

An Assessment of Challenges of Micro and Small Enterprises: The Case of Haramaya Town.

By:Lemma Haile

A Thesis Submitted to the Department of Management in Partial fulfillment of the requirements for Masters in Business Administration.

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Declaration

I, Lemma Haile, declare that this work entitled “**An Assessment of challenges of MSEs: A case of Haramaya Town**” is the outcome of my own effort and study; and that, all sources of materials used for the study have been duly acknowledged.

I have produced it independently except for the guidance and suggestion of the research advisor. Moreover, this has not been submitted for any degree in this university or any other university. It is also offered for the partial fulfillment of the degree of Masters in Business Administration.

By: Lemma Haile

Signature _____

Date _____

Letter of certification

This is to certify that **Lemma Haile Abaye** has carried out his project work on the topic of “**Assessment of challenges of Micro and Small Enterprises: The case of Haramaya Town**” under my supervision. This work is original in its nature and it is suitable for submission in partial fulfillment of the requirements for the award of Masters Degree in Business Administration [MBA].

Tolla Berisso (PhD)

Advisor

signature

Date

Thesis approval form

Student's name: **Lemma Haile Abaye**

Degree sought: Masters in business Administration

Thesis title: **Assessment of challenges of Micro and Small Enterprises: The case of Haramaya Town.**

Affiliation: Adama science and Technology University

We, the under signed, recommend that the thesis stated above be accepted in partial fulfillment of the degree requirement.

Approved by thesis advisor

Tolla Berisso (PhD) _____

Advisor's name	Signature	Date
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Approved by Board of Examiners:

Chairman	Signature	Date
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Internal examiner's name	Signature	Date
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External examiner's name	Signature	Date
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Approved by the department

Head of the department	Signature	Date
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List of acronyms

Art:	Article
CED:	Committee for Economic Development
CSA:	Ethiopian Central Statistics Authority
FDRE:	Federal Democratic Republic of Ethiopia
FMSEDA:	Federal Micro and Small Enterprises Development Agency
GEM:	Global Entrepreneurship Monitor
GTP:	Growth and Transformation Plan
HASIDA:	Handicraft and Small Scale Industries Development Agency
HLCLEP:	High Level Commission on Legal Empowerment of the Poor
ILO:	International Labour Organization
LDCs:	Less Developed Countries
MFIs:	Micro Finance Institutions
MoTI:	Ministry of Trade and Industry
MoWUD:	Ministry of Works and Urban Development
MSEs:	Micro and Small Enterprises
MSMEs:	Micro, Small and Medium Enterprises
MUDC:	Ministry of Urban Development and Construction
NMSEDPS:	National Micro and Small Enterprises Development Promotion Strategy.
ORBPF:	Oromia Region state Bureau of Plan and Finance
UNIDO:	United Nations Industrial Development Organizations

Abstract

The study attempted to assess the challenges of micro and small enterprises with a special emphasizes on construction, metal and wood work, service and trade sectors in Haramaya town. The overall objective of this study is to identify challenges of MSEs in the town. Information was collected through questionnaire from a sample of 200 operators who were selected using stratified sampling techniques and face to face interviews were conducted with 25 operators of micro and small enterprises. For the purpose of achieving the objectives of this study, questionnaires were analyzed using descriptive analysis. The findings of the study show that the severity of challenges that micro and small enterprises (workers) faced in operation varies from one factor to another. Infrastructures were a sever challenge because insufficient and interrupted electric power, water, and transportation supply has become very prohibitive to the emergence of new enterprises and to the growth and survival of existing ones. Inadequate infrastructure, technology and marketing factors are indicated as the major factor for most problems faced by the studied MSEs. Based on the major findings, recommendations were forwarded to governments and operators of MSEs.

Key words: MSEs, challenges, assessment

CHAPTER ONE

INTRODUCTION

Micro and Small Enterprises (MSEs) can be defined as one, which are independently owned and operated, and not dominated in its field of operation. It also defined in terms of sales volume and by the number of employees in the firm. MSEs may be defined as business with a small number of employees. The legal definition of MSEs often varies from country to country and from industry to industry; in the United States generally fewer than 100 employees while fewer than 50 employees in the European Union (Haftom, 2014).

According to the Government of the Federal Democratic Republic of Ethiopia MSE Development Strategy (2011), MSEs are defined as business enterprises found in all sectors of the Ethiopian economy with a paid-up capital (fixed assets) of more than Birr 100,000 and less than Birr 1.5 million.

Nowadays, employment is very serious issue and offering jobs to all citizens of a country; it is also a challenging task to every government. As a result, different governments are framing different strategies and policies to create job opportunities. One strategy as to create jobs and accommodate maximum number of citizens has been emerged, i.e., the establishment of MSEs. This form of sector comes in to existence with the aim to accommodate as much as possible numbers of member owned enterprises with affordable working capital and management (Ermias, 2011).

In Ethiopia, MSEs are the second largest employment-generating sector next to agriculture. A national survey conducted by Central Statistics Agency (CSA) (2005) indicated that more than 1.3 million people in the country are engaged in informal sector and small manufacturing businesses. Concerning Oromia, around 137,500 people are engaged in the sector. However, unemployment is one of the critical social problems of most Ethiopian cities in general and Adama cities in particular. The urban employment rate is about 13.7% and 21.1% in 2006 and

2009, respectively in the region (Oromia Region State Bureau of Plan and Finance (ORBPF, 2010).

The MSEs are also an important force to generate employment and more equitable income distribution, to activate competition, exploit niche markets, enhance productivity and technical change, and through all of these stimulate economic development. Therefore, the Government of the Federal Democratic Republic of Ethiopia has recognized and paid due attention to the promotion and development of MSEs for they are important vehicles to address the challenges of unemployment, economic growth and equity in the country. To this effect, the government has formulated a National Micro and Small Enterprise Development and Promotion Strategy, which enlightens a systematic approach to alleviate the problems and promote the growth of MSEs (MoTI, 1997).

MSEs caught the attention of development practitioners and policy makers recently not only because of their importance in terms of generating employment but also because of various other attributes. Some of these are:

- MSEs are breeding ground for entrepreneurs.
- The sector has high employment generating capacity, and is less capital intensive.
- It is highly competitive, flexible, and innovative.

Having recognized the importance of the MSEs sector to the economy, the Federal Government of Ethiopia has issued a MSEs Development Strategy in 1997 followed by the proclamation for the establishment of the Federal Agency for MSEs Development in 1998 (MoTI, 1997). It is obvious that agriculture is still the backbone of Ethiopian economy and medium and large companies are contributing for economic growth and development of the country. MSEs have been given due attention since 1997 as they have invaluable contributions in the economic development of countries like other sectors.

Currently, the Ethiopian government has given priority and planned to work aggressively on MSEs to complement with the objective of the 5 years of Growth and Transformation Plan (GTP) that is focuses on industrial development in the country. The sector is expected to play a significant role as an instrumental in curbing the challenges of unemployment, poverty and to

accelerate economic growth. Thus, this implies that further research is required on the factors affecting the growth of MSEs.

1.1. Background of the study

The micro and small enterprise sector is organized as an integral component of economic development and a crucial in the effort to lift countries out of poverty (Admasu, 2012). Socio-economic development of any country designates both qualitative and quantitative changes which contribute grossly to the improvement of people's life. This requires industrialization where micro and small enterprise comes in to the most important as one of the packages and instruments to help accelerate economic growth and then the overall socio-economic development of the nation (Diriba, 2013).

The dynamic role of micro and small enterprises (MSEs) in developing countries as engines through which the growth objectives of developing countries can be achieved has long been recognized Fisseha (as cited in Admasu, 2012). Their role is immense in terms of employment generation, powerful instrument in economic growth, source of income, quick production response, their adaptation to weak infrastructure and use of local resources, a means of realizing equitable income distribution and injecting a feeling of competition (Diriba, 2013).

Micro and small enterprises (MSEs) also have great value in Ethiopian socio-economic growth as it requires small capital, promote inter-sectoral linkages as it is a base for medium and large scale enterprises and help for balanced development provision of goods and services which are better adapted to local needs, access to improve quality of work and working conditions which may contribute to a better quality increased economic participation of disadvantaged and marginalized groups in society, access for training and development of human resources stimulating innovation, entrepreneurship, technology development, research and eventually alleviation poverty (Diriba, 2013).

In Ethiopia, Micro and Small Enterprises (MSEs) sector is the second largest employment-generating sector following agriculture (CSA, 2005). According to Mulhern (1995), MSEs exert a strong influence on the economies of all countries, particularly in the developing countries. He reported that the MSEs have been a major engine in the economic growth, innovation and technological progress. In addition Carrier (2008) stated that:

the MSEs are more fertile than their larger (enterprises) in terms of innovation and development. The MSEs Sector is characterized by highly diversified activities which can create job opportunities for a substantial segment of the population. This indicates that the sector is a quick remedy for an employment problem. To curb unemployment and facilitate the environment for new job seekers and self-employment a direct intervention and support of the government is crucial.

In Ethiopia in general and in Haramaya town in particular, several factors, both external and internal, are affecting the very performance of micro and small enterprises. So, It was recognized this and, hence, planned to conduct a survey of micro and small enterprises in Haramaya town administration in order to fill the knowledge gap that exists between practitioners and policy makers.

1.2.Statement of the Problems

Micro and small enterprise contribution is significant to economic and social development of both the developed and developing countries. Its development was identified by the government as a priority in increasing jobs to solve the high unemployment rate (Mulu Gebreeyesus, 2009). MSEs are privately owned and managed by individuals, groups, or associations who usually require a great deal of support from the Government or other external sources. As Aregawi and Tilaye (2014), MUDC (2013), and Habtamu et al. (2013) found out the facilitation and adjustment of the startup and working capital sources, raw material supply and technical skill training for MSE's are shouldered on government officials. Thus, the responsibility requires tremendous efforts and integration between enterprise owners and government officials at all hierarchical levels.

However, there are various challenges which affect micro and small enterprises (MSEs) both at start-up phases and after their establishment in most developing countries. In Africa, for example, the failure rate of MSEs is 85% out of 100 enterprises due to lack of skills and access to capital (Fedahunsi, 1997).

According to Zeleke (2009) lack of integration between the vocational curriculum taught at academic institutions and skills required at the workplace in small businesses and enterprises is a

major obstacle to the growth and development of MSEs. After the business goes operational, the probability of becoming profitable and paying back debts along with accrued interest is less. In this regard, Hanna (2010) and MUDC (2013) found out that though their extent/degree varied across regions and cities in Ethiopia, irregular supply of raw materials and insufficient startup and working capital especially in Addis are the major obstacles of the enterprises. Furthermore, previous studies conducted in Ethiopia focused on the regional level and sub cities of Addis Ababa - Ethiopia. So that, this work contribute to fill the research gap of MSEs existed at Woreda town level and what factors mostly affecting at this micro level.

In addition, subjective evidences, quarterly and annual reports, and public meetings on MSE found in Haramaya town showed that there are MSEs that have revealed deteriorating performance and have been experiencing close to ceasing themselves instead of graduating themselves from one enterprise level to the next level due to various restriction factors. In light of the above-mentioned fact, it is vital to assess the challenges of micro and small enterprise in Haramaya town.

Therefore, the purpose of this study is to assess the typical challenges of MSE's operating in Haramaya town. In particular, the study was initiated to address the following basic research questions:

1. What are the contextual challenges that hindering the performance of MSEs?
2. What are the internal challenges that affect the growth and success of MSEs?
3. How can be the challenges of MSEs in Haramaya town minimized?

1.3.Objective of the study

1.3.1. General Objective

The general objective of this study was to assess the challenges that are mostly affecting the performance of MSEs in Haramaya town.

1.3.2. Specific Objective

- To identify the internal challenges related with management that hinder the performance of MSEs.
- To identify the external challenges related with technology-, infrastructure and marketing hinder the performance of MSEs.

1.4. Significance of the study

The study will contribute to the efforts being made towards improving the investments of MSEs in the country's economy. Thus, the study is expected to provide some insights for more informed interventions as feasibly designed in the sectors development strategies. The study can pave ways for further studies in the same sector as well as other business undertakings in a more equipped manner to use existing, abundant human resources for employment creations, entrepreneurial ignitions, income generations as well as socio-economic development.

Moreover, the findings of this study will help the micro and small enterprises coordination office and the owners of such enterprises able to know the real problems and then to seek solutions to this problems. Finally, the findings of this study will be help the policy makers and financial institutions how to encourage in establishing and expanding MSEs.

1.5. Scope of the study

Scope of a given study is usually looked at from various perspectives which could be in terms of areas of coverage as related to the subject matter within a given time and budget limit allocated for the assignment. Accordingly, the study will cover Haramaya town MSEs operating in this area. Thematically, the study appears to concentrate on challenges affecting the performance of MSEs operating in Haramaya town.

1.6. Limitation

This research has limitations like any other studies, though their impact does not compromise its validity. The unwillingness of the studied MSEs to provide information that MSEs operators are largely reluctant to give their time to respond to the study questionnaires due to suspicion that disclosing information may lead to negative effect on their business. And the fact that some of the respondents' educational background is low creates some negligence in filling the questionnaire.

1.7. Operational definitions

Enterprise: It refers to a unit of economic organization or activity whether public or private engaged into the manufacturing of goods.

Entrepreneurs: are people who develop a new product, a new market or a new means of production, assuming the accompanying responsibility and risks for a business operation with the expectation of making profit.

Challenges: A challenge is a contributory aspect such as politico-legal, working premises, technologies, infrastructures, marketing, management and entrepreneurial influences that affects performance of micro and small enterprises.

Formal enterprises: are defined as establishments principally engaged in production of marketed goods and services but formally registered at respective government agencies to undertake the business and hence have licenses to operate (Husmanns, 2001, 2002).

Informal sector: in this paper the concept of informal sector is used alternatively with micro enterprises, because it is consistently and widely accepted, and comparative data are available for Ethiopia.

Initial paid-up capital: is that part of the issued capital of an establishment that has been paid by the owners to start the operation.

Micro enterprise: means commercial enterprise whose capital is not exceeding birr 20,000 other than high technology and consultancy services.

