Characteristics of Small Businesses in Residential Settlement of Addis Ababa

- The case of Aware Area –

By: Endalk Alemu Taffere

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In partial fulfillment of the requirements for the Degree of Master of Housing and Sustainable Development.

Advisor, Dr.Elias Yitbarek Alemayehu

Co-Advisor . Yonas Alemayehu

Chair for Housing

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Addis Ababa, Ethiopia
EiABC
(Ethiopian Institute of Architecture, Building Construction City Development)
Addis Ababa University

MASTER OF SCIENCE IN HOUSING AND SUSTAINABLE DEVELOPMENT

Characteristics of Small Businesses in Residential Settlement of Addis Ababa, Case of Aware Area

By Endalk Alemu Taffere

Approved by the Examining Board:

_____________________________________         ________________         ________________
Advisor      Signature   Date

_____________________________________         ________________         ________________
External Examiner     Signature   Date

_____________________________________         ________________         ________________
Internal Examiner     Signature   Date
Declaration

I hear by declare that the research entitled “Characteristics of Small Businesses in Residential Settlement: the case of Aware” is my original work.

I, Endalk Alemu Taffere, assert that this research is my own original work that has not been presented for degree or diploma in any other university and all sources of materials used in this research have been duly acknowledged.

Endalk Alemu Taffere

Signature: ______________________

May 2014

EiABC
(Ethiopian Institute of Architecture, Building Construction City Development)

Addis Ababa University

Addis Ababa, Ethiopia
Abstract

The main purpose of this study is to identify the types and characteristics of small business in residential settlements. For this, the researcher focused on spatial characteristics of the market area and socio economic characteristics of small business owners. The primary data are collected from the case study and are analyzed both quantitatively and qualitatively. The secondary data collected from LDP report, magazines, brochures, books, theories, researches are discussed in the literature review. The study took Aware local market area which is located in Arada sub city, as case study to clearly understand the spatial and socio economic characteristics of small businesses in the neighborhoods of Addis Ababa. Thus the study is done by formulating filters to identify the major element in the different type’s small businesses and in depth interviews for the business owners. The main types of small businesses identified in the study area are open markets, home based businesses (HBE), rental shops and small scale enterprises (MSE). The relationship between different types of small business and the socio- economic status (Age, educational status, income status, skill status) of business owners are found to have great impact on the spatial characteristics (size, shape, construction material they use, accessibility) of small businesses and the activity of the small businesses. The main impacts identified are: the lesser the socio economic status of business owners such as: age, educational status, skill status, income per month of the business owners is the lesser the knowledge they have to develop and improve the physical status of the businesses, and vies versa, The lesser their socio economic status is the less they are efficiently performing in the business and vice versa. In addition the study also found the advantages of small businesses in residential settlements as well as on a bigger scale. The major advantages are: Income generation, employment generation, economic sustainability, gender equity, economic development, and entrepreneurship. Thus, If it is done in proper and planned manner small businesses can be a tool for creating stable income distribution between neighborhood residents. But in order to achieve this, small business owners should get the proper financial support, training support and proper space to work and insure the quality of their products and service.

Key Word: - Small business
Acknowledgement

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Abbreviation and local terms

Abbreviation

BSA Business Solution for the South Africa entrepreneur
CIS Corrugated Iron Sheet
CSA Central Satirical Authority
GDP Gross Domestic Product
HBEs Home Based Enterprises
HH House Hold
IFC International Finance Corporation
LDP Local Development Plan
MSME Micro, Small and Medium Enterprises
NGO Non-Governmental Organization
SBA Small Business Administration
SMEs Small and Medium sized Enterprises
SSEs Small Scale Enterprises
TVET Technical and Vocational Education Training
UK United Kingdom
**Local terms**

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<td>A name of a settlement (the study area)</td>
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<td>Birr</td>
<td>Ethiopian currency (currently 1 birr ~ 19-20 $)</td>
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<td>Gebeya</td>
<td>Local market</td>
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<tr>
<td>Gesho</td>
<td>Dried plant used to make local bear</td>
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<td>Gulas</td>
<td>Small open market</td>
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<tr>
<td>Injera</td>
<td>Ethiopian flat bread</td>
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<tr>
<td>Igub</td>
<td>Voluntary local money saving association</td>
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<tr>
<td>Kebele</td>
<td>Local government, the smallest administrative unit</td>
</tr>
<tr>
<td>Kebena</td>
<td>A name of a settlement</td>
</tr>
<tr>
<td>Tella</td>
<td>Traditional alcoholic drink</td>
</tr>
<tr>
<td>Woreda</td>
<td>An old administrative unit, one level higher than kebele</td>
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Chapter One

Introduction

1.1. Background of the study

Small businesses are business practices in which enterprises, employers, and self-employed individuals engage in legal but unregulated activities, while they do not comply with standard business practices, taxation regulations, and/or other business reporting requirements; they are otherwise not engaged in overtly criminal activity (Nkeiru Ezeadichie, 2004).

As many researches shows small businesses have significant importance and thus they are widely spread in so many countries. Sanjay B. Varshney (2009) pointed that, small businesses account for 60 to 70 per cent of jobs, with a particularly large share in Italy and Japan, and a relatively smaller share in the United States. Throughout they also account for a disproportionately large share of new jobs, especially in those countries which have displayed a strong employment record, including the United States and the Netherlands. In UK 4.4 million small and medium-sized businesses (SMEs) are the engine room of the economy, accounting for half of UK employment, 99.7 per cent of all enterprises and half of UK turnover (Ibid). Importantly, small businesses are the primary vehicles for innovation which leads to new jobs, new industries and new wealth for a nation (Doug Richard, 2008).

