ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

GENERAL MBA PROGRAM

EFFECTS OF BUSINESS DEVELOPMENT SERVICE ON THE PERFORMANCE OF MICRO AND SMALL MANUFACTURING ENTERPRISES IN ADDIS ABABA, THE CASE OF NEFAS SILK-LAFTO SUB-CITY

June 2022

Addis Ababa, Ethiopia

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A THESIS SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENT OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

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LETTER OF DECLARATION

I, Betelhem Asrat, hereby declare that the work which is being presented in this thesis entitled "Effects of Business Development Service on the performance Of Micro and Small Manufacturing Enterprises in Addis Ababa, The case of Nefas Silk-Lafto Sub-City Manufacturing Sector" is an original work of my own and prepared under the guidance of my thesis supervisor Dr. Tewdros Mekonnen.

Betelhem Asrat   _____   _____

The Candidate   **Date**   **Signature**

LETTER OF CERTIFICATION

This is to certify that the above declaration made by candidate is correct to the best of my knowledge.

Tewdros Mekonnen (Dr.)   _____   _____

Supervisor of the Thesis   **Date**   **Signature**

ACKNOWLEDGEMENTS

First, I would like to thank the Almighty God for giving me the courage and wisdom to finish my postgraduate study and this thesis.

I would like to express my sincere gratitude to my advisor Dr**.** Tewdros Mekonnen for his continuous support, professionalism, and the valuable guidance that he provided me throughout this study. His critical comments and inputs have been invaluable for the development and successful completion of this thesis.

My special and deepest gratitude goes to my parents because their unflagging love and unlimited support during my undergraduate studies provided me with the foundation for this work.

My greatest gratitude goes to my sweetest and most understanding kids, Yemariam Michael, and Atnatyos Michael. They will always be unforgettable when I think of my study for a Master's Degree.

My special and heartfelt thanks go to my beloved husband Michael Wodajeneh. Nothing is possible without him. His continuous support and unreserved understanding gave me the space and time that I needed during my study. His advice and encouragement were so immeasurable that I have no words to express them.

My profound thanks also go to those who supported me in different ways and contributed to the development of this thesis work. In particular, I would like to show my gratitude to those who have participated in responding to the questionnaire. And also I would like to thank Nefas Silk Lafto Sub-City MSEs Administrator, Mr. Geda Tadesse.

Finally, I would like to thank my friend Mekonnen Abera. I was following up in your footsteps. You are my real role model for this study. And you are more than a friend. I have no words to thank you for every support. Just say thank you.

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List of Acronyms

BDS= Business Development Service

MSEs= Micro and Small Enterprises

BoFED= Bureau of Finance and Economy Development

CSA= Central Statistical Authority

FDRE= Federal Democratic Republic of Ethiopia

GNP= Gross National Product

GDP= Gross Domestic Product

MOFEC= Ministry of Finance and Economic Commission

MoTI= Ministry of Trade and Industry

Abstract

The purpose of this study determined the effects of business development service on the performance of micro and small manufacturing enterprises in Addis Ababa, the case of Nefas Silk-Lafto sub-city manufacturing sector and to determine the relationship between Business development service and performance of MSEs. Particularly the study focuses to examine the effect of business development services on the performance of MSEs as general objective of the study. Accordingly, the study employed an explanatory research design and quantitative research approach. The target population of the study was 365 MSEs Members working in manufacturing sectors. It used systematic sampling techniques and the required data have been collected from a sample size of 318 respondent. Data were analyzed using measures of correlation and regression processed via SPSS version 25. The empirical study elicits five major independent variables which seem to influence performance of micro and small enterprise through standardized 5-point Likert-scale questionnaire. The study used both primary and secondary sources of data. The finding of the study discovered the agreement of respondents to the positively significant relationship between BDS and industry performance in the study area. Specifically, Market Access, Industry Extension service, working Area and infrastructure, Access to Finance and Working Capital Management. In addition, the study result shows that it has a positive significant effect on industry performance. From the predicting variables, market access, working area and infrastructure, and working capital Management were performed more effect on enterprise performance than the rest of variables in the study area. The study recommends that the government business development service offices should maintain different supportive more market access, trainings, good working area infrastructure, more access to finance and Increase working capital management of MSEs to increase their performance. In addition, the MSEs members should design good plans and programs with the external as well as internal environment to increase their performance.

Key words :- (Micro and small enterprises (MSEs), Business Development Service (BDS), Performance and Nefas Silk Lafto Sub-City.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

A universal definition of micro and small enterprise does not exist given the multitude of different economic, social, and geographic differences in the international context of micro and small enterprise. In some countries, micro and small enterprises are categorized based on the capital that is invested, and in some other countries based on the employment opportunity; they provide (Bereket Tadesse, 2010).

In many countries, especially in developing countries micro and small enterprises are small informally organized commercial operations owned and operated by the poor. They account for a substantial share of the total employment and gross domestic product (GDP) contributes significantly to the alleviation of poverty and income creation (Bagachwa, S. 2013). They are often the chief economic defense of the most vulnerable households in a high-risk environment, such as civil conflict and natural disasters micro-enterprises laying the foundation for economic development (Bagachwa, 2013).

The MSEs Sector is believed to be able to fill the gap that exists between the poor and the rich in developing countries regarding income generation and, unemployment rate. Successful small businesses are the primary engines for economic development such as income growth and poverty reduction in many developing countries. These businesses can also build a foundation for stable communities and gender equality (Zewde and Associates, 2002). However, poor infrastructure, weak public service, inadequate mechanisms for dispute resolution, and lack of markets for their product and formal financing remain major impediments to small business growth (Zewde and Associates, 2002). Thus, Micro and small enterprises (MSEs) play a key role in triggering and sustaining economic growth and equitable development in both developed and developing countries.

The term Business Development Services (BDS) refers to a wide range of non-financial services provided by public and private supplies (BDS providers) to entrepreneurs to help them operate efficiently and to grow their business with the broader purpose of contributing to economic growth, employment generation and poverty alleviation (Miehldradt & Mc Vay 2003). Services include

assistance with market access; input supply; technology and product development; training and technical assistance; infrastructure; policy/advocacy and alternative financing mechanisms.

Business development services as services that improve market accessibility, competitiveness, and overall performance of an enterprise. A business development service has been perceived in many different forms in literature. The dominant ones have been non-financial services such as market access, infrastructure, policy and advocacy, input supply, training, and technical assistance, technology and product development, and alternative financing mechanisms, whereas the financial services include access to finance, and working capital management (International Labour Organization, 2003). Thus, MSEs improve their performance in a way that market access such as market information, advertising facilities, and market linkage which are the key components that affect organizations' market outreach through continuous innovation of products or processes, and response to dynamic customer requirements Considering infrastructural facilities as the basic elements or structures that provides support for the physical development of an organization or economy. This becomes possible through well-developed infrastructural facilities that narrow inter-regional distances, integrating the local markets as well as connecting them at a low cost to markets in other economies. On financial mechanisms, since financial access is critical to the MSEs Growth and development, improved access to finance has clear benefits for companies of all sizes and is good for improving performance.

The relationship between BDS and performance has, however, been a subject of debate for several decades now. This debate has led to calls for studies to establish the nature and form of this relationship (Caniels, Romijn & De-Wilt, 2003; Brijlal, 2008). These calls have mainly focused on the need to determine the effect of different aspects of business development services on organizations. This study focuses on the effect of business development services on the performance of MSEs in Nefas silk-lafto sub-city manufacturing enterprises.

1.2 Statement of the Problem

The agreement among developed and developing countries that small enterprises can become effective creators of employment, innovation, and income generation. Moreover, they can drive economic growth and thus play a crucial role in the fight against poverty (Muritala Taiwo, et. al, 2012). For instance, in Barbados, there are approximately 6000 small enterprises and they account for approximately 80% of all business activities on the island (Olabisi, S, et. al,2013).

In Sub-Saharan Africa, the sector is important in urban economic activities, particularly in the provision of urban employment and income generation (Rahel W. & Issac, P., 2010). The Ethiopian Government has also focused on the expansion of small enterprises and their growth into medium and large enterprises (Asmelash, 2002).

The development of the micro and small enterprise sector is a primary means of strengthening the country's economy. Despite having, brilliant ideas that can be translated into successful businesses more often than not they encounter difficulties that greatly affect their operations. The business development service market pattern is driven by the belief that objectives of outreach and sustainability can only be achieved in well-developed BDS markets. However, despite these paradigm shifts, too many BDS programs continue to supply services that are not valued by entrepreneurs (de Ruijter de Widt 2003). The impact of the services cannot be demonstrated (Gibson et al. 2001, Altenburg and von Dranchenfels 2006).

The performance of micro and small enterprises, particularly the manufacturing sector is increasing from time to time (Hayelom, 2020). In Ethiopia, the transformation from agriculture to the manufacturing sector will realize through the development and transformation of the manufacturing sector. However, the current performance of the sector is not as expected, regardless of various government supports and the implementation of business development services for small and medium enterprises the manufacturing sector in Ethiopia is not yet developed (Ibid).

Therefore, business development services are critical to support Micro and small enterprises to perform as expected. The usefulness of business development services as an instrument to improve the performance of MSEs is still debatable. Scholars inveterate the causal relation and effect of business development service on MSE's performance. According to Chileshe (2013), UNDP (2004), McVay and Miehlbradt (2003), McVay and Miehlbradt (2001), CDASED (2001), Esim, (2001), and Barton (1997) have found that business development service as a particular concept and its components, such as market access, infrastructure facilities, input supply, training, and technical assistance, technology and product development, and alternative financial access had a significant influence on the performance of MSEs even-though there was no reliable result. On the Other hand, Okeyo et.al (2014) has found there is no relationship between business development and performance; on the contrary Kruger (2011) has got a negative relationship between market access and performance. Thus, the literature represented that there is a controversial and debatable issue that

needs further investigation to assure a universal cause and effect relationship between business development and organizational performance.

Therefore, there has been very limited research conducted on the effect of business development services on the Micro and Small enterprise performance, but not in the study area. Since other studies were conducted in a different location the nature of the problem and the variable included in the study had different natures which let the researchers have a further investigation. In addition, most of the studies about MSEs performance and business development have a problem with target specification. Thus, the main concern of this study is to identify the effect of business development services on the performance of MSEs in Nefas silk-lafto sub-city manufacturing enterprises. Due to the significance of the study and the national importance of the manufacturing sector this study needs to invest.

1.3 Objective of the study

1.3.1 General Objective

The general objective of the study is to examine the effect of business development services on the performance of micro and small enterprises.

1.3.2 Specific Objective

The specific objectives of the study are the following:-

1. To investigate the effect of access to the market on the performance of Micro and Small Enterprises Performance in Addis Ababa City, Nifas Silk Lafto Sub-city.
2. To examine the influence of industry extension services on the performance of Micro and Small Enterprises.
3. To describes the effect of working area and infrastructure management on the performance of Micro and Small Enterprises in Addis Ababa City Nifas Silk Lafto Sub-city.
4. To explain the effect of access to finance on Micro and Small Enterprises Performance.
5. To examine the effect of working capital management on the performance of Micro and Small Enterprises.

1.4 Significance of the Study

This research has a significant value for the researcher is that moral satisfaction and doing a citizenship obligation. On the other case, it will be a role model for other researchers and it gives data

to do another, which minimizes the task of other researchers. Regarding the benefit of the case study, it shows the weakness and strength of the government that the sub-city on doing with its MSEs. The study helps the MSEs of the Sub-city to strengthen their business operation concerning the business development service. It also helps each MSEs of the sub-city to identify the core challenges of their business and show the directions that need improvement concerning their challenges and opportunities of the sectors. Furthermore, the study helps the sub-city policymakers when they plan annually it gives to be an input or baseline to Business development service and performance improvement.

1.5 Scope of the Study

The scope of the study is limited to the analysis of the effect of Business Development Service on the Performance of MSEs in Addis Ababa in the case of Nefas Silk-Lafto sub-city in 2021/22. The study delimited the manufacturing sectors of MSEs in the sub-city. Even though scholars recommended longitudinal research design to make a universal cause-effect relationship between these variables. However, the study uses cross-sectional data due to research time and resources from Addis Ababa during a survey. Furthermore the study used a quantitative research approach and explanatory research design. Although several other relevant factors could be moderators between business development service and performance, this study conceptually delimited market access, industry extension service, working area and infrastructure, access to finance, and access to technology.

1.6 Operational Definition

Access to Finance: - Financial services refer to property loans, working capital, and grant (Yusoff et al., 2010).

Market Access: - market access consists of marketing business, market linkages, trade fairs and exhibitions, development of samples for buyers, market information (SEEP, 2000).

Micro Enterprise:- Microenterprise is an enterprise that operates with 5 people including the owner and/or their total asset is not exceeding Birr 100,000 (one hundred thousand)

Input Supply: - input supply includes linking to input suppliers, improving supplier capacity to provide a regular supply of inputs, information on input supply sources, and encouraging the establishment of bulk buying groups (Kidd, 2005).

Industry Extension Service: - training and technical assistance include mentoring, feasibility studies and business plans.

Infrastructure: - refers to the basic structures physical and organizational that provide support for the development of an organization or economy. (Price, Stoica, & Boncella, 2013).