Performance: in this paper performance defined in terms of profitability of the MSEs.

Respondent: respondents are those individuals who are owner managers or operators of an enterprise.

Small enterprise: means a business engaged in commercial activities whose capital is exceeding birr 20,000 and not exceeding 50,000 birr, other than high technology and consultancy service institutions.

1.8.Organization of the study

This report is organized in to the following five major parts. The first part specifies the objectives and scope as well as definitions of terms and concepts as used in this document. Part two deals with the existing literature and attempts to draw theoretical as well as empirical evidences for the current study. Part three examines the method of selection of study population

and sampling design, techniques of data collection and data analysis. Part four deals with data presentation and analysis. Based on the survey results, this part elaborates lives of MSEs as related to the lessons drawn from the review of the literature and empirical findings observed. Finally, part five is the summary, conclusion and recommendation of the study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Introduction

This chapter reviews works on MSEs in Ethiopia and other countries in general and Addis Ababa in particular. Works on performance and determinants of performance were also reviewed. This is of help to understand the state of MSEs and its determinants of the performance. This chapter comprises of six sections. These are definitions of MSEs, the role of MSEs in poverty reduction, the MSE sector in Ethiopia, the concept of business performance, empirical studies and the conceptual framework.

2.2. Definition of Micro and Small Enterprises

The MSE sector everywhere is characterized by highly diversified activities which can create employment opportunities for a substantial segment of the population. This implies that the sector is a quick remedy for unemployment and poverty problem. The realization of a modest standard of living through curbing unemployment and facilitating the environment for new job seekers and self-employment requires a direct intervention and support of the government and other concerned stakeholders (Mulugeta, 2011). Hence, in order to channel all necessary support and facilities to this diversified sector, a definition is needed to categorize the sector accordingly.

However, there is no single and universally acceptable definition of a small enterprise (Kayanula & Quartey, 2000). This is so because the criteria and ways of categorizing enterprises as micro and small from institution to institution and from country to country depending essentially on the country's level of development. Even within the same country, definitions also change overtime due to changes in price levels, advances in technology or other considerations (Emma et al., 2009). Firms differ in their levels of capitalization, sales and employment. Hence, definitions that employ measures of size (number of employees, turnover, profitability, net worth, etc.) when applied to one sector could lead to all firms being classified as small, while the same size definition when applied to a different sector could lead to a different result. The absence of such uniform definition of MSEs has created a difficulty. In line with this, Tegegne and Meheret (2010) argued that the absence of a single or globally applicable definition has made the task of counting the number of MSEs and assessing their impact extremely difficult across countries, though the rationale for most governments to make such definition and categorization is mainly

for functional and promotional purposes to achieve the desired levels of development of the sector.

United Nations Industrial Development Organizations (UNIDO) gives alternative definition for developing countries. Accordingly, it defines micro enterprises as the business firms with less than 5 employees and small enterprises as the business firms with 5-19 employees (United Nations Industrial Development Organizations [UNIDO], 2002). The United States of America, the Small Business Act issued in 1953 stated that, small business is one which is independently owned and operated and not dominant in its field of operation. The act also further stated that, number of employees and sales volume as guideline in defining small business (Major & Radwan, 2010). In the same country, a committee for economic development (CED) has explained that small business is characterized by at least two of the key features: management is independent (usually the managers are owners), capital is supplied and an individual or small group holds ownership and the area of operation is mainly local (workers and owners are in one home country).

According to Kayanula and Quartey (2000) in Malawi, the official definition of enterprise sizes is based on three criteria namely the level of capital investment, number of employees and turnover. 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 authors narrated that:

[s]ome of the key characteristics 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 (flexible specialization).

.In Kenya, by referring the 1999 MSE National Baseline Survey, MSEs defined as those non-primary enterprises (excluding agricultural production, animal husbandry, fishing, hunting,

gathering and forestry), whether in the formal or informal sector which employ 1-50 people (Ronge et al., as cited in Mulugeta, 2011). More specifically, according to them, micro enterprises are those that employ 10 or fewer workers and small-scale enterprises are those that employ 11-50 workers. The same study argued that the above definitions are based on one of the three criteria mainly used in literature to define MSEs-number of employees. The second criterion relies solely on the degree of legal formality and is mainly used to distinguish between the formal and informal sectors. According to this criterion, MSEs are those enterprises that are not registered and do not comply with the legal obligations concerning safety, taxes and labor laws. The last criterion defines MSEs by their limited amounts of capital and skills per worker. The above indicated writers emphasized highlighted that the degree of informality and size of employment have perhaps been the two most readily accepted criteria on which classification of MSEs is based; and lastly they claimed that the term MSE incorporates firms in both the formal and informal sectors.

Similarly, in Ethiopia there is no uniform definition at the national level to have a common understanding of the MSE sector. Ministry of Trade and Industry (MoTI) and the Ethiopian Central Statistics Authority (CSA) have defined MSEs separately. While the definition by MoTI uses capital investment, the CSA uses employment and favors capital intensive technologies as a yardstick. The definition used by MoTI, which uses capital investment as a yardstick, has been developed for formulating MSE development strategy in 1997 (Ministry of Trade and Industry [MoTI], 1997).

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 (MoTI, 1997).

The central statistical authority has attached 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 employment 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:

[E]stablishments engaging less than 10 persons Enterprises in the micro enterprise category are sub-divided into informal sector operations and cottage industries: [c]ottage 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, 2003).

According to regulation, “micro enterprise” means an enterprise having a total capital, excluding building, not exceeding Birr 50,000 in the case of service sector or not exceeding Birr 100,000 in the case of industrial sector and engages 5 workers including the owner, his family members and other employees (Art. 2(1)). The same regulation defines “small enterprise” as an enterprise having a total capital, excluding building, from Birr 50,001 to 500,000 in the case of service sector or Birr 100,001 to Birr 1,500,000 in the case of industrial sector and engages 6 to 30 workers including the owner his family members and other employees (**Art.2(2)**). As we can understand from the above definitions, there is no universally acceptable definition of MSEs. Different scholars define MSEs differently based on the level of development of the country under review. As shown above, it is usual to see that different institutes define MSEs differently using their own parameters.

2.3. The Role of Micro and Small Enterprise in Poverty Reduction

Poverty in Ethiopia is widespread and remains a major challenge of sustainable development and stability (Lutheran World Federation of Ethiopia; Eshetu & Mammo, 2009, cited in Admasu, 2012). By now, it is clear and agreeable that poverty, both in urban and/or rural areas, is all about lack of basic needs, low or inadequate level of income and consumption, poor command over resources, and high level of social exclusion, inequality and vulnerability.

The role played by MSEs, through the various socio-economic benefits emanating from the sector was found to be eminent in the overall development effort and process of nations. In other words, by generating larger volumes of employment as well as higher levels of income, the

MSEs will not only have contributed towards poverty reduction, but they will also have enhanced the welfare and standard of living of the many in the society (Mukras,2003). Current international thinking is in tune with a view that acknowledges MSEs as a tool to fight poverty in the long run. The UNIDO approach to this is worth mentioning here:

Poverty reduction is simply not going to happen by government fiat but only through private sector dynamism. The evidence directly linking MSEs and poverty reduction is considerably less robust than that linking them to economic vitality, even in the most developed economies. There are suggestions of greater employment opportunities for poor, low skilled workers, increased skills development and broader social impacts. The movement to support MSE development internationally reflects a return to promoting poverty reduction by investing in private sector-driven strategies by all of the major multilateral agencies. Poverty Reduction Strategies (PRSs) currently being formulated in many developing countries places a more pronounced emphasis on the contribution that the private sector will have to make – compared to the over-reliance on the social agenda that characterized earlier PRSs (Perumal K. & Prasad, n.d.).

In conformity with the above view advanced by UNIDO and as an organization concerned to the condition of labor, the ILO's approach to poverty reduction is through small enterprise development. This strategy focuses on the needs of poor people who are part of the MSE economy, as owners/operators and workers, as their dependants, as the unemployed who may benefit from job creation and as customers. While further strengthening the above shown approach, Vandenberg (2006) suggests that:

the ILO's existing strategy for poverty reduction through small enterprises must emphasize the fact that small enterprises make a positive contribution to poverty reduction when they provide employment, adequate levels of job quality, and low-cost goods and services used by the poor; entrepreneurship, combined with productivity increase, is a key ingredient for poverty reduction through small enterprise development; and vibrant enterprises, competitive markets and a fair globalization can make a significant impact on poverty reduction.

Drawing on a study conducted in the urban centers of four Western African countries namely Benin, Burkina Faso, Niger and Togo to identify key factors shaping the micro enterprise sector, explores the needs, characteristics, motivations, and success factors for micro entrepreneurship in the region, together with some of the impediments to the growth and success of micro enterprise ventures (Roy & Wheeler, 2006). Roy and Wheeler indicated that MSE provide a substantial source of employment, thereby contributing to get rid of poverty to the urban poor. According to them, the main reason for the urban poor to be absorbed in the MSE is due to the fact that the formal sector does not have the capacity to absorb this growing demand for jobs, and for this reason many have had to look for alternative means to generate a livelihood. Hence, participation in the informal sector is often the only option available as a source of income, and so the sector has absorbed many of the unemployed who have been neglected by the formal sector in the region. They pointed that the income generated from being engaged in MSEs primarily used to satisfy the poor's own physiological needs and those of their family, and then to provide a home and security for the household. They specifically claimed that MSEs help the urban poor by making them financially secure which in turn limits or reduces the misery, vulnerability and material and non-material hardships that come with poverty.

2.4. The Micro and Small Enterprise Sector in Ethiopia

The five-year Growth and Transformation Plan (GTP) has given particular attention to the expansion and strengthening of micro and small-scale enterprises (Ministry of Works and Urban Development [MoWUD], 2007).

According to MoWUD (2007):

The sector is believed to be the major source of employment and income generation for a wider group of the society. The major objective of this program, which is creating and promoting MSEs in urban areas, envisages reducing urban unemployment rate. A total of 176,543 MSEs were established in 2009/10 employing 666,192 people. The number of established and total employment created went up 141.6 and 25.6 percent, respectively, compared to a year ago. The total amount of loan received from micro finance institutions was Birr 814.1 million under the review period, 22.8 % higher than last fiscal year.

Enterprise promotion efforts in Ethiopia have traditionally focused on urban based and MSEs. In the 1960s and early 1970s, a department within the Ministry of Industry and Tourism was responsible for coordinating promotion activities which basically consisted of providing training on business management (United Nations [UN], 2002). As stated by United Nations report (2002):

In 1977, the Handicraft and Small Scale Industries Development Agency (HASIDA) was established to provide training mainly in management and technical skills and to serve as coordinating agency for Government policy on small enterprises. Shortage of funds and unfavorable government policy toward the private sector in the 1980s made it extremely difficult for HASIDA to have an impact on the development of local small enterprises. Since mid-1999, the government has revisited the whole issue of small and medium enterprise promotion in Ethiopia but with more focus on micro and small enterprises. A major study was conducted with the support of a donor agency which resulted in the preparation of a National Micro and Small Enterprises Development Promotion Strategy (NMSEDPS).

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

2.5. The Concept of Business Performance

According to Martin (2010) performance is defined simply in terms of output terms such as quantified objectives or profitability. Performance has been the subject of extensive and

increasing empirical and conceptual investigation in the small business literature. The issues that remain unresolved are the goals against which performance should be assessed and from whose perspective the goals should be established (Etzioni, n.d.). Rami and Ahmed (2007) on their study defined performance as follows.

[T]he most commonly adopted definition of success [good performance] is financial growth with adequate profits. Other definitions of success [good performance] are equally applicable. For example, some entrepreneurs regard success [good performance] as the job satisfaction they derive from achieving desired goals. However, financial growth due to increasing profits has been widely adopted by most researchers and practitioners in business performance models.

Global Entrepreneurship Monitor (GEM) defined Performance as the act of performing; of doing something successfully; using knowledge as distinguished from merely possessing it (GEM, 2004). However, performance seems to be conceptualized, and measured in different ways thus, making cross-comparison is difficult (Srinivasan et al., 1994). Among the most frequently used operationalisations are survival, growth in employees and profitability. A business enterprise could measure its performance using the financial and non-financial measures. The financial measures include profit before tax and turnover while the non-financial measures focus on issues pertaining to customers' satisfaction and customers' referral rates, delivery time, waiting time and employees' turnover. Recognizing the limitations of relying solely on either the financial or non-financial measures, owners-managers of the modern small business has adopted a hybrid approach of using both the financial and non-financial measures (H Gin Chong, 2008).

2.6. Empirical Study

According to Mead and Liedholm (1998), the main factors that affect the performance of MSEs in developing countries is not their small size but their isolation, which hinders access to markets, as well as to information, finance and institutional support. The argument that small businesses in Africa are crucial in the role they play in employment creation and general contribution to economic growth is not new. Although this may be true, the vast majority of new enterprises tend to be one-person establishments (Mwega, 1991). This has tended to ensure that

the journey of the MSE entrepreneur in many instances is short-lived, with the statistic of MSE failure rate in Africa being put at 99 per cent (Rogerson, 2000). Various reasons for these failures have been proposed by scholars including lack of supportive policies for MSE development (McCormick, 1998), intense competition with replication of micro-businesses (Manning & Mashego, 1993); manager characteristics including lack of skills and experience (Katwalo & Madichie, 2008).

A study by Hall (1992) has identified two primary causes of small business failure appear to be a lack of appropriate management skills and inadequate capital (both at start-up and on a continuing basis). The research undertaken in Tanzania by surveying 160 micro enterprises showed that high tax rates, corruption, and regulation in the form of licenses and permits, are found to be the most important constraints to business operations of micro enterprises (Mulugeta, 2011).

A view expressed by Fredland and Morris (2009) argued that the causes of failure cannot be isolated and that ‘any attempt to do so is, at bottom, a futile exercise’. However, they suggested that:

The issue of causation is clarified somewhat by classifying causes as endogenous (internal to the firm and presumably within its control) and exogenous (external to the firm and beyond its control). Such a classification has the merit of providing a somewhat better policy handle since if causes are endogenous, appropriate policy ‘helps firms help themselves’; if exogenous, appropriate policy may seek to change the economic environment.

