FACTORS INFLUENCE THE GROWTH AND SURVIVAL OF MICRO AND SMALL ENTERPRISES:

A CASE OF FITCHE TOWN

THESIS SUBMITTED TO DEPARTMENT OF MANAGEMENT IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE MASTER OF BUSINESS ADMINISTRATION (MBA) DEGREE

By: Feye Getachew

Adama Science and Technology University School of Business and Economics Department of Management

August, 2015

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Declaration

I, Feye Getachew, hereby declare that this thesis work entitled" factors influence the growth and survival of micro and small enterprises: the case of fitche town" submitted to Adama Science and Technology University Department of Management in partial fulfillment of the degree of Masters of Business Administration is my original; work, and has not been conducted and/or presented for any purpose in any other institution. Meanwhile, all sources of materials used for the study have been appropriately accredited.

Name: Feye Getachew

Signature______________________________

Date__________________________________

This research report has been submitted for examination with my approval as a University advisor

Name of Advisor: Tolla Berisso **(PHD)**

Signature______________________________

Date__________________________________

Thesis Approval Form

Student's Name: Feye Getachew

Degree sought: Masters in Business Administration

Thesis title: Factors influence the growth and survival of MSEs: a case of fiche town.

University: Adama Science and Technology University

We, the undersigned, recommended that the thesis stated above be accepted in partial fulfillment of the degree requirement.

By: Feye Getachew

Approved by thesis advisor

Tolla Berisso (PHD)	____________________	________________
Advisor's name	Signature	Date

Board of Examiners:

____________________	________________	________________
External Examiner's name	Signature	Date
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Internal Examiner's name	Signature	Date
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Chairperson	Signature	Date

Approved by the department

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Head of the department	Signature	Date

Abstract

Micro and small scale businesses play significant role in socio- economic development of any nation. But despite the significant role they play in national development, they are usually faced with some challenges that constraint their growth. Hence, this study, as conducted to assess factors influences the growth and survival of micro and small enterprises a case of fitche town. Methodologically, the research approach is quantitative and descriptive, explanatory type of research, where the population of the study is the owners and employees of MSEs in fitche town. The sampling method is probability and specifically stratified random sampling. The data were collected using structured questionnaires. The researcher used both descriptive and inferential statistics specifically mean, standard deviation, Pearson correlation and multiple linear regressions. The result of person correlation revealed finance, managerial skill and infrastructure have positive and significant relationship with growth and survival of MSEs in fitche town. Furthermore, the results of regression analysis indicated that finance, managerial skill and infrastructure have positive and significant effect on growth and survival of MSEs in the studied organizations. It was found that managerial skill has higher effect on growth and survival of MSEs than finance and role infrastructure. A finding of this study shows that providing finance, managerial skill and infrastructure for MSEs is positively and significantly related to higher growth and survival of MSEs. MSEs are better to emphasize on managerial skill to enhance the growth and survival of MSEs.

Keywords:*Financial support, managerial skill, infrastructure, Growth and survival*

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Table of Contents

Content Page

List of Tables

Tables **Page**

List of Figures

Figure **Page**

List of Abbreviation/Acronym

SAB	Small Business Administration
CSA	Central Statistical Authority
CLEP	Commission on Legal Empowerment of the Poor
DV	Dependent Variable(s)
EDRI	Ethiopian Development Research Institute
GMSEs	Growth and Survival of Micro Small Business Enterprises
IDV	Independent Variable(s)
IFAD	International Fund for Agricultural Development
MSEs	Micro and Small Business Enterprises
MoTI	Ministry of Trading and Industry
SMSEs	Small and Medium Scale Enterprises

CHAPTER ONE:
INTRODUCTION

1.1. Background of the Study

Throughout the world, governments have acknowledged the effect of micro and small enterprises (MSEs) on job creation, improvement of people's standards of living and hence an overall impact on the economy (Raj, 2013). Small and medium sized enterprises are an important ingredient for stable and equitable growth in any national economy. Ethiopia takes the development and expansion of MSE's as the main way to solve many of the social problems.

The recent World Bank review on Small Business activities establishes the commitment of the World Bank group to the development of the small and medium enterprise (MSE) sector as a core element in its strategy to foster economic growth, employment and poverty alleviation (Ayyagari et al.,2003).

In all economies but more in developing and transition economies, there is now a consensus among state policy makers, development economists as well as international development partners that small and medium enterprises (MSEs) are a potent driving force for their industrial growth and indeed, overall economic development. The MSEs play a vital role in poverty eradicating extreme in the latter. Poverty is caused by inadequate incomes and incomes result from employment which MSEs are widely known to provide (Adijat, 2012).

According to Tiruneh, (2011), research grown during the last decade indicate that majority of firms worldwide are dominated by businesses of small and medium enterprises. These enterprises play a significant role in the economy through innovation and employment creation. Consequently, the performance of an economy of a nation is closely associated with the performance of MSEs. In developing countries the informal sector that mainly constitutes microenterprises is the major source of employment and income for the urban population. The estimated share of informal employment to the total non-agricultural employment accounts for nearly half or more in all regions of the developing world and about 72% in sub-Saharan Africa. There is a broad consensus that a vibrant MSE sector is one that can quickly to changing market situation, generate employment, help diversify economic activities, and make a significant contribution to exports and trade.

Helal and Jahirul (2011) mentioned that liberalization of the economy along with rapid globalization has posed severe challenges to MSEs not only in international market but also in the domestic economy. Since MSEs are based on relatively small investment, their survival depends on readily available market with easy access. In this context, access to finance, market development and expansion as well as removal of other bottlenecks are a challenging task, which requires coordinated efforts by individual business enterprises and the government.

According to Mulu (2007), the role of micro and small enterprises (MSEs) in income and employment generation is increasingly recognized, unlike to the previous pessimist notion that these are not linked to the modern and formal sector and would disappear once industrial development is achieved. In developing countries the informal sector, in which most of the MSEs lay, is a large source employment and livelihood of particularly the urban population.

The dynamic role of micro and small-scale enterprises (MSEs) in developing countries as necessary engines for achieving national development goals such as economic growth, poverty alleviation, employment and wealth creation, leading to a more equitable distribution of income and increased productivity is widely recognized. In an attempt to accelerate growth rates in low-income countries, particularly in Africa, many development partners and donors have made the promotion and development of MSEs a major concern (IFAD, 2012).

Almost all African countries implemented economic and financial reforms to achieve macroeconomic stability and improve economic governance. In many countries these reforms have led to greater macroeconomic stability, improved fiscal and monetary management as well as better, though still unsatisfactory, overall economic performance. Therefore, many things expects to be done for the continent to consolidate improvements in the macroeconomic environment and achieve sustainable growth rates commensurate with the Millennium development goals and other development targets (Fafchamps et al., 2006).

According to World Bank (2006), Africa still has the least conducive business environment among developing regions. Microeconomic reforms are also important in view of the prevalence of informality in Africa, with multiple economic and social costs. A high percentage of Small and Medium Scale Enterprises (SMSEs) remains in the informal sector with limited opportunities for growth. Africa has the largest informal sector in the world.

Although in Ethiopia, MSEs are the second largest employment generating sector next to agriculture; more than 1.3 million people in the country are engaged in MSEs Sector. But a large number of MSEs are unable to grow (expand in terms of employment) and remain to be survival (non-growing) type which cannot provide employment (Habtamu et al., 2013).Besides these, MSEs add workers to helping people to move up and out of poverty since increase in size is often associated with an increase in economic efficiency but, most MSEs are subject to different set of dynamic forces which can affect their growth and reduce their potential contribution to the economic growth of the country. Hence, most MSEs remain the same in size of employment since start up as compared to larger enterprises since the factors that influence the growth of MSEs are many, complex and erratic. So that taking these all in to account, it is very essential to systematically analyze the factors that constraining the growth and survival of micro and small enterprises. Therefore, this study aims to examine Factors affecting the growth and survival of micro and small enterprises a case of fitche town.

1.2 Statement of the Problem

MSEs have been identified the world over as the stepping stones for industrialization. Robust economies like the United States of America and the United Kingdom trace their development from growth and development of their MSEs. Studies by Hatega (2007), Kauffmann (2005) attest that MSEs cover more than 95% of all firms in Africa and their importance cannot be overestimated.

Harris and Gibson (2006) examine the common problems of early growth of small business in Eastern North California and the Finding shows that funds were considered most significant follow by education, government policy, managerial skill and facilities.

Further Rosli (2011) conducted a study on Determinants of Small and Medium Enterprises Performance in the Malaysian and the find indicated that micro enterprises are faced with internal and external constraints to growth, such as excessive competition, lack of access to finance, vulnerability to crime, lack of market demand, and unrealistically high cost of stock, administrative corruption, constrictive import / export regulations, uncertainty regarding business conditions and legal as well as regulatory constraints.

On the other hand Zena M. Hassan (2013) investigated the constraints to growth of small and medium enterprises in Zanzibar and the result of the analysis shows that unfavorable government regulations and unreliableutility supply (power) significantly hinder MSE growth.

Another study conducted by Okpara, J.O. (2011) on Factors constraining the growth and survival of MSEs in Tanzania and the results identified 7 factors that constrain MSEs. These include problem of power, strict rules on credit, high interest rates on loan , multiple taxation , absence of tax holiday, trade liberalization and poor patronage of made on goods.

Moreover, Olabisi et al (2011). Conducted a study on factors Affecting Small-Scale Enterprises Performance Nigeria and the result identified top problem such as access to finance, government policy inconsistencies and bureaucracy, environmental factors, multiple taxes and levies, access to modern technology, unfair competition, marketing problems and non-availability of raw materials locally. Thus managerial problems represent the greatest problem facing MSEs in Nigeria while non-availability of raw materials locally is the least problem.