Infrastructure Facility:-Infrastructure facilities have been viewed as the basic structures physical and organizational that provides support for the development of an organization or economy.

Small Enterprises :- small enterprise is an enterprise that operates with 6-30 persons and/or with a paid-up capital of total asset Birr 100,000 (one hundred thousand) and not exceeding Birr 1.5 million (FDRE, 2011).

1.7 Organizations of the Study

The study has five chapters with key contents as discussed in detail below: The first chapter describes the introduction part including the background, research problem, objectives, scope, and delimitations of the study. In the second chapter about previous research in the area, relevant literature and define the most important concepts, such as MSEs, briefly explain theoretical lenses in the MSEs research, and critically review both theoretical and empirical literature in the MSEs-Performance research area. This chapter also gives insight into the debate on the MSEs-Performance relationship. The third chapter describes the research design that applies in this study. Specifically: target population, sample size, sampling technique, data collection instruments, data collection process, measurement of variables, method of data analysis, and the issue of reliability and validity. The fourth chapter presents the report on the results of the empirical data analyses. These include various analyses of the descriptive variables; several test results to establish reliability and validity, and results of inferential analyses to show the relationship among variables. This chapter also presents detailed discussions on the results of the data analyses with support from existing literature where relevant. Finally, the last chapter summarizes the major findings; gives conclusions with recommendations, and finally insight into gaps for future research.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

This chapter focuses on reviewing the related literature in the area of Government continues support and follow up on MSEs. The issues discussed include both the theoretical and empirical studies of the existing literature. The theoretical review helps in understanding of the current body of knowledge on the research topic. An empirical review of studies of different scholars has been done to guide the research gaps for this study. Altogether, the reviews were used to develop conceptual framework, which used to show the link between the dependent and independent variables.

2.1 Theoretical Literature

2.1.1 Meaning and Definition of Business Development Services

Business Development Service is non-financial service provided to MSEs on formal or informal basis. According to Washington et al (2014), BDS are services that provided to enterprises to improve their performance.

BDS address market problem by providing information, facilitating the provision of consultancy services, encouraging skills, improve equity by engaging in technology transfer and development, and providing access to infrastructure and financial services. Park, Lim and Koo (2008) on their study justify that market imperfections negatively affect MSEs; therefore, they need to provide government support to survive competition with large and established enterprises.

According to the Committee of Donor Agencies for Small Enterprise Development (2001) definition, BDS is defined as services that improve the performance of the enterprise by providing access to markets and ability to compete. The definition includes training, consultancy, marketing, information, technology development and transfer, business linkage promotion both at strategic and operational level.

Similarly The International Finance Corporation (2006) defines BDS as those non-financial services and products offered to entrepreneurs at various stages of their business needs. According to Esim (2001) BDS can help micro and small enterprise solve their problems by: facilitating access to market, introducing new technology ,improve availability of quality input , improve technical and

management skills, eliminating policy problems, and helping enterprise access appropriate finance mechanism.

2.1.2 BDS and their role in supporting MSEs

Any enterprise needs and uses two major types of services: Financial and non-financial services that are more commonly referred to as business development services (BDS). Financial services help existing or would-be entrepreneurs to acquire the means for establishing or expanding a business. On the other hand, business development services refer to the transfer of knowledge, skills, information, offering advice on the various aspects of business activities, and special non-financial assistance (Anton, 2004).

According to Anton (2004) BDS offered on an institutional basis are available through private sector organizations, government organizations and institutions, associations of MSEs and NGOs, under different arrangements and conditions.

The services are usually offered without charging a fee or at a subsidized fee, for non-profit motives, mainly as a part of an organization's mandate to promote and support MSE sector. The services may or may not be classified as demand-driven, because there are no pressures on the providers to achieve any kind of sustainability, and they usually do not pay specific attention to issue of demand. Helping enterprises to develop their business activities, particularly at important turning points over the course of their life cycle, is the central task of business support organizations. The services that they provide are many and various, but, in almost every case, they concern essentially the provision of information and advice to entrepreneurs and business managers.

2.1.3 Types of BDS Service

Business development services comprise of many disciplines, it does not fit easily into a single category. BDS organized into categories that address issues MSEs commonly face. However, there may be significant overlap between categories with some services fitting into more than one. It should be also known, that BDS are often complementary and implementing strategies may use several of them to achieve desired results.

Business development service include a wide range of non-financial support service concentrated in the following categories: market access, infrastructure, policy advocacy, book keeping, legal advice, consulting, input supply, training and technical assistance, technology and product development, and alternative finance mechanism and business incubation (Minda,2013).

He further explain that in supporting development and sustainability of MSE ,these service help to increase employment, generate higher income and provide economic security .Such intervention at micro level contribute the alleviation of poverty empower vulnerable groups by the means economic development and growth.

The Small Enterprise Education Program Guide to Business Development Services identified seven BDS categories: market access, input supply, technology and product development, training and technical assistance, infrastructure, policy/advocacy and alternative financing mechanisms (Basilio & Rodriguez, 2010). This study however focused on four dimensions, that is, market access, infrastructure facilities, input supply, Training and technical assistance which are deemed crucial for micro and small enterprises (Mahmoud, 2011; Boncella, 2013; Okey, 2014).

2.1.3.1 Market access

According to extant literature, market access has been presented in different forms. For example Small Enterprise Education Program guide to business development services argued that market access consists of marketing business, market linkages, trade fairs and exhibitions, development of samples for buyers, market information, subcontracting and outsourcing, marketing tips and meeting, market research, marketing space development, showrooms, packaging and advertising (SEEP, 2000).

In contrast, UNDP (2004) presented market access as a seven-element factor comprising market research, market information, trade fairs, product exhibitions, advertising, packaging, marketing trips and meetings, and subcontracting and outsourcing. Mahmoud (2011) has pointed out that market access has positive relationship with performance of organizations in Ghana.

Differences in opinions have been reported in measuring the variable and regarding market access effect. In this study, market access was regarded from the viewpoint of market information and advertising facilities, market linkage with input suppliers and customers, which are the key components that affect organizations market outreach.

2.1.3.2 Input supply

According to Basilio and Rodriguez (2010) input supply includes linking to input suppliers, improve supplier capacity to provide regular supply of inputs, information on input supply sources, encouraging the establishment of bulk buying groups. Input supply services have been described as

the business function that is responsible for identification and purchase of external resources needed by organization to fulfill its strategic objectives (Kidd, 2005).

In manufacturing environment, an important undertaking is the purchase of raw materials and other input supplies, which are important ingredients. Input supplies have been noted as important for an enterprise's processes since they facilitate the production of goods and services (Koh et al., 2007).

However, MSEs are not as strong as their larger counterparts, due to their inability to negotiate favorable input supply services. Studies argue that limited resources and capabilities in small enterprises affect their ability to negotiate for better prices and terms and this may be alleviated when business development services are provided to MSEs (Schimitt-Degenhardt, Stamm & Zehdnicker, 2002).

According to Miehlbradt and McVay (2003), better input supply services may be achieved by MSEs to suppliers, facilitating bulk buying groups, improving suppliers' capacity to provide quality inputs and providing information on input supply services.

2.1.3.3 Infrastructure facility

Organizational infrastructure refers to the physical structures that enable businesses to run smoothly (Horby, 2005). In a manufacturing concern, infrastructure facilities consist of the factory, equipment's and warehousing facilities. Unavailability of appropriate infrastructure could lead to excessive capital investments, support levels and inadequate organizational flexibility. Thus, strained access to infrastructure components like warehousing may have adverse implication for performance in a manufacturing enterprise. According to Easterly (2002), infrastructure facilities have been viewed as the basic structures physical and organizational that provides support for development of an organization or economy. It has been regarded as an essential linkage between a firm and its markets, which can have the potential to impact on the firm's revenues and overall effectiveness (Price, Stoica & Boncella, 2013).

He added that well developed infrastructure facilities reduce the impact of inter-regional distances, integrating the local markets as well as connecting them at low cost to markets in other countries and regions. Izquierdo and Vasallo's (2004) study pointed out that infrastructure facilities and economic development are positively correlated such that there are effects during the construction phase and during the usage of such facilities.

2.1.3.4 Training and technical assistance

According to Basilio and Rodriguez(2010) training and technical assistance includes mentoring, feasibility studies and business plans, exchange visits and business tours, management training ,franchising, technical training, counseling/advisory services, financial and taxation advice, legal services , accountancy and bookkeeping. As observed by Okwena et al (2011), bookkeeping practices among the small businesses in Kisii Municipality are not effective and this has had a negative effect on the financial performance of these enterprises. The poor bookkeeping skills are associated to little knowledge. MSEs, therefore require bookkeeping services to be able to have accurate financial records that can enhance decision-making.

Moreover, according to Thaker (2008), training is an organized procedure by which people learn knowledge and skills for a definite purpose. Tim and Brinkerhoff (2008) insist that human capital development represents the planned opportunity that is provided for training as the overall process whereby an individual's behavior is modified to conform to a pre-defined and specific pattern.

2.1.4 Concepts of Micro and small enterprises

Unanimously there is no common definition of MSEs and different countries use different words based on the conditions of MSEs and countries economy. The arithmetical definition of MSEs varies by country, and usually based on the number of employees or the value of assets. The lower limit for MSEs is normally set at 5 to 10 employees and the upper limit at 50 to 100 employees. Since these limits can vary in different countries, one should not overly concern about the lack of consistency in employment-based definition of MSEs. For example, a 50-employee firm in USA would be considered as smaller than a 50-emloyee in Bolivia due to the relative size of their economy (AdilYassin., 2007).

In Malawi, the official definition of enterprise sizes is based on three criteria namely the level of capital investment, number of employees and turnover (Kayanula and Quartey, 2010). An enterprise is defined as small scale if it satisfies any two of the three criteria, that is, it has a capital investment of USD 2,000 - USD 55,000, employing 5-20 people and with a turnover of up to USD 110,000 (using 1992 official exchange rate). The same novelists narrated that, Some of the key features of small enterprises are mobilizing funds which otherwise would have been idle; being a seed-bed for indigenous entrepreneurship; their labor intensiveness; employing more labor per unit of capital than large enterprises; promoting indigenous technological know-how; using mainly local resources, thus

have less foreign exchange requirements; catering for the needs of the poor and; adapting easily to customer requirements (Asmelash, 2002).

According to the official definitions of MoTI, micro enterprises are businesses enterprises found in all sectors of Ethiopian economy with a paid up capital (fixed assets) of not more than Birr 20,000, but excluding high technology consultancy firms and other high technology establishments. Small enterprises are business enterprises with a paid up capital of more than Birr 20,000 but not exceeding Birr 50,000 and excluding high technology consultancy firms and other high technology establishments (Industry, 1997).

The central statistical authority has devoted various definitions to enterprises based on capital, level of technical and technological capacities. In 2003 the CSA based its definition of MSEs on the size of occupation and extent of automation for small scale enterprises and used a combination of these criteria for defining such enterprises. Accordingly, it has defined small scale manufacturing enterprises as: Establishments engaging less than 10 persons Enterprises in the micro enterprise category are sub-divided into informal sector operations and cottage industries: Cottage and handicraft industries are those establishments performing their activities by hand and using non power driven machines. The informal sector is defined as household type establishments or activities, which are non-registered (enterprises) and cooperatives operating with less than 10 persons (CSA, 2010).

As we can comprehend from the above definitions, there is no unanimously acceptable definition of MSEs. Different researchers define MSEs differently based on the level of development of the differently using their own parameters.

2.1.4.1 Theories on micro and small enterprises

Different views have been developed and discussed in the area of micro and small enterprise's role and their function. Among them, labor surplus theory, output demand theory and firm growth theories are the major theories and discussed below.

A. Labor Surplus theory

Among different theories developed for MSEs, labor surplus theory focuses on labor related issues. The labor surplus theory, called the main theory, which goes back to the seminal work by (Bagachwa S. , 2013), argues that the driving force behind MSE development is excess labor supply, which cannot be absorbed in the public sector or large private enterprises and is forced into MSEs in spite

of poor pay and low productivity (Alemayehu, 2018). Arguably, the MSE sector develops in response to the growth in unemployment, working as last option for people who are unable to find employment in the formal sectors. According to this theory, MSEs are expected to grow in periods of economic crisis, when the formal sector contracts or grows too slowly to absorb the labor force. However, when formal employment grows, the MSE sector is assumed to contract again and thus develops an anti-cyclical relationship with the formal economy (Asmelash, 2002). However, there are some empirical problems with the unemployment theory of the growth and development of MSEs (Benyam, 2008). First, there is lack of reliable and adequate data for researchers to test the hypothesis that MSEs absorb surplus labor from the public sector or large private enterprises and the hypothesis that increases in labor demand by MSEs has taken place before or after structural adjustment. Second, for the MSE sector to function as a place of last resort, it must be easily accessible. However, many studies have shown that this is only the case for a handful of MSE activities. It is also sometimes argued that MSEs Concentrate on trade because this requires less capital and knowledge than production (Bass, 2005).