Previous evidence suggests that, although endogenous factors were the main cause of failure, exogenous factors had a significant effect in approximately one third of small business failures (Peterson et al., 1983). Roy and Wheeler (2006) identified that the level of training of micro entrepreneurs (both formal and informal); experience and number of years in operation; knowledge of the market; level of differentiation (in terms of price, quality or other) and diversification of products; access to the necessary resources and/or technologies; level of planning; vision for the future; and the entrepreneur’s level of poverty are among the factors contributing to success of MSEs while lack of market knowledge and training, limited access to

capital, and lack of co-operation among possible business partners are some of the factors inhibiting the growth and development of the micro enterprise sector.

Eshetu and Zeleke (2008) conducted a longitudinal study to assess the impact of influential factors that affect the long-term survival and viability of small enterprises by using a random sample of 500 MSMEs from 5 major cities in Ethiopia. According to this research, that lasted from 1996-2001, the factors that affect the long term survival of MSMEs in Ethiopia are found to be adequacy of finance, level of education, level of managerial skills, level of technical skills, and ability to convert part of their profit to investment. This is so because the findings of the study revealed that businesses that failed, during the study period were characterized by inadequate finance (61%), low level of education (55%), poor managerial skills (54%), shortage of technical skills (49%), and inability to convert part of their profit to investment (46%). The study further indicated that participation in social capital and networking schemes such as *Iqub* was critically helpful for long-term survival of the enterprises. Businesses that did not participate in *Iqub* schemes regularly were found to be 3.25 times more likely to fail in comparison with businesses that did, according to the study.

In their study, based on the survey covering 123 businesses units in four *Kebeles* of *Nifas Silk-Lafto* and *Kirkos* sub-cities of Addis Ababa, and aimed to investigate the constraints and key determinants of growth, particularly in employment expansion, Paul and Rahel (2010) found out that the studied enterprises registered 25% increment in the number of total employment they created since their establishment with an average annual employment rate of 11.72%. With regard to the sources of initial capital of the studied enterprises, the study indicated that, the main ones were loan from MFI (66.7%), personal savings/*Iqub* (17.5%), and loan from family/friends (17.1%). Moreover, the concrete problems that the targeted MSEs faced at their startup were lack of capital (52.8%), skills problem (17.9%) and lack of working space (17.1%). Moreover, Daniel (2007) identified that lack of raw material, stiff competition and shortage of working capital.

Mainly relying on a sample survey of 557 operators and 200 MSEs chosen from four major cities of Ethiopia namely *Adama*, *Hawassa*, *Bahirdar* and *Mekelle*, Tegegne and Meheret's research, (2010) was conducted with the intention of assessing the contribution of the MSE

strategy to poverty reduction, job creation and business development. The raised causes for this gloomy prospect of business were not growing (33%), lack of finance (13%), lack of market (11%), and lack of working space (4%).

The major constraints identified by various studies on MSEs in Ethiopia are associated with market and finance problems. The causes of market-related problems of MSEs engaged in metal and wood work are shortage or absence of marketing skills, poor quality of products, absence of marketing research, shortage of market information, shortage of selling places, and absence of sub-contracting (FMSEDA, 2006). The product line of MSE activities in Ethiopia is relatively similar (Assegedech, 2004). Accordingly she states that:

... lack of product diversity, however, is prevalent and as a result similar products are over-crowding the market. Some micro enterprises shift from one product to another, and in doing so, capture better market opportunities. Nevertheless, as soon as the market has established itself, a multitude of further micro enterprises start off in the same business and this causes the selling price to fall immediately.

According to Assegedech (2004):

Shortage of funds discourages the smooth operation and development of MSEs. Even if there are credit facilities, some of the MSEs do not use the money for the intended purpose. They rather divert it for other unintended and non-productive expenditures. Consequently, the enterprises fail to return the money back to the lender on time. This can result in a loss of credibility to get repeated loans when needed.

According to Assegedech (2004), competition is also another problem that hinders the performance of MSE. She explained it:

As is mostly the case and common recognition, "Competition is Cruel", which implies that some larger companies in relation to MSEs have advantages due to: selling at reduced price without reducing product quality using economies of scale, customer targeting capacity, proper and intensified product/service advertising capacity, good personal contacts and networks, sound industry

reputation and sufficient information regarding existing market and capacity to exploit more market opportunities.

In his research, Dereje (2008) studied the nature, characteristics, economic performance, opportunities and challenges of MSEs in the construction sector based on 125 sample enterprises. The results of the study revealed that the main constraints of the MSEs were shortage of capital, lack of raw materials, absence of government support, lack of market, lack of credit facilities and high interest rate. Studies were also conducted specifically with a purpose of identifying the problems that MSEs encounter. For instance, Workneh's (2007) research undertaken in *Kolfe Keraneo* sub-city of Addis Ababa indicated that lack of capital, lack of market, unfavorable policy, and inadequate infrastructure, absence of adequate and relevant training, bureaucratic structure and procedures are among constraints faced by MSEs. Similarly, Adil's (2007) research carried out in Addis Ababa shows that inappropriate government intervention, shortage of capital, location disadvantage, lack of market and lack of display room are the major challenges that obstruct MSEs.

According to High Level Commission on Legal Empowerment of the Poor [HLCLEP] (2006), there is lack of entrepreneurial and managerial skills, which in turn leads to problems in production due to the unfamiliarity of workers with rapid changing technology, lack of coordination of production process and inability to troubleshoot failures on machinery and/or equipments is a critical problem that MSEs are facing since they cannot afford to employ specialists in the fields of planning, finance and administration, quality control and those with technical knowledge. Mulugeta (2011) has identified and categorized the critical problems of MSEs in to market-related problems, which are caused by poor market linkage and poor promotional efforts; institution-related problems including bureaucratic bottlenecks, weak institutional capacity, lack of awareness, failure to abide policies, regulations, rules, directives, absence of training to executives, and poor monitoring and follow-up; operator-related shortcomings like developing a dependency tradition, extravagant and wasting behavior, and lack of vision and commitment from the side of the operators; MSE-related challenges including lack of selling place, weak accounting and record keeping, lack of experience sharing, and lack

of cooperation within and among the MSEs and finally society-related problems such as its distorted attitude about the operators themselves and their products.

In reality, literature on MSEs in Ethiopia is scanty and most of the available studies were not conducted in line with performance aspects of micro enterprises. However, this research tried to assess factors affecting the performance of MSEs in a holistic way by targeting and deeply investigating those operators engaged in construction, trade, food processing and metal and wood work activities in *Haramaya Town Administration*.

2.7. The Conceptual Framework

Theoretically, enterprises may use internal and external sources of finance. The former comprises own savings and retained earnings while the latter includes security finance, explicit borrowing from formal and informal sources, implicit borrowing in the form of accounts payable (i.e. trade credit and advances from clients), hire-purchase, and lease-to-buy contracts. However, many firms in developing countries (micro and small businesses in particular) cannot resort to primary and secondary money and capital markets either because such markets do not exist altogether or the firms are not in a position to access such markets for several reasons.

For instance, raising funds through securities (bond and equity) issue involves listing requirements that are too stringent for many firms to meet, and is costly. But access to bank loans is virtually absent. The main reasons are their “illegality or partial legality..., lack of proper accounting; small size, therefore high transaction costs for banks; firm mobility, leading to high moral hazard and risk of default from a bank’s point of view, and lack of education” (Fafchamps, 1994, p. 9). Yet, they are generally able to obtain ‘venture capital’ relatively cheaply partly as a consequence of the absence of a stock market that minimizes the adverse selection and moral hazard problems. Unable to invest their savings in high-return/high-risk investments via an organized market, the only possible forms of such investment for small investors are either “creating one’s own enterprise or financing the enterprises of close friends and relatives whose skills and performance can be monitored” (Fafchamps, 1994, p. 8).

According to Chant and Walker (1988), on the other hand, the two crucial sources of funding for working capital for such firms are trade credit and bank credit. The latter typically finances ongoing operations, seasonal or cyclical cash flow shortages, start-up costs for new operations, etc. Trade credit, on the other hand, is given for the purchase of raw materials and other inputs. Trade credit refers to loans that suppliers extend to their customers upon product purchase. Firms may receive trade credit either as a *substitute* for or a *complement* to bank credit (Chant & Walker, 1988). As pointed out by Fafchamps (1997), trade credit has an attractive feature of not being guaranteed by mortgage able assets, which is advantageous for enterprise lacking collateralizable assets. Firms could resort to trade credit both as a means of financing purchases (i.e. receive trade credit from suppliers) and promoting sales (i.e. grant trade credit to customers). Extending trade credit to customers may be important in sealing deals as well as in becoming and remaining competitive as it represents better terms of sales compared to requiring payment in advance or up front (sales promotion motive – each purchase on credit involves a cost saving to the client).

According to Long, Malitz and Ravid (1993), on the other hand, suppliers sell their products on credit as a warranty for quality of their products, allowing customers sufficient time to *test* the product. For example, customers may require more quality assurance on newly introduced products. So, the terms of a trade credit may be chosen in such a way that they signal quality of the product: better terms such as longer repayment period reflect supplier's high confidence on the quality of its product.

A fourth theory, advanced by (Fisman & Love, 2001), tries to explain trade credit by suppliers in terms of customized products: customers that require products that are tailor -made or involve learning by doing, hence sunk costs (e.g. firms with complex input needs), are tied to particular suppliers, as a result of which supplier-customer relationships develop. The longer this relationship, the higher the scope for punishment for non-repayment, hence (a) the more likely such customers are to get trade credit; and (b) the larger is the amount of trade credit suppliers are willing to extend.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Description of the Study Area

The study was conducted in Haramaya town which is located in the northern central part of East Harrerge zone. Haramaya is an old town that has a rich history. However, its history remained for long period of time under the impact of the surrounding big towns, Harar and Dire Dawa. Haramaya town which is found at a distance of 506kms from Addis Ababa extends from 9⁰09' N to 9⁰32' N latitudes and 41⁰50'E to 42⁰5'E longitudes with an area of 1491 hectares of land. It is surrounded by rural peasant associations of Ganda Mude, Bate, Ganda Kasho, Ganda Dare, Gobe Jalala and Ganda Rare. The average altitudinal range of the town is between 1600m and 2150m above sea level and the average monthly temperature of the town ranges between 26⁰C and 4⁰C. The average annual rain fall of the town is about 851 mm. The rainy seasons start from March and last up to the end of November with maximum rain in summer season (June, July and August).

In 2005 the population of Haramaya Town was more than 26,792 and during 2008 estimated to be 42,300 (Haramaya Town Planning and Programmed Office, 2008) which consisted of 21,835 male and 20,465 female. Majority of the people in the town was engaged in more than 4500 business entities/trade and commerce which created jobs for 20,000 peoples and government and private sectors hold small share. The local-rural exchange in Haramaya Town and its surrounding has contributed significant role for Haramaya town business activity.

Source: Haramaya Town Municipality Office

3.2. Research Design

Research design is a master plan specifying the methods and procedures for collecting and analyzing the needed information. It ensures that the study would be relevant to the problem and that it uses economical procedures. Descriptive survey research design (qualitative & quantitative) was employed for conducting this study. Such a study is helpful in obtaining pertinent/relevant and precise information as well as to draw valid conclusion about the target population. The major purpose of descriptive research is description of the state of affairs as it

exists at present. Therefore, researcher chooses this study design because the goal of this research was identifying the current existing challenges of micro and business enterprise.

3.3. Sampling Method

Haramaya town is chosen as a study area for this research because it is claimed by the government, that micro and small enterprise is a prime strategy to economic development in urban areas and based on its nearness and convenience to collect data. Although there are different sectors in which the MSE operators have been engaged in Haramaya Town, the sectors selected for this research is construction, wood and metal work, food processing and trade sector because of the following rationales. First, the sectors are largest concentration in number compared to other sectors in the town. This made the sector more and easily accessible for the data collection. Second, it is difficult to reach the operators of some sectors like municipality service, parking and others. Lastly, construction, food processing and trade activity is popular in the town by absorbing significant number of operators.

3.4. Sampling Technique

Stratified random sampling was used to select sample elements from different sizes of the MSEs. This technique is preferred as it is used to assist in minimizing bias when dealing with the population. With this technique, the sampling frame can be organized in to relatively homogeneous groups (strata) (activities workers engaged in) before selecting elements for the sample. According to Janet (2006:94), this step increases the probability that the final sample will be representative in terms of the stratified groups.

In this study, to determine sample size, a list of population formally registered (organized) in micro and small enterprises (MSEs) by Haramaya town Trade and Industry Development Bureau were obtained. The total population of the study is 443 workers which include construction (109), wood and metal work (89), food processing (46) and trade (199). The sample size selected here is considered as representative of construction, wood and metal work, services and trade and also large enough to allow for precision, confidence and generalibility of the research findings. The following formula was used for the calculation of the sample size since it was relevant to studies where a probability sampling method was used (Watson, 2001).

$$n = \frac{\left[\frac{p[1-p]}{\frac{A^2}{Z^2} + \frac{p[1-p]}{N}} \right]}{R}$$

Where, n = sample size required = 200

N = number of population = 443

P = estimated variance in the population = 50%

A = margin of error = 5%

Z = confidence level = 1.96 for 95% confidence

R = estimated response rate = 96%

Accordingly, 200 respondents were selected from the total of 443 workers of MSEs (construction (109), industry (89), service (46) and trade (199)) on proportional basis. Therefore, $[(109/443) \times 200] = 49$ construction out of 109, $[(89/443) \times 200] = 40$ wood and metal work out of 89, $[(46/443) \times 200] = 21$ food processing out of 46 and $[(199/443) \times 200] = 90$ trade out of were selected.

3.5. Design of the instruments

The instruments were designed in such ways that can strength the validity of the study. The questionnaires were designed in English, Amharic and Afan Oromo languages. The purpose of translating from English to Amharic and Afan Oromo language is to utilize those who cannot clearly understand English language so that respond easily. The interview questions were designed in English language only, because the discussion was in Amharic and Afan Oromo while making interviews with operators.

