	C		M		S		U		A		T		Total	
	MN	SD	MN	SD	M	S	MN	SD	MN	SD	MN	SD	MN	SD
Management and expertise skill					N	D								
Lack of clear division of duties and responsibility among employees	3.81	0.95	2.67	1.08	4.18	0.92	3.40	1.67	3.22	0.80	3.07	1.29	3.38	1.11
Poor organization and ineffective communication	3.48	0.93	2.79	0.98	3.74	1.09	3.40	1.81	3.16	0.85	3.15	0.96	3.28	1.10
Lack of well trained and experienced employees	3.51	1.09	2.83	1.19	3.33	1.10	3.80	1.64	5.05	6.76	3.57	1.10	3.68	2.14
Lack of low cost and accessible training facilities	2.90	1.07	2.20	1.10	2.62	0.92	2.20	1.30	3.11	1.13	2.53	1.36	2.59	1.14
Lack of strategic business planning	1.07	1.22	2.73	1.11	3.51	1.93	4.00	1.22	3.55	1.19	3.34	1.12	3.03	1.29
Grand													3.19	1.35

Source: SPSS output (2019)

As shown in table 4.2 above, lack of low cost and accessible training facilities is the main problem that challenges the performance of MSE. It shows a mean score of 1.07, 2.73, 3.51, 4.00, 3.55, and 1.19 with a standard deviation of 1.22, 1.11, 1.93, 1.22, 1.19 and 1.12 for MSEs engaged in construction, manufacturing, service, urban agriculture, agro industry and garment and textile respectively. In relation to lack of clear division of duties and responsibility among employees, the mean scores are 3.81, 2.67, 4.18, 3.40, 3.22 and 3.07 with standard deviation of 0.95, 1.08, 0.92, 1.67, 0.80 and 1.29 MSEs engaged construction, manufacturing, service, urban agriculture agro industry and garment and textile respectively. Regarding lack of well trained and experienced employees, the mean score of 3.51, 2.83, 3.33, 3.80, 5.05 and 3.57 with standard deviation 1.09, 1.19, 1.10, 1.64, 6.76 and 1.10 of MSEs engaged construction, manufacturing, service, urban agriculture, agro industry and textile and garment respectively. With respect to Poor organization and ineffective communication, the mean score of 3.48, 2.79, 3.74, 3.40, 3.16 and 3.15 with standard deviation 0.93, 0.98, 1.09, 1.81, 0.85 and 0.96 of MSEs engaged construction, manufacturing, service, urban agriculture, agro industry and textile and garment respectively. With regard to lack of strategic business planning the mean scores are 1.07, 2.73, 3.51, 4.00, 3.55 and 3.34 with standard deviation of 1.22, 1.11, 1.93, 1.22, 1.19 and 1.12 for operators engaged in construction, manufacturing, service, urban agriculture, agro industry and garment and textile respectively. It can be inferred from table 4.3 that there is no accessible training facilities with reasonable cost, lack of trained and experienced employees and problem of developing and implementing the strategic planning activities successfully. It is clear that lack of managerial and expertise skills are bottlenecks for MSEs in Gulelle sub city which could be seen as problem for their performance. Other findings argue that managerial skills are very important growth of the MSEs. Woldie et al. (2008:12) and Mbugua et al. (2014:17) argue that SMEs owners or managers with more experience (managerial, sector or previous small businesses experience) tend to have more growth potential than with a lack of expected potential and also the higher the level of education attained by the owner/manager, the higher the likelihood of growth of the enterprise. From an interview conducted with operators of MSEs, it was understood that there are several management related problems which arise from insufficient training, lack of relevant qualification, lack of transparency among owners of enterprise and lack of proper job division. As interviewees indicated due to lack of proper division of duties and responsibilities, most of the time sales and

expenses are not properly recorded. At the end of the day sales of the enterprise may be embezzled by single or few of the members and finally they find it hard to pay their obligations back. In general, all these managerial and expertise skill constraints were confirmed by the respondents in this survey who indicated that their businesses were constrained by poor management practice, mistrust among business associates and lack of proper job division, insufficient training and lack of relevant qualifications among employees.

4.4.2: Educational factor that determine the performance of MSEs

Table 4.3 Educational factor that determine the performance of MSEs

Item	C		M		S		U		A		T		TOTAL	
	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD
Specialized education on the business	3.63	1.08	3.37	1.04	3.70	1.17	4.40	0.54	3.72	0.95	3.46	1.24	3.71	1.00
Leaders education level	3.66	1.05	3.44	1.17	3.44	2.96	4.20	0.44	3.38	1.28	3.11	1.17	3.53	1.34
Employees education level	3.57	1.00	3.05	1.16	2.96	2.74	4.00	1.22	3.11	1.07	3.26	1.25	3.32	1.40
Employment is based on educational background	3.12	0.99	2.76	1.19	2.74	3.51	3.60	1.14	2.77	1.16	2.73	1.31	2.95	1.55
Grande													3.37	1.32

Source: SPSS output 2019

The table 4.3, above reveals with there is specialized education on the business with the mean score 3.63, 3.37, 3.70, 4.40, 3.72 and 3.46 and standard deviation of 1.08, 1.04, 1.17, 0.54, 0.95 and 1.24 of MSEs engaged in construction, manufacturing, service, urban agriculture, agro industry,

and garment and textile respectively. This is followed by Leaders education level with the mean scores of 3.66, 3.44, 3.44, 4.20, 3.38 and 3.11 and standard deviations of 1.05,1.17, 2.96, 0.44, 1.28 and 1.17 respectively. With regard to Employees education the mean scores of 3.57, 3.05, 2.96, 4.00, 3.11 and 3.26 and standard deviations are 1.00, 1.16, 2.74, 1.22, 1.07 and 1.25 for MSEs of construction, manufacturing, service, urban agriculture, agro industry, and garment and textile respectively. On the other hand, the mean and standard deviation for Employment is based on educational background, the table above depicts that the agreement scale of respondents with the means 3.12, 2.76, 2.74, 3.60, 2.77 and 2.73 and standard deviation of 0.99, 1.19, 3.51, 1.14,1.16 and 1.31 respectively. for the MSEs engaged construction, manufacturing, service, urban agriculture, agro industry, and garment and textile respectively. According to the interview with the operators, replied that, some of the leaders has no specialized and related education with their businesses.