B. The output-demand theory

This theory assumes that a requirement for the development of MSEs is that there is a market for their products and services. Therefore, the MSE sector should tend to develop a cyclical relationship with the economy as a whole. However, MSEs also develop in competition with large enterprises in the formal sector, and their development should be constrained by formal sector monopolies. Structural adjustment and other policies that limit such monopolies, and attempt to create more competition, would therefore be advantageous to the MSEs, because this may allow them to capture market shares from the large enterprises (Benyam, 2008). Advocates of structural adjustment and stabilization policies tend to base their arguments on this theory. Empirical studies based on the output-demand theory tend to focus on the upper end of the MSE sector, particularly the manufacturing enterprises and the larger, more resourceful and successful MSEs, which have a potential to grow into the formal economy. These studies propose strengthening of the MSEs through networks or via the creation of forward linkages with the formal economy, for example franchising and sub-contracting (Alemayehu, 2018)

C. The firm growth theory

The firm growth theory known asserts that MSEs are more likely to disappear and be replaced by modern large-scale industry. This theory has, however, been shown to be inaccurate in the sense that MSEs do not normally compete directly with large enterprises; rather, they often tend to remain micro and small, co-existing with large multi-national companies, which phenomenon the World Bank (1989) has identified as the 'missing middle' (Ryan, 2005). The most noticeable activity where these niches exist is in distribution to areas or income groups where their costs would be prohibitively high for large enterprises. However, in a literature survey on macro analyses of micro enterprises in developing countries (Hill, 1998) came to the conclusion that macro-level empirical evidence indicates that, as aggregate per capita income increases, there is a systematic pattern of evolution of MSEs towards larger firms based in larger localities, producing more modern products. Nevertheless, critics of this view argue that analyses on MSE development must take account of differences in their efficiency, the type of influence MSEs exercise in society, linkages between small and large enterprises, the changing roles of women entrepreneurs, differences in the level of education in the labor force and other socio-economic differences (Alemayehu, 2018). As a whole, each of the three theories has been modified into some variants; however, one of the important elements common to all the theories and variants is the proposition that the growth of MSEs can contribute to poverty reduction or in other word enhance the local economy.

2.1.4.2 MSE's at Ethiopian Context

The concept of MSEs has been defined and used differently in different countries. This reveals the absence of one universally accepted definition of MSEs.

The Ethiopian Government has used two definitions in identifying micro and small sized enterprises since 1997. As to MoTI (Industry., 1997), micro enterprises are those enterprises with a paid-up capital of not exceeding Ethiopian Birr (ETB) 20,000 and excluding high tech consultancy firms and other high tech establishments. While small enterprises are those business enterprises with a paid-up capital of not exceeding ETB 500,000, and excluding high tech consultancy firms and other high tech establishments.

However, according to (Industry., 1997), the previous definition was revised as "Micro Enterprise" consist of the number of its employees (including the owner or family) is not greater than 5 and total asset is less than 100,000 ETB for industrial sector and less than 50,000 ETB for service sector;

while Small Scale Enterprise is an enterprise which has 6-30 employees and total asset 100,001—1,500,000 ETB for industrial sector and 50, 0001—500,000 ETB for service sector.

2.1.4.3 Ethiopian Micro and Small Enterprises (MSEs) Strategy

In contrast to many MSE related studies, the working definition of MSE in Ethiopia is based on capital according to the micro and small enterprise development strategy.

Micro enterprises are those business enterprise with paid-up capital of not exceeding birr 20,000 and excluding high tech consultancy firms and other high-tech establishment.

Small enterprises are those business enterprise with a paid-up capital above birr 20,000 and not exceeding birr 500,000 and excluding high tech consultancy firms and other high-tech establishments (Industry, 1997)

Hence, in this case the definition is based on capital and the level of technical and technological capacities adopted. The information on MSE in Addis Ababa indicated that from all the total licensed enterprise, 75.4 % are micro enterprise, 20.9 % are small enterprise and the remaining 3.7 % are medium and large enterprise (Industry, 1997).

During the socialist regime (1974-1991) due to extensive nationalization or private sector, many of the former private sector firms ceased to exist. However, after 1991, the current government adopted several policies and regulations aimed at supporting the informal sector. MSE serves as sources for sustainable job opportunities not only for developing countries like Ethiopia, but also for developed countries like USA. Thus, they are given prior attention, as they are important and serve for sustainable source of job opportunities to our country. As a result, many important overall policy and institutional reforms have been undertaken including safety net, decentralization, market economy, agricultural development led industrialization (ADLI), etc., Moreover, a number of sector specific policy reforms and restricting of regulatory institutions may have contributed to the process of creation of micro and small enterprises. One of them frameworks was related to issuance of National Micro and Small Enterprise Development strategy in 1997 and the issuance of proclamation No. 33/98 to provide for the establishment of the Federal Micro and small enterprises Development Agency (Industry, 1997).

2.1.4.4 Micro and Small Enterprises Contribution

According to the Federal Micro and Small Enterprise Agency yearly statistical bulletin (2005) about 2,681,367 people were employed in MSEs, which is more than 48% improvement from the expected plan of the GTP (1,800,000). Above and beyond, the strategic direction of GTP has taken MSE's as a key for industrial development and envisaged structural transformation of the national economy (Industry. 1997). The annual Report of the Federal Micro and Small Enterprises Agency (2OO5) has shown that in the years ranging from 2003 to 2005 many (about 1775) small enterprises were promoted to medium level; and the sector had also contributed to the development of the country economy by fetching 14 Billion Birr and 864 million Birr from the local and foreign markets, respectively.

2.1.4.5 Rationale for Emphasizing MSE's Development

Ethiopia is one of the least developed countries, which have a population growth rate 0f 2.79%, the labor force (the employed and unemployed) has continued to grow faster than what the economy can gainfully and productively employ.

Hence, one of the major rationales focusing on MSE's is that they are large employers of the labor force and this helps to handle unemployment and poverty. The second rationale is that it helps to decentralize industries, to accelerate rural development, and to restrict urban immigration and the consequent problems of overcrowding in the cities. The third rationale is that it adds value in the manufacturing sector and to the Gross Domestic Product (GDP) of the economy (Industry, 1997).

2.2 Empirical Review

According to JP Morgan Chase (2013) argued that BDS led to improved MSE business growth, access to finance, access to markets, financial management, workforce management and corporate governance which resulted in increase in their overall revenue and number of permanent staff. Specifically, BDS enabled MSEs in that study to adopt more structured approaches to management and planning and to have the ability to prioritize and be more strategic and focused.

According to Dr. W. O. Okeyo et.al (2014), the joint effect of all the three variables, that is, market access, procurement services and infrastructure facilities is also more than the individual effect of each on performance. The market access reported no significant influence on performance, results for procurement services and infrastructure facilities both had strong individual influence. It was

therefore logical to assume that jointly, these three variables would have a greater impact than individually on performance.

Abebe E. et.al (2015), the study aims examining the contribution of BDS provided by various stakeholders in Mekelle City, Tigray, Ethiopia on the expansion and development of MSEs. The effect of BDS (particularly training) on the performance of MSEs were assessed in terms of its contribution to growth (current capital and the number of employees). BDS has brought changes MSEs in terms of innovation which results in efficiency and profit improvement. The supply driven nature of the training may shade lights on the sustainability of training. The lack of willingness to pay for training implies dependency of the MSE owner sector in the training that in turn affects the continuity and the sustainability of the BDS services. Making the training demand driven may help fit to the interest of the MSE owner which in turn improve government and NGO provision and make MSE owners interested in training and willing to pay for it. This assures that the sustainability and the continuity of the service development.

According to Noraini Ombi et.al (2018) investigates the effect of business development services that consists of financial and non-financial support on the performance of SMEs in Sabah, Malaysia. The results of this study reveal that only financial services have an effect on SME performance. The results reveal that only financial support has an effect on SMEs performance, whilst contrary to expectation, non-financial support was found to have no effect on SMEs performance in Sabah, Malaysia. The outcome of this study provided significant information, especially to the government agencies responsible for the development of SMEs such as SME Corporation Malaysia. They should evaluate further the existing programmes and guidelines and enforce more effective policies to improve the performance of SMEs in Malaysia, particularly in Sabah.

Similar findings were found by Jauriyah (2014), Yusoff and Yaacob (2010), Denan (2008), and Wren and Storey (2002). The access to financial services is an important to support small and medium enterprises performs better. Contrary to the expectation, the results of this study revealed that non-financial services have no effect on SME performance.

Ashenafi Haile and Professor G.S. Batra (2016), MSEs facing various challenges that place them in the vulnerable business position, which are not merely solved by financial support. The main objective of the study was to investigate the role of business development service on the performance of micro and small manufacturing enterprises in Addis Ababa, Ethiopia. The study demonstrated that

the overall practice of business development service was low, which need to be improved. The study also revealed that all BDS dimensions individually and jointly have a significant and positive effect on the performance of micro and small enterprises. More specifically, input supply, market access, and infrastructure facilities were the most important factors of MSE's performance, which should be underline while developing MSE strategy. This study contributes to theory since it empirically demonstrated that BDS has an impact on performance of MSEs in Ethiopia. It also significant to provide opportunity for MSEs owners, government, business practitioners, policy makers, and other development partners to make informed decision and choice best strategy that help to enhance MSE's performance.

According to Belay Mengstie (2016), found that market access, infrastructure facility, input supply, training and technical assistance affect the performance of micro and small enterprise in east Amhara. However, infrastructure facility and training and technical assistance have insignificant impact on performance of non-beneficiaries micro and small enterprise in east Amhara for the study period. Based on the findings of the study, the conclusion was market access, infrastructure facility, input supply, training and technical assistance were found to be important variables in determining the performance of micro and small enterprise for BDS beneficiaries in East Amhara. However, no significant association was found between infrastructure facility, and training and technical assistance and performance of non BDS beneficiary MSEs. Thus, the study findings have shown that business development services have an impact on business performance the study recommends that the Amhara region government through the micro and small enterprise development agency and Entrepreneurship Development Centre should provide business development service for MSEs so as to increase their knowledge in management and technical skills.

2.3 Hypothesis of the Study

Having the theoretical and empirical arguments that would be explain in chapter two of the thesis, the following hypotheses is proposed:

H1: Market access has a significant positive effect on MSEs Performance.

Market access can be achieved through market management, which is postulated to have the ability to enhance an enterprise's competitive advantage through increased market outreach. According to Price, Stoica and Boncella (2013), the management of market through continuous innovation, products or processes in anticipation of and response to, dynamic customer requirements,

competitors and supply analysis is the essence of SME survival and growth. Market access consists of marketing business, market linkages, trade fairs and exhibitions, development of samples for buyers, market information, subcontracting and outsourcing, marketing tips and meeting, market research, marketing space development, showrooms, packaging and advertising (SEEP, 2000). In contrast, UNDP (2004) presented market access as a seven element factor comprising market research, market information, trade fairs, product exhibitions, advertising, packaging, marketing trips and meetings, and subcontracting and outsourcing. Literature (Mahmoud, 2011; Moorthy, Tan, Choo, Wei, Ping & Leong, 2012) has pointed out that market access has an influence on performance of organizations in Ghana. However, differences in opinions have been reported in measuring the variable and regarding this effect.

H2: Industry Extension Service has a significant positive effect on MSEs Performance.

Hundera (2014), Karlan and Valdivia (2011), and Drbie and Kassahun, 2013) briefly explained that lack of training on business knowledge and skill, record keeping, business plan, marketing strategy, customer handling, capacity building training in management, and other related issues make the business below performance and out of expected competitive position. The study by Ashenafi Haile asserted that training and technical assistance has a significant and positive effect on micro and small manufacturing enterprise's performance in Ethiopia. Therefore, from this one can infer that training and technical assistance has a strong and positive effect on business performance. Furthermore, it is possible to say that basic business trainings, which mentioned above, are essential prerequisite or necessary to enhance the business performance. This finding is consistent with what has been found by Mekdes (2015) and Helina (2016) who disclosed the training given to owners or managers or employees definitely improve their work performance, which has a combination effect on the organization performance.

H3: Working Area & Infrastructure management has a significant positive effect on MSEs Performance.

According to Easterly (2002), infrastructure facilities were viewed as the basic structures physical and organizational that provides support for the development of an organization or economy. It is regarded as the essential linkage between a firm and its markets, which can, potentially, impact on the firm's revenues and its overall effectiveness (Price, Stoica, & Boncella, 2013). Functionally, infrastructures facilitate the production of products and services, and also facilitate the distribution of

finished goods to the markets, for example, roads enable the transport of raw materials to a factory (American Heritage Dictionary, 2009).

H4: Access to Finance has significant positive effect on the MSEs Performance.

A financial service refers to property loan, working capital, and grant (Yusoff et al., 2010). Access to financial services is critical for small and medium enterprise development and growth, and the availability of financial services is positively related to productivity and growth. According to Hallward-Driemeier and Aterido (2007), of all the areas in the business environment, companies that improved its access to financial services gain better benefits. One of the principal conclusions of modern economics is that financial services are important to improve performance (Cecchetti & Kharroubi, 2012) of micro and small enterprises (Beck & Demirguc-Kunt, 2006; Mohd Shariff et al. 2010; Mohd Shariff & Peou, 2008).