Furthermore, A study by Mugo (2012) investigate factors affecting women enterprises performance in Kenya and the study identified factors affecting performance of MSEs as, lack of entrepreneurial training and education, outdated technology, poor access to markets, mismanagement of resources, and fraud. The study identifies finance as the major impediment affecting performance of MSEs.

On the same fashion, Habtamu et al., (2013) Explore factors affecting MSEs performance in Ethiopia and the study revealed that factors that affect performance of MSEs are training and, lack of technology and poor access to markets.

Most of the above studies were conducted with in a context of other countries and methodologically used none probability sampling technique that has limitation of generalizability to other enterprises. And unfortunately the researcher could not access any research which is conducted relating factors that influence the growth and survival of MSE's in general and particularly factors (finance, managerial skill, and infrastructure) and growth and survival of MSE's in fitche town.

There are some similar problems in fitche town which challenges the growth and survival of MSEs with the above challenges. Those challenges were be a cause of unemployment, limit the growth and development per capital incomes of the country as a whole and the incomes of Fitche town particular. To achieve Ethiopiavision in2025, poor performance of MSE's should be minimized. In fitche town little known about the actual and main challenges which prevent MSEs growth and survival. They must have their own survival strategies which are not known to many MSE's promoters. Therefore; there are different paradigm change should be expected regards of management practices, finance,infrastructure, others problem to vibrate ways of developing MSEs in Fitche town. So the reason for the study under take is to investigate the challenges which face MSEs in Fitche town and try to provide some procedure to eradicate the above stated challenges and the gaps between theoretical and empirical evidence in our country.

1.3 Objectives of the Study

1.3.1. General Objective

The general objective of this study is to assess factors influencing the growth and survival of MSEs in Fitche town.

1.3.2 Specific Objective

1. To examine the relationship between factors influencing the growth and survival and MSEs in Fitche town.

2. To analyze effect of finance on the growth and survival of MSEs in Fitche town.

3. To assess effect of managerial skill on the growth and survival of MSEs in Fitche town.

4. To investigate effect of infrastructure on the growth and survival of MSEs in Fitche town.

1.4 Research Hypotheses

In order to successfully attain the objectives of this study and factors affecting the Growth and survival of MSEs, the following research hypotheses were tested.

Hypothesis 1

H_0: Factors influence does not correlate with growth and survival of MSEs in Fitche town.

Hypothesis 2

H_0: Finance does not influence growth and survival of MSEs in Fitche town.

Hypothesis 3

H_0: Managerial skill does not influence growth and survival of MSEs in Fitche town.

Hypothesis 4

H_0: Infrastructure does not influence growth and survival of MSEs in Fitche town.

1.5 Significance of the Study

This research aimed to assesses the factors influencing the growth and survival of MSEs in Fitch town. Thus, key stakeholders may benefit. The study may help as a source of reference for those researchers who need to make further study on the area afterward. It may also contribute for the existing knowledge about the factors influencing the growth and survival of MSEs and fills the gap of theoretical and empirical evidence in the country. This study will provide empirical information to the MSEs as well as human resource leaders about the factors that influencing the growth and survival of MSEs. This may consistently help MSEs leaders and concerning bodies in formulating appropriate MSEs policies, making informed decisions and adopting strategies that will enhance MSEs growth and survival. This may benefit the country in job creation and to change the life standard of the societies. The study provides the researcher the opportunity to gain deep knowledge on the factors influence the growth and survival of MSEs. It will enhance the practical knowledge of the researcher through creating a link between the theoretical knowledge and what is going on real life in the MSEs. Lastly the result of the study will provide insights and information on the factors influencing the growth and survival of MSEs.

1.6 Scopes of the Study

This study was delimited to the factors that affect the growth and survival of MSE s it was delimited in identifying the effect of finance, managerial skill and infrastructure. Because of time and budget constraint the study covered only fitche town MSEs.

1.7 Limitation of the Study

This study helps to recognize the factors influencing the growth and survival of MSEs in Fitch town in Oromia regional state of Ethiopia. Therefore, there are limitations on this study which require further examination and additional research in the future. The limitation of this study is that, it was carried out only in fitche town. Hence, this may limit the ability of the research to generalize the findings for other MSEs. Finally, this study mainly employed quantitative methods and may thus suffer from the shortcomings of such a method. Possibly a combination of both quantitative and qualitative methods could provide greater insights and provide different outcomes.

1.8 Organization of the Study

The rest of the chapters are organized as follows: Chapter two encompasses the review of related literature. Chapter three consists of research methodologies and Chapter four deals with results and discussions are included. Finally, chapter five presents summery, conclusions, and recommendations.

CHAPTER TWO

LITERATURE REVIEW

Chapter two reviews literature that is relevant in this research. The chapter also explores and gives more meaning to the theoretical foundations as well as empirical issues underpinning the phenomena being studied. Specifically, it is organized under three main sub-topics; theoretical review of MSEs, empirical review and conceptual frame work of the study.

2.1. Theoretical Review of MSEs

Micro and small enterprises have a diverse definitions and unresolved debates on it. Policy makers, researchers, and others involved in the promotion and development of small business use different terms such as micro enterprises, informal sector, small business, small enterprises, small scale industries, small and medium sized enterprises. Generally, there is no universally agreed definition of micro and small enterprises. Due to this, countries adopt their own working definition. The lack of consistent definition has led to confusion and failure to distinguish among different segments and has significant implications on the structure of interventions and promotional supports that could be provided to a certain specific segment of the sector. However, in any country clear and agreed national definitions are needed for focusing discussions on the sector, for research purposes and most importantly for facilitating appropriately tailored supports and assistances to the sector. (Hrity,2009).

Martin (2006) stated that definitions of micro and Small Enterprises (MSEs) vary from country to country, depending on Size of employment, capital investment or turnover is used as criteria to categorize enterprises along scales of operation and define micro, small, medium and large enterprises. This categorization is important for functional and promotional purposes to achieve the desired levels of development. Different writers have usually given different definitions to MSEs. Those definitions are: by size, terms of their legal status and method of production.

According to Minilek and Chinnan (2012), there are different ways of defining the term small and micro enterprises in different countries. So, according to European Union, small enterprise is defined as an enterprise which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EURO 10 million.

A micro enterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EURO 2 million.

In addition, Wanger, R. (2010), in United States the Small Business Administration (SAB) qualitatively defined a small business as one which is independently owned and operated and which is not dominant in its field of operation. For statistical purposes, a small business is defined as one which employs less than 500 employees. The SBA used and specified as proxy indicators, the number of employees, total assets and annual sales

Further, Rosli (2011), in Southeast Asia The conventional criteria used to delimit small firms and large firms is based on capital assets in the case of Bangladesh, Indonesia and Sri Lanka, while the value of capital assets or the size of full-time workforce are taken into consideration in the case of Malaysia, the Philippines, Singapore and Thailand. The limit of workforce in the three countries is under 50 while in the case of Philippines the range is wider and includes five to ninety.

According to Girmay (2006), in Ethiopia, there is lack of uniform definition at the national level to have a common understanding of the MSE sector. According to Ministry of Trade and Industry (MoTI) uses capital investment while the Central Statistical Authority (CSA) uses employment and favors capital intensive technologies as a yardstick. Which uses capital investment as a yardstick, has been developed for formulating micro and small enterprise development strategy. Taking into consideration the above situation in Ethiopian, micro and small enterprises (MSEs) may be defined in the following way: Micro enterprises are business activities that are independently owned and operated, have small share of the market, are managed by the owner and employing five or less employees. This has recently been revised to include employment until 10 workers and capital reaching up to 20,000 birr. Small businesses are those enterprises that employ 6 to 49 employees. They share the same characteristics with micro enterprises in other aspects. Medium scale enterprises are those enterprises which have a relatively higher share of the market, are independently or jointly owned or managed by the owner or by appointed executives and employ 50 to 99 persons.

Those enterprises that employ more than 100 persons could be considered as large enterprises (CLEP, 2006).

2.1.1 The Roles of MSEs

According to fadahunsi (2012), the role of micro and small enterprises (MSEs) in the development process continues to be in the forefront of policy debates in developing countries. The advantages claimed for MSEs are various, including: the encouragement of entrepreneurship; the greater likelihood that MSEs will utilize labor intensive technologies and thus have an immediate impact on employment generation; they can usually be established rapidly and put into operation to produce quick returns; MSEs development can encourage the process of both inter- and intra-regional decentralization; and, they may well become a countervailing force against the economic power of larger enterprises.

More generally the development of MSEs is seen as accelerating the achievement of wider economic and socio-economic objectives, including poverty alleviation.

Micro, small and medium enterprises play key role in the economic wellbeing of developing countries. They have been identified to play key roles in a society including contributing to jobs through innovations and creativity as well as aiding human resources development. The immediate and the long run effect is that they affect levels of income and ultimately contributing to poverty alleviation (Agyapong, 2010).

Similarly, Entrepreneurship plays an important role in the economic growth and development nation. It is a base for initiation, promotion and distribution of wealth and service of an entrepreneur. An entrepreneur is a critical factor in economic development and integral part of the socio –economic transformation and development. MSEs together with large enterprises, they play a key role in mobilizing public and private resources and allocating them to productive activities. They provide the main driving force with trade, investment and technology, on which the strength and dynamism of the economy depends. Over all, MSEs development can contribute to any of national and regional economic development, promoting employment particularly in creating new jobs, alleviating poverty and assisting those who are disadvantaged, facilitating the transition to a market economy, promoting equity and addressing uneven development democracy (Sadik, 2009).