4.4.3 Marketing factor that determine the performance of MSEs

Table 4.4: Marketing factor that determine the performance of MSEs

ITEM	C		M		S		U		A		T		TOTAL	
	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD
Marketing skills														
There is adequate market for the product	2.69	1.13	3.15	1.07	3.51	1.22	3.40	1.51	3.55	1.14	2.73	1.48	3.17	1.25
Searching new market is not so difficult	3.18	0.88	3.21	1.11	3.48	1.25	3.20	1.30	3.55	1.14	2.92	1.29	3.25	1.16
There is practice of demand forecasting	3.06	0.93	2.97	1.21	3.11	1.28	3.80	0.83	3.11	1.18	3.07	1.09	3.18	1.08
Market	3.06	1.11	2.60	1.05	2.85	1.16	2.60	0.89	3.00	1.18	2.84	1.31	2.82	1.11

information is available														
There is relationship between an organization that conduct marketing information	2.72	1.09	2.34	1.07	2.22	1.18	2.80	1.09	2.44	1.09	2.34	1.26	2.47	1.13
My enterprise promote products to attract potential users	3.18	1.10	2.57	1.17	2.70	1.46	2.60	1.14	2.72	1.17	3.07	1.26	2.80	1.21
Grande													2.94	1.15

Source: SPSS output 2019

The mean scores and standard deviations of respondents on market variables shown as follow. The mean scores of adequate market for the product/service are 2.69, 3.15, 3.51, 3.40, 3.55 and 2.73 with standard deviations of 1.13, 1.07, 1.22, 1.51, 1.14 and 1.48 for MSEs engaged construction, manufacturing, service, urban agriculture, agro industry, and garment and textile respectively. The respondents of construction, manufacturing, service, urban agriculture, agro industry, and garment and textile agree with a mean of 3.18, 3.21, 3.48, 3.20, 3.55 and 2.92 with standard deviation of 0.88, 1.11, 1.25, 1.30, 1.14 and 1.29 that there is no difficulty of searching new market respectively. Practice of demand forecasting have mean scores of 3.06, 2.97, 3.11, 3.80, 3.11 and 3.07 with standard deviation of 0.93, 1.21, 1.28, 0.83, 1.18 and 1.09 for MSEs engaged in construction, manufacturing, service, urban agriculture, agro industry, and garment and textile respectively. Market information availability factor affects performance has the mean scores of 3.06, 2.60, 2.85, 2.60, 3.00, and 2.84 and standard deviations are 1.11, 1.05, 1.16, 0.89, 1.18 and 1.31 for business enterprises engaged in construction, manufacturing, service, urban agriculture, agro industry, and garment and textile respectively. Similarly, majority of respondents agreed with they have no relationship with an organization and/association that conduct marketing research. This agreement

is justified by the mean scores of 2.72, 2.34, 2.22, 2.80, 2.44 and 2.34 with standard deviation of 1.09, 1.07, 1.18, 1.09, 1.09 and 1.26 for an operators engaged in construction, manufacturing, service, urban agriculture, agro industry, and garment and textile respectively. With regarding to promotion to attract potential users as the main factor that determine the financial performance of MSEs engaged construction, manufacturing, service, urban agriculture, agro industry, and garment and textile have the mean score 3.18, 2.57, 2.70, 2.60, 2.72 and 3.07 with standard deviations of 1.10, 1.17, 1.46, 1.14, 1.17 and 1.26 respectively. The respondent operators agree on their inability to promote potential users. The survey shows inadequate market is the main problem for Gulelle sub city MSEs in doing business. According to Gebreyohannes (2015:85) Market is the major constraint that highly hinders the firms’ performance for all sectors in the manufacturing MSEs.

4.4.4: Government factor that determine the performance of MSEs

Table 4.5: Government factor that determine the performance of MSEs

ITEM	C		M		S		U		A		T		TOTAL	
	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD
Government factors														
There is high bureaucracy in the company registration and licensing	3.27	1.12	2.31	1.14	2.22	1.18	2.60	1.14	2.11	0.90	2.38	1.38	2.71	1.14
There is strong government support in providing land, loan and training	3.30	1.15	2.52	1.24	2.33	1.20	2.60	1.14	2.44	1.24	2.92	1.23	2.68	1.20
Government policies and regulations are suitable for doing business	2.90	1.07	2.28	0.95	2.33	0.96	2.80	1.09	2.44	1.04	2.34	1.12	2.51	1.03
Absence of cooperate practices in facilitating business	2.72	1.12	2.52	0.97	2.51	0.97	2.40	0.89	2.66	0.97	2.46	1.27	2.54	1.03

Government provides information to exploit business opportunities	2.69	1.18	1.89	0.98	1.88	0.93	2.20	0.44	1.83	0.92	2.23	1.42	2.12	0.97
Grande													2.46	1.05

Source: SPSS output 2019

As indicated in table above, we can observe that response for lengthy bureaucratic processes in company registration and licensing has a mean score of 3.27, 2.31, 2.22, 2.60, 2.11 and 2.38 with a standard deviation of 1.12, 1.14, 1.18, 1.14, 0.90 and 1.38 for construction, manufacturing, service, urban agriculture, agro industry, and garment and textile respectively. Therefore, it may be concluded that bureaucracy in company registration is the main factor that affects the performance of all sectors. For statement Government provides information to exploit business opportunities the mean scores are 2.69, 1.89, 1.88, 2.20, 1.83, and 2.23 with standard deviations of 1.18, 0.98, 0.93, 0.44, 0.92 and 1.42 for operators of construction, manufacturing, service, urban agriculture, agro industry, and garment and textile respectively. On the other hand 3.30, 2.52, 2.33, 2.60, 2.44, and 2.92 min and standard deviation 1.15, 1.24, 1.20, 1.14, 1.24 and 1.23 with regard to There is strong government support in providing land, loan and training was reported from the respondents operating in construction, manufacturing, service, urban agriculture, agro industry, and garment and textile respectively. For the Absence of cooperate practices in facilitating business the min score was 2.72, 2.52, 2.51, 2.40, 2.66 and 2.46 and standard deviation of 1.12, 0.97, 0.97, 0.89, 0.97 and 1.27 for the porters in of construction, manufacturing, service, urban agriculture, agro industry, and garment and textile respectively.

Furthermore, the table indicates that bureaucracy in company registration and licensing is another problem that affects the growth of enterprises engaged in construction with a mean of 3.27 and standard deviation of 1.12. But, respondents of weaving and cotton spin neither agreed nor disagreed with the factors related to bureaucracy in company registration and licensing. The mean score and standard deviation clearly shows this conclusion. That is mean of 3.38 and 3.03, standard deviation of 1.41 and 1.30 respectively. Lastly, the table indicates that the respondents engaged in weaving sector neither agreed nor disagreed with regard to political intervention with the mean of 3.34 and standard deviation of 1.49. But respondents engaged in embroidery agreed about the presence of political intervention with the mean of 3.51 and standard deviation of 1.52. In the

interview conducted with operators of MSEs, it was confirmed that the support of the government is low in terms of creating access to information on government regulations that are relevant to the business activities of enterprises.