Meanwhile, according to Boateng (2004), finance is a resource (capital) that is used to innovate and expand a business to achieve success. Capital is vital to the success of the enterprise as it forms the foundation of the enterprise. Winton and Yerramilli (2008) noted that once the market opportunity and strategy to seize the opportunity are well defined, a firm may begin to examine the financial requirements in terms of asset needs and operating needs. Finance for business is vital as it forms the foundation of SMEs (Boatang, 2004).

H5: Working Capital Management has significant positive effect on the performance of MSEs

Studies points out that management of working capital is critical in any firm despite the industry and size. Oluoch (2017) analyzed effects of working capital on performance of non-financial companies listed in NSE, Kenya. He found that there was minimal relationship between working capital management and profitability of the non-financial companies listed in NSE. Mburu (2010) also conducted a study on the relationship between working capital management and profitability among the insurance companies. He succinctly found a strong relationship between working capital management and profitability of the insurance firms. Githinji (2013) conducted a study on working capital management and firm profitability empirical evidence from construction and manufacturing firms listed on NSE. He found out that there was insignificant positive relationship between working capital management and financial performance of manufacturing and construction firms listed at the NSE. Nthiwa, Nzioki, Riwo&Kimeli (2013) conducted a study on management of working capital and its effect on profitability of the Manufacturing companies listed on NSE, Kenya. They found an

insignificant relationship between profitability and inventory turnover. Nonetheless, they noted a positive correlation between average payment period and average collection period with profitability. Januaris (2015) conducted a study on the effect of working capital management on profitability of public listed energy companies in Kenya. He found that short cash conversion cycle was more profitable and had significant effect on profitability. From the above studies, little has been done on the Small Enterprises in Kenya County as major researchers concentrate on the large scale producing companies listed in NSE. There is a need to establish the effect of working capital management and its impact on performance of Small Enterprises in Kenya.

2.4 Conceptual Framework

A conceptual framework is a structure, which the researcher believes can best explain the natural progression of the phenomenon to be studied (Camp, 2001). It is linked with the concepts, empirical research and important theories used in promoting and systemizing the knowledge espoused by the researcher (Peshkin, 1993). The study show how the dependent variable, the Business Development Service on the performance of MSEs would be affected by the following independent variables including, Market Access, Industry Extension Service, Working Area & Infrastructure, Access to Finance, Access to Technology, and Working Capital Management.
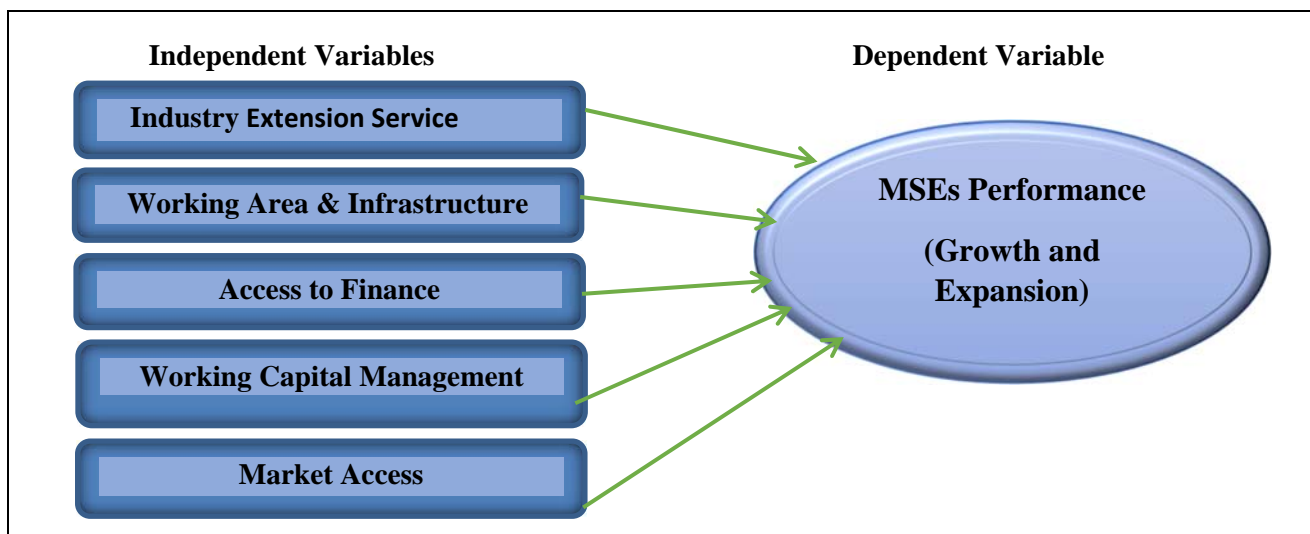
Figure 1: Conceptual Framework of the study
Source: - Reviewed Literature 2021/22

earlier literatures some of the Literature that are used to formulate the conceptual framework are as follows: (Stoica and Boncella (2013), Hundera (2014), Karlan and Valdivia (2011), and Drbie and Kassahun, 2013), Mekdes (2015) and Helina (2016), Easterly (2002), (Yusoff et al., 2010), Hallward-Driemeier and Aterido (2007), (Cecchetti & Kharroubi, 2012) (Beck & Demirguc-Kunt, 2006; Mohd Shariff et al. 2010; Mohd Shariff & Peou, 2008). Oluoch (2017) Mburu (2010) Nthiwa, Nzioki, Riwo&Kimeli (2013).

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

In order to analyze the impact of business development service on MSEs Performance in Ethiopia, the case of Nefas Silk-Lafto sub city MSEs manufacturing sector this study applies a research methodology. The chapter discusses procedures and activities that undertake, focusing on the research design, questionnaire design, and data collection, sampling strategy, data processing and analysis and instrument development. Besides, the section deals with a discussion on the validity, reliability and the ethical issues and the research model that use in the study.

3.1 Research Approach of the Study

Based on the type of data it employs, a research can follow quantitative approaches. A quantitative research is used in researches that have measuring and counting attributes which largely depends on the measurement device or instrument used. The approach involves the generation of data in quantitative form, which can be subjected to rigorous quantitative analysis in a formal and rigid fashion. It is also often concerned with finding evidences to either support or contradict a hypothesis that contains concepts to be measured. Hence, this study use a quantitative approach which is appropriate to investigate the data to see the effect and relationship between the variables in line with the main objective of the research which is test through the developed hypothesis.

3.2 Research Design of the Study

This research made to deeply analyses of the various indicators and the effects of the independent variables on MSEs Performance. Since the study focused on the manufacturing Enterprises on Nefas Silk-Lafto sub-city MSEs appropriate and reliable research design need to be selected. Accordingly the study used an explanatory and research design that indicates the underlying relation between independent and dependent variables that pertains to the research problem. Since the intention of this study is to evaluate the effect of independent variables over the dependent variable, the method would be suitable and helpful in examining the relationship and conclude from the findings. Here, Market Access, Industry Extension service, Working Area & Infrastructure, Access to Finance, Access to technology and working capital Management are examined in detail.

3.3 Data Source and Type of Data

3.3.1 Data type

In order to find the necessary data, the study considers the quantitative types of data. Quantitative data makes measuring various parameters controllable due to the ease of mathematical derivations they come with. Whereas, the quantitative data is usually collected for statistical analysis using surveys, polls or questionnaires sent across to a specific section of a population. The retrieved results can be established across a population. Therefore the study applied quantitative data type in order to get reliable information from the respondents and used to triangulate the data from different sources.

3.3.2 Data Source

Concerning sources of data, both primary and secondary sources used for generating valuable and relevant data. Primary source of data collected through questionnaire whereas secondary data collected from publications from books, journals, reports, and bulletins that collected from different stakeholders including MSEs, Nefas Silk-Lafto sub city Micro and Small Enterprise Development Office, Addis Ababa Micro and Small Enterprise Development Office, Federal Micro and Small Enterprise Development Office and Different Stakeholders and articles on national and international journals.

3.4. Sampling Technique and Sample Size Determination

3.4.1. Population

The target population identified based on the survey of existing enterprise development literature and while a list of MSEs taked from Nefas Silk-Lafto sub city Micro and Small Enterprise Development Office. According to Nefas Silk-Lafto -sub-city SME office, the total manufacturing enterprises are 1220 and 4259 members.

3.4.2. Sample

As MSEs is the primary target of this study and most of them are organized under Micro and Small Enterprise Development Office, the Sampling frame would from the list of the sub city Micro and Small Enterprise Development Office members whose list make up the most active players of the industry and representative of the population.

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

$$365 = \frac{4259}{1 + 4259\,(0.05)^{\wedge}2}$$

Where N= Total Population

n = sample size

e= error term

Thus, at 95% confidence Interval, and 5% of Margin of error

Thus, from the total manufacturing enterprises (1220) which contain 4259 members in the study area as a study population; the study selected 365 respondents as a sample by using systematic sampling technique. The sample size for this study is, therefore, 365, which is considered, as representative sample based on the above formula so that the sample is becomes large enough to allow for precision, confidence and generalizability of the research findings.

3.5 Data Collection Tools

Both primary and secondary data sources use for the research data collection. Questionnaires are prepared and disseminate to all key member from stakeholders. The questionnaire filled by the MSEs Members or employees or by a person who is in charge of the issues in the MSEs. The questionnaires involved both open ended and close ended items.

3.6 Method of Data Analysis

After the collection of data from both primary and secondary sources Statistical Package for the Social Sciences (SPSS) use for the purpose of processing and analysis of the results. Data classified into different groups and finally they would present in tabular forms. Descriptive statistics based on tables are used to analyze information on all data including respondent personal information. The analyses of made on with the help of relevant statistical tools such as simple average, percentage and other statistical parameters which includes Pearson correlation and multiple regressions. In addition to that, different guidelines are referring from literatures to sort-out and design to see the success of MSEs and its deterrents.

3.7 Validity and Reliability of Instruments

Validity is defined as the extent to which a concept is accurately measured in a quantitative study. Construct validity refers to whether you can draw inferences about test scores related to the concept being studied (Roberta Heale & Alison Twycross, 2015). Therefore, the researcher tries to search different literatures and select sustainability variables and their measurement. Validity and reliability are interconnected concepts. This can be demonstrated by the fact that a measurement cannot be valid unless it is reliable. Internal consistency assess using item-to-total correlation, split-half reliability, Kuder-Richardson coefficient and Cronbach's α (Roberta Heale & Alison Twycross, 2015). In this test, Reliability assessing using Cronbach's α; it is the most commonly used to test to determine the internal consistency of an instrument. Based on Roberta and Alison the Cronbach's α result is a number between 0 and 1. An acceptable reliability score is one that is 0.7 and higher. The instrument comes across the test of validity and reliability as per the required standards. Questionnaires distributed to MSEs Members that can represent the whole groups at an acceptable level.

Table 1: Reliability Table

No.	Variable of the study	No. Items	Cronbach's alpha values
1	Market Access	4	.795
2	Industry Extension Service	4	.768
3	Working Area and Infrastructure	4	.866
4	Access to Finance	4	.718
5	Working Capital Management	4	.777
6	MSEs Performance	7	.714
	Total	27	.775

Source: This study survey data

3.8 Ethical Considerations

Conducting research, its design, data collection strategy, etc. require acceptable ethical considerations (Saunders, Lewis, & Thornhill, 2009, p. 160). The researcher, require to be abide by the ethical research principles. From that point of view, respondents from the targeted area transparently informed about the objective of the research. The researcher made sure that the covering letter contains information about the investigation, the objectives of the data collection, the voluntary participation of the respondents, assurance regarding confidentiality and anonymity, the intention to reveal the findings up on completion of the study and the contact details of the researcher.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

This chapter contains a detailed presentation and discussion of data analysis and the results of this study. The findings are presented under the following major headings: demographic and Descriptive statics, correlation, and rogation.

Table 2: The response rate in this study

Sample Size	No. of Respondent	Response Rate (%)
365	318	87 %

*Source***: *This study survey data*

A total of three hundred and eighteen (318) respondents completed questionnaires at the three selected locations. (Jemo, Lafto and Mekenisa). The SPSS version 25 program was used for the data analysis. The findings are discussed according to the sections of the questionnaire and then concerning the three components of the Enterprises. The questionnaire was divided into three sections. The three sections represented the (Section I), Personal data/Demography of the respondent. (Section II), Business Development Service (BDS) variable, and (Section III), the Performance of Business Development Service (BDS) of the respondents.

4.1 Respondents' Personal Data

The respondents' personal data were obtained through Section I of the questionnaire. The information includes gender, age, marital status, educational qualification, service year, and position of the respondent. The following table represents the personal data of the respondents.