3.6. Methods of Data Collection

Both primary and secondary data was used to undertake the study. The data was collected by reviewing selected number of past year's micro and small enterprises (MSEs) performance of the town and other relevant sources from the Trade and Industry Office of Haramaya town, which focused mainly on micro and small enterprises (MSEs) sector. Secondary data was collected from Haramaya town and Trade and Industry Office. The primary data was collected both from the town Trade and Industry Office and Micro and Small Enterprises (MSEs) sector experts and

their operators. Information was gathered through direct contact, observation, and interview and through close and open-ended questionnaires of the concerned bodies at the town level and micro and small enterprise sector in Haramaya town.

Gall and Borg (1996) points out that, questionnaires are appropriate for studies since they collect information that is not directly observable as they inquire about feelings, motivations, attitudes, accomplishments as well as experiences of individuals. They further observe that questionnaires have the added advantage of being less costly and using less time as instruments of data collection. A pilot study was conducted to refine the methodology test instrument such as a questionnaire before administering the final phase. Questionnaires was tested on potential (15) respondents to make the data collecting instruments objective, relevant, suitable to the problem and reliable as recommended by John Adams et al.(2007:136). Issues raised by respondents were corrected and questionnaires were refined. Besides, proper detection by an advisor was also taken to ensure validity of the instruments. Finally, the improved version of the questionnaires were printed, duplicated and dispatched.

The instruments selected can help to show challenges that affect performance of MSEs. It can clearly address how these factors affect the performance of MSEs in Haramaya Town. The relevant data was collected on the challenges of the MSEs that can better indicate the relationship between challenges and the performance of MSEs. The structured and unstructured interviews can also validate the measurement.

3.7. Data Processing

The method of data processing in this study was manual and computerized system. In the data processing procedure editing, coding, classification and tabulation of the collected data were used. Data processing has two phases namely: data clean-up and data reduction. During data clean-up the collected raw data was edited to detect anomalies, errors and omissions in responses and checking that the questions are answered accurately and uniformly. The process of assigning numerical or other symbols came next which was used to reduce responses into a limited number of categories or classes.

After this, the processes of classification or arranging large volume of raw data into classes or groups on the basis of common characteristics were applied. Data having the common

characteristics was placed together and in this way the entered data were divided into a number of groups. Finally, tabulation and pie charts were used to summarize the raw data and displayed in the form of tabulation for further analysis.

3.8. Methods of Data Analysis

This is the further transformation of the processed data to look for patterns and relationships between and/or among data groups by using descriptive analysis. It was coded and fed to SPSS (statistical package of social science) so as to simplify further tasks. The respondents' scores were summarized from the sheet and made ready for analysis. After that, it was analyzed using both descriptive statistical techniques and descriptive narrations. The demographic profiles and items related to characteristics of respondents were analyzed using simple statistical tools such as pie-chart, tables and percentages. The reason for using descriptive statistics is to compare the different challenges that affect the performance of MSEs by the percentage, bar chart and pie chart. The interview questions were analyzed using descriptive narrations.

Finally, all these were followed by the necessary interpretations and discussions so as to achieve the desired goals.

CHAPTER FOUR

RESULT AND DISCUSSION

4.1. Introduction

To facilitate ease in conducting the empirical analysis, the results of descriptive analyses are presented. The purpose of this study is to critically assess the challenges affecting the performance of MSEs in Haramaya Town. How far, the workers are aware on the challenges of MSE's performance. Data were collected from operators or workers of MSEs found in Haramaya Town.

Two hundred (200) questionnaires were distributed across the four sectors in Haramaya Town and all were completed and retrieved successfully. Out of the 200 questionnaires administered 49, 40, 21 and 90 were distributed to construction, wood and metal work, food processing and trade respectively.

Generally, this section is organized in the following manner: First, the demographic characteristics of respondents and general information about MSEs were presented and analyzed. Second, data collected through questionnaires and interviews were analyzed concurrently.

4.2. Analysis of demographic characteristics of respondents.

As it is discussed in the theoretical review part of the document and according to personality dominated perspective, respondents' personal profile determines competitiveness and success of micro and small enterprises. The following section illustrates survey results of respondents' profile in terms of sex, age, educational status, and experience in relevant business enterprise.

4.2.1. Sex Composition

Table 1: Proportion of Male and Female respondents

No	MSEs activities	sex					
		Male	%	Female	%	Total	%
1	Construction	32	16	17	8.5	49	24.5
2	Wood and metal work	29	14.5	11	5.5	40	20
3	Food processing	13	6.5	8	4	21	10.5
4	Trade	57	28.5	33	16.5	90	45
	Total	131	65.5%	69	34.5%	200	100%

Source: primary data Survey, 2015

As it is shown in Table 1, larger proportion (65.5%) of micro and small enterprises are owned/ managed by male respondents. Female respondents constitute about 34.5% in Haaramaya town Administration. The involvement of female respondents varies across sample sectors like construction, wood and metal work, food processing and trade.

Several studies have indicated that business women are engaged in the informal less productive survival type of enterprises due to multitude of obstacles such as denied access to resources, costly business entry (high transaction cost) and other invisible cultural barriers. Indirectly, according to Nichter and Glodmark, (2005: 16), women entrepreneurs face a constrained business environment where culture dictates access to market, education and business skills. According to these studies, disproportionate domestic/house obligations limit competitiveness of women entrepreneurs to enjoy benefits of additional growth opportunities such as visiting multiple markets to purchase cheaper inputs and tap market demand.

4.2.2. Age distribution versus performance of owners of MSE

Most respondents of sample micro and small enterprises surveyed have ages between 21-40 years that are in the economically active age bracket. This age structure is consistent with the nature of the business under consideration, i.e. laboriousness and limited access to infrastructure and machineries, which may not always allow aged people to participate in such activities as freely as their younger counterparts. Distribution of micro and small enterprises by age of owners/ managers in Haramaya Town exhibits a relatively normal kind of distribution showing the participation of more young age (20-30) population in micro and small business as means of livelihood. This goes in line with the provisions indicated in the Ethiopian MSE strategy that the youth are the main targets of the policy. However, there are some instances where people of years of well above 50 are participating in the MSE operations. Though none of us are contending/opposing that aged people should not participate in such activities, priorities should be given to the youth; as this segment of the society is more vulnerable to the problem of unemployment and related social evils. The issue here is, therefore, to find the delicate balance between the scarce resource the government has at hand to employ citizens and channeling the resource to which segment of the society first, the youth or the elderly. Two reasons were mentioned as to why such people got registered and started operation which, at least, is meant for the youth. These reasons were indicated to be:

a. The strategies do not clearly discriminate against the elderly. Or in other words, though it very much relates itself to the youth, there is no clear provision in the strategies that it is limited to the youth only.

b. It would also be morally inappropriate to discriminate against the elderly; they rather should be supported as they took the initiative to come to the labor market at their economically inactive ages.

In Haramaya Town, the age distribution of MSE managers/owners exhibits more concentration around the mean. And, the stronger concentration of the population around the mean indicates that the MSE operation is playing a vital role in reducing the youth unemployment problem most of them are currently suffering from.

4.2.3. Education level versus performance

Education plays a key role in the ability of a developing country to absorb modern technology and to develop the capacity for self-sustaining growth and development (Todaro, 2009). Education plays a crucial role in ensuring entrepreneurial development of entrepreneurs. In the following table the educational level of owners of MSEs found in Haramaya town is summarized.

Table 2: Owners of MSEs by education level

sector		< 4	5-8	9-12	Diploma	Degree	Masters
Construction		5	8	21	4	1	-
Wood and Metal work		4	6	13	7	1	2
Food processing		3	7	21	2	-	-
Trade		10	23	37	21	4	-
Total	Frequency	22	44	92	34	6	2
	percent	11	22	46	17	3	1

Source: primary data survey 2015

As shown in the table 2 above, the majority of the owners of MSEs (46%) have attained secondary and preparatory school educational level, followed by those attained primary school and college level with (22%) and (17%) respectively. And only 11% have attained less than 4th grade from owners of MSEs found in Haramaya Town. More than 65% have attained secondary

school and above and less than 35% are below secondary school. Literacy is crucial to resolve conflict, manage resources widely and proactively search solution for immediate and long confronting challenges that hinder the potential growth of entrepreneurs. The research finding as cited by Dereje (2009), stated education offers a highly reliable correlation with participation because it helps to develop a sense of civic duty, political competence, interest and responsibility as well as personal characteristics of self confidence, dominance, interest, responsibility and articulateness.

In line with the findings, owners/ managers of sample micro and small enterprises surveyed in Haramaya Town have attended high school as a highest level of education. Most respondents of enterprises like wood and metal work, construction, and service and trade sector have attended at least high school and primary school. Investigating the educational achievement of the operators is important, at this moment, as it signals the concerned bodies the kind of preparation the administrators should make in terms of matching the capacity of these operators and the available jobs (the kind of MSEs that suits the locality). Such studies can, therefore, help as a wakeup call for local actors to study the receptive capacity of the operators before introducing any sort of intervention in the sector. It is widely believed that the MSE sector is less skill-dependent than other professional areas. However, there is a room for a choice along the skill continuum when it comes into the comparison of different operations in the sector itself.

4.2.4. Experience of Respondents versus performance

Table 3: Experience of respondents

Experience in years	Respondents of sampled MSEs	
	Frequency	Percent (%)
Less than 1 year	89	44.5%
1-5 years	58	29%
6-10 years	31	15.5%
11-15 years	15	7.5%
Above 15 years	7	3.5%
Total	200	100%

Source: Field survey, 2015

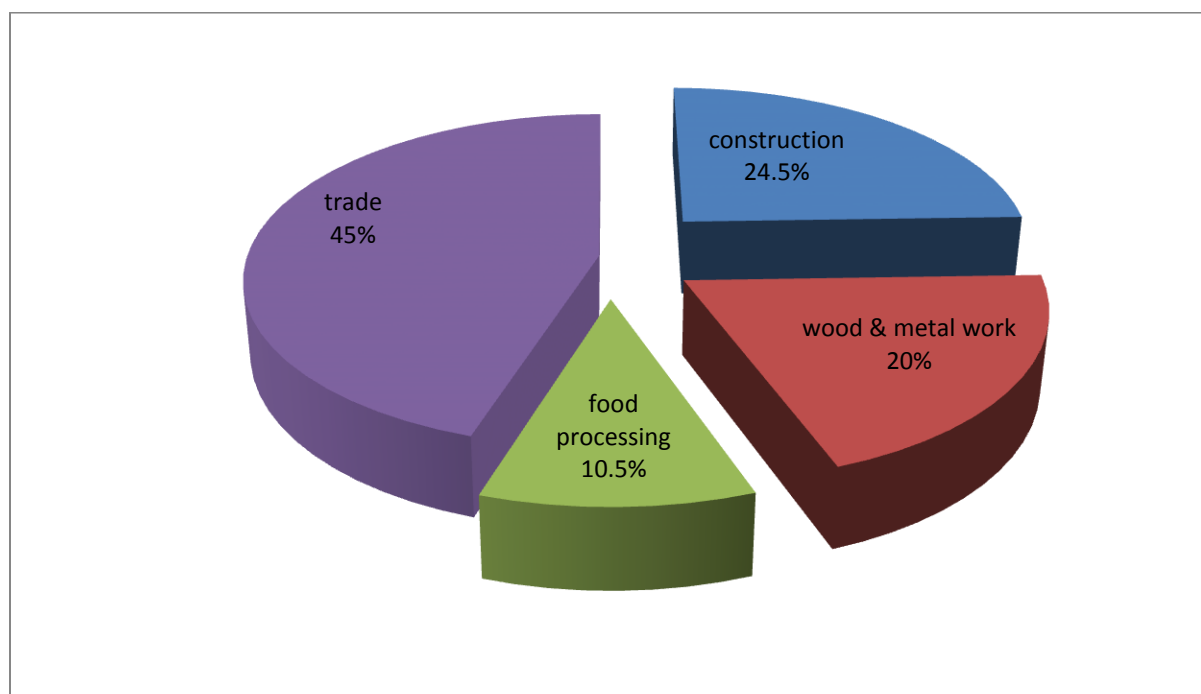
As could be observed from table 3, about 44.5% of respondents of sampled micro and small enterprises in Haramaya Town have less than one year experience. Currently, about 26.5% of respondents of micro and small enterprises have relatively adequate experience, i.e. more than five years, while only about 29% of the owners/ managers of sample micro and small enterprises have one to five years of experience.

Business experience in small firms capacitates the owners to have contact for obtaining business opportunities, financial resources and alleviating management challenges.

4.3. Analysis of general characteristics of the enterprises

4.3.1. Category of Business Venture

Figure 1: Sectors' respondents engaged in



Source: primary data Survey, 2015

As shown in figure above, the sample firms were operating in four sectors of the economy. Most of them are engaged in trade (45%) followed by construction (24.5%), Wood and metal work (20%), and food processing (10.5%). This division of MSEs by sector type was believed to be helpful to study each sector critical factors that affect the performance of MSEs. This is because

firms in different sectors of the economy face different types of problems. That means the degree of those critical factors in construction sector may differ from the factors that are critical to wood and metal work, service and trade sectors.

4.3.2. The Main Source of Start-up and Expansion Finance

Starting own business requires a starting capital rather than mere existence of ideas. To capture information regarding the relative importance of the various sources of finance, enterprises were asked whether they ever received credit from each of a given list of sources of finance.