Similarly, In Ethiopia Small Enterprises and business is the second largest employment-generating sector following agriculture. A National survey conducted by Central Satirical Authority (CSA) in 1997 and covering 48 major towns indicates that nearly 750,000 people are engaged in small businesses (Endalkachew Mulugeta, 2008).

UN report employment generation (2006), stressed that small business have great impact on employment creation income of the poor, and Income enables individuals and households to have access to the basic needs of life, including housing. Income is normally generated through employment, although the type of employment varies widely.

Similarly, small business are also seen as an important force to: generate employment and more equitable income distribution; activate competition; exploit niche markets; enhance productivity and technical change and, through the combination of all of these measures, to stimulate economic development (Endalkachew Mulugeta, 2008).

As UN employment generation report (2006) reviled, most of the urban small businesses are done in residential settlements, the majority of the populations of cities in developing countries is
employed in or derive income through small-scale enterprises and are housed in self-help settlements. These settlements not only provide a place in which to live, they offer income-generating opportunities and an entry point to the urban economy. In addition, (human settlements projects the report of UN, 2006) indicates that improved housing conditions can have serious effects on levels of loan repayments or rents, making them unaffordable to low-income households who are thus forced out of schemes or left worse-off than they were before. Therefore, increasing the earnings of low-income families becomes essential for any shelter development effort to be successful. (UN employment generation report, 2006) discussed the relationship between small businesses and the socio-economic status of the urban poor, in the context of developing human settlements, the location of income-generating activities is extremely important, and the workplace for these activities is more often than not in or around the house. The combination of living and working place is characteristic of small-scale economic activities. This is particularly true where women, who represent a large proportion of small-scale entrepreneurs, have to combine household work with informal economic activities. Integrating employment-generating activities with shelter programs is a promising approach to solving the dual problem of improving both the housing and the economic situation of the poorer sections of society.

As Eshetu Bekele and Zeleke Worku (2008) indicated, women depend on MSEs as a source of livelihood for their survival and entrepreneurial aspiration. Therefore, they are actively engaged and earn their livelihood in small enterprisers where socio-economic conditions like government policies, regulations, owner’s business skills, and availability of finance, appropriate business trainings, and market matter were not adequately available.

Others stresses that there is a good possibility to use small businesses and local economies to create sustainable economic development. Meanwhile, as (Mohamed EL SIOUF, 2010) describes population growth and economic development cause drastic changes in land use in many parts of the world and institutional arrangements need serious reforming to ensure sustainable use of the increasingly scarce land resources.

Also, Michael Shuman (2007) mentioned about Calles for more locally oriented economic development rooted in the needs, and skills of local communities for a sustainable economic development. Similarly the Prince’s Foundation discusses that a mix of uses does much to promote sustainable, interactive and attractive places to live and work. A development incorporating a mix of uses for land and property - business-related as well as residential - creates a community which is diverse, independent and adaptable, and encourages the development of a lively local economy, providing jobs for a good proportion of the people who live there.
In line with the above importance of small businesses this study will assess and identify the characteristics of small businesses found in residential settlements of Addis Ababa, particularly Aware area which is a local market area. This research will analyze the socio-economic characteristic of the business owners, the spatial characteristics of these small businesses in the settlement. In addition it will also analyze relationship between the Aware local market and the settlement around it and its impact on creating economically sustainable neighborhood.

1.2 Statement of the problem

As discussed by Nkeiru Ezeadichie (2013), on average 45 to 50 percent of sub-Saharan Africans live below their national poverty lines, representing a much higher proportion than in any other region of the world. People in sub-Saharan Africa, along with those in South Asia, remain among the poorest on the globe. In addition, he indicated that approximately 47 percent of sub-Saharan Africans live on less than US$1 per day and more than half of them are from East Africa and Nigeria.

Similarly in Ethiopia poverty is widespread and remains a major challenge of sustainable development and stability. It is estimated that close to half of the population in urban and rural areas of the country live in absolute poverty due to lack of economic opportunities, governance crisis, inadequate basic household income, and poor means of survival (Eshetu Bekele & Mammo Muchie, 2009). A study conducted by (The Ethiopian Economic Association, 2004) shows that nearly half of the 71.3 million Ethiopians live below the absolute poverty line, lacking an average income of 1 American dollar per day as a means of acquiring basic necessities of life. Currently 50% of the rural and urban population of the country in the age group between 15 and 30 years is unemployed due to lack of opportunities (Eshetu Bekele & Mammo Muchie, 2009).

While the small businesses have an important force to: generate employment and create more equitable income distribution; activate competition; exploit niche markets; enhance productivity and technical change and, stimulate economic development (Endalkachew Mulugeta, 2008). Furthermore, the importance of small businesses is very significant in both developed and developing countries. The importance of small business can be seen from so many dimensions, like: employment, income generation for households, home for entrepreneurship and creativity, base for sustainable urban development and crating economically sustainable neighborhoods and many others (Nkeiru Ezeadichie 2013).

Unlike its significance, Micro & Small Enterprise Development Program in Ethiopia meaningfully has been given due attention by government very lately since 2004/2005. Of course, in 1996/97
National Micro and Small Enterprise Strategy was developed by the government. However, the degree of recognition to the sector with regards to job creation and the alleviation of abject poverty among impoverished youth and women was not sufficient.