According to Ministry of Trade and Industry (2010), in most fast developing countries, MSEs by virtue of their size, location, capital investment and their capacity to generate greater employment have proved their powerful propellant effect for rapid economic growth. The sector is also known as an instrument in bringing about economic transition by effectively using the skill and talent of the people without requesting high-level training, much capital and sophisticated technology.

The Micro and Small Enterprises sector is also described as the national home of entrepreneurship. It provides the ideal environment enabling entrepreneurs to exercise their talents to the full and to attain their goals. In all the successful economies, MSEs are seen as an essential springboard for growth, job creation and social progress at large. Also it is seen as 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. While the importance of large industrial and other enterprises for the growth of the Ethiopian economy can't be denied, there is an ample evidence that the labor absorptive capacity of the small business sector is high, the average capital cost per job created is usually lower than in big business and its role in technical and other innovation activities is vital for many of the challenges facing the country (Sreevidya 2011)

Admasu(2012) mentioned that the whole labor force engaged in the Informal Sector activities and Small Scale Manufacturing Industries is more than eight fold (739,898 persons) to that of the medium and large scale manufacturing industries (90,213 persons). Moreover; the Informal and Small Manufacturing sector contributed value added of Birr 8.3 million in 1996. Based on the 1992/93data, this figure constitutes about 3.4% of the GDP, 33% of the industrial sector's contribution and 52% of the manufacturing sector's contribution to the GDP of the same year.

According to Chittitha et al (2011), MSEs are playing an important role in the industrial economy of the world. These are particularly important in the developing economies. Small business is predominant even in developed countries such as USA, Japan etc. Generally; the roles of MSEs are: **1) Large Employment Opportunities**: MSEs are generally labor-intensive. For every, MSEs sector provides employment for 26 percent as against 4percents in the large scale sector. Special in developing country like Ethiopia where capital is scarce and labor is abundant, MSEs are especially important. **2) Economical Use of Capital**: MSEs need relatively small amount of capital. Hence it is suitable to a developing country like Ethiopia where capital is deficient. **3) Balanced Regional Development**: Generally, MSEs are located in village and small towns. Therefore it is possible to have a balanced regional growth of industries special for land villages of country. **4) Equitable Distribution of Income and Wealth:** It removes the drawbacks of capitalism, abnormal profiteering, concentration of wealth and economic power in the hands of few etc. **5) higher Standards Of Living**: MSEs bring higher national income, higher purchasing power of people in rural, urban and semi-urban areas. **6) Mobilization of Locals Resources**: The spreading of industries even in small towns and villages would encourage the habit of thrift and investment among the people of rural areas. **7) Simple Technology**: New but simple techniques of production can be adopted more easily by MSEs without much investment. **8) Less Dependence on Foreign Capital**: MSEs use relatively low proportion of imported equipment and materials. The machinery needed for these industries can be manufactured within the country. **9) Promotion of Self Employment:** MSEs foster individual skill and initiative and promote self-employment particularly among the educated and professional class. **10) Promotion of Exports:** With the establishment of a large number of modern MSEs in the post-independence period, the contribution of the small scale sector in the export earnings has become too much. **11) Protection of Environment**: MSEs help to protect the environment by reducing the problem of pollution. **12) Shorter Gestation Period**: In these enterprises the time-lag between the execution of the investment project and the start of flow of consumable goods is relatively short. **13) Facilitate Development of Large Scale Enterprises**: MSEs support the development of large enterprises by meeting their requirements of inputs of raw materials, intermediate goods, spare parts etc. and by utilizing their output for further production.

2.1.2 Factors that Influence Growth and Survival of MSEs

Hrity (2009) revealed that most MSEs face critical constraints both at the operation and start up level. As various studies identified some of these constraints include lack of access to finance, lack of infrastructure, lack of training in entrepreneurial and management skills, lack of information on business opportunities, social and cultural facts, in particular deficient entrepreneurial culture and excessive corruption and also associated with demand problems, paucity/scarcity of capital, equipment and technology, human and material inputs.

Lack of access to capital and credit

Mulugeta, (2010) reveled that Lack of adequate investment capital, lack of sufficient loan, and inefficient financial market in terms of facilitating financial resources to entrepreneurs are the major obstacles in doing business, particularly in the informal sector. Most micro and small enterprises are highly risky ventures involving excessive administrative costs and lack the experience in dealing with financial institutions and do not have a track record of credit worthiness with banks. As a result of absence in financing, the creation of new enterprises and the growth and survival of existing ones will be impeded. Access to finance is a major bottleneck for the rapid growth and development of MSEs mainly due to targeted mechanism put in place to address the financial needs of MSEs. More of MSEs are don't have access to micro finance institutions and bank credit due to they have a lack of acceptable collateral. So, access to finance is a key issue for MSEs special for new starting business

Market constraints

According to Andualem (2010), MSEs in Ethiopia, usually market constraints and the inability to sell their products and services are listed as one of the most serious obstacles to the starting of business and growth beyond mere subsistence level. The report shows that 31,863 small scale manufacturing industries all over the country, of which 19,996(62.75%) are located in urban and the remaining were in rural areas, showed that 48% of the total establishments have faced a problem of demand or access to market. This demand problem has prevailed because of existence of weak or absence of inter linkage mechanisms with other medium or large enterprises and existence of weak or absence of appropriate marketing channels, open markets, exhibitions, trade fairs, displays centers etc. which MSEs would have used to market their outputs.

Access to Information and Advice

Solomon, (2011) reveled that lack of access to appropriate, relevant and understandable information and advice is one of the most important problems of MSEs such information about necessary inputs and market information, regulation and legislation, accounting, managerial advice, market, referrals to appropriate bodies and inter linkage information, particular for micro enterprises and small start-ups. This problem is encountered by Ethiopian MSEs, first due to the fact that information system is not developed to enable proper collection, organization and dissemination in the country as a whole.

Limited Access to Raw Material and Supplies

According to Assefa (2010), shortage of raw materials are also frequent problems faced by This problem may arise from a shortage of working capital which effectively ties the Enterprise to high priced, unreliable or low quality supplier. They may not know the right source and best price of the inputs they want due to limited access to information.

Lack of premise and land

Zewide (2009), stated that it is essential to have more availability of plots of land and premises in strategic location for micro and small enterprise to produce and sell their products .Lack of appropriate premise tend to force many enterprise to operate their business unsuitable place .It is possible to see people doing their business in conducive environment. For MSEs, lack of premise is unquestionably a serious problem. Most informal operators do not get access to suitable locations where they can get easy access to markets. The issue of acquisition and transaction cost has become very prohibitive to the emergence of new enterprises and to the growth and survival of existing ones. The issue of land provision andthe land lease system has greatly constrained the chances of micro, small and medium enterprises who aspire to startup businesses.

Lack of managerial and other skills

According to Hanna (2010), there is a general lack of knowledge entrepreneurial and managerial capacity and marketing experience. Lack of skilled labor, 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 equipment's 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. Moreover, MSEs lack resources required for research and development and there is inadequate technical and entrepreneurial skills.

Form of Ownership

Lafuente and Rabetino (2011) indicates, the relationship between enterprises performance and forms of ownership in their report that, those firms with a single-tier leadership structure (entrepreneur- manager), doesn't equally increases firm's resources and capabilities as a presence of entrepreneurial teams, a fact that enhances employment growth indicating that the presence of entrepreneurial teams improve internal decision making processes leading to higher growth rates. Similarly the study of Lusseir (1995) supports the fact that enterprises which are owned by more than one owner have a higher chance of success than those enterprises owned and managed by a single owner.

Socio cultural constraints

According to Harris and Gibson (2006), socio cultural problems are considered affecting the development of MSEs: Lack of enterprise culture in the country, which required a drastic change, Considerable lack of positive attitude in the country, Excessive corruption, which actually constrain private enterprise and subjective tax system- Most MSEs, particularly the small scale operators, are subject to tax system as most of them do not have a proper accounting system.

2.1.3 Lack of Formal or Informal Linkages

Hayru (2013) stated that there are other factors that hinder growth and expansion of MSEs is the effectiveness with which they interact with large or similar firms. In other words, formal and informal linkages or business cooperation through networking are not common. Large public enterprises and the few foreign affiliates do not outsource some of their operations to local MSEs. The legal and institutional mechanisms to enforce contractual obligations and government policy to design appropriate incentive mechanism to encourage the expansion of business linkages/sub-contracting managements is at its infant stage.

Furthermore, Sreevidya (2011) identified six more important problems faced by MSEs as follows: **1) Lack of proper machinery and equipment:** Many MSEs use inefficient and outdated machinery and equipment. This affects the quality of production. **2) Lack of technical know-how:** Do not have the knowledge about different alternative technologies and processes available for manufacturing their products to improve the quality of products and reduce costs. **3) Run on traditional lines**: They have not yet adopted modern methods and techniques of production. They have not taken adequate interest in research and development efforts. Hence they cannot be run efficiently. **4) Irregular supply of raw materials**: The majority of MSEs depend on local sources for their raw material requirements. Small entrepreneurs are forced to pay high prices for materials because they purchase materials in small quantity. **5) Personnel problems**: it is difficult for them to get qualified persons to run the business. They cannot provide much training facilities to employees.

6) Lack of clear-cut policy of the government: The government may take decisions relating to MSEs on the basis of political consideration rather than on economic consideration.