Table 4: Source of finance

No	Sources of finance	Frequency	Percentage
1	Micro finance institutions	48	24%
2	Personal savings	43	21.5%
3	Ikub/idir	32	16%
4	Family	27	13.5%
5	Friends/relatives	22	11%
6	NGOs	17	8.5%
7	Banks	11	5.5%

Source: Field survey, 2015

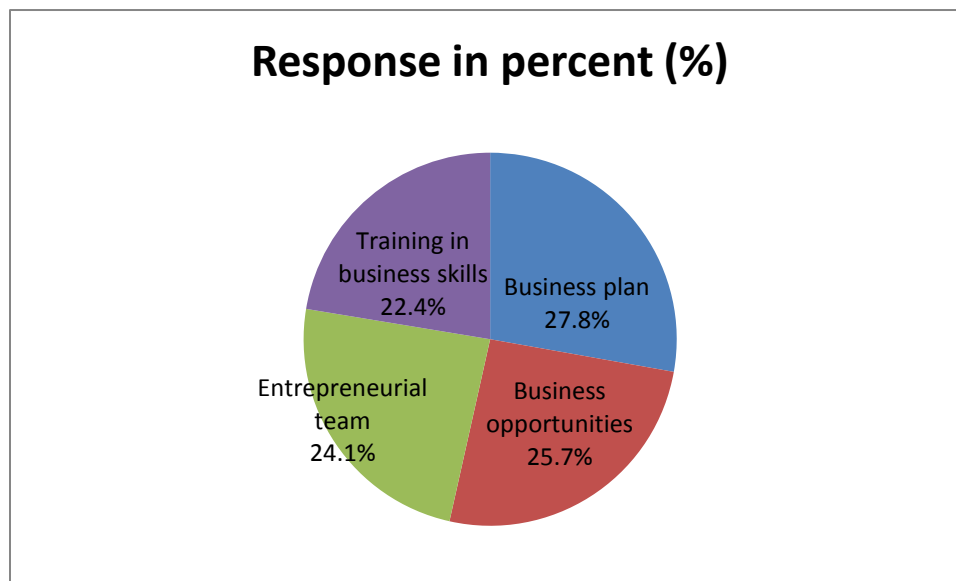
As can be seen from the table, micro finance institutions (24%) are the most frequently used sources, followed by personal saving (21.5%), iqub/idir (16%), family (13.5%), and friends/relatives (11%) in that order. And the remaining sources of finance come from NGOs (8.5%) and banks (5.4%). This shows that the main source of finance for MSEs in Haramaya Town Administration is microfinance institutions. However, traditional source like personal saving, iqub/idir, family and friends/relatives plays the greatest role in establishment of MSEs than the formal sources like banks in Haramaya town.

Besides, the result of interview shows that majority of MSEs in the study area uses informal sources. The formal financial institutions have not been able to meet the credit needs of the MSEs. According to majority interviewee, the reason for emphasizing on informal sector is that the requirement of collateral/guarantor is relatively rare since such sources usually take place

among parties with intimate knowledge and trust of each other. But the supply of credit from the informal institutions is often so limited to meet the credit needs of the MSEs. To wind up, such constraint of finance for MSE affects their performance directly or indirectly.

4.3.3. The Important Aspects for Business Venture Success

Figure 2: Important aspects for business success.



Source: Field survey, 2015

As it can be seen from the pie chart, 27.8% of the respondents indicated that a business plan is important for the success of their business ventures, 25.7% of the respondents felt that the availability of business opportunities is important for the success of their business ventures, 24.1% of respondents persuaded to the fact that an entrepreneurial team is essential for the success of their business ventures and 22.4% of the respondents concluded that training in business skills is important for the success of their business ventures. The closer/nearer analysis of the result leads to the conclusion that a business plan is the most important aspects for the success of any business venture.

According to Renee (2007:1):

[A] sound business plan may make a difference between a business that succeeds and a business that fails. Approximately 90% of small businesses fail before two years, according to the Small Business Association. And even after that two year mark has been passed, there are no guarantees. This is mainly due to lack of business plan knowledge and the absence of a business plan.

Moreover, the availability of business opportunities and an entrepreneurial team are also important aspects for the success of business venture. Because an entrepreneurial team is necessary to implement the business's objectives as outlined in the business plan. The business plan is a framework which a business must operate within. It will ultimately determine whether the business performance is good or bad. For management or entrepreneurs seeking external support, the plan is the most important sales document that they are ever likely to produce.

According to the interview result, majority of the interviewee pointed that they have no business plan to their business activities. A lack of business plan is one of the most often cited reasons by author, such as Renee (2007:1), for problems in developing and growing a venture and one of the main causes of business failure. A good business plan is not only important in developing the opportunity but also essential in determining the resources required, obtaining those resources, and successfully managing the resulting venture. Taking this into consideration, MSEs sector should therefore ensure that they equip their employees with the necessary business plan skills.

4.4. Analysis of Respondent view of Internal and External challenges.

There are a number of challenges that affect performance of MSEs associated with different factors. This part explains the percentage of the challenges that affect the performance of MSEs.

Table 5: Politico-legal challenges that affect the performance of MSEs

Politico-legal challenges	Degree of challenges in percentage				strongly agree
	Strongly disagree	disagree	undecided	agree	
The tax levied on my business is not reasonable	14	10.5	20	28	27.5
Bureaucracy in company registration and licensing	10.5	30	15	21	23.5
Lack of government support	17.5	17.5	14	26	25
Political intervention	20.5	22.5	17	19.5	20.5
Lack of accessible information on government regulations that are relevant to my business	19.5	18.5	15	21.5	25.5

Source: field survey, 2015

As it is indicated in table above, the percentage for the politico-legal challenges were calculated. The table show the percentages of respondents agree and strongly agree on the tax levied on their business was not reasonable respectively 28% and 27.5%. Therefore, it may be concluded that unreasonable tax levied on business is the main factor that affects the performance of MSEs. This is followed by percentage of the respondent's response with regard to lack of government support and related issues. But 30% of the respondents disagree with the factors related to bureaucracy in company registration and licensing. There was no significant difference between the percentages of respondents who were agreed and disagree on political intervention affects the performance of MSEs.

Table 6: Working place challenges that affect the performance of MSEs

<i>Working place challenges</i>	Degree of challenges in percentage				
	Strongly disagree	disagree	undecided	agree	strongly agree
Absence of own premises	13	15	5	36	31
Current working place is not convenient	15	10.5	7.5	30	37
The rent of house is too high	10.5	13.5	5.5	38	32.5

Source: Field survey, 2015

The percentage in table 6 shows, the premises factors that hinder MSEs performance are absence of own premises, the rent of house is too high and the current working place is not convenient for business. As the percentage of respondents responded on absence of own premises indicate 13%, 15%, 5%, 36% and 31% were strongly disagree, disagree , undecided, agree and strongly agree respectively.

With regard to high rent of house, the percentage of responded by respondents 10.5%, 13.5%, 5.5%, 38% and 32.5% were strongly disagree, disagree , undecided, agree and strongly agree respectively. Most of the respondents agree with their current working place is not convenient to run business.

In an interview conducted with an operator of wood and metal work it was confirmed that, most of them operated in rented house and high rental charges have impeded the performance of their businesses as some charges are higher than the capacity to pay. Similarly, in an interview conducted with owner managers of trade was confirmed this idea. According to them, this high rent of house is resulted from absence of own premises to run business.

Table 7: Technological challenges that affect the performance of MSEs

Technological challenges	Degree of challenges in percentage				
	Strongly disagree	disagree	undecided	agree	strongly agree
Lack of appropriate machinery and equipment	10	11.5	4	38.5	36
Lack of skills to handle new technology	14	15	4	37	30
Lack of money to acquire new technology	9	3	7.5	36.5	44
Unable to select proper technology	16	18.5	9.5	23	33

Source: Field survey, 2015

As it can be seen in table 7, lack of money to acquire new technology is the main problem of MSEs. The percentages of respondents strongly disagree, disagree, undecided, agree and strongly agree were 9%, 3%, 7.5%, 36.5% and 44% respectively. This is followed by lack of appropriate machinery and equipment and lack of skills to handle new technology.

The studied MSEs own a variety of working machines, equipments and tools, most of which were purchased. According to the interview with the operators, the loan to purchase equipments and materials were obtained from both formal and informal sources. Welding machine, singer, grinder, stove, drill machine, screw driver, hammer, chisel and clamps are some of the work related machines and equipments owned by the studied MSEs. The operators indicated that the presence of these machines, tools and equipments has allowed the operators to produce products. In contrast to this, according to some interviewees of wood and metal work sector, they lack money to acquire new technology (equipment, machinery, tools, etc). Moreover, respondents

replied that, if new and appropriate technologies obtained, the presence of them will result in performance improvement.

Table 8: Infrastructural challenges that affect the performance of MSEs

Infrastructural challenges	Degree of challenges in percentage				
	Strongly disagree	disagree	undecided	agree	strongly agree
Power interruptions	4	3	4	27.5	61.5
Insufficient and interrupted water supply	4	6	3	38.5	48.5
Lack of business development services	13	8	11	40	28
Lack of sufficient transportation service	14.5	9	8	39	29.5
Lack of appropriate dry waste and sewerage system	10	6.5	5	27	51.5

Field survey 2015

The result presented in table 8 shows that power interruption is the main problem followed by insufficient and interrupted water supply and lack of appropriate dry waste and sewerage system that hinders the business performance of all sectors. The percentages of respondents strongly disagree, disagree, undecided, agree and strongly agree on power interruption were 4%, 3%, 4%, 27.5 and 61.5% respectively. The percentages of respondents strongly disagree, disagree, undecided, agree and strongly agree on insufficient and interrupted water supply were 4%, 6%, 3%, 38.5 and 48.5% respectively. The percentages of respondents strongly disagree, disagree, undecided, agree and strongly agree on lack of appropriate dry waste and sewerage system were 10%, 6.5%, 5%, 27 and 51.5% respectively.

On the other hand, insufficient and interrupted water supply, and lack of appropriate dry waste and sewerage system are the main challenges that hinder the performance of business operators engaged in service. And also the above table 7 indicates that lack of business development services and lack of sufficient transportation service are the other factors of MSEs.

Accessibility of a location is the ease with which it can be accessed by different modes of transport (Brown and Lloyd, 2002:188-204). Divergent from these aspects, however, most of the

studied area is situated far from the main asphalt road and the condition of the road leading to the cluster from the main road is extremely poor. This poor state of the road condition of locality has culminated in high transportation service costs to the MSEs, in addition to making the sector difficult for accessibility by the existing and potential customers. Concerning transport facilities, access to affordable and appropriate public transport is of dominant energy in expanding the employment opportunities of the urban poor who need inexpensive access to areas of economic and commercial activity. Housing which is close to employment opportunities or markets will improve residents' access to income-generating work and will reduce transport costs, which can be a significant expenditure and time-drain for the urban poor (Farrington et al., 2002:57).

In the view of majority operators interviewed, this poor state of the local road has hampered the accessibility of their working site by existing and potential customers. In addition, it has forced the operators to incur high transportation service cost, damaging their already inadequate and continuously declining income.

Table 9: Marketing challenges that affect the performance of MSEs

Marketing challenges	Degree of challenges in percent				
	Strongly disagree	disagree	undecided	agree	strongly agree
Inadequate market for my product	9.5	11.5	6.5	19	53.5
Searching new market is so difficult	10	9	7.5	32	41.5
Lack of demand forecasting	19	13.5	14	22.5	31
Lack of market information	15	14.5	12	24.5	34
Absence of relationship with an organization that conduct marketing research	6.5	1	9.5	45	38
Lack of promotion to attract potential users	12.5	11.5	10	35.5	30.5
Poor customer relationship and handling	15	18.5	32.5	17.5	16.5

Field survey 2015

As shown in the table above, marketing factor is consisted of seven items. From these factors inadequacy of market, difficulty of searching new market, lack of demand forecasting, lack of market information, absence of relationship with an organization/association that conduct marketing research and lack of promotion to attract potential users are critical factors that affect the performance of MSEs engaged in all sectors. The percentages clearly show that most of respondents' agreement on the variables. That is the percentage of agree and strongly agree on inadequacy of market were 19% and 53.5%, on difficulty of searching new market were 32% and 41.5%, on lack of demand forecasting were 22.5% and 31%, on lack of market information were 24.5% and 34%, on absence of relationship with an organization/association that conduct marketing research were 45% and 38% and lack of promotion to attract potential users were 35.5% and 30.5% respectively.

In table 9, it can be seen that, lack of demand forecasting is another marketing factor that affect the performance of MSEs. Moreover, the table shows that lack of market information hinders businesses performance. Similarly, majority of respondents agreed with they have no relationship with an organization and/association that conduct marketing research. On the other hand, the table above shows that most of respondents (32.5%) of all sectors were neither 'agreed' nor 'disagreed' with poor customer relationship and handling that affect their performance.

In an interview conducted with an operator of the sectors, it was confirmed that lack of selling place is a direct contributor for their inadequate market hence low income of the studied MSEs. Absence of selling place obviously narrows the chance to access new customers. The recently price ceiling on commodities by the government of Ethiopia is warmly welcomed by the respondents. The operators indicated that the continuously increasing price of inputs has been checked by the government action. They also indicated that the materialization of this ceiling has also saved them from being 'exploited' by illegal merchants, who always increase prices of basic commodities unreasonably.

On the other hand, however, currently the owner managers attributed the sky rocketing price of commodities to the shortage or inadequacy of supply of commodities. Brilliantly enough, one respondent linked the issue with population increase. This is true since when there is a sufficient demand for a given goods or services, in this case higher population; it is likely that the price of that goods or services becomes high.

Table 10: Management challenges that affect the performance of MSEs

Managerial challenges	Degree of challenges in percent				
	Strongly disagree	disagree	undecided	agree	strongly agree
Lack of clear division of duties and responsibility among employees	18	11.5	35	17	18.5
Poor organization and ineffective communication	14	16.5	41.5	15	13
Poor selection of associates in business	9.5	10	5.5	36	39
Lack of well trained and experienced employees	16	14	9	34.5	26.5
Lack of low cost and accessible training facilities	17.5	22	15.5	21	24
Lack of strategic business planning	12	8.5	7	39.5	33

Field survey 2015

As shown in table 10, poor selection of associates in business is the main problems that hinder the performance of MSEs. It shows a percentage of respondents strongly disagree, disagree, undecided, agree and strongly agree were 9.5%, 10%, 5.5%, 36% and 39% respectively.

With regard to lack of strategic business planning the percentage of respondents strongly disagree, disagree, undecided, agree and strongly agree were 12%, 8.5%, 7%, 39.5% and 33% respectively. This shows that MSEs have a problem with developing and implementing the strategic planning activities successfully.