The Aware LDP report (2010) shows that, under the framework of the federal SMEs strategy the Arada sub city administration office has developed strategic program on promoting the small scale enterprises. However, the government officials describes the biggest problem the sub city is facing for implementation of this program is the issue of space and proper planning for the small businesses. As aware is composed of small businesses with a very different spatial and socio economic characteristics, These small businesses have developed a complex interrelation with the neighborhood around it. These businesses are supporting the lives of so many poor households. But due to the unplanned and informal development of the area the existing physical situation of these small businesses is very shanty and visually unattractive. The spaces these businesses are working is not comfortable, and it is below standard this greatly contributed for poor performance of generating income for business owners as well as generate employment for the nearby residents. In addition, due to lack of space the very low support and concern given to this area most of the business owners have not grown financially for so many years, and they are now getting older and being hopeless.

Therefore, by using the following research questions the researcher wants to assess the problems of small business with regard to socio-economic background of business owners and spatial as well as land use patterns in the neighborhood.

1.3 Research Questions

1. What is the relationship between the socio economic status of small business owners and the spatial characteristics of the small businesses?

2. What are the major elements which determine the activity of small businesses in a residential settlement?

3. What are the major reasons that determine the type, shape, size and location of small businesses in residential settlement?

4. What lessons can we draw out from the characteristics of small businesses in old residential settlements of Addis Ababa?
1.4 Objective of the study

General objective

The main purpose of this study is to assess and identifies the characteristics of small business in residential settlements. This means: analyzing small businesses by socio economic characteristics, their types and spatial characteristics. Then analyze different business types with a reference of the relationship between the socio-economic status of business owners and spatial characteristics. Thus, as a result it can be clearly classified how and where a specific social groups living in that residential settlement work and generate income. Which can lead collectively to economically self-sustaining settlement.

Specific objectives

More specifically, this study has the following set of objectives:

✓ Assessing how small businesses are spatially composed with a residential settlement.
✓ Identify the types and differences between small businesses working in a residential settlement.
✓ Identify the suitable shape, size and location of small businesses in a residential settlement.
✓ Identify the relationship between the socio economic status of small business owners and the spatial characteristics of the small businesses.
✓ Point out the major elements which determine the activity of small businesses in a settlement, and identifying the impact of each element by analyzing them by filters.
✓ Identify the limitations of existing small businesses.
✓ Creating economically sustainable neighborhood through small businesses.

1.5 Scope of the study

Among from the complex networks that exist in old residential settlements of Addis Ababa this study focuses on the small businesses which people living in that settlement works to generate income to support their lives. Among from the very many types of small businesses that exist in a settlement this study focuses on the types of businesses that have been permanently engaged in that business, in which they have a permanent place of work and sale. And among the very many dimensions in which small busses can be studied this study focuses on the types, socio economic status of business owners and spatial characteristics. And also among from the many places
where small businesses can be found in Addis Ababa this study focuses on those currently functioning in in Aware are. The selection of this case area will be discussed briefly in the methodology chapter. The final output of this study will be the findings drawn out from the analyzed data and a design based on the findings of the research.

1.6 Significance of the study

At the end of this research, the output will provide useful information for the architects, planners and other concerned bodies. This research will be a witness to show importance of small businesses in a residential settlement and about the additional benefits of small businesses in a settlement. It will also indicate positive contribution to ways of new approaches for planning a settlement from other dimensions. It will contribute to see new ways of generating income for the people living in residential settlements.

1- The study is designed to provide practical details about the importance of small businesses in a residential settlement.

2- The study hopes to come up with workable design and strategies for further improvement by identifying the potentials of small businesses in a neighborhood.

3- It will bring up new ideas of design solution in which we can incorporate small businesses as income generating centers in our future neighborhoods.

4- The study will encourage other researchers as a spring board for further wider coverage and in-depth study in the future.

1.7 Limitations of the study

This research aims to identify the characteristics of small businesses in the residential settlements of Addis Ababa. However, there is lack of organized relevant reference materials available on small businesses of Addis Ababa. From both sides, i.e. the city administration and the business owners. Thus the study is forced to proof the reliability of data by other techniques. In addition the study is unable to find the exact information about the income of business owners, profitability, area they use, the rental price. That is mainly because the business owners were not willing to provide information about their financial status due to fear. In this study it is was also very difficult to find universal definition for small businesses.
1.8 Organization of the paper

The study has five chapters. The first chapter deals with introduction and background of the study, statement of the problem, Research Questions objective of the study, Significance and Scope of the Study, limitation, and Organization of the paper.

**Chapter two** describes the methodology, research design and procedures in administrating the tools about the instruments in collecting the data. In addition, this chapter justifies in what criteria the study site is chosen and why the specific methodology used is chosen.

**Chapter three** deals with the review of related literature, and describes the views and various aspects of small businesses written by different writers. It further assesses the physical, socio-economic, spatial and sustainability issues of small businesses in residential settlements. And also international and the trends in Ethiopia are also discussed briefly.

**Chapter four** describes about the case study, the situation of small businesses in residential settlements. In this part detailed description of the different types of small businesses has been described with text, maps and pictures. In death life story of business owners is also studied in this chapter.

**In Chapter five**, in the data analysis and finding chapter the data collected is analyzed with graphs, texts and maps both qualitatively and quantitatively. With a quantitative analysis the countable data has been analyzed and with the qualitative analysis the descriptive part is analyzed. Then findings are drawn out of the analyzed data.