In an interview conducted with an operator of the sectors, the case of MSEs to do business they have to get registered and licensed. Every registered business has to record their costs, revenues and give receipt for customers. But other small businesses initiated by owners do not go through those processes which gives them advantages of paying tax random estimation. But for MSEs organized by government, everything is difficult to get receipt for merchandise or material purchase which leads to generalization of least costs and high revenue. Finally this shows high false profit. Due to this, majority of MSEs prefer not to continue in such manner, but either to leave the work or to return the license.

4.4.5: Financial factor that determine the performance of the MSEs

Table 4.6: Financial factor that determine the performance of MSEs

ITEM	C		M		S		U		A		T		TOTAL	
	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD
There is easy access to working capital	2.45	1.03	1.89	0.98	1.88	0.93	2.20	0.44	1.83	0.92	2.23	1.42	2.09	0.95
There is cash management skills	2.27	0.94	3.07	1.21	3.66	1.24	4.60	0.54	3.33	1.02	3.26	1.07	3.36	1.00
There is easy access to capital expand investment	2.39	1.14	2.15	1.93	1.96	0.89	2.60	0.54	2.00	0.90	2.07	1.19	2.19	1.09
Interest rates charged by banks and lending institutions are reasonable	3.72	0.94	1.89	0.89	1.88	0.93	1.80	0.83	2.16	0.85	2.00	1.09	2.24	0.92

Loan application procedures of banks and lending institutions are not complicated	3.42	1.09	1.63	0.78	1.81	0.96	1.80	0.83	2.05	1.25	1.84	1.08	2.09	0.99
Grande													2.39	0.99

Source: SPSS output 2019

In relation to easy access to working capital, the mean score are 2.45, 1.89, 1.88, 2.20, 1.83 and 2.23 with standard deviation of 1.03, 0.98, 0.93, 0.44, 0.92 and 1.42 for operators engaged construction, manufacturing, service, urban agriculture, agro industry, and garment and textile respectively. the mean scores are 3.72, 1.89, 1.88, 1.80, 2.16 and 2.00 and with standard deviations of 0.94, 0.89, 0.93, 0.83, 0.85 and 1.09 for high interest rate charged by banks or lending institutions and 3.42, 1.63, 1.81, 1.80, 2.05 and 1.84 with standard deviations of 1.09, 0.78, 0.96, 0.83, 1.25 and 1.08 for construction, manufacturing, service, urban agriculture, agro industry, and garment and textile respectively for Loan application procedures of banks and other lending institutions are not complicated. However, lack of cash management skills is considered as a least factor in determining performance of MSEs by respondents. It has mean score of 2.27, 3.07, 3.66, 4.60, 3.33 and 3.26 with standard deviation of 0.94, 1.21, 1.24, 0.54, 1.02 and 1.07 for operators of construction, manufacturing, service, urban agriculture, agro industry, and garment and textile respectively. Operators were interviewed to give their opinion on the nature of problem related to financial factors. It was found that, mainly the operators usually suffer of shortage of cash leading to their inability to cover their daily needs adequately. The other cause of this low cash presence at the disposal of the operators could be the increasing expense incurred by their respective MSEs in relation to purchase of raw materials and services such as transportation. The operators frequently mitigate this problem of cash shortage through borrowing and lending each other and contributions from relatives because they find it very difficult to access financing from micro financial institution and commercial banks due to strict requirements such as collateral security and high repayment costs (Mbugua, 2014:18). Most of the MSEs couldn't able to borrow money from banks due to uninviting preconditions of banks in relation to collateral requirements. Due to this obstacle of banks, they are forced to go to micro financial institutions and exposed for high interest rate. But

majority of interviewees widely outlined that, they frequently use informal sources as main sources finance.

4.4.6: Entrepreneurial factor that determine the performance of MSEs

Table 4.7: Entrepreneurial factor that determine the performance of MSEs

ITEM	C		M		S		U		A		T		TOTAL	
	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD
Entrepreneurial factors														
Entrepreneur are motivated	3.72	0.94	3.44	1.22	3.59	1.30	4.40	0.89	3.00	1.18	3.23	1.24	3.56	1.12
The Entrepreneur works hard	3.42	1.09	3.02	1.17	3.18	1.21	4.40	0.89	2.61	0.84	3.07	1.19	3.28	1.06
The Entrepreneur is persistent and courageous to take responsibility for ones failure	3.48	0.90	2.65	0.90	3.00	1.00	4.20	0.83	2.72	0.89	2.92	1.41	3.16	0.98
The Entrepreneur has the initiative to assess ones strengths and weakness	3.36	1.11	2.50	1.03	3.25	1.19	3.80	1.30	2.72	1.01	2.30	0.88	2.98	1.08
Grande													3.24	1.06

Source: SPSS output 2016

Among the entrepreneurial factors, absence of initiative to assess ones strengths and weakness scores the highest mean as 3.36, 2.50, 3.25, 3.80, 2.27 and 2.30 with standard deviation of 1.11, 1.03, 1.19, 1.30, 1.01 and 0.88 for operators engaged construction, manufacturing, service, urban agriculture, agro industry, and garment and textile respectively. It can be seen that absence of initiative to assess their strength and weakness is the main problem in entrepreneurial factor. Regarding the arithmetic mean and standard deviation indicates that The Entrepreneur is persistent and courageous to take responsibility for ones shown that a mean score of 3.48, 2.65, 3.00, 4.20, 2.72 and 2.923. with standard deviation of 0.90, 0.90, 1.00, 0.83, 0.89, and 1.41 for MSEs construction, manufacturing, service, urban agriculture, agro industry, and garment and textile respectively.