2.2 Empirical Review

Fatai (2011) posits that, small and medium scale enterprises in Nigeria have performed at very abysmal level when compared with other countries. This low performance has further exacerbated poverty, hunger unemployment and low standard of living of people in a country whose economics is ailing and suggests that the federal government should enhance the capacity of its SMEs in order to achieve her millennium development goals by 2015. Fatai added financial constraints, lack of infrastructural facilities, government unfavorable fiscal and monetary policy inconsistencies, and internal characteristics are challenges of SMEs.

Onugu (2005) conclude that some of the challenges of the SMEs are induced by the operating environment such as (government policy, globalization effects, and financial institutions) others are functions of the nature and character of SMEs themselves.

Guzman and Santos (2001) developed a conceptual model showing that socioeconomic and institutional factors, such as macroeconomic policies, in an entrepreneur's external environment, and personal characteristics of the entrepreneur, directly constrain enterprise success and economic development.

According to Mintzberg (1989), barriers to SMME survival and growth are likely to be faced in all four functional areas of business operation management, marketing, operations and finance and may be directly related to the size and start up conditions of an SMME. This implies that analysis of constraints to enterprise success and economic development must also consider firm level barriers.

According to Amyx (2005), one of the most significant challenges is the negative perception towards SMEs. Potential clients perceive small businesses as lacking the ability to provide quality services and are unable to satisfy more than one critical project simultaneously. Often larger companies are selected and given business for their clout in the industry and name recognition alone.

Mbogo, (2011), identified in that Lack of planning, improper financing and poor management has been cited as the main causes of failure of small enterprises. Regardless of the high failure rate by SMEs in Kenya, their enormous contribution to the entire economy cannot be overlooked.

Most studies (Ngobo, 1995; Desalegn and Kebirom, 1997; Chijoriga and Cassiman, 1997), point to finance as one of the key constraints to small enterprise growth. This is worsened by the absence of financial markets in the developing countries. Small enterprise owners cannot easily access finance to expand business and they are usually faced with problems of collateral, feasibility studies and the unexplained bank charges. This means that they cannot access finance to enable them to grow.

Chant and Lightelm (2003) in a survey of small business failure maintain that entrepreneurs often have good ideas and are competent but they do not have a clue on how to run a business and have no underlying appreciation of business fundamentals.

Thapa (2007) found a positive association between education and small business success. The likelihood of failure was also found to be associated with the owner/manager's work experience prior to business launch and education. Human capital is the most critical agent of SME performance.

Harper (1984) observes that the poor growth of many enterprises of all sizes, suggest that the scarcity of competent managers is a more serious constraint on economic development.

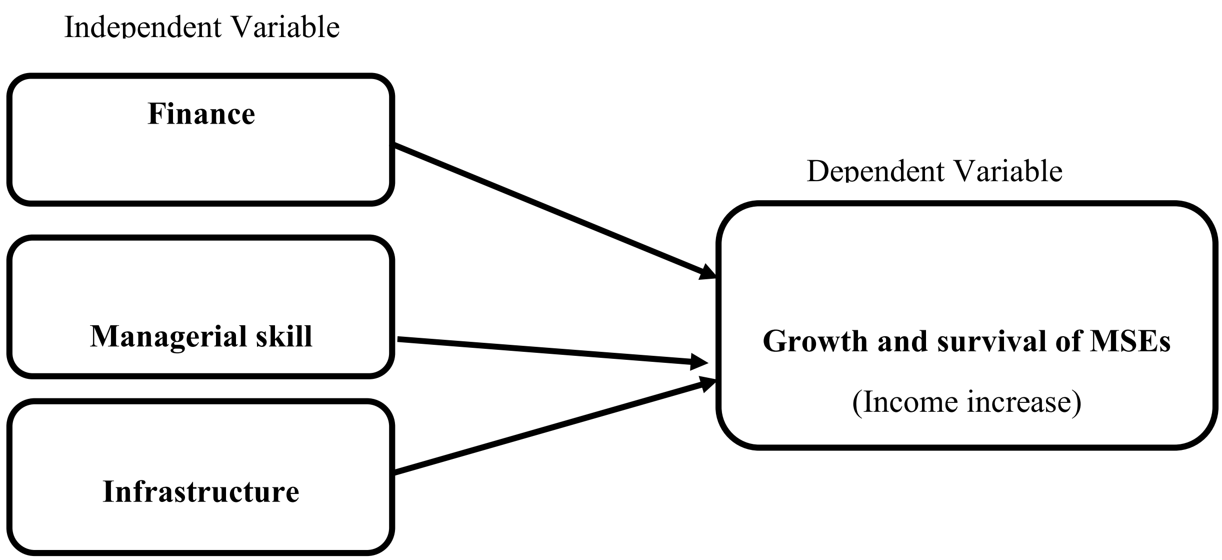
Kinyua (2014), researching on factors affecting the performance of small and medium enterprises in Kenya with objectives to investigate the role of finance, management skills, macro-environment factors and infrastructure on performance of small and medium-sized enterprises. The findings indicated that; that access to finance had the potential to positively affect performance of SMEs; management skills were found to positively and significantly affect performance of SMEs; macro environment factors were found to significantly affect performance and Infrastructure did not significantly affect performance of SMEs in the study area. The study results also indicated that as number of years in operations increased the performance in SMEs increased.

A study by Mugo (2012) to investigate factors affecting women entrepreneurs' performance in Central Business District (CBD) of the city of Nairobi, had the objectives, to assess the financial accessibility, assess the effect of record keeping challenges, to establish effect of budgeting on financial factors affecting women entrepreneurs' performance, and to establish the effect of working capital management on the women entrepreneurs' performance. The study also identifies other factors affecting performance of women entrepreneurs as, lack of entrepreneurial training and education, outdated technology on women, poor access to markets, mismanagement of resources by women, lack of management skills and fraud. The study identifies finance as the major impediment affecting performance of women entrepreneurs.

2.3 Conceptual Framework

Conceptual frameworks of the study have three independent variables (IDVs) which are (Finance, managerial skill and infrastructure) and one dependent variable (Growth and survival of MSEs)/ DV.

Figure **2.1 Conceptual framework illustrating factors that influencing growth and survival /GS of MSEs**



Source: adaptation from literatures

Baumback and Lawyer, (2010) empirical research work indicates that finance contributes to the tune of 25% MSEs success among the determinant factors. Infrastructure such as: power, good road network, steady water supply, effective communication system and market are referred to as flavor on performance of MSE. Manager with higher skill (i.e. higher efficiency levels) will have lower marginal costs and therefore will produce larger outputs. Growth and survival is the result of increasing the profitability, maximizing return on investment, rising market share by minimizing the factors expressed in conceptual framework.

CHAPTER THREE

RESEARCH METHODOLOGY

The primary focus of this chapter is to provide an overview of the research methodology used to answer the research problems. Hence, the research design, sources of data, population, sampling techniques and sample, data collection methods, reliability and validity, data processing and data analysis and ethical consideration of confidentiality were discussed here as follows.

3.1 Research Design

The aim of the study was to assess factors affecting the growth and survival of MSEs in Fitche town. In order to address the research hypotheses and to achieve the objectives of this research, a quantitative research approach was adopted and the study followed descriptive and explanatory research design. The major purpose of descriptive research is to describe the state of affairs, as it exists at present or it helps to describe the characteristics of a phenomenon. According to Zikmund et al. (2010), the major purpose of descriptive research is to describe characteristics of objects, people, groups, organizations, or environments. And Explanatory design used to determine and explain the relationship and effect between the independent variables and dependent variable. According to Saunders, Biber and nagy (2010), explanatory research is about studying a situation or a problem in order to explain the relationships between variables.

3.2 Source of Data

In order to, achieve the objective of this study, relevant data were collected from both primary and secondary sources. The primary sources include owners and employees of MSEs found in fitche town and secondary data source were articles, journals and thesis related to the study. So as to develop conceptual frame work the researcher used secondary data sources.

3.3 Population, Sampling Techniques and Sample Size

The research was conducted to assess factors affecting the growth and survival of MSEs in Fitche town. The total population of the study was 200 owners and employees of MSEs that the study focused on. The researcher used the sample size determination table developed by Israel, (2013), the appropriate sample size for population of N=200 population n=134 and confidence level is = 0.05. Proportionate stratified random samplingtechnique used in order to give proportional representation to all MSEs, which form the sampling frame of the study. The strata for this research consist of three (3) MSEs sectors. According to Zikmund et al. (2010), stratified sampling reduces random sampling errors, groups adequately represented when strata are combined and sample ensures that the sample accurately reflect the population. The total sample size of each stratum is shown with their respective population of the following MSEs.

Table 3.1 Sample size description

<table>
<tr><th>MSEs</th><th></th><th>Population of MSEs in fitche town</th><th>Sample size</th></tr>
<tr><td rowspan="3">Trade sectors</td><td>Different retailer</td><td>95</td><td>57</td></tr>
<tr><td>Different wholesalers</td><td>35</td><td>23</td></tr>
<tr><td>Total</td><td>120</td><td>80</td></tr>
<tr><td rowspan="3">Service sectors</td><td>Municipal services and different beauty salon</td><td>20</td><td>13</td></tr>
<tr><td>Hotels, cafeterias, different maintains service</td><td>25</td><td>17</td></tr>
<tr><td>Total</td><td>45</td><td>30</td></tr>
<tr><td rowspan="3">Manufacturing/In dustry sectors</td><td>Metal and wood works</td><td>15</td><td>10</td></tr>
<tr><td>Textile and garment or cotton</td><td>20</td><td>14</td></tr>
<tr><td>Total</td><td>35</td><td>24</td></tr>
<tr><td colspan="2">Total</td><td>200</td><td></td></tr>
</table>

3.4 Data Collection Methods

To achieve the objective of this study primary data were collected. In order to collect primary data questionnaire was used. Since the approach of the research was quantitative, the data used were collected through structured close ended and open ended questionnaire and rated on a likert scale of 1 (strongly disagree) to 5 (strongly agree). Questionnaire is simple and quick to administer and it helps to collect data from the respondents (Zikmund et al., 2010).