To the contrary, the most of respondents of all sectors are neither 'agree' nor 'disagree' with the issue of poor organization and ineffective communication. The percentage clearly shows that they are almost undecided. That is the percentage of respondents strongly disagree, disagree, undecided, agree and strongly agree on poor organization and ineffective communication were

14%, 16.5%, 41.5%, 15% and 13% respectively. Similarly, the percentage of respondents strongly disagree, disagree, undecided, agree and strongly agree on lack of clear division of duties among employees were 18%, 11.5%, 35%, 17% and 18.5% respectively.

It is argued from a theoretical perspective that management experience and continuous training provide a particular entrepreneur with the necessary skills and competences needed for successful entrepreneurship (Enock N., 2010:43). With adequate education mixed with management experience and training puts a manager in a better position to make tough decisions and forecasting under conditions of uncertainty which in turn with those competencies making these particular managers perform better than untrained individuals.

In this regard in an interview conducted with operators of MSEs, it was confirmed that they had many management problems which stem from factors such as poor record keeping, insufficient training and lack of relevant qualifications. Furthermore, most of these enterprises operate without systems in line with good management practice in which the owner manager is the sole decision maker and his/her absence leads to a halt (temporarily stop) in decision making. Similarly, interviewees unanimously indicated that, inability (low technical skills) to troubleshoot failures on machinery and/or equipments is a critical problem. Since the operators of MSEs cannot afford to employ specialists in the fields of maintenance with technical knowledge.

Coming down to the matter of lack of a proper business plan for the business, in an interview conducted with operators, it was confirmed that operators of MSEs have no proper business plans at start faces the most challenges during the course of their lives. According to operators, lack of trust in doing business on the other hand seems to have prevailed in most of the cooperative and partnership business (mistrust between business associates). To conclude, all these managerial constraints were confirmed by the respondents in this survey who indicated that their businesses were constrained by poor management practice, mistrust among business associates, insufficient training, lack of proper business plan and lack of relevant qualifications among employees.

Table 11: Entrepreneurial challenges that affect the performance of MSEs

Entrepreneurial challenges	Degree of challenges in percent				
	Strongly disagree	disagree	undecided	agree	strongly agree
Lack of motivation and drive	18	17.5	8	31	25.5
Lack of tolerance to work hard	19	18.5	7	31.5	24
Lack of persistence and courage to take responsibility for ones failure	9	13	10	35	33
Absence of initiative to assess ones strengths and weakness	10.5	15	12	33.5	29
Lack of entrepreneurship training	14.5	13	10	34	28.5
Lack of information to exploit business opportunities	10.5	10	4	33.5	42

Field survey 2015

Among the entrepreneurial factors, lack of information to exploit business opportunities and lack of persistence and courage to take responsibility for ones failure scores the highest percentage of the respondents agree and strongly agree were (33.5% & 42%) and (35% & 33%) respectively. The second most important challenges that affect the performance of MSEs is absence of initiative to assess ones strengths and weakness and lack of entrepreneurship training. The percentage of respondents strongly disagree, disagree, undecided, agree and strongly agree on absence of initiative to assess ones strengths and weakness were 10.5%, 15%, 12%, 33.5% and 29% respectively. This shows that most of the operators of all sectors agreed with that they have faced the problem of assessing their weaknesses and strengths. Similarly, the percentage of respondents strongly disagree, disagree, undecided, agree and strongly agree on lack of entrepreneurship training were 10.5%, 15%, 12%, 33.5% and 29% respectively.

However, the table indicates that lack of motivation and drive and lack of tolerance to work hard moderately hinders the performance of MSEs.

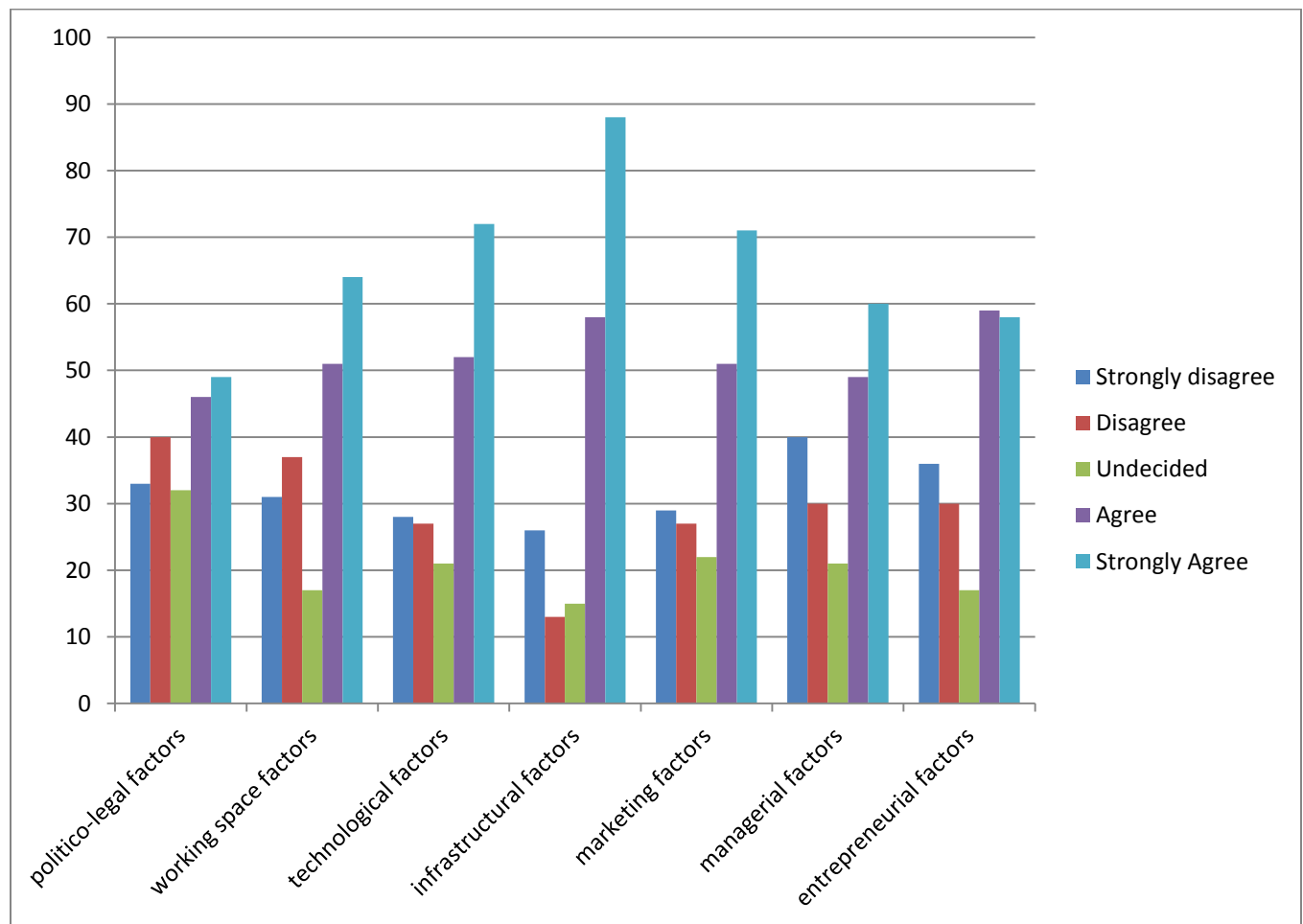
A study by Bark Ham shows a positive relation between motivation of the entrepreneur(s) and the performance of the firm; in other words the more positive motivation of the entrepreneur(s)

the more likely the business will grow (Bark H. R., 1992:53). According to interview conducted with operator it was confirmed that, lack of tolerance to work hard and absence of initiative to assess ones strengths and weaknesses are another factor affecting the performance of MSEs. According to them this is due to negligence on the part of employees and/or owner managers to develop and implement such a culture of tolerance and assessment of strengths and weaknesses. Amazingly, all of the interviewees confirmed that, lack of persistence and courage to take responsibility for ones failure (low level risk taking) is the main entrepreneurial factor that affects the performance of MSEs. A number of interviewee respondent felt that enough training in entrepreneurship would better prepare to perform in their business endeavors. Furthermore, the operators do not heighten the ability and awareness for recognizing and audaciously exploiting business opportunities due to lack of persistently and continually seeking of information opportunities. Consequently, it hampers the performance of MSEs.

4.4.1. Comparison of challenges

Even though, the entire politico-legal, infrastructure, working premises, technology, market, management and entrepreneurial challenges affect the performance of MSEs, this does not necessarily mean that all factors have equal impact. The following table clearly compares the overall impact of all key challenges discussed in detail above.

Figure 3: Comparison of the major challenges



Field survey 2015

Figure 3 above shows that infrastructure, technological and market challenges has the biggest potential to contribute to the performance, followed by working premises, entrepreneurial, management and politico-legal challenges. In another word, the result shows that infrastructure, technological and market challenges are the three topmost challenges that affect the performance of MSE in the selected area. This result is supported by Haftu Berihun et al. (2009) who found that lack of infrastructure, technology and working space rank on top being reported as the major constraints by a large proportion of the enterprises. It can, therefore, be concluded that infrastructure, technology and working space challenges do largely affect the performance of MSEs.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1. Introduction

In this chapter the conclusions and recommendations are discussed. For clarity purpose, the conclusions are based on the research objectives of the study. Based on the findings of the study recommendations are made to government bodies, to operators of MSEs and suggestion for other researchers.

5.2. Conclusion

This research was conducted in Haramaya town with the prime intent of critically assessing the challenges affecting the performance of MSE operators engaged in construction, service, trade and metal and wood work activities. Specifically, the study attempted to investigate contextual factors, internal challenges and to recommend possible solution to alleviate the problem of MSEs. Based on the objectives and findings of the study, the following conclusions are worth drawn.

Majority of the study participants were youths who are believed to give bright future for the development of the sector and reduce youth unemployment. However, involvement of males in MSEs activities is more than females, which reveals the prevalence of gender gap in the sectoral participation and balancing this gap and improving the participation of women would have indispensable roles in benefiting women, bringing political, social and economic development of the society.

Likewise, mass of the respondents of MSEs are in the age range of 20-30 that can be attained the country's desired economic development. And the levels of education of majority of respondents are 9-12 grades, which in percentage accounts for 46.

The main sources of startup and expansion finance or funds for most MSEs are microfinance institution followed by personal savings, iqub/idir family, and friends/relatives. However, the formal financial institutions have not been able to meet the credit needs of the MSEs. Since there is high interest rate and collateral requirement, most MSEs have been forced to use the informal institutions for credit. But the supply of credit from the informal institutions is often so limited to

meet the credit needs of the MSEs. In some cases this problems may be the inability of many operators to meet formal financial institutions requirements for example business plan, governance systems and other accountability issues which are linked to business risk. This shows that the studied operators accessed finance mainly from informal sources.

The most important contextual challenges identified are infrastructural challenges which include power interruptions, insufficient and interrupted water supply, lack of business development services, lack of sufficient and quick transportation service and lack of appropriate dry waste and sewerage system that hinder the business performance of all sectors. Technological challenges include lack of money to acquire new technology, lack of appropriate machinery and equipment, lack of skills to handle new technology, and unable to select proper technology. And marketing challenges incorporate inadequacy of market, difficulty of searching new market, lack of demand forecasting, lack of market information and absence of relationship with an organization/association that conduct marketing research that also hinder the business performance of all sectors.

Though, various governmental bodies designed various programs aimed at developing MSEs sector. Most of the programs were not given the appropriate support and as such the impact of the programs could not be felt in the performance and competitiveness of MSEs. This is mainly because of the fact that these programmes or policies are not effectively implemented in line with their intended objectives owing to various reasons. According to the findings, the reason ranges from lack of visible commitment of some governmental bodies to lack of regular integration between the MSEs operators and the concerned bodies of the government.

The main internal factors identified were management factors which include poor selection of associates in business, lack of strategic business planning, and costly and inaccessible training facilities. Lastly, the major entrepreneurial factors include lack of persistence and courage to take responsibility for ones failure and absence of initiative to assess ones strengths and weakness.

Finally, the study has further identified that the different influences in which each of the factors under study have in different categories of the business. The research clearly illustrates that, even if the degree of those critical factors in service sector slightly differ from the challenges that are critical to construction, trade and wood and metal work sectors, most of the factors are

considerably common for four sectors. It has been noted that the contextual challenges are prevalent to the businesses such as infrastructure, technology and marketing had very high effects on the performance of MSEs compared to other challenges in the research area.

5.3. Recommendation

Suggestions for corrective and complementary measures to enhance the potential performance of MSEs are essential. Based on the findings and conclusions of the study, the following recommendations are forwarded. The strengthening of government institutions at different levels would play a major role in positively influencing the development of MSEs, thus, to reduce delays in processing legal requirements. The government, through various relevant departments, should specialize more in taking up a facilitative role, especially by reviewing all the blockings by laws, to address issues of getting a license or getting a premises on which to operate.

In relation to demographic characteristics of respondents, those respondents with educational level above grade 9 show better performances, thus focusing on initiating individual to reach better educational level and encouraging individual to continue education even after engaged in some activities.

In relation to external challenges, infrastructure, technology and marketing are frequently indicated as the explanatory challenge for most problems faced by the studied MSEs. Therefore, it is necessary to solve this deep-rooted problem. Some of the ways of doing so can be:

The development of infrastructure facilities including the supply of electricity, water, road, telecommunication connection, sewerage systems, etc are crucial for the expansion of SMEs, but frequently interrupted and insufficient water and electric power supply are the main problem occurred at this time. Therefore, zonal and town administrative should promptly address these problems and pay attention to the improvement of infrastructures.

Challenges related to technology should be resolved by:

- Upgrading of entrepreneur's business skill through delivering training.
- Adapting new/modern machinery and equipment to differentiate themselves from competitors.

Therefore, increasing the capacity and skill of the operators through continuous trainings, experience sharing from successful enterprises and provision of advice and consultancy are crucial to make MSEs competitive and profitable.

With regard to marketing support, the following measures should be encouraged by the government.

- Providing selling and display places in areas close to working area.
- Linking the MSEs with other private contractors working within or around Haramaya town so that the operators are able to secure market opportunity.
- Changing the perception of the general public through extensive awareness creation mechanisms, since private individuals are envisaged to be the main buyers of the products manufactured by MSEs in the long run.
- Town administrative reduces bureaucracy in biddings by proving procedures free of bureaucracy.
- Tax exemption advantage should be continuously given by the government to encourage entrepreneurs in MSEs.