In relation to the entrepreneur works hard the mean score of 3.42, 3.02, 3.18, 4.40, 2.61, and 3.07 with standard deviation of 1.09, 1.17, 1.21, 0.89, 0.84 and 1.19 for an operator of construction, manufacturing, service, urban agriculture, agro industry, and garment and textile respectively. With regard to entrepreneurial are motivation it has arithmetic mean scores of 3.72, 3.44, 3.59, 4.40, 3.00 and 3.23 with standard deviations of 0.94, 1.22, 1.30, 0.89, 1.18 and 1.24 for operators engaged in construction, manufacturing, service, urban agriculture, agro industry, and garment and textile respectively. Since most of micro and small enterprises are organized by government, they have low initiative to join business. The absence of initiative to assess their strength and weakness is critically seen entrepreneurial factor. Similarly according to Abera (2012:75-76) the major entrepreneurial factors include lack of persistence and courage to take responsibility for one's failure and absence of initiative to assess ones strengths and weakness. In an interview conducted to an operator of MSEs, they replied that since MSEs are organized by governments there is lack of motivation and drive to work together in order to achieve their goals. A study by Bark H. (1992:53) shows a positive relation between motivation of the entrepreneur(s) and the performance of the firm; in other words the more positive motivation of the entrepreneur(s) the more likely the business will grow.

4.4.7: Infrastructural factor that determine the performance of MSEs

Table 4.8: Infrastructural factor that determine the performance of MSEs

ITEM	C		M		S		U		A		T		TOTAL	
	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD
There is no power interruptions	2.42	1.03	2.00	1.06	1.81	1.17	1.80	1.30	2.16	1.09	2.30	0.88	2.08	1.08
There is sufficient and uninterrupted water supply	2.30	1.13	1.89	1.06	1.85	1.13	1.80	0.83	2.00	1.02	2.00	0.89	1.97	1.01
There is business development services	2.39	1.14	2.05	1.06	2.07	1.10	1.60	0.89	2.44	1.24	2.26	1.11	2.13	1.09
There is sufficient and quick transportation	2.54	1.12	2.50	0.95	2.59	0.84	2.60	0.89	2.61	0.97	2.38	1.09	2.53	0.97

There is appropriate dry waste and sewerage system	2.72	1.17	3.28	1.33	3.33	1.17	4.40	0.54	3.38	1.24	3.23	1.03	3.39	1.08
Grande													2.42	1.04

Source: SPSS output 2019

The result presented in table 4.9 shows that power interruption is the main problem followed by insufficient and interrupted water supply and appropriate dry waste system that hinders the business growth of construction, manufacturing, service, urban agriculture, agro industry, and garment and textile respectively. The mean scores of power interruption are 2.42, 2.00, 1.81, 1.80, 2.16 and 2.30 with standard deviations of 1.03, 1.06, 1.17, 1.30, 1.09 and 0.88 construction, manufacturing, service, urban agriculture, agro industry, and garment and textile respectively. The mean scores of water supply are 2.30, 1.89, 1.85, 1.80, 2.00 and 2.00 with standard deviations of 1.13, 1.06, 1.13, 0.83, 1.02 and 0.89 for construction, manufacturing, service, urban agriculture, agro industry, and garment and textile respectively. On the other hand, appropriate dry waste system is the main challenge that hinders the growth of MSEs engaged in construction, manufacturing, service, urban agriculture, agro industry, and garment and textile respectively. According to the respondents the mean scores are 2.72, 3.28, 3.33, 4.40, 3.38 and 3.23 with standard deviations of 1.17, 1.33, 1.17, 0.54, 1.24, 1.24 and 1.03 respectively.

With regard to sufficient and quick transportation service, respondents of the MSEs in construction, manufacturing, service, urban agriculture, agro industry, and garment and textile respectively. has the mean score of 2.54, 2.50, 2.59, 2.60, 2.61 and 2.38 with standard deviation of 1.12, 0.95, 0.84, 0.89, 0.97 and 1.09. It seems that these operators neither agree nor disagree on the issue related to sufficient and quick transportation service. In the interview made with the interviewee, most of them confirmed that transport is not the main factors for the growth of their business. This is because many of them are living around their business centers that are located in a shorter distance from their residence areas. Few of them located by far from their work areas use the public transport which is affordable and accessible but many of the MSEs face challenges with regard to transporting their product or service and enforced to pay unfair price.

4.4.8: Technological factor that determine the performance of MSEs

Table 4.9: Technological factor that determine the performance of MSEs

ITEM	C		M		S		U		A		T		TOTAL	
	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD
There is access to appropriate machinery and equipment	2.69	1.01	2.36	1.14	2.40	1.33	1.80	1.30	2.61	1.03	2.46	1.13	2.38	1.15
There is adequate skills to handle new technology	2.60	1.05	2.84	1.24	2.74	1.50	2.20	1.09	3.05	1.16	2.96	1.11	2.73	1.19
Access to money to acquire new technology	2.90	1.10	2.36	1.07	2.00	0.96	2.80	1.78	2.44	1.09	2.57	1.36	2.51	1.22
There is skill to select proper technology	2.75	1.03	3.05	1.20	2.74	1.45	3.80	1.09	2.77	1.21	3.15	1.08	3.04	1.17
Grand													2.66	1.18

Source: SPSS output 2019

The table above reveals with there is access to appropriate machinery and equipment, and the main problem of MSEs engaged in construction, manufacturing, service, urban agriculture, agro industry, and garment and textile respectively. The mean scores 2.69, 2.36, 2.40, 1.80, 2.61, and 2.46 and standard deviations of 1.01, 1.14, 1.33, 1.30, 1.03, and 1.13 respectively. This is followed by Access to money to acquire new technology with the mean scores of 2.90, 2.36, 2.00, 2.80, 2.44 and 2.57 and standard deviations of 1.10, 1.07, 0.96, 1.78, 1.09 and 1.36 respectively. With regard to adequate skills to handle new technology, the mean scores of 2.60, 2.84, 2.74, 2.20, 3.05 and 2.96 and standard deviations are 1.05, 1.24, 1.50, 1.09, 1.16, and 1.11 for MSEs of construction, manufacturing, service, urban agriculture, agro industry, and garment and textile respectively. On the other hand, the mean and standard deviation for There is skill to select proper technology, the table above depicts that the agreement scale of respondents with the means 2.75, 3.05, 2.74, 3.80, 2.77 and 3.15. and standard deviation of 1.03, 1.20, 1.45, 1.09, 1.21 and 1.08 respectively. for the MSEs engaged construction, manufacturing, service, urban agriculture, agro industry, and garment and textile respectively. According to the interview with the operators, the loan to purchase

equipments and materials were obtained from both formal and informal sources because the variety of working machines, equipments and tools used by the MSEs of the study were purchased. Despite the presence of these machines, tools and equipments have allowed the operators to produce products in a better quantity and quality, the regular payment for machines bought by credit made them lead a subsistence life having no significant improvement in their growth. Moreover, respondents replied that, if new and appropriate technologies obtained, the presence of them will result in fundamental growth of their business.