3.5 Reliability and Validity

3.5.1 Reliability

Reliability is one of the major criteria for evaluating research instruments. According to Tavakoland Dennick (2011), Coefficients of .90 or greater are nearly always acceptable, .80 or greater is acceptable in most situations, and .70 may be appropriate in some exploratory studies for some indices. The researchers in order, to measure factors that affect the growth and survival of growth and survival of MSEs, 20 questions were adapted from (Christopher et al., 2012; Hu et al., 2011 & Ayseet al., 2013). In addition, growth and survival 5 questions were adapted from Jane (2013). The instruments were continuously tested by different researchers and their reliability test is above 0.90. Furthermore, the researcher modified the adopted instruments to make them suitable to assess factors affecting the growth and survival of MSEs in Fitche town context and reexamined the reliability. Therefore, as shown in table 3.2 the reliability of the whole items is 0.91 which means the whole items were reliable and acceptable because as Lombard stated coefficients of 0.9 or greater are nearly always acceptable.

Table.3.2 Previous and current reliability test

Dimensions	Previous Cronbach's α	Reexamined Cronbach's α
Finance	0.95	0.90
Managerial skill	0.96	0.94
Infrastructure	0.92	0.90
Growth and survival	0.93	0.91
Total	**0.94**	**0.91**

Source*: own survey, 2014*

The result from above table indicated that the items are reliable and consistent to measure factors affecting the growth and survival of MSEs in Fitche town.

3.5.2 Validity

Validity on the other hand, can be described as the extent to which the instrument measures what it purports to measure. According to Faux (2010), validity determines whether the research truly measures that which it was intended to measure. Thus validity measures how truthful the research res0ults are or the extent to which scores truly reflect the underlying variable of interest. The instruments that the researcher used were checked before for the content and face validity by the researchers who have conducted researches concerning factors that affect growth and survival questionnaire by (Christopher et al., 2012; Hu et al., 2011 & Ayseet al., 2013) and growth and survival questionnaire by Jane (2013). After the modification, the questionnairereturns from the respondents werechecked by supervisor and experts to ensure refinement and content validity.

3.6 Data Analysis Methods

The collected data were checked for completeness, edited, transcribing the coded data from questionnaire in to computer and coded in to the statistical package for social science (SPSS) version 20. And then Descriptive and inferential statistics were applied.

Descriptive statistics: the major purpose of descriptive research is to describe characteristics of objects, people, groups, organizations, or environments. In other words, descriptive research tries to "paint a picture" of a given situation by addressing who, what, when, where, and how questions.Descriptive statistics like frequency, percentage and ratio which includes the means and standard deviation were used to analyze the demographic characteristics of the respondents and the response variation of the study(Zimund et al., 2010).

Inferential statistics is used to make inferences or to project from a sample to an entire population. The primary purpose of inferential statistics is to make a judgment about a population, or the total collection of all elements about which a researcher seeks information, based from a subset of that population. It includes: Pearson correlation coefficient.

The Pearson correlation coefficient is a standardized measure of covariance. Covariance coefficients retain information about the absolute scale ranges so that the strength of association for scales of different possible values cannot be compared directly. Researchers find the correlation coefficient useful because they can compare two correlations without regard for the amount of variance exhibited by each variable separately. The researcher used the Pearson correlation coefficient to measure the degree of relationship between independent and dependent variables. In this research, all the independent variables (finance, managerial skill and infrastructure) and dependent variable (growth and survival of MSEs) were correlated. Thus, the researcher was used Pearson Correlation analysis to measure the relationship of independent variable and dependent variable (Zimund et al., 2010). According to Sekaran and Bougie, (2010), a correlation coefficient, *r*, is a number between -1 and +1 that used to measure the degree of relationship between in dependent variable and dependent variable.

The higher value of the correlation coefficient, the stronger the level of relationship between two variables. A positive value for the correlation coefficient indicates a positive relationship. Therefore, a negative value for the correlation coefficient indicates a negative relationship.

The researcher used multiple linear regression analysis to assess the effect of the independent variable on dependent variables. In this multiple linear regression analysis, independent variables of the study were entered into the same types of regressions equation. A separate regression of each variable has been calculated to define the effect on the dependent variable.

3.7 Regression Analysis

3.7.1 Multiple Linear Regression (MLR) Analysis

Multiple linear regression (MLR) analysis is a method/model used to see the linear relationship between a dependent variable/DV and two or more independent variables/IDV. The dependent variable is sometimes also called the predicted (response variable), and the independent variables are called the predictors (explanatory variables). A function of the analysis is to search for predictor variables that help to explain significant variation in the response variable. If a number of significant predictors can be identified, then a decision maker can manage risks and maximize the odds of favorable outcomes. The main variables of interest are the R-squared measure and the estimated coefficients for the independent variables. The R-squared reports the overall goodness of fit and describes the proportion of the variability in the dependent variable that can be explained by the regression model. The estimated coefficients for each of the independent provide information about the explanatory power of the respective coefficients. The F-test provides information about the statistical significance of the overall model.

3.7.2 Model Specification

Multiple linear regressions were calculated using the proposed formula to study the effect of independent variables (finance, managerial skill and infrastructure) on dependent variable (growth and survival of MSEs). Since there are three independent variables in this study the multiple linear regression model was as follows:

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$ where:

Y= represents the dependent variable, growth and survival of MSEs,

β_0 = constant

X_1 = represents finance

X_2 = represents managerial skill

X_3 = represents infrastructure

ε = an error term, normally distributed of mean 0 (usually e is assumed to be 0)

$\beta_{1 \ldots} \beta_3$ are regression coefficients

Specifically, the estimated equation in the analysis of the determinants of growth and survival MSEs in this study is as follows.

GMSEs = $\beta_0 + \beta_1$ (finance) + β_2 (managerial skill) + β_3 (infrastructure) + ε

3.8 Ethical Consideration of Confidentiality

The researcher addressed ethical consideration of confidentiality and privacy. The researcher used a careful and conscious effort at all times to sustain this promise. The researcher promised to all those who selected as respondents that their names should not be revealed in the questionnaire and analysis of data. In order to ensure the involvement of the respondents to give their responses genuinely with interest they have been provided a verbal and written description of the study and they were willing to participate in the study and all participants' responses were confidential. All assistance, collaboration of others and sources from which information was drawn is acknowledged.

3.8 Description of the Study Area Profile

3.8.1 Location

Fitche is one of the 18 Woreda of the North Showa Zone of Oromia Regional State. Fitche is one of the town in the center of Ethiopia and also the capital town of the Woreda and zone, it is administrative center of Woreda and northern showa zone of Oromia region and separate Woreda. It is located about three KMs from the main Addis Ababa- Debre Marqos, Bahir Dar and Gondar and it is far about North-West 112Kms from Addis Ababa.

The Woreda is bounded by Jama River in Northern, yaya gulale southern, Dagm in western, and Debrelibanos in Easter. Fitche has a latitude and longitude 9^{o}48'N, 38044'E / 9800^{o}N 38.733^{o}E and the elevation between 2738(8983fit) and 2782 metres above sea level.

3.8.2 Demographic of Fitche Town

Based on figures national census central statistical agency reported 2007 a total population for fitche of 27493, of whom 12933 were men and 14560, of whom women. The majority of the inhabitants (94.42%) reported that they practiced Ethiopian orthodox Christianity and 3.6% were protestant. According to the announced in February 2009 that it had begun various development works total 5.6 million birr, which included construction of alleys, ditches, an abattoir, and expansion of water, health, electric power service, and encouraging different economic sectors in the town including micro and small business enterprises (MSEs). The below figure 3.1 is depict the map of study area.