Then, recommendations of the study is generally presented briefly in Chapter Six, the design proposal based on the findings and recommendation of the study is spatially designed and presented by plans, sections, 3Ds and some text elaborating the design.
Chapter Two

Research Methodology

2.1 Introduction

In this research, the researcher used a case study as a research method. As it is mentioned by Robert K.Yin (2009) the case study method allows investigating and retaining the holistic and meaningful characteristics of real life events such as individual life cycles, small group behavior, organizational and managerial processes, neighborhood change, etc. As he also described, case studies are important to explain the presumed casual links in real life interventions that are too complex for the survey or experimental strategies, and to describe an intervention and the real life context in which it occurred.

*As a research method, a case study is used in many situations, to contribute to our knowledge of individual, group, organizational, social, political and related phenomenon (Robert K.Yin 2009).*

In the research, a case study area is taken at Aware residential settlement found in Addis Ababa, Arada sub city, the researcher intends to understand the characteristics of small businesses which is currently functioning in the settlement. Due to the age of the settlement as well as the business area there have been a complex of relationships built up between the different small businesses themselves as well as the small businesses and the settlement around it. Thus, the first task of the researcher is to decide which elements of this complex system are relevant to the framework of housing. It is crucial because this have a direct impact on the choice of the method to be used. Furthermore, the study will also reveal the spatial characteristics of small businesses in the study area, the contribution of small businesses on creating job opportunity, income generation for the settlement residents and establish economically sustainable residential settlements. In order to understand and study such issues research questions has been used.

According to Robert K.Yin (2009) the importance of differentiating the various research methods is to classify the type of research question being asked. In general “what” questions may either be exploratory (in which case, any of the methods could be used) or about prevalence (in which survey or the analysis of archival records would be favored). “How” and “Why” questions are likely to favor the use of case studies, experiments, or histories. He also mentioned that defining the research question is probably the most important step to be taken in a research study, so it should allow sufficient time for this task. The key is to understand that the research questions have both
substances—for example, what is the study about? And form—for example is it asking a “who,” “what,” “why,” or “how” question.

2.2 Selection of Study area

As mentioned in the Aware LDP report (2010) The Aware settlement is located in the city of Addis Ababa. Arada sub city kebele 15/16, 13/14 and 17. It is an old aged inner city area with active market spaces and different kinds of business activities taking place inside it. Considerable number of people living in this area is low income and they are generating average income less than 500 birr/month (Aware LDP report, 2010).

Therefore, the researcher took Aware local market as a case study area because of the researcher’s detail back ground about the area (has lived for 18 years around the study area), availability of data, and for the reason of market and the settlement integration found in the site.

Fig.2.1 Map showing the composition of small businesses and the settlement around it.

- residential part of aware area
- Aware local market area composed of different small businesses

Fig.2.2 aware local market area
2.3 Research Design
As it is mentioned by Robert K. Yin (2009) Research design is a logical plan for getting from here to there, where here may be defined as the initial set of questions to be answered, and There is some set conclusions (answers). He also concluded that a research design should indicate what data are to be collected in the study’s question, its proportions, and its units of analysis. In addition it shows the researcher what is to be done after a data has been collected and the criteria for interpreting the findings. So in order to show what data to be collected the researcher used socio economic and spatial character as a study mechanism for the research design in such a way that will help to observe, study, analyze and finalize the research.

Research design is a plan that guides the investigator in the process of collecting, analyzing, and interpreting observations. It is a logical model of proof that allows the researcher to draw inferences concerning causal relations among the variables under investigation (Nachmias, 1992).

2.4 Sampling techniques and sample population
In this research the researcher took samples among the different types of small business. From each small business the researcher took life stories which can best describe that business type and can give answer for the filters on the questionnaire.
In selecting the study population, the researcher considered different issues such as level of data source available, reliability and number of total population. As described by Robert K.Yin (2009) the resulting data from sample that is actually surveyed are assumed to reflect the entire universe, with inferential statistics used to establish the confidence intervals for which the representation is presumes accurate.
The researcher took a total of 41 sample populations. Among these 13 are open market business owners, 8 are home based business owners, 12 are from rental shop owners and 8 from small scale enterprise members.
Among the 41 sample interviews detailed life story of one business owners from each type is discussed in the case study chapter. On the life stories, the detailed age, gender educational status and relevant socio economic data is discussed. Other spatial characteristics of the specific business type is discussed. Thus the reliability of this research mainly bases on the life stories because that is more tangible and implementable data than quantitative data.

<table>
<thead>
<tr>
<th>Type of small business</th>
<th>Total population</th>
<th>Interview</th>
<th>Percentage addressed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open Market (Gullit)</td>
<td>40</td>
<td>13 people</td>
<td>35%</td>
</tr>
<tr>
<td>Home based Business</td>
<td>20</td>
<td>8 people</td>
<td>40%</td>
</tr>
<tr>
<td>Rental shops</td>
<td>120</td>
<td>12 people</td>
<td>10%</td>
</tr>
<tr>
<td>Small scale enterprises</td>
<td>33 members</td>
<td>8 people</td>
<td>25%</td>
</tr>
<tr>
<td></td>
<td>213</td>
<td>41</td>
<td></td>
</tr>
</tbody>
</table>

Table 2.1 Sample types of small businesses

As defined by Yin (2009), triangulation is a rationale for using multiple source of evidence. A major strength of case study data collection is the opportunity to use many different sources of evidence. The use of multiple source of evidence in case studies allows an investigator to address a broader range of historical and behavioral issues (ibid).