Table 3: The respondent's Personal Data

Valid		Frequency	Percent	Valid Present	Cumulative
Gender	Male	197	61.9	61.9	61.9
	Female	121	38.1	38.1	100
Age	18-25	27	8.5	8.5	8.5
	26-35	99	31.1	31.1	39.6
	36-45	116	36.5	36.5	76.1
	46-55	49	15.4	15.4	91.5
	55+	27	8.5	8.5	100.0
Marital Status	Married	201	63.2	63.2	63.2
	Unmarried	96	30.2	30.2	93.4
	Divorced	21	6.6	6.6	100.0
Educational Background	Primary School	110	34.6	34.6	34.6
	High School	133	41.8	41.8	76.4
	TVET	57	17.9	17.9	94.3
	First Degree	17	5.3	5.3	99.7
	Master's Degree	1	.3	.3	100.0
Service Year	1-2	3	.9	.9	.9
	2-4	96	30.2	30.2	31.1
	4-5	93	29.2	29.2	60.4
	5+	126	39.6	39.6	100.0
Current Position	Employee	135	42.5	42.5	42.5
	Manager	181	56.9	56.9	99.4
	Other	2	.6	.6	100.0

Source: This study survey data

The result indicated that about 61.9% of the MSEs employees are Male. And 38.1%. The respondent ages were divided into five categories (l8-25 years, 26-35 years, 36-45 years, 46-55 years, and above 56 years). The result shows that about 8.5% of the respondents are 18-25 age, 31.1% of the respondents are 26-35 age, 36.5% of the respondents are 36-45 age, 36.5% of the respondents are 36-45 age, 15.4% of the respondents are 46-55 age and 8.5% of the respondents are above 55 age. That means the majority percent of the respondents who work on the MSEs are aged 36-45. Age 18-25 and above 55 have the same percentage. It indicates most of the MSEs participants are 26-45.

The marital status was divided into three categories (Married, Unmarried Divorced). The result indicated that about 63.2% of the respondents are married, 30.19% of the respondents are unmarried, and 6.6% of the respondents are divorced, which indicates most of the MSEs participants are

married. The respondent's educational background was divided into five categories (Primary School, High School, TVET Degree, and Master's Degree). The result shows that about 34.6% of the respondents are in Primary School, 41.8% of the respondents are in High School, 17.9% of the respondents are in TVET, and 5.3% of the respondents have a first Degree and 0.3% of the respondents have a Master's degree. It indicates most of the MSEs participants are Primary school and High School students.

The respondent's service year was divided into four categories (l-2 years, 2-4 years, 4-5 years, and above 5 years). The result shows that about 0.9% of the respondents are 1-2 years. This shows that new MSEs enterprises are established in the sub-city is less. On the other hands 39.6% of the respondents are above five years. The result shows that about 56.9% of the respondents are Managers. This shows that most enterprises are controlled by the Manager not rather than employees.

4.2 Descriptive Analysis of Study Variables

Descriptive statistics are used to describe the basic features of the data in a study. They provide simple summaries of the sample and the measures. Together with simple graphics analysis, they form the basis of virtually every quantitative analysis of data.

Accordingly, the study indicates the underlying relation between independent and dependent variables that pertains to the research problem. The independent variables are Market Access, Industry Extension service, Working Area & Infrastructure, Access to Finance, and Access to working capital Management. These are presented using table, charts, and graphs in the following subsections.

According to the table below the mean value and the standard deviation value indicates that the respondents tend to agree in such a way that market access, working area and infrastructure facility, and industry extension service are considered the main factors of MSEs performance in the study area.

The good rule of thumb to follow is that the items should have roughly equivalent means within a Likert scale. Other than examining the item means, item standard deviations also are examined. The rule of thumb is the maximum standard deviation to minimum standard deviation should be about 2:1 (Julious, 2005).

Descriptive Statistics					
	N	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
Market Access	318	1.00	5.00	3.9984	.45629
Industry Extension Service	318	1.00	5.00	3.5967	.62755
Working area and Infrastructure	318	1.00	5.00	3.6627	.76474
Access to Finance	318	3.00	5.00	2.8035	.91188
Working Capital Management	318	2.00	5.00	2.1046	.93006
Valid N (listwise)	318				

Source: This study survey data

However, the contributions of Access to finance and working capital management of the manufacturing sector also have undeniable contribution for their business performance. This indicates that each study variable have their own positive contribution for the performance of MSEs.

4.2.1. Market Access (MA)

Table 5: *Market Access (MA)*

Market Access			
Descriptions	**N**	**Mean**	**Std. Deviation**
There is high market linkage to our products	318	3.6038	1.36203
There is existence of market information to our products	318	3.6855	1.21836
The government prioritize our product in the market	318	3.0660	1.19886
The government support the enterprises to get competitive advantage in the market	318	3.8585	1.27909
Valid N (listwise)	318		

Source: This study survey data

As we can see the result majority of the respondents tends to agree about the existence of market access for the products the produce to the market. Since the mean value and the standard deviation indicates that the respondent tends to agrees about the market linkage for their product. So as the result shows they have good market linkages on market access.

The respondent tends to agrees about market Information. About majority of the respondents were agree that they have poor market information as well. So as the result shows they have good market information on market access. As we can see the result the respondent tends to agrees about Government prioritization of the product. As Nifas silk sub city cover much space than other 10 sub

city. This means it has a lot of population, infrastructure and market access. So the government should prioritize the enterprises product to develop market access. In addition to that the respondent tends to agree that the Government support so as to get the enterprises competitive advantages in the market.

Overall respondents agree that the existence of market access for their product is very critical for their particular product. Since market access considered as factors for MSEs performance market the existence and availability of market linkage, market information, government prioritization for MSEs product, and government support could be the specific cases.

4.2.2. Industry Extension Service (EI)

Table 6: Industry Extension Service

Industry Extension Service			
Descriptions	**N**	**Mean**	**Std. Deviation**
There is continuous training for MSE members and managers	318	3.5755	1.06816
MSEs members and managers gain a quality training as per their requirements	318	3.9434	.88980
The training provided to MSE members continuously support to produce a quality product	318	3.6730	1.22021
The training provision for MSEs has a link with standard philosophies like Caizon …	318	3.4591	1.39735
Valid N (listwise)	318		

Source: This study survey data

As we can see the above table the respondents tends to agree that industry extension service has a direct contribution towards MSEs performance. Since Industry extension service analyzed in terms of the existence of continuous training, the quality training provision, continuous support and training to produce a quality product, and the training provision links with standard philosophies. Accordingly the result showed that the respondents tend to agree that industry extension service is a critical factor for MSEs Performance.

So that the respondent agrees that continuous training on industry extension service helps them to increase their performances. In addition to that the quality training provision helps them to produce a quality and standard products. Therefore, the respondents tends to agree that continuous training and industry extension services will helps them to produce standardized and quality product.

4.2.3 Working Area and Infrastructure (WAI)

Table 7: Working Area and Infrastructure (WAI)

Working Area and Infrastructure			
Description	**N**	**Mean**	**Std. Deviation**
There is available working area to the enterprises	318	2.0912	1.06619
There is enough provision of infrastructure resource for the enterprises like Road, Water, and Electricity…	318	2.1069	1.05729
The available working area compatible with nature of the enterprises	318	1.9843	1.07293
There is proximity of the working area with market	318	2.2358	1.20372
Valid N (listwise)	318		

Source: This study survey data

Working area and infrastructure facility were taken as the other variable that determines the performance of MSEs in the study area. Accordingly the study tried to address the availability of working area for each enterprise, existence of available infrastructure, compatibility of the working area with the nature of the enterprise, and proximity of the working area with market. Accordingly the respondents tend to disagree that the existing working area and infrastructure facility is not compatible with their enterprise nature. Since the mean value indicates that the respondents disagree the existence of working area availability, infrastructure facility, compatibility of the working area and infrastructure with the nature of the enterprise, and proximity of the working area with the available market.

4.2.4 Access to Finance (AF)

Table 8: Access to Finance (AF)

Access to Finance			
Description	**N**	**Mean**	**Std. Deviation**
MSE has great opportunity to financial support provision/loan	318	3.8428	.82190
There is a low interest rate to financial support	318	3.9874	.57264
The loan facility provide by government consider the enterprises potential related to collateral	318	4.1824	.63400
The finance institutes provides enough relief provision for loan return	318	3.9811	.79408
Valid N (listwise)	318		

Source: This study survey data

As we can see the result the respondents tends to agree that access to finance affects MSEs performance. The study tried to assess and analyzed the financial access to MSEs includes the opportunity to access the financial support in terms of loan, the existence of low interest rate for the loan access, enterprise potential in relation to collateral, the provision of enough relief for loan return. Accordingly the respondents agreed that access to finance determine their performance in relation to the above points. Since the mean value is tends to agree that the respondents believed the performance of the MSEs performance would be affected by access to Financial provision or loan.

4.2.5 Working Capital Management (WC)

Table 9: Access to Finance (WC)

Working Capital Management			
Description	**N**	**Mean**	**Std. Deviation**
MSEs analyzes and optimizes the current assets on regular bases that operate a business effectively	318	3.9748	.71883
MSEs analyzes and optimizes the current liabilities on regular bases that to operate a business effectively	318	3.6635	.92460
MSEs have a clear working capital management policy, procedures, and guiding rules	318	3.4340	.97300
The enterprise effectively managing the working capital on regular basis	318	3.3145	1.12128
Valid N (listwise)	318		

Source: This study survey data

Working capital management was taken as the other variable that determines the performance of MSEs in the study area. Accordingly the study tried to address the optimized uses of current assest on regular bases, analyzed the optimized of current liability, existence of clear working capital management policy, procedures, and guiding rules, and effective management of working capital on regular bases. Accordingly the respondents tend to agree that the existing working capital management is effective and optimized. Since the mean value indicates that the respondents tend to agree the enterprises had good working capital management practices for their better performance. This indicates that the enterprises with better working capital management tend to be effective and well performer than others.

4.2.6 MSEs Performance

Table 10: Access to Finance (P)

MSEs Performance			
Description	N	Mean	Std. Deviation
MSE has improved market competiveness	318	3.6038	1.18091
MSEs marketing Performance has increased the growth and profitability of the enterprises	318	3.4654	1.17159
The industry extension service has direct effect over the growth and profitability of MSEs Sectors.	318	3.6164	1.13892
The infrastructure facilitated in the area improve the profitability of MSEs	318	3.5094	1.26275
The existing working area contribute to increase the growth of MSEs in the area	318	3.5755	1.21204
The Financial access to MSEs improve the growth and Profitability of the Business	318	3.4308	1.11199
The growth and profitability of MSEs affected by working capital management of the sectors.	318	3.7453	1.14606
Valid N (listwise)	318		

Source: This study survey data

The study tried to analyze MSEs performance in relation to business development services, such as Market Access, Industry Extension Services, Working area and Infrastructure Facility, Access to Finance, and Working Capital Management. Accordingly the respondents were asked to indicate their response in relation with business development and their performance. As the above table indicates that the respondents tends to agree that MSEs performance is going to be determined business development services that they are implemented. The performance of MSEs here is measured in terms of market competitiveness, growth and profitability of the enterprises, and the effect of business development services for their performance. Since the mean value of each performance indicator tends to be agree, which indicates that MSEs performance is affected by the availability and implementation of business development services. Due to these reasons the enterprises would perform well than others. On the other hand enterprises without business development service such as market access, industry extension service, working area and infrastructure facility, access to finance, and working capital management would be hard to perform well. This indicates that enterprises should implement and follow the business development service for their better performance.

4.3 Correlation Analysis

The correlation coefficient depicts the basic relationship across two variables: "Do two variables tend to increase together (Co-together) or to change in opposite directions and, if so, by how much? The two most commonly used statistical techniques to analyze relationships between continuous variables are the Pearson correlation and linear regression.

The Pearson correlation coefficient is used to quantify the strength and direction of the relationship between continuous variables. The primary objective of correlation analysis is to measure the strength or degree of linear association between two variables. The correlation coefficient examines the strength and direction of the linear relationship between two variables. Since the correlation analysis shows the degree of association between variables and that indicates the direction in which the variables associate - positively or negatively. The strength of association can be categorized from very low with correlation coefficient (r) less than 0.2 to very high with coefficient greater than 0.9. The sign of the relationship indicates the direction of relationship. A correlation of 0 indicates there is no straight-line relationship at all (SPSS v.25 manual). Correspondingly, the effect size for a correlation measures the strength of the relationship. For correlation, serves as the numeric measure of the effect size whose strength can be interpreted (Dennis Howitt & Duncan Cramer, 2004)

Correlation coefficient	**Interpretation**	
(-1.00 to -0.8]	Strong	
(-0.8 to -0.6]	Substantial	
(-0.6 to -0.4]	Medium	Negative
(-0.4 to -0.2]	Low	
(-0.2 to 0.2)	Very Low	
[0.2 to 0.4)	Low	
[0.4 to 0.6)	Medium	Positive
[0.6 to 0.8)	Substantial	
[0.8 to 1.00)	Strong	

Figure 2: Correlation Analysis of the study

Source: This study survey data

Effect sizes smaller than 0.10 would be considered trivial. These terms (small, medium, and large) associated with the size of the correlation are intended to provide users with a specific word that can be used to describe the strength of the correlation in a write-up (SPSS v.25 manual).

The illustration below specifies the correlation coefficients for the relations between the independent and dependent variables. In this correlation analysis it is relevant to focuses mainly the relationship that exists between the dependent variable and the other categories.

According to the correlation analysis result one of the variable has low correlation coefficient and the remaining are substantial positive relation in which their association is statistically significant since their p- value is range from (P=0.001, to 0.177) respectively. Whereas business development service and the organization performance are positive and substantial correlation coefficient which indicates the large effect of one variable over the other and their association is statistically significant.