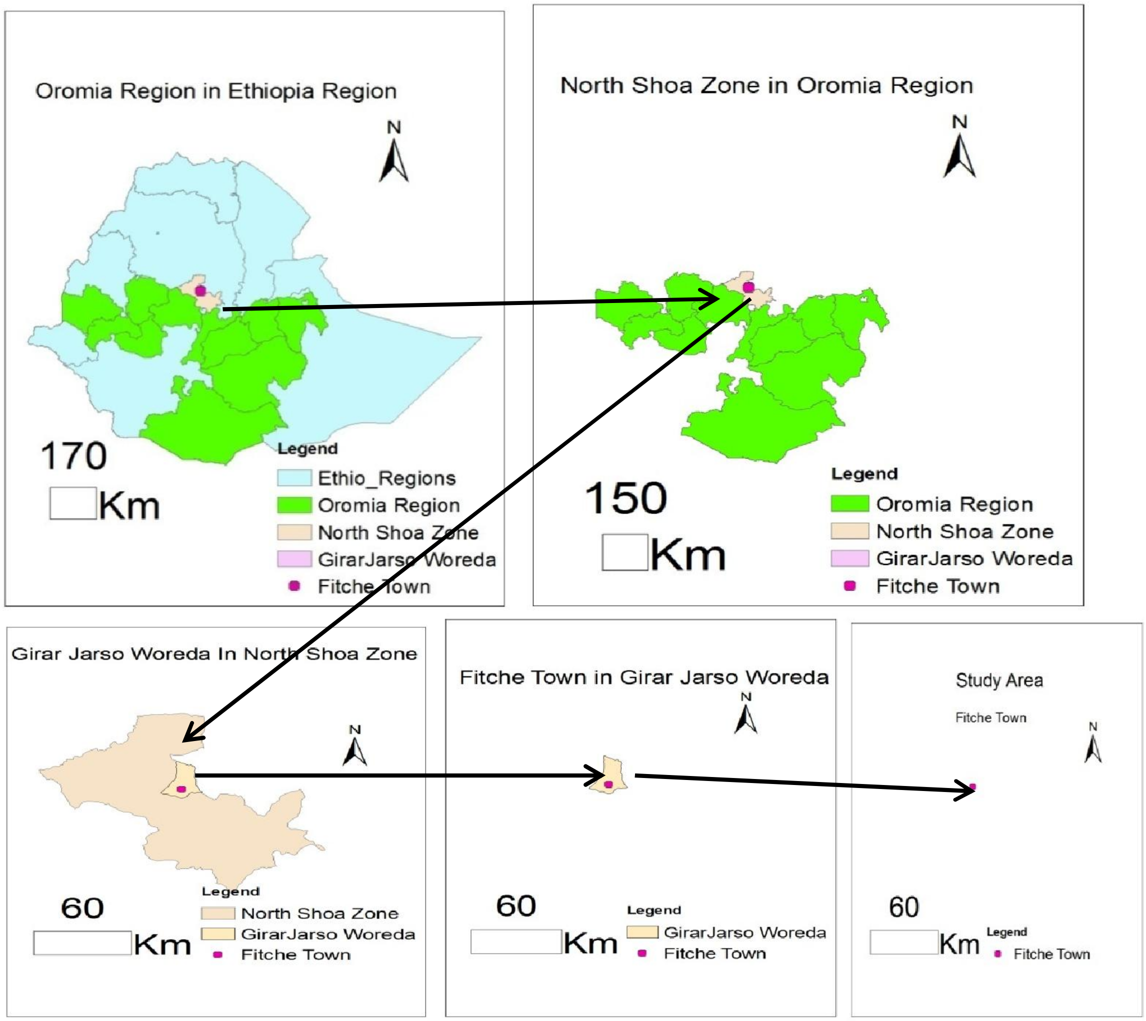


***Figure* 3.1 the map of the study area**

Source: Fitche Woreda administrative office

CHAPTER FOUR

4.1 RESULTS AND DISCUSSIONS

This chapter presents the result of the study based on the findings using descriptive and inferential statistics. The results are presented in the form of tables and pie chart, bar chart. It starts with the response rate, personal characteristics of the sample, and provides findings according to the objectives of study:

4.2 MSEs Response Rates

One hundred and thirty four respondents were selected out of the total target population of 200 for the survey and hence the same numbers of questionnaires were distributed. However, 124 questionnaires were returned and out of those 10 questionnaires were poorly filled and also 9 questionnaires were not given back thus in all a total number of 115 questionnaires were used and this represents 93%. The response rate of 93% was thought adequate for both the analysis and interpretation of the data and hence used in that regard.

4.3 MSEs Respondent Demographic Profile

4.3.1 Educational Background of the MSEs Owners

Details about the education levels of respondents were obtained as presented in the figure below

Table 4.1: Educational back ground of the MSEs owners

	Frequency	Percent
10^{th} grade	24	20.9
Diploma	68	59.1
Degree	19	16.5
Masters	4	3.5
Total	115	100.0

Source: Own survey, 2014

Table 4.1 revels that those respondents who have got diploma were 59.1% and those who were the holders of 10^{th} grade 20.9% and 16.5% respectively and the remaining 3.5% were masters.

4.3.2 Data on Service Period of MSEs Owners

The respondents' years of service were deemed important to evaluate the level of experience the respondents have in the business sectors. Details from the survey are given as shown on the table below.

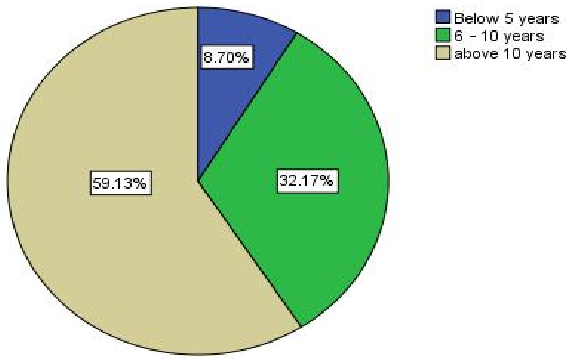
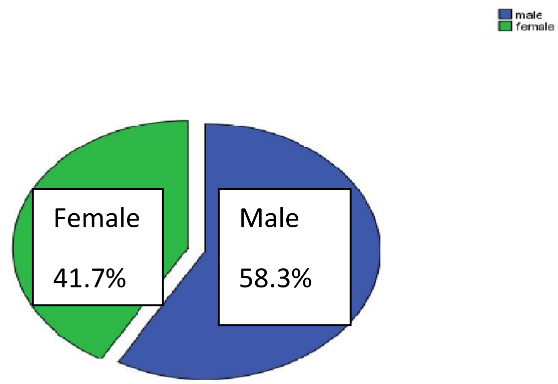


Figure 4.1 Service period of MSEs owners

Source: Own survey, 2014

According to the above figure it is evident that majority of the respondents have served in the enterprises above 10 years were 59.1% and those who have served in the between 6-10 years at 32.2%.

4.3.3 Sex category of MSEs owners



Source: Own survey, 2014

Figure 4.2 Sex Category of MSEs Owners

As it can be seen from the above figure, 58.1% of the respondent populations were males and the rest 41.7% were females. This indicates that one third of the owners of MSEs were found to be males owners. Even though, recently the great encouragement of females to participate in every economic activities.

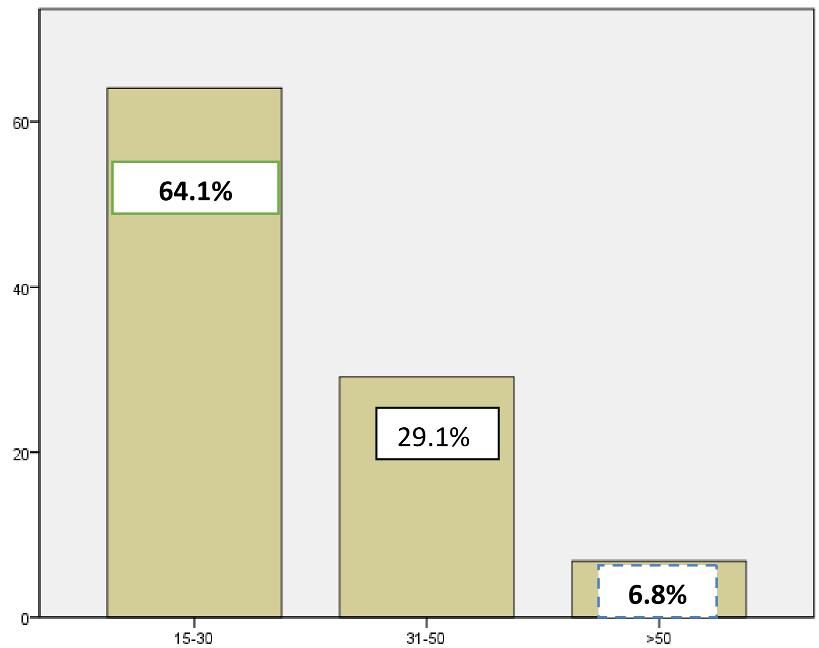
To equalize their size within male enterprises the Fitche town MSEs officers should be give more attention toward the sectors. Because they are less in number than male and it is difficult to meet the country strategic plan within absence of female owners. But sometimes it is important to identifying which sex categories of enterprises depend difficult of activities. For the product which asks physical strength male enterprises are expect to more important than female enterprises. So,this indicates that male enterprises are more productive and more participant than female. The main thing which constrain female owners are equal productive and participant within male are they have double responsibility at home and business that can dilute their efforts in their business (Hayru,2013).

4.3.4 Age Categories of MSEs Owners

The respondent's ages are categorized based on their reference of probabilities of fail and active work class. Accordingly, the age of the respondents are categorized in to three. The first category age 25 to 30 comprises about 64.1% of the enterprises surveyed. The second Category aged between 31to 50 years, which constitutes 29.1% of the total respondents.

On contrary, the third groups are above 64 age categories, which are only 6.8% of the total respondents in the same order, as depicted in the Figure 4.3 below. The age of enterprises are so, vary from individual to individual to start their business, some of the enterprises start their business at young, adult or old age from different sources of capital to drive profit. So, the age of owners/managers was one of the most important characteristic that was used to predict small business performance, success, and failure.

According to (Tiruneh, 2011), the relationship of the business owner's age and its effect on the performance of the enterprises; they report in his study indicate that younger people who start a business have a greater chance to fail than older people starting a business. Similarly, the chance to younger small business starters have a lower success and survival probabilities than older starters and also the probabilities of both voluntarily and forced exit from the business is higher to young starters (Tiruneh, 2011).



Source: Own survey, 2014

Figure 4.3 Age Categories of MSEs Owners

As indicated on Fig 4.3 nearly 93.2% of the respondents were in the working force status while 6.8% are less active in any economic activities. This would give us clear picture that there is high pressure of failure is on younger than the old age class. The older age is difficult to manage and increase productivity, because they resist to take the newly technology introduced to their organization to boost their production but also as the age of the business owner increase it contributes to the success and survival of the enterprises. It may indicate; increased age brings with it a sufficient level of accumulated knowledge or experience of a certain trade to going on their business. So from this one can understand that the age of small business owners have its own contribution to the success and failure because individuals learn not only from formal education but also from their walks of life. From this survey, 64.1% respondents were falls within the ages of 15-30 years which shows that young people were seriously involved themselves with the MSE's activities and this can serve as a bright future for the sectors.