So for this research percentage addressed is based on reliability of the data triangulation, for open market and home based businesses there is no enough data source from the government, so higher number of percentage is taken. For rental shops and MSE data from kebele is attached on the Annex.

In addition, mixing of these sample populations helps to analyze the characteristics of small businesses in a more detailed manner. So it will be very logical to conclude the appropriate socio economic characteristics, location, size, type and area requirements of small businesses in future neighborhoods.
2.5 Data collection methods

In this study, both qualitative and quantitative methods were employed from selected samples of primary and secondary data sources.

a) Primary data collection

**Interviews**: H.J. Rubin & Rubin (1995), Interviews are essential source of case study information. The information will be guided conversations rather than structured queries. In other words, the questions in a case study interview are likely to be fluid rather than rigid.

Thus in this research interviews were used accordingly to gather real life event stories.

**Questionnaires** through questionnaires, both structured and semi-structured interviews are employed with small business owners and government officials.

**Life story** - life stories of the business owners from each type of business is collected through interview and in-depth discussion with them.

**Direct Observation**: In addition to interviews, the researcher has physically visited the site and activities on the market spaces and workshops, the researcher also conducted detailed analysis of these activities taking place in the order of their appearance. As it is discussed by Robert K.Yin (2009) observation is often useful in providing additional information about the topic being studied. Observation of a neighborhood or an organizational unit adds new dimensions for understanding either the context or the phenomenal unit being studied.

**Pictures**- in this research the researcher have taken pictures to elaborate the spatial characteristics, detail activities taking place and describe how they are taking place. Taking photographs at the case site will help to convey important case characteristics to outside observers (Robert K.Yin 2009).

**New mapping and existing Maps**- In addition to pictures the researcher used different layers of map, to locate the small businesses and market spaces, level of activities, location of respondents and many other description which are important to present. In addition for open markets businesses new mapping have been made based on the site observation since they are not located on the master plan of Addis Ababa.

b) Secondary Data

In the secondary data collection method, different relevant written documents, books, reports, minutes, magazines, brochures, leaflets regarding small businesses and small scale
enterprises and its history have been assessed. In addition, some situations and researches from developing and developed countries on small businesses have been seen.

2.6 Data Analysis Techniques

After the data is collected through primary and secondary data collection system, the researcher analyzed the socio-economic and spatial characteristics of the small businesses by using both qualitatively and quantitatively approach. According to Robert K. Yin (2003) the case study can be on any topic, but it must have used some empirical method and presented some empirical qualitative or quantitative data.

The quantitative data may have been relevant to the case study for the reason that the data may cover the behavior or events that the case study is trying to explain. On the other hand, the qualitative data may be critical in explaining or otherwise testing the case study proposition (Yin 2003). Thus, the data that was collected through interviews and countable data which clarifies the age group, gender status, educational status, skill, income, and benefits of the business owners are analyzed quantitatively by using tables, graphs and percentages. The spatial characteristics which study the size, shape, area, quality, accessibility and visibility of shops are analyzed qualitatively.
Chapter Three

Review of Related Literature

In this part of the research the researcher have referred researches, publications of international organizations, publications of Ethiopian governmental organizations and discussed the general description of small businesses which can clarify the definition, types and characteristics of small businesses, advantage and disadvantage of small businesses, The value of space and location on small business and other channies experiences. These issues are discussed briefly in the following sub-titles.

3.1 Overview of Small Business

Different researchers pointed the concepts and description of small businesses from very different perspectives which can best suite to their contexts of research and the place the small businesses are located. Small businesses can be a vehicle for entrepreneurs introducing new products and processes that change the industry and for people who simply run and own a business for a living (Wennekers and Thurik, 1999). During the first decades of the last century, small businesses were both a vehicle for entrepreneurship and a source of employment and income. Schumpeter (1912) conceived his theory of economic development in this era. Here Schumpeter emphasizes the role of the entrepreneur as prime cause of economic development. Mehralizadeh (1999), Acs and Audretsch (1990) and Carlsson (1992) provide evidence concerning manufacturing industries in countries in varying stages of economic development.

Any discussion of definition should be proceeding by a very clear understanding of the purpose for which the definition is to be used (Harper 1984). Evidently, because definitions of small businesses vary from country to country there could be no global definition (Levsky, 1989). Some writers and organizations have described their definitions as follows: The US Small Business Administration (SBA) qualifiedly defined a small business as one which is independently owned and operated and which is not dominated in its field of operation. For statistical purposes a small business is defined by the SBA as one which employs less than 500 employs (Small Business Review, 1986).

According to Addis Ababa university department of business Education teaching manual (2002): small business, by definition, includes entrepreneurs because most new ventures start small. However, small business is distinguished by the nature of the enterprise or the intention of its owner. The small business person is likely to start a venture that serves a local market with products or services without growth potential (or without the intention of growing).
Small businesses may often be created through legal contracts such as “franchises” that limit the size and scope of commercial activity. These include fat-food outlets, print shops, car dealerships distributor’s retailer’s convenience stores and hundreds more. Small business is a vital sector of the economy and a majority of new existing jobs exist in small businesses (Small Business Review 1986).