The operators of MSEs should form groups and make use of pooled negotiating power for borrowing purposes. They can use such negotiating power to purchase raw materials and receive discounts which might lead to a reduction in the cost of production. Through networking, MSEs of Haramaya town can be able to exchange services such as advertising amongst themselves for free. This will enhance their competitiveness through a reduction in the cost of production. The benefit of sharing such service for the operators of MSEs is that it will strengthen the future survival, profitability and eventual growth of MSEs.

Working premises is found to have significant positive impact on MSEs growth. For example, work premises would benefit MSEs in reducing costs of high rent, reducing displacement, and reducing closures of an enterprise. And they can draw long year strategic plans regarding expansion of the business if they have a constant work place. Therefore, the MSEs development office in collaboration with the municipality should strive for the MSEs to have own working premise or construct shades and avail them at fair rent to address work place problems.

In relation to internal challenges,

- Government should regularly organize seminars for potential and actual micro and small enterprise operators where they should be educated on how to plan, organize, direct and control their business.
- Establishing procedures that are simple and free of overlap and redundancy.
- Establishing effective communication and information transfers for workers to help them perform the business.

Finally, investigating different challenges based on the right information are vital for the good performance of any business venture. The focus for this study was on construction, service, trade and wood and metal work. It is the researcher's view that future research could therefore investigate the other sectors and come up with specific findings which will potentially contribute a lot in the development of the country in general.

Future research direction

The scope of the study is limited on infrastructure, technology, market and work place, but the factors inhibiting the performance of MSEs are not only these ones; so, future research may broaden the scope by including more challenges. Also, for this research the data were collected by using only questionnaires and it is quantitative research. Replication of study using different statistical tools is crucial. Larger sample size, mixed methodology and broader geographic base are suggested to improve the generalisability of the study.

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Appendices

Appendix A

**ADAMA SCIENCE AND TECHNOLOGY UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF BUSINESS ADMINISTRATION
MBA PROGRAM**

**A Questionnaire to Be Filled in by Haramaya Town Administration Micro and Small
Enterprises (MSEs) Sector Experts and Workers**

Introduction

Dear respondent,

I am a graduate student in the department of Management, Adama Science and Technology University. Currently, I am undertaking a research entitled '*Factors Affecting the Performance of Micro and Small Enterprises in Haramaya Town Administration*'. You are one of the respondents selected to participate on this study. Please assist me in giving correct and complete information to present a representative finding on the current status of the factors affecting the performance of Micro and Small enterprises in Haramaya town administration. Your participation is entirely voluntary and the questionnaire is completely anonymous. Finally, I confirm you that the information that you share me will be kept confidential and only used for the academic purpose. No individual's responses will be identified as such and the identity of persons responding will not be published or released to anyone. All information will be used for academic purposes only. Thank you in advance for your kind cooperation and dedicating your time.

Sincerely,

Lemma Haile

Instructions

-No need of writing your name

-For Likert scale type statements and multiple choice questions indicate your answers with a check mark (✓) in the appropriate block

Section 1: Demographic characteristics of Respondents

1. Sex: A. Male ☐ B. Female ☐
2. Age: A. < 20 ☐ B. 21-30 ☐ C. 31-40 ☐ D. 41-50 ☐ E. > 50 years ☐
3. Education level: A. < 4 ☐ B. 5-8 ☐ C. 9-12 ☐ D. Diplomas: TVET ☐ Non-TVET ☐
E. Degree ☐ F. Masters ☐
4. Experiences: A. < 1 year ☐ B. 1-5 years ☐ C. 6-10 years ☐ D. 11-15 years ☐
E. above 15 years ☐

Section 2: General Information on Business Enterprises

5. What is the main activity of the enterprise?

- A. Construction ☐ C. wood and metal work ☐
- B. food processing ☐ D. Trade ☐

6. How did you raise funds to start-up your business?

- A. Personal saving ☐ D. NGOs ☐ G. Micro finance institutions ☐
- B. Family ☐ E. Friends/Relatives ☐ H. Others (specify) -----
- C. Banks ☐ F. Iqub/Idir ☐

7. Which one of the following aspect is the most important for the success of your business venture?

- A. A business plan ☐ C. An entrepreneurial team ☐
- B. Business opportunities ☐ D. Training in business skills ☐

Section3: Factors Affecting the Performance of Micro and Small Enterprises

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

1. Please indicate the degree to which you agree with the following statements concerning politico-legal challenges

No	Politico-legal challenges	5	4	3	2	1
1.1	The levied on my business is not reasonable					
1.2	Bureaucracy in company registration and licensing					
1.3	Lack of government support					
1.4	Political intervention					
1.5	Lack of accessible information on government regulations that are relevant to my business					

2. Please indicate the degree to which you agree with the following statements concerning working place challenges.

No	Working place challenges	5	4	3	2	1
2.1	Absence of own premises					
2.2	Current working place is not convenient					
2.3	The rent of house is too high					

3. Please indicate the degree to which you agree with the following statements concerning technology challenges.

No	Technological challenges	5	4	3	2	1
3.1	Lack of appropriate machinery and equipment					
3.2	Lack of skills to handle new technology					
3.3	Lack of money to acquire new technology					
3.4	Unable to select proper technology					

4. Please indicate the degree to which you agree with the following statements concerning infrastructural challenges.

No	Infrastructural challenges	5	4	3	2	1
4.1	Power interruption					
4.2	Insufficient and interrupted water supply					
4.3	Lack of business development services					
4.4	Lack of sufficient and quick transportation services					
4.5	Lack of appropriate dry waste and sewerage system					

5. Please indicate the degree to which you agree with the following statements concerning marketing challenges.

No	Marketing challenges	5	4	3	2	1
5.1	Inadequate market for my product					
5.2	Searching new market is so difficult					
5.3	Lack of demand forecasting					
5.4	Lack of market information					
5.5	Absence of relationship with an organization that conduct marketing research.					
5.6	Lack of promotion to attract potential users					
5.7	Poor customer relationship and handling					

6. Please indicate the degree to which you agree with the following statements concerning management challenges.

No	Management challenges	5	4	3	2	1
6.1	Lack of clear division of duties and responsibility among employees					
6.2	Poor organization and ineffective communication					
6.3	Poor selection of associates in business					
6.4	Lack of well trained and experienced employees					
6.5	Lack of low cost and accessible training facilities					
6.6	Lack of strategic business planning					

7. Please indicate the degree to which you agree with the following statements concerning entrepreneurship challenges

No	Entrepreneurial challenges	5	4	3	2	1
7.1	Lack of motivation and drive					
7.2	Lack of tolerance to work hard					
7.3	Lack of persistence and courage to take responsibility for ones failure					
7.4	Absence of initiative to assess ones strengths and weakness					
7.5	Lack of entrepreneurship training					
7.6	Lack of information to exploit business opportunities					

8. Please indicate the degree to which you agree with the following challenges that have a direct influence on the performance of your business?

No	General challenges	5	4	3	2	1
8.1	Politico-legal challenges					
8.2	Working place challenges					
8.3	Technological challenges					
8.4	Infrastructural challenges					
8.5	Marketing challenges					
8.6	Managerial challenges					
8.7	Entrepreneurial challenges					

9. What measures have to be taken to mitigate the above obstacles?

Appendix B

አዳማ ሳይንስና ተከኖሎጂ ዩኒቨርሲቲ

የቢዝነስና ኢኮኖሚክስ ት/ቤት

የቢዝነስ አስተዳደር ት/ክፍል

የቢዝነስ አስተዳደር ድህረ ምረቃ ት/ቤት

መግቢያ

ውድ የጥናቱ ተሳታፊዎች፡-

እኔ በአዳማ ሳይንስና ተከኖሎጂ ዩኒቨርሲቲ የቢዝነስ አስተዳደር ትምህርት ክፍል የቢዝነስ አስተዳደር የድህረ ምረቃ ተመራቂ ተማሪ ስሆን፤ በአሁኑ ሰዓት የመመረቂያ ፅሁፌን በማዘጋጀት ላይ እገኛለሁ። የጥናቴ ርዕስም በሀረግም ከተማ አስተዳደር የሚገኙ የጥቃቅንና አነስተኛ የንግድ ተቋማት አፈፃፀም ላይ ተፅእኖ የሚያሳድሩ ተግዳሮቶችን” ይመለከታል። እርስዎም በዚህ ጥናት እንዲሳተፉ ተመርጠዋል። እርስዎ የሚሰጡትን ትክክለኛውን መረጃ ለጥናቴ ውጤታማነት በጣም አስፈላጊ መሆኑን በመገንዘብ መጠይቁን በጥንቃቄ እንዲሞሉ እጠይቃለሁ። ተሳትፎዎ በእርስዎ በጎ በፈቃደኝነት ላይ የተመሰረተ ነው። በመጨረሻም የሚሰጡት መረጃ ሚስጥራዊነቱ የተጠበቀና ለዚህ ጥናት ዓላማ ብቻ እንደሚውል አረጋግጣለሁ። የማንኛውም መልስ ሰጪ ማንነት በማንኛውም መልኩ የማይታተምና የማይሰራጭ ይሆናል። ሁሉም መረጃዎች ለትምህርታዊ ዓላማ ብቻ ይውላሉ። ጊዜዎን ሰውተው ስለሚያደርጉልኝ ትብብር በቅድሚያ አመሰግናለሁ።

ለማ ሀይሌ

ማሳሰቢያ - በመጠይቁ ላይ ስም መፃፍ አያስፈልግም።

- መልስዎን በሳጥኑ ውስጥ የእርማት ምልክት (✓) ያስቀምጡ።

ክፍል አንድ፡

1. ፆታ፡ ሀ. ወንድ ☐ ለ. ሴት ☐
2. ዕድሜ፡ ሀ. < 20 ☐ ለ. 21-30 ☐ ሐ. 31-40 ☐ መ. 41-50 ☐ ሠ. ከ50 ዓመት በላይ ☐
3. የት/ት ዳራጃ፡ ሀ. < 4 ☐ ለ. 5-8 ☐ ሐ. 9-12 ☐ መ. ድፕሎማ፡ ቴክኒክ ☐ ቴክኒክ-ያልሆኔ ☐
ሠ. ድግሪ ☐ ረ. ማስተራስ ☐
4. የስራ ልምድ፡ ሀ. < 1 ዓመት ☐ ለ. 1-5 ዓመት ☐ ሐ. 6-10 ዓመት ☐ መ. 11-15 ዓመት ☐ ሠ. ከ15 ዓመት በላይ ☐

ክፍል ሁለት፡ ስለቢዝነስ ተቋማት አጠቃላይ መረጃ

5. የተሰማሩበት የስራ መስክ ምንድነው?

ሀ. ኮንስትራክሽን ☐ ለ. እንጨትና ብረታ ብረት ሥራ ☐ ሐ. የንግድ ሥራ ☐ መ. አገልግሎት ☐

6. በዘርፉ ለመንቀሳቀስ መነሻ ብር ከየት አገኙ?

ሀ. ከግል ቁጠባ ☐ መ. መንግስታዊ ካልሆኑ ድርጅቶች ☐ ለ. ከማይክሮ ፋይናንስ ☐

ለ. ከቤተሰብ ☐ ሠ. ከጓደኛ ☐ ሸ. ሌላ ካለ ይግለፁ -----

ሐ. ከባንክ ☐ ረ. ከዕቁብ/እድር ☐

7. ከሚከተሉት ነገሮች ውስጥ ለስራዎ ስኬት በጣም ወሳኝ የሆነው የቱ ነው?

ሀ. የቢዝነስ እቅድ ☐ ሐ. የስራ ፈጠራ ቡድን ☐

ለ. የቢዝነስ አጋጣሚዎች ☐ መ. የቢዝነስ ክህሎት ስልጠናዎ ☐

ክፍል ሶስት፡ በጥቃቅንና አነስተኛ ተቋማት የስራ እንቅስቃሴ ላይ ተፅእኖ የሚያሳድሩ ጉዳዮች

ከዚህ በታች ለጥቃቅንና አነስተኛ ተቋማት የአፈፃፀም ችግር ሊሆኑ የሚችሉ ነገሮች ተዘርዝረዋል። ከተዘረዘሩት ችግሮች የእርስዎን የስራ ዘርፍ ይበልጥ ተፅእኖ የሚያሳድሩትን በደረጃ ያመለክቱ። ለእያንዳንዱ ጥያቄ ከአማራጮቹ አንድ ጊዜ ብቻ የ(✓) ምልክት በማድረግ ምላሽ ይስጡ።

5 = በጣም አስማማለሁ 3 = ለመወሰን እቸገራለሁ 1 = በጣም አልስማማም

4 = አስማማለሁ 2 = አልስማማም

ተ.ቁ		5	4	3	2	1
1.	ህጋዊና ፖለቲካዊ ጉዳዮች					
1.1	ተመጣጣኝና ምክንያታዊ ያልሆነ የስራ ግብር።					
1.2	በቢሮክራሲያዊ ማነቆ የተተበተበ የምዝገባና የንግድ ፈቃድ አሰጣጥ ሂደት።					
1.3	በቂ ያልሆነ የመንግስት ማበረታቻ።					
1.4	ተገቢ ያልሆነ የፖለቲካ ጣልቃ ጉበነት።					
1.5	ከስራዬ ጋር ተዛማጅ የሆኑ ህጎች፣ ደንቦችና አዋጆች ተደራሽ አለመሆን።					

ተ.ቁ	2. የስራ ቦታና ተዛማጅ ችግሮች	5	4	3	2	1
2.1	ስራዬን የሚያካሄድበት የግል ቦታ አለመኖር።					
2.2	አሁን ያለሁበት ቦታ ለስራ አመቺ አለመሆን።					
2.3	ከፍተኛ የሆነ የቤት ኪራይ መጠን።					