However, the most significant element in this correlation analysis is the relationship between the dependent variable and other explanatory variables. Both the level and direction of their association allows for other higher-level analyses in the research. Thus, as a rule strong correlation between dependent and independent variables is recommended. In general correlation coefficients greater than 0.7 are considered as high correlation.

The Table below shows, MSEs Performance and Business development service construct substantial and positively correlated (r=0.711, P<0.01). Specifically, each variables of Business development service such as Market Access (r=0.529, P<0.01), Industry Extension Service for MSEs (r=0.389, P<0.01), Working area and Infrastructure (r=0.637, P<0.01), Access to Finance (r=0.476, P<0.177), and Working Capital management (r=.440, P<0.01) of the correlation coefficient's respectively. These indicate the Industry Extension Service has low effect degree of positive correlation whereas the remaining variables have a substantial degree of positive correlation. Consequently, the correlation coefficient implies that there is a positive correlation among the dependent and the independent variable. Once strong associations between dependent and independent variables are confirmed from the correlation analysis, further regression analysis can be conducted to make inferences out of their relationship.

Table 11: Correlation

Correlations		Performance of MSEs	Market Access	Industry Extension	Working Area and Infrastructure	Access to Finance	Working Capital Management
Performance of MSEs	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	318					
Market Access	Pearson Correlation	.529*	1				
	Sig. (2-tailed)	.001					
	N	318	318				
Industry Extension	Pearson Correlation	.389*	.019	1			
	Sig. (2-tailed)	.001	.730				
	N	318	318	318			
Working Area and Infrastructure	Pearson Correlation	.637	.071	.103	1		
	Sig. (2-tailed)	.001	.206	.067			
	N	318	318	318	318		
Access to Finance	Pearson Correlation	.476	.060	.024	.000	1	
	Sig. (2-tailed)	.177	.287	.668	.999		
	N	318	318	318	318	318	
Working Capital Management	Pearson Correlation	.440*	.049	.156*	.080	.004	1
	Sig. (2-tailed)	.000	.384	.005	.155	.949	
	N	318	318	318	318	318	318
*. Correlation is significant at the 0.05 level (2-tailed).							
**. Correlation is significant at the 0.01 level (2-tailed).							

Source: This study survey data

4.4 Regression Analysis

Regression analysis is about predicting the future (the unknown) based on data collected from the past (the known). A regression analysis determines the mathematical equation to be used to figure out what will happen, within a certain range of probability. It analyzes one variable, the dependent variable, taking into consideration the effect on it by one or more factors, the independent variables. The analysis determines that some independent variables have more effect than others, so their weights must be considered when they are the basis of a prediction. Regression analysis, therefore, is the process of looking for predictors and determining how well they predict.

The regression with only one independent variable considered, is a simple regression. But this study uses more than one independent variable; it uses multiple regressions analysis that shows the influence of two or more variables on a designated dependent variable. The result of this sequence is to produce a regression analysis that identifies which of the Business Development Service predictors (Market Access, Industry Extension Service, Working Area and Infrastructure, Access to Finance, and Working Capital Management) has the greatest influence on the dependent variable (Organization Performance) in Addis Ababa Nefas Silk-Lafto Sub City Manufacturing Sector.

Formerly conducting a regression analysis, the basic assumptions concerning the novel data must be made. This is a required prerequisite in explaining the relationships between dependent and explanatory variables. Five major assumptions have to be checked and proved to be met reasonably well. In this study these important least square assumptions were checked and explained as follows.

4.4.1 Linearity

Linearity refers to the degree to which the change in the dependent variable is related to the change in the independent variables (Darlington, 1968). To determine whether the relationship between the dependent variable Organization Performance and the predictor variable Business Development Service, is linear; plots of the regression residuals through SPSS V25 software had been used. To test the linearity of associations, scatter plot diagram with line of fit can be used to see if the distribution can be represented by linear relationship.
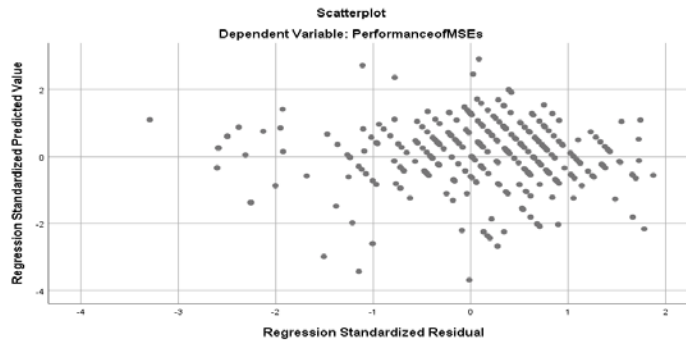
Figure 3: Scatter Plot with Fit Line

Source: This study survey data

From the above graph the scatter plot of residuals shows no large difference in the spread of the residuals as you look from left to right on the diagonal on figure above. This result suggests the relationship we are trying to predict is linear. As shown in Figure, all the two relationships between dependent and independent variables (Performance with Business Development Services) fit reasonably with linear pattern and it holds that linearity assumption is met.

4.4.2 Normality

Secondly, the linear regression analysis requires all variables to be multivariate normal (Darlington, 1968). This assumption can best be checked with a histogram and a fitted normal curve or a P-P Plot. As per the Classical Linear Regression Models assumptions, the error term should be normally distributed or expected value of the error's terms should be zero ($E(ut)= 0$). Thus, the closer the dots lie to the diagonal line, the closer to normal the residuals are distributed.
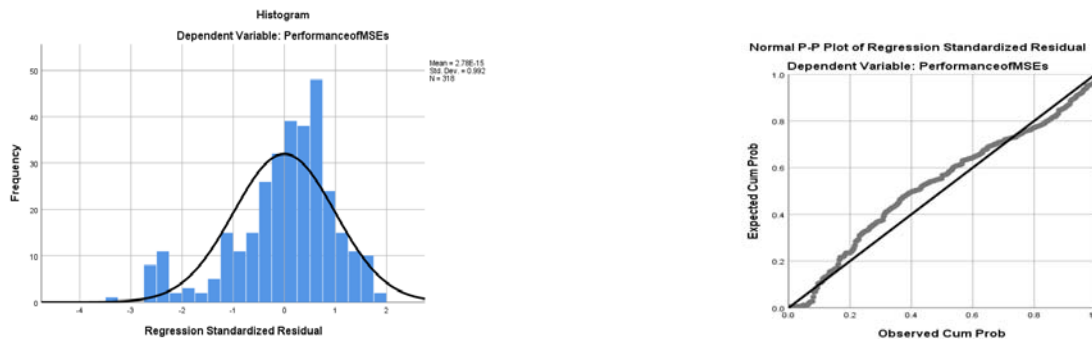

Figure 4: Histogram and P-Plot of Standardized Residuals

Source: This study survey data

The histogram in Figure looks normal and, in the P-P plots also the dots are reasonably closer to the normal line. The combination of both inspections support that the residuals are normally distributed. As you can see, although there are some residuals (e.g. those occurring around 0) that are not that much far away from the curve, many of the residuals are fairly close to 0. Moreover, the histogram is bell shaped which lead to infer that the residual (disturbance or errors) are normally distributed. Thus, no violations of the assumption normally distributed error term.

4.4.3 MultiCollinearity Test between Study Variables

Thirdly, linear regression assumes that there is little or no multi-co linearity in the data. Multicollinearity is a Statistical phenomenon in which predictor variable in a logistic regression model are highly correlated. Multicollinearity occurs when the independent variables are not independent from each other. A second important independence assumption is that the error of the mean has to be independent from the independent variables. Thus, the finding shows that: -

Correlation matrix: - when computing the matrix of Pearson's Bivariate Correlation among all independent variables the correlation coefficients need to be smaller than 1. Thus, from this research finding correlation table indicates that the independent variable has correlation coefficient less than one.

Tolerance: - the tolerance measures the influence of one independent variable on all other independent variables; the tolerance is calculated with an initial linear regression analysis. If this value is very small (less than 0.10), it indicates that the multiple correlation with other variables is high, suggesting the possibility of multi Collinearity Tolerance is defined as $T = 1 - R^2$ for these first step regression analysis. Thus, from the finding in coefficient table the tolerance value except Control variable tolerance value were equal to one.

Variance Inflation Factor (VIF): -the variance inflation factor of the linear regression is defined as VIF = 1/T. Similarly, with VIF > 10 there is an indication for multicollinearity to be present; with VIF > 100 there is certainly multicollinearity in the sample. Thus, from the coefficient table all VIF values are less than 10. Simply the value is not more than 1.0; this confirms there are no violations of little or no Multicollinearity between independent variables.

Simply, from the below correlation table there is no strong pair-wise correlation between the explanatory variables (Predictors) As a rule of thumb, intercorrelation among the independent variables above 0.80 signals a possible multi-co linearity problem. In this study the three tolerances

are above 0.4 and, therefore, the amount of variation in that construct is not explained by other predictors. All of them indicated that there is no multicollinearity problem.

Table 12: Collinearity Test

Coefficientsa								
		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model		B	Std. Error	Beta	T	Sig.	Tolerance	VIF
1	(Constant)	2.762	.453		6.099	.000		
	Market Access	.395	.342	.421	2.242	.026	.989	1.011
	Industry Extension	.142	.051	.152	2.777	.006	.961	1.040
	Access to Finance	.100	.084	.064	1.193	.034	.996	1.004
	Working Capital Management	.243	.062	.213	3.907	.000	.964	1.037
	Working Area and Infrastructure	.246	.042	.047	.874	.083	.976	1.025
a. Dependent Variable: Performance of MSEs								

Source: This study survey data

4.4.4 Homoscedasticity

Homoscedasticity test, which refers to whether residuals are equally distributed, or presence of equality of variance/homogeneity of variance (Osborn & Waters, 2002). Homoscedasticity can be checked by visual examination of a plot of the standardized residuals by the regression standardized predicted value. If the error terms are distributed randomly with no certain pattern, then the problem is not detrimental for analyses. Figure below shows that the standardized residuals in this research are distributed evenly indicating heteroscedasticity is not a serious problem for this data.
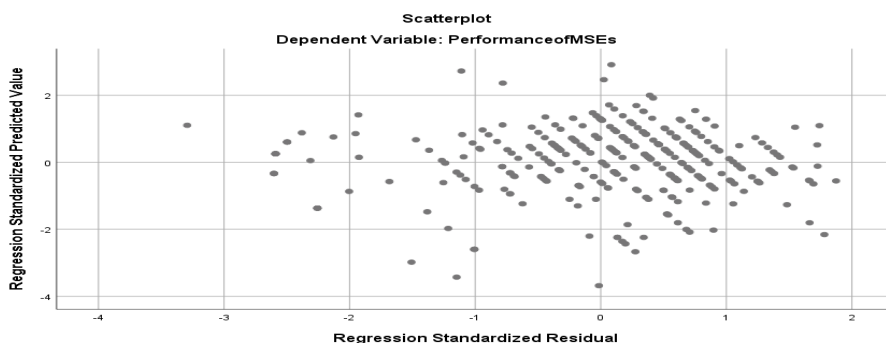

Figure 5: Scatterplot of standardized Residuals

Source: This study survey data

4.4.5 Autocorrelation

Autocorrelation refers to the degree of correlation between the values of the same variable across different observations in the data. Thus, autocorrelation or the independence of errors refers to the assumption that errors are independent of one another, implying that subjects are responding independently (Stevens, 2009). Durbin-Watson statistic can be used to test the assumption that our residuals are independent (or uncorrelated). This statistic can vary from 0 to 4. For this assumption to be met, the DW value needs to be close to 2. Values below 1 and above 3 are problematic and causes for concern that implies greater positive or negative autocorrelation.

The table above implies that the DW value is greater than 1 and close to 2, and autocorrelation is not a concern with Durbin-Watson value of 1.634. Therefore, it is possible to say the auto-correlation test has been met.

Table 13: Durbin Watson Statistics

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.720[a]	.524	.519	.49109	1.834

a. Predictors: (Constant), Working Area and Infrastructure, Access to Finance, Working Capital Management, Market Access, Industry Extension

b. Dependent Variable: Performance of MSEs

Source: This study survey data

4.5 Hypotheses Testing

Regression analysis is about predicting the future (the unknown) based on data collected from the past (the known). This study uses more than one independent variable; it also used multiple regressions analysis that shows the influence of two or more variables on a designated dependent variable.

Multiple regression analysis applied to find out whether there was statistically significant relation surfaced between MSEs performance and the Business Development Services. Moreover, it helped to devise a formula that shows the relation between the dependent variable (organizations performance) and the independent variables Business Development Service such as (Market Access, Industry Extension Service, Working Area and Infrastructure, Access to Finance, and Working Capital Management).

This part of analysis includes a regression model to test the hypothesis. The Five extracted components of Business development services were taken as independent variables against MSEs performances as dependent variable in a multiple regression model. For all the hypothesis of the study below 95% confidence interval was used.

The results of multiple regression analysis where enter entry method used a dependent variable and any number of predictor (independent) variables are designated are presented in the table.