4.4.9: Performance of MSEs

Table: 4.10. Performance of MSEs

Item	C		M		S		U		A		T		TOTAL	
	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD
There is growth in annual profit	3.00	0.90	3.20	0.91	3.00	0.85	3.23	0.93	2.73	0.73	4.48	7.64	3.27	1.99
The is growth in capital	3.06	0.85	2.93	0.88	3.02	0.84	2.93	0.90	3.13	0.81	3.03	0.86	3.01	0.85
There is growth in sales volume	2.96	0.92	3.28	1.03	3.00	0.88	3.20	1.06	2.80	0.76	2.96	1.01	3.03	0.94
There is growth in employment	2.70	0.98	3.02	1.07	2.79	0.86	2.96	1.12	2.46	1.10	2.82	1.07	2.79	1.03
There is growth in production volume	2.96	1.03	3.13	1.09	3.02	0.90	3.06	1.14	2.46	0.97	3.06	1.09	2.94	1.03
Grand													3.00	1.16

Source: SPSS out put 2019

From the table 4.10 above it can be understood that all the sectors agreed on that there is an opportunity to fail or grow in the business they are engaged in, this was demonstrated by the mean score observed of 3.00 and the standard deviations 1.16 showed that there is variation in among the

responses. Whereas the respondents showed their agreement on growth in annual profit, growth in capital and growth in sales volume showed with score of above 3 point. From this it can be concluded that regardless of other factors the business engaged by operators are profitable.

4.5. Results from Inferential Statistics

4.5.1. Regressions Analysis

For the purposes of determining the extent to which the explanatory variables explain the variance in the explained variable, regression analysis was employed. The results of such analysis are narrated as follows. The overall model fit of the regression analysis shows that the model predicted 45.5% (adjusted R square=0.454) of the variation in the dependant variables, which means that all the independent variables jointly explained the performance of MSEs by 45%. The model was significant at $p < 0.01$ level.

Table 4.11 Estimation of Multiple Linear Regression Function

Variables	Unstandardized Coefficients		Standardized Coefficients	T	Sig. level
	B	Std. Error	Beta		0.801
Constant	0.063	0.250		-0.25	0.801
Management	-1.28	0.52	-0.158	-2.48	0.014
Education	0.082	0.73	0.94	1.12	0.260
Marketing	0.154	0.062	0.182	2.48	0.13
Government	-1.41	0.65	-0.152	-2.16	0.31
Finance	0.129	0.52	0.154	2.47	0.014
Entrepreneur	-0.089	0.068	-0.110	-1.31	0.19
Technology	0.038	0.023	0.079	1.646	0.101
Infrastructure	0.121	0.06	-0.141	-2.01	0.045

Source: Field survey (2019)

Table 4.11 shows that, the explanatory variables included in this study can significantly explain at 95% confidence level to the variation on the dependent variable. In a model summary, the “R” value is used to indicate the strength and direction of the relationship between the variables. The

closer the value gets to 1, the stronger the relationship. In this case as shown above, $R = 0.721$. This means there was an overall strong and positive relationship between the variables.

The R-Square in the study was found 0.520. This value indicates that the independent variables can explain 52% of the variance in the financial performance of businesses in Gulelle sub city. The remaining 48% of the variance is explained by other variables not included in this study. The Un standardized Coefficients of determination under the B column in table 4.11 were used to substitute the unknown beta values of the regression model.

In this case, education, marketing, government, entrepreneur and technological factors are do not affect the performance of MSEs in gulelle sub. The predictor variables produced statistically significant results $p < 0.05$ are management ($p = 0.014$), finance ($p = 0.014$), infrastructure ($p = 0.045$) and technology (0.101). These variables has direct relationship with micro and small enterprises performance (growth). The standardized beta coefficient column shows the contribution that an individual variable makes to the model. The beta weight is the average amount the dependent variable increases when the independent variable increases by one standard deviation (all other independent variables are held constant). As these are standardized we can compare them. Thus, the largest influence on the performance of MSEs has the beta values from the educational factor (0.94), marketing factor (0.182) and financial factor (0.154). On the other hand technological factor (0.079), and the remaining factors has the poorest predictor of performance when they are compared with the other explanatory variables under study with entrepreneurial factor (-0.110), infrastructure (-0.141), government factor (-0.152) and management and expertise skill factor (-0.158) has the beta value. Most of the studies which are done before shares management and financial factors in commune despite the infrastructure factor as an influential factor for the growth of MSEs.

CHAPTER FIVE

CONCLUSION AND RECOMMEDATION

5.1. Introduction

This final chapter of the thesis presents summary, conclusion and forwards recommendations on the basis of research objectives and findings. Recommendations are believed to be considered by government bodies, owners and/or operators of MSEs and further suggestion for other researchers in the area.

5.2 Summary

The result of the research denoted that the majority (69%) of the MSEs were owned by males, most (57.5%) of the participants were below the age of 35 (who can fall under the youth age category), more than 43.5 % of the respondents attended at least primary level education. The research result again indicated that, almost all of the constraints listed in the questionnaire were areas of challenge for the growth of MSEs operating in the sub city. The most important sources of finance to start up business were found to be personal savings (32.5%), followed by family sources (24.5%), micro finance (18%). And the remaining sources of finance come from NGOs (17%), friends (4%), banks (2.5%) and equb (1.5%). This shows that the main sources of finance for MSEs in Gullele sub city is personal saving. This is due to the fact that MSEs faced problems in taking loans from banks because they did not satisfy the collateral requirements of financial institutions. Results of measures of central tendency indicated that management and expertise skill, financial factor and infrastructure factors were found to be the three top most important factors affecting the growth of MSEs in Gullele sub city regression was used to identify the relationship between various explanatory variables and the dependent variable (capital growth). Accordingly, there is a positive significant relation between growth of MSEs and management and expertise skill, financial factor and infrastructure factors. However, education, marketing, government, entrepreneur and technological factors for the growth of micro and small scale enterprises is not significant.

5.3. Conclusions

This research was conducted with the main objective to identify the factors determining the performance (growth) of micro and small scale enterprises in Gulelle sub city. Since the performance of micro and small scale enterprises have a crucial contribution in the economy and it will further reduce the unemployment rate and increase the number of products or services offered to the society. Taking the data analysis and the findings in to account the following conclusions could be reached.

The most important factors identified are management and expertise skill factors including: with this regard the study shows division of duties and responsibility among employees are not clear, there are poor organization and ineffective communication, poor selection of associates in business and lack of well trained and experienced employees, insufficient low cost and accessible training facilities and absence of strategic business planning, these factors are the major obstacle for the growth of MSEs.