ተ.ቁ	3. ቴክኖሎጂና ተዛማጅ ችግሮች	5	4	3	2	1
3.1	ለስራዬ ተገቢ የሆነ ቴክኖሎጂ ግብዓት አለመኖር።					
3.2	በቂ የሆነ የቴክኒክ ክህሎት አለመኖር።					
3.3	በገንዘብ እጥረት ምክንያት አዳዲስ የቴክኖሎጂ ውጤቶችን አለማግኘት።					
3.4	ለስራዬ ተገቢ የሆነ የቴክኖሎጂ ውጤት መምረጥ አለመቻል።					

ተ.ቁ	4. ከመሰረተ ልማት ጋር የተያያዙ ችግሮች	5	4	3	2	1
4.1	የኤሌክትሪክ ሀይል መቆራረጥ፡፡					
4.2	የተቆራረጠና በቂ ያልሆነ የውሃ አቅርቦት፡፡					
4.3	የቢዝነስ ልማት አገልግሎት እጥረት፡፡					
4.4	በቂ እና ፈጣን የሆነ የትራንስፖርት አገልግሎት አለመኖር፡፡					
4.5	በቂ የደረቅና ፈሳሽ ቆሻሻ ማስወገጃ ስርዓት አለመኖር፡፡					

ተ.ቁ	5. ግብይትና ተዛማጅ ችግሮች	5	4	3	2	1
5.1	በቂ የሆነ የገበያ እድል አለመኖር፡፡					
5.2	አዲስ የገበያ አማራጭን የመፈለግ አዳጋችነት፡፡					
5.3	የወደፊት የገበያ ፍላጎትን መተንበይ አለመቻል፡፡					
5.4	በቂ የሆነ የግብይት መረጃ አለመኖር፡፡					
5.5	ግብይትን በተመለከተ ጥናትና ምርምር ከሚያካሂዱ ተቋማት ጋር ግንኙነት አለመፍጠር፡፡					
5.6	ምርቶችን በአግባቡ አለማስተዋወቅ፡፡					
5.7	ደካማ የሆነ የደንበኛ አያያዝ፡፡					

ተ.ቁ	6. የስራ አመራር ክህሎት ጋር የተያያዙ ችግሮች	5	4	3	2	1
6.1	በሰራተኞች መካከል ግልፅ የሆነ የስራና ሀላፊነት ክፍፍል አለመኖር፡፡					
6.2	ደካማ አደረጃጀትና ውጤታማ ያልሆነ የግንኙነት አሰራር፡፡					
6.3	ደካማ የሆነ የስራ ባልደረቦችን መምረጥ፡፡					
6.4	የሰለጠኑ እና ልምድ ያላቸው ሰራተኞች አለመኖር፡፡					
6.5	በዋጋቸው ተመጣጣኝና ተደራሽ የሆኑ የስልጠና እጥረት፡፡					
6.6	የረዥም ጊዜ የቢዝነስ እቅድ አለመኖር፡፡					

ተ.ቁ	7. የስራ ፈጠራ ክህሎትና ተዛማጅ ችግሮች	5	4	3	2	1
7.1	ለስራ ፈጣሪነት አለመነሳሳት፡፡					
7.2	ጠንክሮ አለመስራት፡፡					
7.3	ለሚፈጠሩ ጊዜያዊ ውድቀቶች ፀንቶ ሀላፊነትን አለመውሰድ፡፡					
7.4	የራስን ጠንካራና ደካማ ጎን አለመፈተሽ፡፡					
7.5	በቂ የሆነ የስራ ፈጠራ ስልጠና አለማግኘት፡፡					
7.6	በተመሳሳይ ዘርፍ በስራ ፈጣሪነታቸው ውጤታማ ከሆኑ ተቋማት ልምድ አለመቅሰም፡፡					

ተ.ቁ	8. እባክዎትን ከዚህ በታች ከተዘረዘሩት አጠቃላይ ጉዳዮች በቀጥታ የእርስዎን የስራ ዘርፍ አፈፃፀም ላይ ይበልጥ ጠቃሚ የሆኑትን በመጠን ያመለክቱ፡፡	5	4	3	2	1
8.1	ከመንግስት ህጎች፣ ፖሊሲዎችና ደንቦች ጋር የተያያዙ ጉዳዮች፡፡					
8.2	የስራ ቦታ እና መሰል ጉዳዮች፡፡					
8.3	ቴክኖሎጂ እና መሰል ጉዳዮች፡፡					
8.4	የመሰረተ ልማት አቅርቦት፡፡					
8.5	ገበያ እና መሰል ጉዳዮች፡፡					
8.6	የአመራር ክህሎት እና መሰል ጉዳዮች፡፡					
8.7	የስራ ፈጠራ ክህሎት እና መሰል ጉዳዮች፡፡					

9.

Appendix C

Gaafannoo (questionnaire)

yuunivarsiitii saayinsii fi tekinoloojii adaamaa

koollejii Biizinesii fi Ikoonoomiksii

kutaa barnoota bulchiinsa biizinesii(Business Administration)

sagantaa digirii 2^{ffaa} Bulchiinsa biizinesii(MBA PROGRAM)

Kutaa tokko: seensa

Jaallatamoo hirmaattota qorannichaa:-

Ani **yuunivarsiitii saayinsii fi tekinoloojii adaamaatti** kutaa barnoota (department) biizines adiministireeshinii (business administration) barataa digirii 2^{ffaan} eebbifamu yoon ta’u, yeroo ammaa kana barreeffama qorannoo qopheessaan jira. Mata dureen qorannoo kiyyaas **“Bulchiinsa Magaalaa Haramayaatti raawwii I.M.X irratti rakkoolee dhiibbaa geessisan”** ilaala.

Isinis qorannoo kanarratti akka hirmaattan filatamtanii jirtu. Odeeffannoon sirrii isin kennitan bu’a-qabeessummaa qorannichaatiif baay’ee barbaachisaa ta’uu hubachuun gaafannicha ofeeggannoon akka guuttanin gaafadha. Hirmaannaan keessan fedhii keessan irratti kan hundaa’edha. Dhumarrattis odeeffannoon isin kennitan icciitiin isaa kan eegamee fi kaayyoo hojii qorannoo kanaaf qofa akka oolun mirkaneessa. Eenyummaan deebii kennaa (respondent) bifa kamiiniyyu kan hinmaxxansamnee fi hinfacaane ta’a. Odeeffannoon hundi kaayyoo barnootaaf qofa oola. Yeroo keessan wareegdanii deeggarsa naaf gootaniif durseen isin galateeffadha.

Lammaa Hayilee

Hubachiisa: - gaafannicha irratti maqaa barreessuun hinbarbaachisu.

- deebii keessan sanduuqa keessatti mallattoo sirrii($\sqrt{\quad}$) ka’aa.

Kutaa tokko: odeeffannoo dudduuba hirmaatootaa.

1. Saalaa : A. dhiira ☐ B. dhalaa ☐
2. Umrii: A. < 20 ☐ B. 21-30 ☐ C. 31-40 ☐ D. 41-50 ☐ E. 50 oli ☐
3. Sadarkaa barnootaa: A. < 4 ☐ B. 5-8 ☐ C. 9-12 ☐ D. diploma: TVET ☐ Non-TVET ☐
E. Degree ☐ F. Masters ☐
4. Muuxannoo hojii: A. < 1 ☐ B. 1-5 ☐ C. 6-10 ☐ D. 11-15 ☐ E. waggaa 15 oli ☐

Kutaa lama: odeeffannoo waliigala waa'ee dhaabbilee biizinesii.

5. Gosti hojii hijjettan maali?
A. Ijaarsa ☐ B. hojii mukaa fi sibiilaa ☐ C. nyaata qopheessuu ☐ D. daldala ☐
 6. Hojii kana eegaluuf maallaqa ka'umsaa eessaa argattan?
A. Qusannaa dhuunfaa ☐ B. maatiiirraa ☐ C. baankii ☐ D. Dhaabbileemiti-mootummaa ☐
E. hiriyyaarraa ☐ F. quubii/afooshaa ☐ G. waldaa liqii fi qusannaa ☐ H. kan biraan yoo jiraate ibsaa ☐
-
7. Kanneen armaan gadii keessaa milkaa'ina hojii keetiif baay'ee murteessaa kan ta'e kami?
A. Karoora biizinesii uummachuu ☐ C. garee hojii uummachuu ☐
B. carraa biizinesii ☐ D. leenjii dandeettii biizinesii ☐

Kutaa sadii: sochii hojii dhaabbilee I.M.X irratti wantoota dhiibbaa geessisan.

Armaan gaditti wantootni rakkoo raawwii I.M.X ta'uu danda'an tarreeffamaniiru. Kanneen tarreeffaman keessaa caalaatti hojii keerratti dhiibbaa kan geessisan sadarkaan agarsiisi. Tokkoo tokkoo gaaffiif filannoo keessaa yeroo tokko qofa mallattoo sirrii ($\sqrt{\quad}$) gochuun deebii kennaa.

5= baay'een itti waliigala 3= murteessuuf narakkisa 1= baay'ee itti waliihingalu

4= ittin waliigala 2= itti waliihingalu

Lakk	Dhimma seeraa fi siyaasaa	5	4	3	2	1
1.1	Gibira hojii madaalawaa hintaane fi sababa hinqabne.					
1.2	Adeemsa galmee fi kenniinsa hayyama daldalaa malaammaltummaan xaxame.					
1.3	Hanqina deeggarsa mootummaa.					
1.4	Siyaasni akka malee hojii jidduu seenuu.					
1.5	Seerri, qajeelfamnii fi labsiin hojii kiyya wajjiin walitti dhufeenya qabu jiraachuu dhabuu.					

Lakk.	Rakkoolee bakka hojiin walqabatan	5	4	3	2	1
2.1	Bakka dhuunfaa hojii kiyya itti geggeessu dhabuu.					
2.2	Iddoon amma irra jiru hojiif mija'aa tahuu dhabuu.					
2.3	Kiraan manaa yookiin iddoo hojii guddachuu.					

Lakk.	Rakkoolee tekinoloojiin walqabatan	5	4	3	2	1
3.1	Hojii kiyyaaf galteen(meeshaaleen) tekinoloojii sirrii jiraachuu dhabuu.					
3.2	Dandeettiin tekinoloojii ammayyaa wajjiin deemu dhabamuu.					
3.3	Sababa hanqina maallaqaatiin bu'aa tekinoloojii haaraa argachuu dhabuu.					
3.4	Bu'aa tekinoloojii sirrii filachuu dadhabuu.					

Lakk.	Rakkoolee misooma bu'uura wajjiin walqabatan	5	4	3	2	1
4.1	Humni ibsaa ciccituu					
4.2	Dhiyeessa bishaanii ciccitaa fi ga'aa hintaane					
4.3	Hanqina tajaajila misooma biizinesii					
4.4	Tajaajilli geejjibaa ga'aa fi saffisaa ta'e dhabamuu					
4.5	Adeemsi saffisaa kosii jajjaboo fi dhangala'oo ittiin dhabamsiisan dhibuu.					

Lakk.	Rakkoolee gabaan walqabatan	5	4	3	2	1
5.1	Carraan gabaa bal'aa jiraachuu dhabuu					
5.2	Filannoo gabaa haaraa(kan biroo) barbaaduu dadhabuu					
5.3	Fedhii gabaa gara fuulduraa yaaduu dadhabuu					
5.4	Odeeffannoo gabaa dhabuu					
5.5	Dhaabbilee qo'annoo fi qorannoo geggeessan wajjiin hariiroo dhabuu					
5.6	Oomisha keenya beeksisuu dadhabuu					
5.7	Maammiltoota sirnaan keessummeessuu dadhabuu					

Lakk.	Rakkoolee dandeettii hojii geggeessuu wajjiin walqabatan	5	4	3	2	1
6.1	Hojjetoota jidduutti iftoomni qoodinsa hojii fi ittigaafatamummaa jiraachuu dhabuu					
6.2	Qindoomni dadhabaa fi walittidhufeenyi bu'a-qabeessa hintaane jiraachuu					
6.3	Hiriyyaa hojiitti laafaa ta'e filachuu					
6.4	Hojjetootni leenji'aanii fi muuxannoo qaban dhabamuu					
6.5	Bahii xiqqaan leenjisu fi biragahuu(accessible) dadhabuu					
6.6	Karoorri biizinesii yeroo dheeraa dhibuu					

Lakk.	Rakkoolee dandeettii hojii uumuu wajjiin walqabate	5	4	3	2	1
7.1	Fedhii fi kakahumsa hojii uummachuu dhabuu					
7.2	Ciminaa hojjechuu dhabuu					
7.3	Kufaattii uumamuuf ittigaafatamummaa fudhachuu diduu					
7.4	Ciminaa fi hanqina ofii sakatta'uu dhabuu					
7.5	Leenjii hojii uummachuu argachuu dhabuu					
7.6	Dhaabbilee hojii uummachuun bu'a-qabeessa ta'an irraa muuxannoo fudhachuu dhabuu					

Lakk.	Dhimoota waliigalaa armaan gaditti tarreeffaman kallattiin raawwii hojii kee irratti baay'ee barbaachisaa ta'an sadarkaan agarsiisi.	5	4	3	2	1
8.1	Dhimoota seera, qajeelfamaa fi dambii wajjiin walqabatan					
8.2	Dhimoota bakka hojiin walqabatan					
8.3	Dhimoota tekinoloojiin walqabatan					
8.4	Dhimoota misooma bu'uuraa wajjiin walqabatan					
8.5	Dhimoota gabaan walqabatan					
8.6	Dhimoota dandeettii hojii geggeessuu wajjiin walqabatan					
8.7	Dhimoota dandeettii hojii uumuu wajjiin walqabate					

9. Hudhaalee armaan olii xiqqeessuuf tarkaanfiin fudhatamuu qabu maali?

Appendix D

Interview questions

Interview questions with MSE respondents

1. What problems did you face while running MSEs in relation to:
 - A. Contextual factor
 - Politico-legal factors [government policy and bureaucracies (in relation to company registration licensing), taxation and like]
 - Premises factors
 - Technology factors
 - Infrastructure (power, transportation, water supply and like)
 - Marketing factors (relationship with suppliers, customers and others)
 - B. Internal factors
 - Management and related factors
 - Entrepreneurial factors
2. What are other problems did you faced regarding the overall functioning of your activity?
3. What measures did you take to solve the problems you faced?