It is indicated in the Addis Ababa university department of business and education teaching manual (2002) that many businesses are small by their nature. These include “Personal service firms” such as beauty salons medical practices, interior designers and freelance writers. Others are small by choice such as “family business” in which ownership is retained by family members actively engaged in operating the enterprises are family owned and operated. (ibid) Due to the variations of definitions given to small businesses the name given to these businesses is also different, to mention only a few of these include small business small and medium-size enterprises (SMEs). Small firms, small enterprises, small-scale industries micro enterprises the informal sector cottage and handicrafts, tiny businesses other income-generating activities. The definitions given to SSEs vary country to country and also mean different things to different people even within the same country. This also appears to be true in the case of Ethiopia. This lack of consistent definition has evidently led to confusion and failure to distinguish between one segment and another has significant implications on the structure of interventions and promotional support that could be provided to the sector. Thus based on theses descriptions and definitions of small businesses, in this research small businesses are considered based on the existing situation of the case study area.

3.2. Types and Characteristics of Small business

In this part the descriptions of different writers on the types and characteristics of small businesses are discussed, for example Becker (2004) describes the small business based on “place of work.” four categories were identified: home-based workers; street traders and street vendors; itinerant, seasonal or temporary job workers on building sites or road works; and those in between the streets and home. Some writers also pointed out as follows:

A Home-Based Enterprise: There are two types of home-based workers: industrial outworkers, who carry out work for firms or their intermediaries, and own-account or self–employed home-based workers, who independently produce and sell market-oriented goods or services in their homes (Carr and Chen 2002, Horn 2009).
Similarly Shyam Son (2005) stated that, the common characteristics of Itinerant Retail Traders included all those retail traders who do not possess their own fixed premises. They move from place to place and sell the goods in the process. More important of them are: a) Hawkers and peddlers b) Cheap Jacks c) Market Traders d) Street Traders

Their common characteristics are summarized as follows:

i) They have no fixed premises

ii) They carry very little stock.

iii) They operate with a very small amount of capital

iv) They need not stick to any particular line of business throughout the year.

v) They may operate as regular dealers throughout the year or only during a season.

vi) They can operate with the minimum of the establishment expenses and therefore, sell at prices lower than charged by fixed shop retail traders.

This type of retailers are particularly suited to deal in seasonal products like fruits, vegetables and other perishable goods such as fishes, milk, eggs, etc. They offer very tough competition to the small-scale fixed shop-retail traders.

A. Hawkers and Peddlers: These retailers move from door to door in the residential localities with their wares which they carry either on their heads or in wheeled vehicles. Hawkers carry their goods in wheeled vehicle (usually hand cart) or on back of animals. Peddlers carry them on their heads or backs. Apart from goods seasonal or perishable in nature, they sell goods like pens, readymade garments, toys etc. According to the prospects of sales they go on moving from locality to locality.

B. Cheap Jacks: Cheap jacks are those retailers who do not stick to one place of business. They differ from the hawkers or peddlers in the sense that while hawkers and peddlers do not have any place of business, cheap jacks do hire small shops in residential localities wherein they display their goods. They shift from locality to locality according to the prospects of getting business. Generally they deal in household articles, readymade garments and other low-priced goods.

C. Market Traders: These are retailers who open their shops at different places in different localities on certain fixed days known as "market days". Usually, these traders display their wares in front of the shop when they remain closed at weekends. They may sell their wares in the weekly markets or on occasions.
D. Street Traders: In smaller cities when come across such retailers with their wares spread over a carpet just on the roadside, particularly near picture halls, bus stops, railway stations etc.

The writers Mintzberg (1979) and Julien (2005) summarized the most common character of small business as follows:

- These firms are organizations of “small size”. Referring to the resource-based theory of the firm (Wernerfelt, 1980; Barney, 1991), the quantity of available resources (immaterial, human, technical and financial resources) in these firms is thus small compared to larger firms.

- In most of the cases, the power is centralized in the hands of one entrepreneur: the chief executive or the owner himself (Mintzberg, 1979). Small businesses are thus generally under the preponderant influence of one individual who is at the center of the firm (Mintzberg, 1979; Keats and Bracker, 1988; Julien, 2005): organizational activities largely depend on the personal tastes, experiences and competences of this individual who is able to control other agents within the firm by direct supervision and who is generally responsible for the various aspects of the management of the firm (strategic, commercial, operational, financial aspects, etc.).

- Due to their small size, these organizations are 'structurally simple' in Mintzberg (1979) sense:
  
  (a) There is at most a loose division of labor, a small managerial hierarchy and hardly any formalization of behaviors and activities.

  (b) The strategy is intuitive and/or little formalized.

  (c) The internal and external information-systems are relatively simple. There is no formal and written mechanism to transfer internal or external information: the entrepreneur directly discusses with workers, customers, bankers, etc.

- The firm has less power vis-a-vis customers and competitors compared to larger counterparts. It is thus particularly dependent on its external and evolving environment.
3.3 Advantage and Disadvantage of Small Businesses

Different writers pointed out the advantages and disadvantages of small businesses, some of the advantages discussed are: The small businesses are seen as an important force to: generate employment and more equitable income distribution; activate competition; exploit niche markets; enhance productivity and technical change and, through the combination of all of these measures, to stimulate economic development (Endalkachew Mulugeta, 2008).

Similarly, the development of an efficient private sector in Sub-Saharan Africa has critical importance in the quest to deliver sustainable economic growth and rising living standards in the region (Ramachandran & Shah 1999). In support of an efficient private sector, there are many factors that influence sustained economic growth, including geography, education, access to land and finance, and infrastructure (Bleaney & Nishiyama 2002). On the other hand, through the private sector effective small business has and entrepreneurial activity often been preferred as an important mechanism to promote employment, productivity, and innovation, and hence, progress the economic development of a country (Daniels & Mead 1998; Klapper & Delgado 2007; Spencer & Gomez 2004; van Praag & Versloot 2007).