The main sources of finance or working capital funds for most MSEs are personal savings followed by family and micro finance institutions. The study indicates there is low cash management skill with MSEs operators and Since there is high interest rate and complicated loan application procedures by leading institution, most MSEs have been forced to use the informal institutions for credit. Despite the supply of credit from the informal institutions is often so limited to meet the credit needs of the MSEs.

Further this study indicates that the enterprises faces challenges of infrastructure, including power interruptions, sufficient and uninterrupted water supply, business development services, sufficient and quick transportation service and appropriate dry waste and sewerage system. MSEs complian that these factor are needs to be fixed unless, it difficult to operate properly and bring growth for their enterprises.

The research clearly illustrates that, even if the degree of those critical factors are not uniform across the sectors, most of the factors are considerably common for all sectors. It has been noted that the factors that are prevalent to the performance of businesses such as management and expertise skill, financial and infrastructure factors had high effect on the performance (growth) of MSEs compared to other factors in the research area.

5.4. Recommendations

On the basis of the major findings of the study, the following recommendations are forwarded with the view to improve the contributions of MSEs to the country in general and to the study area in particular.

- To make MSEs competitive and profitable, increase the capacity, knowledge and skill of the operators, experience sharing from successful enterprises, and provision of advice and consultancy, continuous capacity building initiatives and accessibility of relevant management trainings are expected from the government.
- The major sources of finance or funds for most of MSEs operators at the study area are informal sources. The reason for emphasizing on informal sector is that the requirement of collateral/guaranty is relatively rare or none when compared to the formal sectors like MFIs and banks. But the formal sectors are unable to provide/supply enough credit to them as they want. Therefore, the government bodies are recommended to develop sufficient sources of finance for MSEs by organizing and supporting the performance of MFIs and other sources.
- The government through various relevant departments is better specialize more in taking up a facilitative role. To solve problems of enterprises with regard to infrastructure it is better to build water tanker and provide substitutive power generator for MSEs which are found at the same area in addition it good if accessible and affordable transportation system is provided by the government and constricting sewerage system and place where to burn dry wastages. working place is a crucial issue to address objectives of MSEs in making accessible product/service to customer and increase the annual revenue. Therefore, giving critical attention is better by the government in providing proper working places.
- Finally, investigating different factors based on the right information are vital for the performance of any business venture. This can be achieved by conducting more researches in related areas. The focus for this study was on the identifying factors determining the performance of micro and small scale enterprise.

It is the researcher's view that future research could investigate the other MSEs that are initiated by owners without government support and medium level enterprises come up with specific findings which will potentially contribute a lot in the development of the country

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Appendix A
QUESTIONNAIRE

SAINT MARYS UNIVERSITY SCHOOL OF
BUSINESS ADMINISTRATION

1. Introduction

Dear respondent, I am a graduate student in the department of General business administration, Saint Mary's University. Currently, I am undertaking a research entitled 'DETERMINANTES OF MICRO AND SMALL SCALE ENTERPRISES PERFORMANCE IN THE CASE OF GULELLE SUB CITY' and 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 the growth/performance of Micro and Small scale enterprises in Gulelle sub city of Addis Ababa. I confirm that the information you provide is totally sought for academic purposes and shall be kept strictly confidential. Thank you in advance for your kind cooperation and dedicating your time.

Sincerely,

Yohannes zekariyas

Part one: personal status

1. State your gender below:

Male

Female

2. what is your age?

Under 20

36-50

20-35

above 50

3. Indicate your educational qualification below:

Read and write

Diploma

High school complete

Degree and above

Certificate

4. Marital status?

Single

Married

5. How many years work experience do you have in running this business?

0-5

11-20

6-10

above 20

Part Two: Status of the enterprise

1. In which level is your business operating?

Micro

small

2. In which sector your business is operating?

Manufacturing

Service

Construction

Urban agriculture

Agro industry sector

Textile sector

3. Indicate the number of employees working in your business?

0-5

above 30

6-30

4. From which source you raised funds to start up your business?

Personal saving

NGOs

Micro finance institutions

Family

Iqub

Banks

Others (specify).....

5. How much is your working capital?

0 – 100000

above 1.5 million

100001 – 1.5 million

6. Do you think there is satisfactory growth in capital in your enterprise?

Yes No

7. If your answer for question 6 is No, why? Please explain?

8. Do you think the local market for the product/service is satisfactory?

Yes No

9. If your answer for question 5 is No, why? Please explain?

Factors that determine the performance of MSEs

The major factors that determine the performance of MSEs are listed below. Please indicate the degree to which these factors are affecting the performance/growth of your business enterprise. After you read each of the factors, evaluate them in relation to your business and then put a tick mark (√) under the choices below. Where, 5 = strongly agree, 4 = agree, 3 = undecided, 2 = disagree and 1= strongly disagree.

1. Please indicate the degree to which you agree with the following statements concerning Management and expertise skills factors.

No.	Management and expertise skill	5	4	3	2	1
1.1	There is clear division of duties and responsibilities among employees					
1.2	There is effective organization and communication					
1.3	There is well trained and experienced employees					
1.4	There is low cost and accessible training facilities					
1.5	There is practices of strategic planning					

2. Please indicate the degree to which you agree with the following statements concerning Educational factors.

No.	Education factor	5	4	3	2	1
2.1	Employees and leaders have specialized education on the business					

2.2	Leaders are well educated to lead the business					
2.3	Employees are well educated to perform their duties					
2.4	Employment is based on educational background					

3. Please indicate the degree to which you agree with the following statements concerning Marketing skills factors.

No.	Marketing skills	5	4	3	2	1
3.1	There is adequate market for the product					
3.2	Searching new market is not so difficult					
3.3	There is practice of demand forecasting					
3.4	Market information is available					
3.5	There is relationship between an organization that conduct marketing research to market information					
3.6	My enterprise promote products to attract potential users					

4. Please indicate the degree to which you agree with the following statements concerning government support.

No.	Government factors	5	4	3	2	1
4.1	There is no bureaucracy in the company registration and licensing					
4.2	There is strong government support in providing land, loan and training					
4.3	Government policies and regulations are suitable for doing business					
4.5	Absence of cooperate practices in facilitating business					
4.6	There is entrepreneurship training					
4.7	Government provides information to exploit business opportunities					

5. Please indicate the degree to which you agree with the following statements concerning financial resources factors.

No.	Financial factors	5	4	3	2	1
5.1	There is easy access to working capital					
5.2	There is cash management skills					
5.3	There is easy access to capital expand investment					
5.4	Interest rates charged by banks and other lending institutions are reasonable					
5.5	Loan application procedures of banks and other lending institutions are not complicated					