4.3.5 Rank Description of the MSEs Owners

The study sought and obtained details about the rank held by the respondents in the sectors for purposes of understanding their role in the variables of study. Details of the respondents and their ranks are shown in table 4.5 below:

Table 4.2: Rank held by the MSEs owners

	Frequency	Percent
Owners	85	73.9
Employees	30	26.1
Total	115	100.0

Source: Own survey, 2014

The analysis results from the table indicated that majority of respondents in this study were owners (85), followed by employees(30). These represent 73.9%, 26.1% respectively. From the above description, it can be revealed that the majority of the respondents in this study are those directly responsible for or directly involved in the enterprises.

4.4 Descriptive Statistics

Table 4.3: Descriptive statistics of independent and dependent variables

	N	Min	Max	Mean	Std.
Finance	115	1.17	5.00	3.1290	.74151
Managerial skill	115	1.20	5.00	3.3826	.86148
Infrastructure	115	1.40	5.00	3.0200	1.12540
Valid N (listwise)	115				

Source: Own survey, 2014

Based on the above table, the mean and standard deviation for each of the predictor variables are as follows: Finance (μ=3.12, σ=0.74), Managerial skill (μ=3.38, σ=0.86), and Infrastructure (μ=3.02, σ=1.12). Besides, the criterion variable (Growth and survival) demonstrates a mean of 3.56 and a standard deviation of 1.24. The respondent are strongly agree with mean scores and standard deviations are 3.38 and.86 respectively. As it can see from table 4.3, lack of managerial skill was, one of the major constraints which hinder growth and survival of MSEs. So from this we can understand that MSEsin fitche town have a lack of good managerial skills. Finance also the other constraint the growth and survival of MSEs in fitche town with mean scores and standard deviations of the respondents are 3.12and1.12 respectively. This shows that the great challenges of MSEs in Fitche town were finance next to managerial skills. Similarly infrastructure unsuitable for their production and comfortable for environment by justifying the means score and standard deviation of the respondents are 3.02 and 1.12 respectively. This indicate that, lack of infrastructure within the town limited the owners of MSEs in fitche town to access raw material, wide market labor force etc.

4.5 Inferential Analyses

According to Sekaran (2000:401), inferential statistics allows to infer from the data through analysis the relationship between two or more variables and how several independent variables might explain the variance in a dependent variable. The inferential statistical methods used were including the Pearson coefficient correlation and multiple linear regression analysis to show the relation and effect of independent variables on dependent variable as shown below.

4.5.1 Pearson Coefficient Correlation

The researcher used Pearson coefficient correlation analysis to examine the degree of relationship between independent variables (finance, managerial skill and infrastructure) and dependent variable (growth and survival of MSEs)

4.5.1.1. Relationship between independent variables and dependent variable

Hypothesis 1

H_0: Finance, managerial skill and infrastructure does not correlate with the growth and survival of MSEs in Fitche town.

Table: 4.4 Correlations of independent variables and dependent variable

		IDV	Growth & survival
Finance, managerial skill and infrastructure	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	115	
Growth and survival	Pearson Correlation	**.746****	1
	Sig. (2-tailed)	.000	
	N	115	115

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

Source: ***Own survey, 2014***

Pearson correlation analysis was applied to assess whether Finance, managerial skill and infrastructure together correlate with growth and survival of MSEs in Fitche town. The result of the study revealed that Finance, managerial skill and infrastructure coordinately positively correlated with growth and survival of MSEs in Fitche town. Table 4.4, describes that Finance, managerial skill and infrastructure together positively and significantly related to growth and survival of MSEs in Fitche town. $r(115) = 0.746$, $p< 0.001$, at 0.01 significance level. Therefore H_0 was rejected since a positive significant relationship exists. This implies that better source of Finance, managerial skill and infrastructure leads to higher growth and survival MSEs in Fitche town.

4.5.1.2 Correlation between Independent Variables and Personnel Retention

Table: 4.5 correlations between independent variables and dependent variable

		Finance	Managerial Skill	Infrastructure	Growth & survival
Finance	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	115			
Managerial skill	Pearson Correlation	**.501****	1		
	Sig. (2-tailed)	.000			
	N	115	115		
Infrastructure	Pearson Correlation	**.412****	**.399****	1	
	Sig. (2-tailed)	.000	.000		
	N	115	115	115	
Growth & survival	Pearson Correlation	**.582****	**.611****	**.579****	
	Sig. (2-tailed)	.000	.000	.000	
	N	115	115	115	115

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

Source: Own survey, 2014

The researcher tests whether there is any relationship between independent variables and dependent variable and table 4.5 shows that there is a significant positive relationship between independent variables and dependent variable. Specifically, there is significant positive correlation between finance and growth and survival $r(115)= 0.582$, $p< 0.001$. Moreover, there is a strong significant positive correlation between managerial skill and growth and survival $r(115)= 0.611$, $p< 0.001$. Similarly infrastructure and growth and survival are significantly positively correlated $r(115)= 0.579$, $p< 0.001$. Lastly, the table reviled that strong significant positive relationship between independent variables and dependent variable.

4.6 Multiple Linear Regression Analysis

The researcher used multiple linear regression Analysis to assess the influence of independent variables (finance, managerial skill and infrastructure) and dependent variable (growth and survival) of MSEs in Fitche town.

According to (Cooper & Schindler, 2008; Zikmund et al., 2010), before a parametric test assumptions of parametric test must be adhered. In line of the assumptionspreliminary analyses were performed to ensure no violation of the assumptions and the result indicates that sample size of the study was in line with $N \geq 50+8\times m$ formula and samples were selected randomly from the population. In addition, the test result of Skewness and Kurtosis indicates the result is below 0.2 and 0.3 it shows that the data is approximately normal. Further the independent variables are not correlate highly with each other, r value of all independent variables are below 0.7. This indicates that multi colinarty doesn't exist in this study. Moreover, the tolerance level of variables is greater than .10 and the variance inflation factors (VIF) is less than 5.0 In this study there is no a value that is extreme for one variable and the combination are logical. Lastly, the data was transformed to factor score (See appendix 3)

Table 4.6 Multiple Linear Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-.617	.369		-1.670	.000
Finance	.462	.127	.336	3.650	.000
Managerial skill	.493	.108	.341	4.548	.000
Infrastructure	.364	.079	.329	4.618	.000

Source: Own survey, 2014

4.6.1 Influence of finance on Growth and Survival of MSEs in Fitche Town

Hypothesis 2

H_0: finance does not influence growth and survival of MSEs in Fitche town

Table 4.6, shows that liner multiple linear regression of finance on growth and survival of MSEs in Fitche town. And the result shows that the influence of finance on growth and survival of MSEs in Fitche town is statistically significant in the model (β=0.462, $p<0.05$).According to Felicity et al. (2013), the beta value is a measure of how strong independent variable influences the dependent variable.

Therefore, the better availability of finance in the MSEs in Fitche town, the more likely that growth and survival will be enhanced. Hence, H_0 was rejected since there is significant and positive effect of influence of finance on growth and survival of MSEs in Fitche town. The result is consistent with the findings of Mehta et al. (2010); Sheryn and Ye (2011); Chan et al. (2012); and Carveret al. (2013) whichfound out influence of finance on growth and survival of MSEs have a significant and positive effect on growth and survival of MSEs. Further, finance can provide opportunity to employee gain experience and skills.

4.6.2 Influence of Managerial skill on Growth and Survival of MSEs in Fitche Town

Hypothesis 3

H_0: Managerial skill does not influence growth and survival of MSEs in Fitche town

Table 4.6 indicates that multiple linear regression of managerial skill on growth and survival of MSEs. And the result revealed the influence of managerial skill on growth and survival of MSEs in fitche town is statistically significant in the model ($\beta=0.493$, $p<0.05$). According to Samprit and Ali (2006),Beta coefficient represents marginal effects of the independent variables on dependent variable. So that, the beta value of managerial skill is 0.493 which indicates that better experience to managerial skill in the MSEs in Fitche townthe more likely that growth and survival of MSEs will be improved. Therefore, H_0 was rejected since there is significant and positive influence of managerial on growth and survival of MSEs in fitche town.

The result of this study is in line with the studies conducted by Jae et al. (2012); Christopher et al. (2012); Angela (2013) and Venu (2014)which revealed that managerial skill had strong positive and significantly influence on growth and survival of MSEs.

4.6.3 Influence of Infrastructure on Growth and Survival of MSEs in Fitche Town

Hypothesis 4

H_0: Infrastructure does not influence on growth and survival of MSEs in Fitche town

Table 4.6 shows multiple linear regression of infrastructure on growth and survival. And the result revealed that the influence of infrastructure on growth and survival of MSEs in fitche town is statistically significant in the model ($\beta=0.364$, $p<0.05$) According to Tazebachew(2011), the beta value is a measure of how strong independent variable affect the dependent variable. So that the beta value of modeling is 0.364 which indicates that better availability of infrastructure in MSEs in Fitche town the more likely that growth and survival will be enhanced. Therefore, H_0 was rejected since there is significant and positive influence of growth and survival of MSEs in Fitche town. This result is similar to Weng et al. (2010); Sekhosana (2011); Chun et al. (2012) and Ayse et al(2013) the study exposed that infrastructure has positive and significant influence on growth and survival of MSEs .