In addition, the proliferation of small business in Africa, and the shortage of large firms, would suggest that entrepreneurial activity and small business are two sides of the one coin. Indeed, small businesses are widespread in the African commercial landscape. In Sub-Saharan Africa, 80 percent of firms are small (IFC 2006), and employ a considerable proportion of the available adult population. As such, most governments recognize the significance of the small business sector, and consequently place great emphasis on promoting this sector of the economy (Daniels & Mead 1998).

Dennis Lockhart (2011) also indicated that, the workforce development studies show that small businesses account for a larger share of employees on public assistance, and a higher number and share of employees with lower education levels. Assistance to smaller firms may be particularly effective in generating jobs for the hard to employ.

In general, small businesses have a great role in promoting job opportunity, income generation, economic development, and gender equality.

On the other hand, some writers were doubtful on the benefit of small businesses; the significant role small businesses in African economies have been noted by a number of scholars (for example, Ramachandran & Shah 1999). However, although significant, the role has limitations in terms of sustainable economic development, firstly, because it fosters ethnic division, and
secondly, because it encourages the continued spread of small firms unable to exploit economies of scale (Fosu et al. 2001). Consistent with previous studies (for example, Amin 2007; Hansson 2004; Kellow 2007; UNCTAD 2006; UNCTAD 2007; World Bank 2003), in their study has found a number of limitations of small business. These limitations include a lowly educated workforce, widespread corruption of government officials, high inflation, lack of business skills, lack of access to finance, and dysfunctional competitive practices. These issues continue to create an impediment to entrepreneurial activity, and the economic growth of the country.

As Kristiansen et al. (2005) noted in developing countries, the unemployed are attracted to an industry and location by perceptions of the business success of others. Respondents to the present study suggested that this was certain in the case in Ethiopia. Furthermore, a shortage of information about economic alternatives, as well as lack of education and capital, prohibit individuals from engaging in industries with higher entry barriers, and hence, results in dysfunctional competitive practices. Consequently, in Ethiopia, imitative businesses predominate over innovative entrepreneurial activity, and contribute to the shared poverty of the country (Endalkachew Mulugeta, 2008). While small business is often advertised as the mechanism to raise a country from the “poverty trap” (Sachs 2005), in reality, poverty produces a vicious circle that envelops both consumers and suppliers, each securing the poverty of the other.

Similarly, there appears to be a number of enabling conditions that must be present before the small business sector can contribute to the economic development of a country. For example, van Stel et al. (2005) found that entrepreneurship negatively impacted on GDP growth for developing countries. They postulated that, in developing countries, small business owners are confronted with an uneducated workforce, marginal profitability, and low levels of innovation, all of which influence the development of small businesses into large, and envelop the country in a “poverty trap” (ibid).

Thus small businesses have a great advantage if they are utilized properly otherwise they have a great risk of trapping a society in a poverty trap. Whether it is planned or not the existence of small businesses is spontaneous due to the need of the society, thus the government and concerned actors should work jointly for the best utilization of the businesses.
3.4 The value of space and location on small business

The value of working space and the location of where the small businesses are working has a great impact for the activity of the business. As different researchers describes issues like land use patterns, permanent place to work, capital investments, visibility for customers, type of districts, type of business are mainly related with the choice and availability of space and location of small businesses. The location and site selection of small business units is at the core of the integration issue. The locational pattern of the units has influenced the operators’ decisions to select land use configuration and to invest in them. The locational pattern also has a bearing on employment and environment relationships (Yankson, 2000). Perera (1994) also argued that the lack of suitable premises for production and marketing is a fundamental limitation of the growth of small businesses, because such a deficiency inhibits capital investment and the credit worthiness of these enterprises. Hence access to permanent workplaces at suitable locations is essential for capital investment and increased productivity.

According to SBA studies (2004), poor location is among the chief causes of all business failures. The most important consideration for choosing a site for a service business is convenience for customers. Service businesses that deal directly with customers, like nail salons, travel agencies and dry cleaners, do not need to locate in high-rent districts; they just need to be conveniently located on a visible place to their customers. Service businesses that are rarely visited by customers, like TV repair shops and pest control operators, can be farther afield. Furthermore, Tipple (1993) emphasized the importance of location for home based enterprises (HBEs), stating that their roles vary depending on the type of neighborhoods in various developing countries. He argued that petty retail trading and cooked-food production are more prevalent in poor neighborhoods that have less access, transportation, proximity to the formal sector, availability of working capital, or likelihood to be an appropriate production environment.

*In order to achieve optimal integration of business opportunities in low-income residential developments, while avoiding the perpetration of aesthetically offensive alterations, urban planners and other professionals in environmental management need to incorporate small business into their designs (Branea, 2011).*

As stated above the value of space and location have positive contributions for the development of small business in residential settlements or anywhere. And these also have positive impact to the life of the urban poor, in which any urban planner must consider them in any development and planning activities.
3.5 Other Countries experience

Overviewing of different countries experience is important to see the performance of small business, thus in this research different countries experience have been referred. The role of small enterprises is not limited in the developing nations but also plays a major role in the developed countries. The existence of small and micro enterprises in a country is not a sign of back wardens rather countries like Japan, USA, China, Turk, India, Italy and France have a vast number of enterprises. Such enterprises in under developed countries are meant for national consumptions whereas enterprises in the civilized countries are meant for export. The products are supplied to big industries where products could be assembled and made ready for export. Small enterprises which in the developed countries used up to date technologies, quality products and productivity (Addis Ababa bureau of small and microenterprise, 2007). In this research the researcher has described the experience of both developed and developing countries. From developing countries India, Brazil, and South Africa has been taken and from the developed countries USA is taken as an example.