6. Please indicate the degree to which you agree with the following statements concerning Entrepreneur factors.

No.	Entrepreneur factors	5	4	3	2	1
6.1	Entrepreneur are motivated					
6.2	The Entrepreneur works hard					
6.3	The Entrepreneur is persistent and courageous to take responsibility for ones failure					
6.4	The Entrepreneur has the initiative to assess ones strengths and weakness					

7. Please indicate the degree to which you agree with the following statements concerning infrastructural factors.

No.	Infrastructural factors	5	4	3	2	1
7.1	There is no power interruptions					
7.2	There is sufficient and uninterrupted water supply					
7.3	There is business development services					
7.4	There is sufficient and quick transportation service					
7.5	There is appropriate dry waste and sewerage system					

8. Please indicate the degree to which you agree with the following statements concerning technology factors.

No.	Technological factors	5	4	3	2	1
8.1	There is access to appropriate machinery and equipment					
8.2	There is adequate skills to handle new technology					
8.3	Access to money to acquire new technology					
8.4	There is skill to select proper technology					

9. Please indicate the degree to which you agree with the following statements concerning with performance.

No	Performance	5	4	3	2	1
9.1	There is growth in annual profit					
9.2	The is growth in capital					
9.3	There is growth in sales volume					
9.4	There is growth in employments					
9.5	There is growth in production volume					

የቅድስት-ማርያም ዩኒቨርሲቲ

ቢዝነስ አስተዳደር ድህረ ምረቃ ት/ቤት

የአጠቃላይ ቢዝነስ አስተዳደር ዲፖርትመንት

መግቢያ፡-

ውድ የጥናቱ ተሳታፊዎች፡

እኔ በቅድስት-ማርያም ዩኒቨርሲቲ የቢዝነስአስተዳደርትምህርትክፍል የቢዝነስአስተዳደር የድህረ ምረቃ ተመራቂ ተማሪ ስሆን በአሁን ሰዓት የመመረቂያ ፀሐፊን በማዘጋጀት ላይ እገኛለሁ የጥናቱ ርዕስም “በጉለሌ ክፍለከተማ የሚገኙ የጥቃቅን እና አነስተኛ ተቋማት እድገት ላይ ተፅእኖ የሚያሳድሩ ተግዳሮቶች” ሲሆን እርስዎም በዚህ ጥናት እንዲሳተፉ ተመርጠዋል እርስዎ የሚሰጡት ትክክለኛ መረጃ ለጥናቱ ውጤታ ማነት በጣም አስፈላጊ መሆኑን በመገንዘብ መጠይቁን በጥንቃቄ እንዲሞሉ እጠይቃለሁ ተሳትፎዎ በእርስዎ በጎፊቃደኝነት ላይ የተመሰረተነው። በመጨረሻም የሚሰጡት መረጃ ሚስጥራዊነቱ የተጠበቀ እና ለዚህጥናት ዓላማ ብቻ እንደሚውል አረጋግጣለሁ። የማንኛውም መልስ ሰጪ ማንነት በማንኛውም መልኩ የማይታተም እና የማይሰራጭ ይሆናል ሁሉም መረጃዎች ለትምህርታዊ ዓላማ ብቻ ይውላሉ።
ጊዜዎን ሰውተው ስለሚደርጉልኝ ትብብር በ ቅድሚያ አመሰግናለሁ።

ዮሐንስ ዘካሪያስ

ክፍልአንድ፡ ግላዊመረጃ

1. ስድስት ወንድ ሴት

2. ዕድሜ?ዓመት.

3. የትምህርት-ደረጃ:

- መፃፍ እና ማንበብ ዲፕሎማ
- ሁለተኛ ደረጃ ትምህርት ዲግሪ እና ከዛ በላይ
- ሰርትፍኬት

4. የጋብቻ ሁኔታ?

- ያላገባ ያገባ

5. በዚህ የስራ-ዘርፍ ላይ ያሉት የስራ ልምድ?

- 0-5 11-20
- 6-10 >20

ክፍል ሁለት: ስለተቋሙ አጠቃላይ መረጃ

1. ተቋሙ ያለበት ደረጃ?

ጥቃቅን

አነስተኛ

2. የተሰማሩበት የስራ ዘርፍ?

ምርት

አገልግሎት

ግንባታ

የከተማ ግብርና

እንስሳት እርባታ

ቆዳ እና ጨርቃጨርቅ

3. በተቋሙ ውስጥ የሚሰሩ ሰራተኞች ብዛት?

0-5

>30

6-30

4. በዘርፉ ለመንቀሳቀስ መነሻ ብር/ካፒታል ምን ጩካ የትኑ?

የግል ቁጠባ

መንግስታዊ ካልሆነ ተቋማት

የቁጠባ ማህበራት

ከቤተሰብ

እቁብ

ባንኮች

ሌሎች ካሉ ይጥቀሱ.....

4. ስራ ማስኪጃ ከፒታል?

0 – 100000

> 1.5 ሚሊዮን

100001 – 1.5 ሚሊዮን

6. ከመንግስት የሚሰጠው ድጋፍ ለጥቃቅን እና አነስተኛ ተቋማት እድገት አጥጋቢ ነው ብለው ያስባሉ?

አዎ

አይ

7. ለስድስተኛው (6) ጥያቄ መልሶት አይከሆን ለምን? እባኩን ያብራሩ?

8. የሃገር ውስጥ ገበያ ለምርቶቹ ምላሽ አገልግሎት በቂ ወይም አጥጋቢ ነው ብለው ያስባሉ?

አዎ

አይ

9. ለስምንተኛው (8) ጥያቄ መልሶት አይከሆን ለምን? እባኩን ያብራሩ?