Table 14: Direct Effect Statistics

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R square Change
1	.720ª	.524	.519	.49109	.542
a. Predictors: (Constant), Working Area and Infrastructure, Access to Finance, Working Capital Management, Market Access, Industry Extension					

Source: This study survey data

The first statistic to look for in SPSS output when performing regression analyses is if Sig.-F is significant or not by seeing ("ANOVA") table. The table shows the goodness of fit of the model. The lower this number, the better the fit. Typically, if "Sig." is greater than 0.05, we conclude that our model could not fit the data (See annex E) If Sig. < .01, then the model is significant at 99%, if Sig. < .05, then the model is significant at 95%, and if Sig. <.1, the model is significant at 90%. Significance implies that we can accept the model. If Sig>., 1 then the model was not significant (a relationship could not be found) or "R-square is not significantly different from zero."

The table above illustrates the correlation coefficient, denoted by R, become 0.720 at 5% significance level. To be precise, R (the multiple correlation coefficients) shows the relationship between the study variables. Thus, the finding indicates that there was a strong relationship between the variables under consideration. The R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable and the findings in the above table revealed that the value of R squared was 0.524. It shows 52.4% variation on performance of the MSEs emanates from Business Development Services (Market Access, Industry Extension Service, Working Area and Infrastructure, Access to Finance, and Working Capital Management). In fact, it is a strong explanatory power of regression and the remaining unexplored variables may explain the variation in performance of the sector.

The regression model summary presents how much of the variance on MSEs performance is explained by the predictor variables. The adjusted R square indicates 52% of the variation in organization performance is explained by the combined effect of the five predictor variables, i.e. Market Access, Industry Extension Service, Working Area and Infrastructure, Access to Finance, and Working Capital Management.

Table 15: ANOVA Analysis Result

ANOVAa					
Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	84.486	5	16.897	70.686	.000b
Residual	76.889	312	.239		
Total	161.375	317			
a. Dependent Variable: Performance of MSEs					
b. Predictors: (Constant), Working Area and Infrastructure, Access to Finance, Working Capital Management, Market Access, Industry Extension					

Source: This study survey data

The ANOVA tells us whether the overall model is statistically significant and is good in predicting the outcome variable. (F) Value is (70.686) at 0.000 p- value which indicates that the regression model is fit and significant. This implies if we take the five-predictor variables together as a group, they predict the organization performance significantly.

Table 16: Durbin Watson Statistics

Coefficientsa					
	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.
1 (Constant)	2.762	.453		6.099	.000
Market Access	.395	.342	.421	2.242	.026
Industry Extension	.142	.051	.152	2.777	.006
Access to Finance	.100	.084	.164	1.193	.034
Working Capital Management	.243	.232	.213	3.907	.000
Working Area and Infrastructure	.246	.242	.247	.874	.083

Source: This study survey data

The coefficient table indicates level of effect of each variable has on the dependent variable. The highest beta value of Time β = 0.395 indicates that the variable "Market Access" has relatively a strong degree of importance for MSEs performance followed by Working Area and Infrastructure

with the value of β = 0.246, and Working Capital Management with β = 0.246 than any other variables in the study. Industry Extension Service, and Access to Finance, and their degree of importance beta values are β=0.142, and β=0.100 respectively regarding the MSEs performance. Therefore, all the predictor variables are statistically significant and have a positive impact on the MSEs Performance since their p- value is < 0.05. Standardized coefficient (Beta value) indicates the degree of importance each variable has towards MSEs performance as a result, the affecting variables can be ranked in the following order on the basis of their contribution.

Market Access comes first with the highest standardized beta value (β =0.342), followed by Working Area and Infrastructure (β =0.242) and Working Capital Management ranked third with beta value (β =0.232), the Fourth one is Access to Finance with beta value (β=.084), and the Fifth one is Industry extension service (β =0.051). In addition, the beta value on the coefficients table indicates the level of effect or impact each variable has on the dependent variable. If we consider Market Access, the one with the highest standardized beta value, for every additional standard deviation (SD) of Market Access that the MSEs arise, one would expect a gain of 0.421 SD points on the MSEs performance achieved, other variables are held constant. If we use the unstandardized beta value, the expression will be as follows: for action to be aggressively competitor by the one would expect a 0.342 unit increase in organization performance. Therefore, from among the five variables, Market Access contributes the strongest unique effect on MSEs performance. Thus, the Manufacturing Sectors of MSEs should focus on keeping its on Market Access, Working Area and Infrastructure, Working Capital Management, Access to Finance and Industry Extension Service respectively.

H1: Market access has a significant positive effect on MSEs Performance.

Market access can be achieved through market management, which is postulated to have the ability to enhance an enterprise's competitive advantage through increased market outreach. According to Price, Stoica and Boncella (2013), the management of market through continuous innovation, products or processes in anticipation of and response to, dynamic customer requirements, competitors and supply analysis is the essence of SME survival and growth. Market access consists of marketing business, market linkages, trade fairs and exhibitions, development of samples for buyers, market information, subcontracting and outsourcing, marketing tips and meeting, market research, marketing space development, showrooms, packaging and advertising (SEEP, 2000).

In the regression analysis, Business Development Service one "Market Access" has been introduced in Model 1 (Table 21) to see the direct effect of Business Development Service on MSEs

performance. Consistent with the initial proposed hypothesis Business Development Service "Market Access" has positive and statistically significant effect on MSEs performance (standardized β = 0.421, p<0.01). These statistics supported hypothesis 1 which posits Business Development Service "Market Access" is positively related to MSEs Performance in that sector with higher level of Market Access achieve higher performance compared to those with lower Market Access MSEs in the Sector.

This implying that there is a positive significant relationship between Market Access and MSEs performance. Thus, the null hypothesis is rejected and the alternative hypothesis is accepted.

H2: Industry Extension Service has a significant positive effect on MSEs Performance.

Hundera (2014), Karlan and Valdivia (2011), and Drbie and Kassahun, 2013) briefly explained that lack of training on business knowledge and skill, record keeping, business plan, marketing strategy, customer handling, capacity building training in management, and other related issues make the business below performance and out of expected competitive position. The study by Ashenafi Haile asserted that training and technical assistance has a significant and positive effect on micro and small manufacturing enterprise's performance in Ethiopia. Therefore, from this one can infer that training and technical assistance has a strong and positive effect on business performance. Furthermore, it is possible to say that basic business trainings, which mentioned above, are essential prerequisite or necessary to enhance the business performance. This finding is consistent with what has been found by Mekdes (2015) and Helina (2016) who disclosed the training given to owners or managers or employees definitely improve their work performance, which has a combination effect on the organization performance.

Business Development Service "Industry Extension Service" has been introduced in Model 1 to see the direct effect of Business Development Service on MSEs performance. Consistent with the initial proposed hypothesis, Business Development Service "Industry Extension" has positive and statistically significant effect on MSEs Performance (standardized β = 0.152, p<0.01. These statistics supported hypothesis 2 which posits Business Development Service "Industry Extension Service" is positively related to MSEs performance in that MSEs with higher access to Industry Extension service achieve higher performance compared to those with lower one. The positive and significant universal effect of Business development service on MSEs performance in this study is consistent with prior empirical researches as mentioned in a meta-analysis.

As a result, the second hypothesis business development service "Industry Extension Service" will positively relate to MSEs performance" in that firms with access to working area and higher level of Industry Extension Service will have higher performance was not rejected. This implying that there is a positive significant relationship between Industry Extension Service and MSEs performance. Thus, the null hypothesis is rejected and the alternative hypothesis is accepted.

H3: Working Area & Infrastructure management has a significant positive effect on MSEs Performance.

According to Easterly (2002), infrastructure facilities were viewed as the basic structures physical and organizational that provides support for the development of an organization or economy. It is regarded as the essential linkage between a firm and its markets, which can, potentially, impact on the firm's revenues and its overall effectiveness (Price, Stoica, & Boncella, 2013). Functionally, infrastructures facilitate the production of products and services, and also facilitate the distribution of finished goods to the markets, for example, roads enable the transport of raw materials to a factory (American Heritage Dictionary, 2009).

Business Development Service "Working Area and Infrastructure Facility" has been introduced in Model 1 (Table 21) to see the direct effect of Business Development Service on MSEs performance. Consistent with the initial proposed hypothesis, "Working Area and Infrastructure" has positive and statistically significant effect on MSEs performance (standardized β = 0.247, p<0.01). These statistics supported hypothesis 3 which posits Business Development Service "Working Area and Infrastructure Facility" is positively related to MSEs performance in that organizations with higher level of Facility and working area access achieve higher performance compared to those with lower access.

As a result, the third hypothesis Business Development Service " Working area and Infrastructure Facility " will positively relate to MSEs performance" in that firms with higher level of access to facility will have higher performance was not rejected. This implying that there is a positive significant relationship between Working area and Infrastructure facility and MSEs performance. Thus, the null hypothesis is rejected and the alternative hypothesis is accepted.

H4: Access to Finance has significant positive effect on the MSEs Performance.

Financial services refer to property loan, working capital, and grant (Yusoff et al., 2010). Access to financial services is critical for small and medium enterprise development and growth, and the

availability of financial services is positively related to productivity and growth. According to Hallward-Driemeier and Aterido (2007), of all the areas in the business environment, companies that improved its access to financial services gain better benefits. One of the principal conclusions of modern economics is that financial services are important to improve performance (Cecchetti & Kharroubi, 2012) of micro and small enterprises (Beck & Demirguc-Kunt, 2006; Mohd Shariff et al. 2010; Mohd Shariff & Peou, 2008).

Meanwhile, according to Boateng (2004), finance is a resource (capital) that is used to innovate and expand a business to achieve success. Capital is vital to the success of the enterprise as it forms the foundation of the enterprise. Winton and Yerramilli (2008) noted that once the market opportunity and strategy to seize the opportunity are well defined, a firm may begin to examine the financial requirements in terms of asset needs and operating needs. Finance for business is vital as it forms the foundation of SMEs (Boatang, 2004).

Business Development Service "Access to Finance" has been introduced in Model 1 to see the direct effect of Business development On MSEs performance. Consistent with the initial proposed hypothesis, Access to Finace has positive and statistically significant effect on MSEs performance (standardized $\beta = 0.164$, $p<0.01$).

As a result, the proposed hypothesis "Access to Finance" is positively relate to MSEs performance" in that firms with higher level of Access to Finance will have higher performance was not rejected. This implying that there is a positive significant relationship between Access to Finance and MSEs performance. Thus, the null hypothesis is rejected and the alternative hypothesis is accepted.

H5: Working Capital Management has significant positive effect on the performance of MSEs

Studies points out that management of working capital is critical in any firm despite the industry and size. Oluoch (2017) analyzed effects of working capital on performance of non-financial companies listed in NSE, Kenya. He found that there was minimal relationship between working capital management and profitability of the non-financial companies listed in NSE. Mburu (2010) also conducted a study on the relationship between working capital management and profitability among the insurance companies. He succinctly found a strong relationship between working capital management and profitability of the insurance firms. Githinji (2013) conducted a study on working capital management and firm profitability empirical evidence from construction and manufacturing firms listed on NSE. He found out that there was insignificant positive relationship between working

capital management and financial performance of manufacturing and construction firms listed at the NSE. Nthiwa, Nzioki, Riwo&Kimeli (2013) conducted a study on management of working capital and its effect on profitability of the Manufacturing companies listed on NSE, Kenya.

They found an insignificant relationship between profitability and inventory turnover. Nonetheless, they noted a positive correlation between average payment period and average collection period with profitability. Januaris (2015) conducted a study on the effect of working capital management on profitability of public listed energy companies in Kenya. He found that short cash conversion cycle was more prof Business Development Service "Working Capital Managment" has been introduced in Model 1 to see the direct effect of Business development On MSEs performance. Consistent with the initial proposed hypothesis, Working Capital Management has positive and statistically significant effect on MSEs performance (standardized $\beta = 0.213$, p<0.01).

As a result, the proposed hypothesis "Working Capital Management" is positively relate to MSEs performance" in that firms with higher level of Working Capital Management will have higher performance was not rejected. This implying that there is a positive significant relationship between Working Capital Management and MSEs performance. Thus, the null hypothesis is rejected and the alternative hypothesis is accepted.

4.6 Summary of the Hypothesis Testing

The hypotheses of the study are tested through multiple regression analysis by taking direct main effect on dependent and Independent variable the results are summarized below:

Table 17: Summary of the Hypothesis

Hypothesis	Result
1. Access to Finance has significant positive effect on the MSEs Performance.	**Accepted**
2. Working Area & Infrastructure management has a significant positive effect on MSEs Performance.	**Accepted**
3. Industry Extension Service has a significant positive effect on MSEs Performance.	**Accepted**
4. Market access has a significant positive effect on MSEs Performance.	**Accepted**
5. Working Capital Management has significant positive effect on the performance of MSEs	**Accepted**

Source: This study survey data

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Based on the results obtained in Chapter 4, a discussion of the finding is presented in this chapter. The findings from the study are used to discuss whether the proposed hypotheses are supported. All research questions are answered subsequently and finally, the achievement of research objectives is determined.

Finally, the contributions of the study are discussed based on theoretical, methodological, and practical approaches and end with suggestions for future research.