4.6.4 Influence of Independent Variables on Dependent Variable

Table 4.7 Multiple linear regression effect of independent variables on growth and survival

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	R	R^2	F	Sig
		B	Std. Error	Beta						
1	(Constant)	-.617	.369		-1.670	.000	.748	.560	141.421	.000
	IDV	1.289	.108	.748	11.892	.000				

a. Dependent Variable: growth and survival

Source: Own survey, 2014

As a table 4.7 and table of appendix 3 indicates the linear regression of independent variables on growth and survival. Model was valid and statistically significant since (F(3, 114) = 46.997, p< 0.001). The slope of the model (the coefficient of the Constant) is negative or / (.-617) but the regression coefficient of the overall independent variables are positive (β=0.1.289) and statistically significant at α=0.05 (p<0.05). The correlation coefficient (R value) is 0.748. This shows there is a positive statistically significant relationship. The coefficient of determination for this regression model R square is 0.560, this implies that finance; managerial skill and infrastructure jointly represent 56 % predicting power and has the capacity to explain 56% of the variations in dependent variable.

The reduced model of the regression analysis is found as:

Y=-.617+.462x1+.493x2+.364x3+ε or

Y=-.617+.462finance+.493managerial skill+.362infrastructure+ ε

Therefore, the above overall result indicates that independent variables have a positive statistically significant influence on growth and survival of MSEs in Fitche town.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter deals with summary of findings, conclusions and recommendation. Hence, the major findings of the study were analyzed and discussed in chapter four. It gives a way to draw a conclusion.

Finally, a possible recommendation is forwarded for future study.

5.1 Summary of Major Findings

The purpose of this research was to assess factors influencing the growth and survival of MSEs in Fitche town. Therefore, according to the discussion and analysis of data presented under chapter four, the following findings were drawn.

With regard to assess factors that influencing the growth and survival of MSEs in Fitche town, the finding reveled that:

According to the Pearson correlation analysis finance, managerial skill and infrastructure have positive and statistically significant relationship with growth and survival of MSEs in Fitche town.

Multiple linear regression analysis of the research also presented significant results:

Finance has positive and statistically significant influence on growth and survival of MSEs in Fitche town. .

Managerial skill has positive and statistically significant influence on growth and survival of MSEs in Fitche town. .

Infrastructure has positive and statistically significant influence on growth and survival of MSEs in Fitche town.

The correlation coefficient R shows that independent variables jointly have strong relationship with growth and survival of MSEs in Fitche town.

Finance, Managerial skill, and infrastructure mutually predict 56% it shows that independent variables have 56% prediction power growth and survival of MSEs in Fitche town. .

Furthermore, managerial skill has the highest beta coefficient with growth and survival which is 0.493. Secondly, it is followed by finance, which is 0.462. The lowest beta coefficient was infrastructure with growth and survival, which is 0. 364.

5.2 Conclusions

This research is conducted on the factors influencing the growth and survival of MSEs in Fitche town.

In terms of the research objective and hypotheses the finding revealed that: finance, managerial skill and infrastructure have a positive and statistically significant relationship with growth and survival of MSEs in Fitche town.

Finance, managerial skill and infrastructure have positive and statistically significant influence on growth and survival of MSEs in Fitche town.

The finding of this research indicated that providing Finance, Efficient managerial skill infrastructure for micro and small enterprises were leads to higher growth and survival.

Moreover, in this study the result showed that managerial skill has higher positive and statistically significant influence than finance and infrastructure.

Further a deeper, more intense managerial skill enhance an individual's ability, effectiveness, help alleviate work-related problems, evolve into create a strong relationship or/ bond between the manager and the owners then the good relationship between owners and managers contribute for increasing the per capital income of MSEs in fitche town which is the result of growth and survival.

Indeed managerial skill plays a very important role in any organization, and it is said to be the backbone of strategy implementation. In addition, it is the central in nurturing and strengthening of employee competencies.

5.3 Recommendations

The researcher recommends that the MSEs in Fitche town could focus on the influence of factors that affect the growth and survival of MSEs.

As the findings show, the managerial skill has highest positive and statistically significant influence than finance and infrastructure, it is better to emphasize on managerial skill to increase growth and survival of MSEs in fitche town.

The study employed quantitative methods. Therefore, it is suggested that future studies should employ mixed methods i.e. both quantitative and qualitative methods in order to obtain greater insights into the influence of MSEs.

Furthermore, this study only surveyed owners and employees of MSES in fiche town; therefore, the findings cannot be generalized to other organizations. Future researchers may collect samples from different town MSEs Owners and employees and continue to test the assumptions of this research.

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Appendix

Appendix 1

Adama Science and Technology University

School of Business and Economics, Department of Business Management

Dear Respondent:

This is prepared by student Feye Getachew, who is student at Adama Science and Technology University by field of Business Administration. The main purpose of this questionnaire is to get data in order to study factors influence the growth and survival MSEs in Fitche town related to (finance, managerial skill and infrastructure). The result of the study will be significant to give some suggestion and clue how MSEs are grow, survive and it may also help to those who are interested to make further study on the subject. Thus, your free will and cooperation in giving the reliable information is very important. Filling out questionnaire may not take much of your time. Any information provided will only be used for academic purpose. **As a result, it will be kept confidential and utmost anonymity**. Again I guarantee you that your responses will not influence your present and future employment with the enterprise. Thus, the researcher thoughtfully requests you to respond each item carefully.

Instructions:

- ✓ Writing your and enterprise's name is not necessary.
- ✓ Giving more than one response is interested/allowed, if necessary.
- ✓ Please, simply circled or tick (√) on the appropriate answer or give an explanation to open-ended questions.
- ✓ If you need further explanation, you can contact me on through the address shown below.

Feye Getachew

Mobile: +251925862668

Email:getachewfeye@gmail.com

: philiprobson91@yahoo.com

Thank you in advance, for your kind cooperation!

Part – One: General information filled by mentee

1. Educational background of the respondent;

10th grade ☐ Diploma ☐ First Degree ☐ Master Degree ☐

Other, please specify --

2. Gender A) Male ☐ B) Female ☐

3. Yourage status; A) use young for age between 15-30 ☐

B) Adult for age between 31-50 ☐ C) Old for more than 50 ☐

4. How long have you been in micro and small enterprise?

Below 5 years ☐ 5 – 9 years ☐ above 10 years ☐

5. Where did you serve?__________________________________

Part-II

The following set of statements describes your general feelings towards factors influence (finance, managerial skill and infrastructure) on the growth and survival MSEs in fitche town. Please tick the number that most closely reflects your degree of agreement or disagreement with the following statements. There is no right or wrong answers.

Strongly agree(SA)	**Agree(A)**	**Neutral(N)**	**Disagree(D)**	**Strongly disagree(SA)**
5	**4**	**3**	**2**	**1**

Among the five options given below, indicate how accurately the following statements describe the influence of finance, managerial function and infrastructure on growth and survival of MSEs.

No		SA	A	N	D	SD
A	**Financial support**					
	I am satisfied with the financial access given by micro finances and other lending institutions.					
	I have got Financial supports					
	I can borrow money even without titled assets as a collateral					
	Interest rate charged by micro finances and other lending institutions in reasonable					
	I am beneficiary of government incentives					
	The tax levied on my business is reasonable					
B	**Managerial Skill**					
	I have an access to information to exploit business opportunities					
	I have got technical skill training					

	I have got customer service training					
	I have got planning and financial reporting training					
	I have well-rounded experience in basic business activities					
	I took multi- skill training to perform multiple tasks					
C	**Infrastructure**					
	I have access to necessary technologies					
	Adequate infrastructures are available					
	I have got Technology supports					
	I have got Facility and furniture supports					
	I have adequate arrangement of required infrastructures					
	Growth and survival					
	MSEs have change my life					
	I have a capital growth					
	I have returned my loan on time					
	In the future I expect my business will be growth					
	My income is increase per the year					

If you have any please specify
…………………………………………………………………………………………………
…………………………………………………………………………………………………
……………………………………………………………………

Appendix 2

Sample size determination Table

Required Sample Size†

Population Size	Confidence = 95%				Confidence = 99%			
	Margin of Error				Margin of Error			
	5.0%	3.5%	2.5%	1.0%	5.0%	3.5%	2.5%	1.0%
10	10	10	10	10	10	10	10	10
20	19	20	20	20	19	20	20	20
30	28	29	29	30	29	29	30	30
50	44	47	48	50	47	48	49	50
75	63	69	72	74	67	71	73	75
100	80	89	94	99	87	93	96	99
150	108	126	137	148	122	135	142	149
200	[redacted]	160	177	196	154	174	186	198
250	152	190	215	244	182	211	229	246
300	169	217	251	291	207	246	270	295
400	196	265	318	384	250	309	348	391
500	217	306	377	475	285	365	421	485
600	234	340	432	565	315	416	490	579
700	248	370	481	653	341	462	554	672
800	260	396	526	739	363	503	615	763
1,000	278	440	606	906	399	575	727	943
1,200	291	474	674	1067	427	636	827	1119
1,500	306	515	759	1297	460	712	959	1376
2,000	322	563	869	1655	498	808	1141	1785
2,500	333	597	952	1984	524	879	1288	2173

Source: Formula by Israel 2013

Appendix 3

Model summary

Mode l	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.748[a]	.560	.548	.83679

a. Predictors: (Constant), Finance , managerial skill, infrastructure

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	98.725	3	32.908	46.997	.000[b]
	Residual	77.724	111	.700		
	Total	176.449	114			

a. Dependent Variable: growth and survival

b. Predictors: (Constant), Finance, managerial skill, infrastructure

Coefficients[a]

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	-.617	.369		-1.670	.000		
Finance	.462	.127	.336	3.650	.000	.696	1.437
Managerial skill	.493	.108	.341	4.548	.000	.704	1.419
Infrastructure	.364	.079	.329	4.618	.000	.781	1.281

a. Dependent Variable: Growth and survival