ክፍልሶስት፡- በጥቃቅን እና አነስተኛ ተቋማት የሥራ እንቅስቃሴ ላይ ተፅእኖ የሚያሳድሩ ጉዳዮች

ከዚህ በታች በጥቃቅን እና አነስተኛ ተቋማት እድገት ላይ ችግር ሊሆኑ የሚችሉ ነገሮች ተዘርዘረዋል። ከተዘረዘሩት ተግዳሮቶች መካከል በእርስዎ የሥራ ዘርፍ ይበልጥ እድገቱ ላይ ተፅእኖ የሚያሳድሩትን በየደረጃው ያመለክቱ። ለአንዱ ጥያቄ መልስ ከአማራጮቹ ውስጥ አንድ ሁለት ሲሆን () ምልክት በማድረግ ምላሽ ይሰጡ።

- 5. በጣም አስማማለሁ 2. አልሰማምም
- 4. እስማማለሁ 1. በጣም አልሰማም
- 3. ለመወሰን እጅግ ገራለሁ

ተ.ቁ	1. የሥራ አማራጭ አገልግሎት	5	4	3	2	1
1.1	ግልፅ የሆነ የሥራ ኃላፊነት እና ግዴታ አለ					
1.2	ውጤታማ የሆነ አደረጃጀት እና ግኑኝነት አለ					
1.3	የሰለጠኑ እና ልምድ ያላቸው ሰራተኞች አለ					
1.4	ዋጋቸው ተመጣጣኝ እና ተደራሽ የሆኑ ስልጠናዎች አሉ					
1.5	የሥራ እቅድ የማውጣት ልምድ አለ					

ተ.ቁ	2. የትምህርት ሁኔታ	5	4	3	2	1
2.1	ስራ አስኪያጁ በሚሰራው የሥራ ዘርፍ ላይ የተማረ ነው/ናት					
2.2	ስራ አስኪያጁ በቂ የአመራር ትምህርት አለው/አላት					
2.3	ሰራተኞች ስራቸውን በአግባቡ ለመወጣት የሚያስችል በቂ ትምህርት አላቸው					
2.4	የሰራተኞች ቅጥር የትምህርት ሁኔታን ያማከለ ነው					

ተ.ቁ	3. የግብይት ሁኔታ	5	4	3	2	1
3.1	በቂ የሆነ የገበያ እድል በሀገር ውስጥ ጥላለ					
3.2	አዲስ የገበያ ዕድል መፈለግ ይቻላል					
3.3	የገበያ ፍላጎትን የመተንበይ ልምድ አለ					
3.4	የገበያ መረጃ ማግኘት ይቻላል					
3.5	ግብይትን በተመለከተ ጥናት እና ምርምር ከሚያካሂዱ ተቋማት ጋር ግንኙነት አለ					
3.6	ተቋሜ ደንበኞችን ለመሳብም ርቶችን ያስተዋውቃል					

ተ.ቁ	4 ከ መንግስት ጋር ተያያዥ የሆኑ ጉዳዮች	5	4	3	2	1
4.1	በድርጅት ምዝገባ እና ፍቃድ ማውጣት ወቅት የተንዛዛ አስራ ርዕሰ ሰላም					
4.2	መንግስት የመስሪያ ቤታብድር እና ስልጠና ምትን በሚገባድ ጋፍ ያደርጋል					
4.3	የመንግስት ህግ እና ደንቦች ለስራ አመቺ ናቸው					
4.4	የስራ ዕድልን ለማሳደግ መንግስት በቂ መረጃ ይሰጣል					
4.5	ከመንግስት ጋር ተናቦ የመስራት ችግር የለም					

ተ.ቁ	5. ከገንዘብ ጋር ተዛማጅ የሆኑ ጉዳዮች	5	4	3	2	1
5.1	የስራ ማንቀሳቀሻ ብር በቀላሉ ማግኘት ይቻላል					
5.2	የብር አያያዝ ከህሎት አለ					
5.3	በቀላሉ የስራ ማስፋፍያ ብር ይገኛል					
5.4	ባንኮች እና ሌሎች አብዳሪ ተቋማት የሚጥሉት የብድር ወለድ ማዛናዊ ነው					
5.5	ባንኮችና ሌሎች አብዳሪ ተቋማት ለማበደር የሚከተሉት ሂደት ውስጥ ስብስብ አይደለም					

ተ.ቁ	6.የስራ ፈጠራ-ሁኔታዎች	5	4	3	2	1
6.1	የስራ ፈጠራ-ተነሳሽነት አለ					
6.2	የስራ ፈጠራዎች በትጋት የሰራሉ					
6.3	ለሚፈጠሩት ጊዜያዊ ውድቀቶች ፀንቶ ሀላፊነትን የወስዳሉ					
6.4	የራስን ጠንካራ እና ደካማንን የፈትሻሉ					

ተ.ቁ	7. የመሰረተልማት-ሁኔታ	5	4	3	2	1
7.1	የኃይል መቆራረጥ የለም					
7.2	በቂ እና የማየቆራረጥ የውኃ አቅርቦት አለ					
7.3	ለስራ አመቺ የሆነ አገልግሎት አለ					
7.4	በቂ እና ፈጣን የሆነ የትራንስፖርት አገልግሎት አለ					
7.5	የደረቅ እና ፈሳሽ ቆሻሻ ማስወገጃ አለ					

ተ.ቁ	8. የቴክኖሎጂ ሁኔታ	5	4	3	2	1
8.1	ማሸኖች እና የመሰሪያ እቃዎችን ማግኘት ይቻላል					
8.2	በቂ የሆነ የቴክኒክክ ህሎት አለ					
8.3	ለ አዲስ-ቴክኖሎጂ የሚሆን ገንዘብ-በማግኘት ዕድል አለ					
8.4	ለስራው ተገቢ የሆኑ ቴክኖሎጂን የመምረጥ ክህሎት አለ					

ተ.ቁ	9. የእድገት ሁኔታ	5	4	3	2	1
9.1	አመታዊ ገቢ ላይ ዕድገት አለ					
9.2	የስራ-ማንቀሳቀሻ ብር ዕድገት አለ					
9.3	አመታዊ የሽያጭ-መጠን ላይ ጭማሬ አለ					
9.4	የሰራተኛ ቁጥር ጨምሯል					
9.5	የምርት ዕድገት አለ					

አመሰግናለሁ

APPENDIX B

Interview Questions Interview questions with MSE operators

1. What problems did you face while running MSEs in relation to:

- Management and expertise skills (clear division of duties and responsibility among employees , well trained and experienced employees, strategic business planning , poor organization and ineffective communication)
- Educational factor (Employees and leaders have specialized education on the business, Leaders are well educated to lead the business)
- Entrepreneur factors (lack of motivation and drive, persistence and courage to take responsibility for ones failure, absence of initiative to assess ones strengths and weakness)
- Marketing skills (There is adequate market for the product, searching new market is so not difficult , There is practice of demand forecasting, Market information is available, There is relationship between an organization that conduct marketing research to market information, My enterprise promote products to attract potential users)
- Resources and finance (There is easy access to working capital, There is cash management skills, There is easy access to capital expand investment, Interest rates charged by banks and other lending institutions are reasonable, Loan application procedures of banks and other lending institutions are not complicated)
- technological change(There is access to appropriate machinery and equipment, There is adequate skills to handle new technology, Access to money to acquire new technology, There is skill to select proper technology).

2. What are other problem(s) faced regarding the overall functioning of business activity?