5.1 Summary

The study set out to assess the effect of the Business Development Service on the MSEs Manufacturing Sectors' performance. The study was focused on Five components of Business development Services whose influence on the dependent variable (MSEs performance) was assessed: Market Access, Industry Extension Service, Working area and Infrastructure, Access to Finance, and Working Capital Management. To assess the effect of Business development service on the MSE's performance in the Manufacturing Sector of Nefas Silk-Lafto Sub-city MSEs.

Accordingly, the study tried to analyze the descriptive and Inferential Statistics of the variable under this study including the demographic data of the respondents.

> The demographic data of the respondents are: Higher numbers of respondents were male (61.9%) which means the majority of the MSEs participant are male, and the age of the respondents was 26-45. (66.7%) it means meddle ages or working-age populations, the marital status result indicated that about 63.2% of the respondents are married, 30.19% of the respondents are unmarried, and 6.6% of the respondents are divorced, which means most of the MSEs participants are married. And they are responsible for their family, work, society as well as the country, the educational background result shows that about 34.6% of the respondents are in Primary School, 41.8% of the respondents are in High School, 17.9% of the respondents are TVET, and 5.3% of the respondents have first Degree and 0.3% of the respondents have Master's degree. It indicates most of the MSEs participants are Primary school and High School students, and some are TVET. But those who have a first Degree and

Master's Degree are so less. So developing the business education is also the best solution, the service year result shows that about 0.9% of the respondents are 1-2 years. This shows that new MSEs enterprises are established in the sub-city is not much. On the other hand, 39.6% of the respondents are above five years. As MSEs Policy any small enterprise is above five years will be going through Middle enterprise. But as the result shows even if the enterprises are above five years they are still as small enterprises, the position result shows that about 56.9% of the respondents are managers. This shows that most enterprises are controlled by the Manager not rather than employees.

➢ In this research, the effect of Business Development Service on MSEs Performance in the Manufacturing sector has been investigated as the direct and main effect. These relationships are examined using purposely selected MSEs with a combination of systematic and convenience sampling techniques to collect data from Respondents. All the variables and the respective measurements in this research are based on theory adopted from literature. The reliability and validity of the constructs and items were tested as per the recommendations made in the literature.

➢ The relationship between variables, which is their correlation, was conducted and the result shows that Business Development has a substantial significance and positive relation with MSEs performance. Accordingly, each variable such as Market Access, Industry Extension Service, Working area and Infrastructure facility, Access to Finance, and Working Capital Management has a positive and substantial correlation with MSEs performance independently.

➢ The multi-co linearity test result shows that the independent variables do have a linear relation with the dependent variable. In the previous chapter, the computation shows there is no serious multi-co linearity problem between the variables. To test the research hypotheses, multiple regression analysis has been applied and the findings are summarized.

➢ Before the regression analysis, the correlation between variables was examined and it is confirmed that there is a moderate association between all the independent and the dependent variables. This is an indication that Business Development Service has a strong relationship

with MSEs performance. The correlation among the independent and dependent variables in each case is positive and free from the multicollinearity problem.

- ➤ Multiple linear regression analysis was also conducted to check if the five components of Business development services affect the MSEs performance. The results obtained reveal that adjusted = .524 which indicates that 52.4 % of the variation in MSEs performance is explained by the five components of Business Development Service (Market Access, Industry Extension Service, Working area and Infrastructure Facility, Access to Finance, and Working Capital Management) with p= 0.001 which indicates a high significant regression model. The result of multiple regression analysis reveals that the independent variables have a direct significant effect on MSEs performance.

Generally, Business Development Service has a positive and significant effect on MSEs Performance in the five components of the Business development service that are tested in this research. This informs that the universal positive influence of Business development service on firm performance also holds here in MSEs of the manufacturing Sectors.

5.2 Conclusions

This study was conducted to examine the effect of Business Development Services on the performance of micro and small manufacturing enterprises in Addis Ababa, the case of Nefas- Silk- Lafto sub-city. The Business Development Service contains multiple variables; however, five of them were included in this study. All the respondents tend to agree that the business development service is critical for their organizational performance.

Based on the mean score results calculated from the respondents represents that the business development service helps them to improve their performance in terms of Market Access, Working area and Infrastructure facility, Working Capital Management, Access to Finance, and Industry Extension Service respectively.

More specifically, market access, working area and infrastructure, and working capital Management were performed at a moderate level; whereas, the remaining two dimensions such as access to finance and Industry extension services influenced the sector at a low level.

From the correlation analysis, it is concluded that there is a substantial positive association between business development services and MSEs Performance. In line with each hypothesis, the findings of the regression analysis have shown that each component of business development service explains reasonable variation in organization performance with a positive relationship and it is statistically significant. It is, therefore, concluded that business development service strategic posture in manufacturing sectors of MSEs plays a substantial role in their performance.

The direct effect analysis in regression with business development services such as Market Access, Working area and Infrastructure Facility, Working Capital Management, Access to Finance, and Industry Extension Service independently explained moderate variations in performance indicating that they are strong predictors of performance.

The inferential statistics test revealed that all BDS components individually and jointly have a significant and positive effect on the performance of micro and small manufacturing enterprises. Thus, all formed hypotheses were supported. It implies that improving each of the BDS components will logically lead to enhancing the performance of MSE.

The study found that the Market Access, Working area, and Infrastructure facility were recognized as the most important factor of MSE's performance followed by working capital Management, Access to Finance, and Industry Extension Service respectively. This rampant BDS importance (Market Access to Industry Extension Service) for firm performance is interesting and so logical since the study was conducted on manufacturing enterprises.

Consequently, a major discovery made in the study is that Business Development Service has a significant positive effect on Manufacturing Sectors of MSEs performance in Addis Ababa Nefas Silk- Lafto Sub City. These discoveries attribute the rapid increase in MSEs performance to the effect of Market Access, Working area and Infrastructure Facility, Working Capital Management, Access to Finance, and Industry Extension Service.

5.3 Recommendations

Regarding future studies, the researcher recommends the following points for those which are addressed by future researchers who are interested in the area of Business Development Service and Performance. Thus, additional research is required concerning the interaction of business

development services with several social, economic, political, and environmental factors and assessing its impact on performance.

Currently, the model has been tested for selecting the manufacturing sector. However, in the future, the study could address other sectors including larger firms in the country. The study focuses on five components of Business development services, while some articles suggest that there are more variables to include under a business development service intentions. Now I have established that the components of business development services have a positive effect on MSEs performance, it would be interesting to see whether these dimensions have a separate, different, or additional effect on other areas. The study also suggests that future studies should investigate the interplay of the Components of BDS further, and consider antecedents, moderators, mediators, and performance outcomes.

- More MSEs participants are males. But females have equal access to obtaining their income and contributing their roles to the economy at large. So they should participate in MSEs

- MSEs Participants are Primary school and High School students, some are TVET. But those who have a first Degree and Master's Degree are so less. So to develop the business education is also the best solution. So the government facilitates free education for the member to increase business development services.

- To increase business development service performance the government should have to support on Market Access area. Like high market linkage, the existence of market information to the products prioritizes them product and facilitates competitive advantage.

- To increase business development service performance the government should have to support on Industry Extension area. Like continuous and quality link the training with standard philosophy.

- To increase business development service performance the government should have to support working areas and infrastructure. Like available working with the nature of the enterprise and enough provision of infrastructure resources.

- To increase business development service performance the government should have to support Access to finance. Like working capital management policy, procedure, and guild lines.

- To increase business development service performance the government should have to support working capital management. Like financial support provision or loan, low-interest rate and provide enough relief provision for loan rate.

- Appropriate experience-sharing activities should be set by the sub-city MSE's support institution with the integration of MSE operators and this helps vulnerable MSEs to acquire better knowledge and experiences.

- The investigation of the BDS components and their effects on performance over a longer period might provide further insights into the reliability of the results from a long-term perspective.

- The study recommends taking cultural, situational, and psychological factors into consideration, as these factors could explain and verify the results. It might be interesting to test the hypotheses in further regions and regional cities of Ethiopia.

Hence, the researchers suggest that future research work could focus on the other districts to come up with specific findings which will contribute a lot to MSE's overall development in general and alleviate their immediate problems in particular. Also, the field of MSEs is large and very diverse. It is an interesting area with many unresolved issues. It would be encouraging to get more solutions to many issues arising.

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Appendixes

POST GRADUATES DEPARTMENT OF MANAGEMNT Questionnaire
to be filled by Respondents

This questionnaire is designed to the final year Graduate Student in Masters of Business Administration in St. Mary's University for research project entitled "**EFFECTS OF BUSINESS DEVELOPMENT SERVICE ON THE PERFORMANCE OF MICRO AND SMALL MANUFACTURING ENTERPRISES IN ADDIS ABABA"** on that you offer me with this questionnaire will be used as a primary data in which I am conducting as a partial requirement of Masters of Business Administration. Hence, this research is believed to be evaluated in terms of its contribution towards investigating the case of Nefas Silk-lafto sub-city manufacturing sector. The information supplied by you is strictly held confidential and used for academic purpose only.

For additional information and comment, please do not hesitate to contact me,

- **Name** :- Betelhem Asrat
- **Cellphone** :- 09 12 14 95 18
- **E-mail** :- bettyemariam2007@gmail.com

General Instructions

- *There is no need of writing your name*
- *There is no right and wrong answer*
- *In all cases, where answers to options are available, please tick "√" in the appropriate box.*

Thank you in Advance for your kind cooperation in filling up this questionnaire.

Section I: Personal Data/Demography

Please, indicate your response by placing "√" in the box

1. Gender:- ☐ Male ☐ Female

2. Age:- ☐ 18 -25 ☐ 26 -35 ☐ 36 – 45 ☐46 – 55 ☐ Above 56

3. Marital Status:- ☐ Married ☐ Unmarried ☐ Divorced ☐

4. Education

   ☐ Primary School ☐ High School ☐ TVET ☐ First Degree ☐ Master's Degree

5. How many years you obtained municaturing of Middium Small Enterprises(MSEs) ?
   ☐ 1 -2 ☐ 2 -4 ☐4 – 5 ☐ Above 5

6. What is your Current status/ position in the enterpises?
   ☐ Employee ☐ Manager ☐ Other

Section II: Five Point Likers Scale
Please complete the following questionnaire on scale of 1 to 5. Please, indicate your response by placing "√" in the box

   1- Strongly agree, 2- Agree, 3- Neutral,   4- Disagree and   5- Strongly disagree

A. Market Access

No.	Market Access	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
MA1	There is high market linkage to our products					
MA2	There is existence of market information to our products					
MA3	The government prioritize our product in the market					
MA4	The government support the enterprises to get competitive advantage in the market					

B. Industry Extension Service

No	Industry Extension	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
IE1	There is continuous training for MSE members and managers					
IE2	MSEs members and managers gain a quality training as per their requirements					
IE3	The training provided to MSE members continuously support to produce a quality product					
IE4	The training provision for MSEs has a link with standard philosophies like Caizon …					

C. Working Area & Infrastructure

No	Working Area & Infrastructure	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
WAI1	There is available working area to the enterprises					
WAI 2	There is enough provision of infrastructure resource for the enterprises like Road, Water, and Electricity…					
WAI 3	The available working area compatible with nature of the enterprises					
WAI 4	There is proximity of the working area with market					

D. Access to Finance

No	Access to Finance	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
AF1	MSE has great opportunity to financial support provision/loan					
AF2	There is a low interest rate to financial support					
AF3	The loan facility provide by government consider the enterprises potential related to collateral					
AF4	The finance institutes provides enough relief provision for loan return					

E. Working Capital Management

No	Working Capital Management	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
WC1	MSEs analyzes and optimizes the current assets on regular bases that operate a business effectively					
WC2	MSEs analyzes and optimizes the current loan on regular bases that to operate a business effectively					
WC3	MSEs have a clear working capital management policy, procedures, and guiding rules					
WC4	The enterprise effectively managing the working capital on regular basis					

Section III: MSEs Performance

No	Performance Construct	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1	MSE has improved market competiveness					
2	MSEs marketing Performance has increased the growth and profitability of the enterprises					
3	The industry extension service has direct effect over the growth and profitability of MSEs Sectors.					
4	The infrastructure facilitated in the area improve the profitability of MSEs					
5	The existing working area contribute to increase the growth of MSEs in the area					
6	The Financial access to MSEs improve the growth and Profitability of the Business					
7	The growth and profitability of MSEs affected by working capital management of the sectors.					

Thank You Very Much!

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Ref No: SMU/1083/2022

Date: March 7, 2022

TO WHOM IT MAY CONCERN

Subject: Requesting Cooperation for Data Collection

Betelehim Asrat ID No. SGS/0075/2012A is a student in the Department of Business Administration (MBA). She is working on her Thesis entitled **"Effects of Business Development Service on the Performance of Micro and Small Manufacturing Enterprises in Addis Ababa: The Case of Nifas Silk Lafto Sub-City Manufacturing Sector"** and would like to collect data from governmental institutions.

Therefore, I kindly request your good office to allow her to access the data she needs for her research.

Any assistance rendered to her is highly appreciated.

Sincerely,

Director ,SGS
Student Affairs