3.5.1. India and Brazil

The small business sector is significantly larger in both Brazil and India. Brazil’s 16 million small and micro enterprises contribute about 20% of Brazil’s GDP and employ 60 million people or 56% of the urban workforce in the formal sector (Brazil’s small business support agency, 2010). There were 5.89 million registered small and micro enterprises and 10.34 million informal small and micro businesses in Brazil in 2008.

<table>
<thead>
<tr>
<th></th>
<th>Brazil (2007)</th>
<th>India (206/07)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total small businesses</td>
<td>16 million</td>
<td>26.1 million</td>
</tr>
<tr>
<td>Registered firms</td>
<td>5.9 million</td>
<td>1.6 million</td>
</tr>
<tr>
<td>Informal businesses</td>
<td>10.4 million</td>
<td>24.6 million</td>
</tr>
<tr>
<td>GDP contribution</td>
<td>20% (micro and small)</td>
<td>8% (only MSEs)</td>
</tr>
<tr>
<td>Percent of the work force</td>
<td>56.1%</td>
<td>90%</td>
</tr>
</tbody>
</table>

Table 3.1. Comparative Statistics on Small Business, Brazil and India

While small businesses have been observed to create the most number of jobs in Brazil and India the average number of people employed in each small business has steadily increased in recent years.
As MSME Ministry’s Annual Report (2010) stated, small and micro enterprises create the most jobs in Brazil. Over a longer time horizon, studies have shown that between 1995 and 2000 96% of new jobs in Brazil were created by enterprises with fewer than 100 employees. The result is that 1.4 million jobs were added in this period (an increase of 26% while large businesses in comparison created less than 30 000 new places, with an increase of only 0.3%). In May 2010 micro and small businesses were responsible for 71.3% of the 298 041 jobs created that month, with micro-businesses of up to four employees contributing 48% of the total jobs created that month and small businesses which employ between 20 and 99 employees being responsible for the creation of 13.8% of new positions.

In India small enterprises are slowly growing in terms of the number of employees they take on. The average number of people employed by small, micro and medium enterprises has increased from 4.48 employees in 2001/02 to 6.24 in 2006/07 (4th All India Census of Micro, Small and Medium Enterprises, 2009)

It is clear that small businesses play a major part in the two economies. Not only do they employ the highest proportion of the workforce in each country, but in at least the example of Brazil create the most number of jobs. It brings home the importance of policies in the two countries to promote small businesses.

3.5.2 California (in USA)

Small businesses are the lifeblood of the economy in the United States. Based on data from the U.S. Census Bureau, the Office of Advocacy at the U.S. Small Business Administration documented that small businesses accounted for over 92% of the net new jobs creation between 1989 and 2003. The smallest among the small businesses (those employing fewer than 20 employees) accounted for 85% of the net new job creation over the same period (U.S. Small Business Administration Office of Advocacy, 2008). In essence, the vast majority of the new jobs created in the economy come from the very small businesses. Of the total 21.8 million jobs created between 1989 and 2003, small businesses under 20 employees created 18.6 million jobs, small businesses with between 20 and 500 employees created 1.5 million jobs, and large businesses and companies (with over 500 employees) created only 1.7 million jobs. Similarly, while small businesses created net new jobs in 12 of those 14 years, large businesses eliminated more jobs than they created in 5 of those 14 years (ibid).

The U.S. Small Business Administration Office of Advocacy (2008) reported that California had 3.4 million small businesses, of which 718,220 are small employers and 2.6 million non-
employers that are mostly sole proprietors. It reported that there are only 5,660 large businesses. While accommodation and food services was the largest small business employer, retail trade was the largest overall employer.

California’s economy cannot grow and prosper unless small businesses are growing and prospering. Since small businesses generate much of the State’s economic activity, purchasing and producing goods and services, almost all of this activity is local and regional. Small businesses generate a very large percentage of the revenue received by State and local governments. They collect sales tax revenue, pay taxes on their profits, and, even more importantly, create taxable personal income for their owners and employees. Small businesses also pay property taxes, permits, licenses, fees, assessments, etc (U.S. Small Business Administration Office of Advocacy 2008).

Small businesses drive economic growth. A study by Bruce, Deskins, Hill, and Rork (2007) shows that the category of small business births–establishment of new firms–is the single largest determinant of employment, and State personal income growth. Similarly, the deaths of small businesses have the opposite effect–with the influence of births and deaths being almost equal. In their study they also finds that small business activity in neighboring States does not have a negative impact on a State’s own rate of economic growth, but in fact, actually increases growth.

3.5.3 South Africa

Across the globe small businesses contribute immensely to world economies. South Africa also needs small businesses. They are, thus, a backbone of South Africa’s economy (Mbonyane, 2006). The developed economies benefited from these businesses to achieve their development. They are usually the majority of businesses in many countries. In South Africa, small businesses constitute over 80% of the business sector (BSA, 2008). At the global level this sector also employs most people among the business sector employees. BSA estimates that as much as 80% of new jobs in world economies are created by small businesses. This makes the small business sector a key player in the economic growth. Locally, over 1.5 million of the self-employed people constitute the small business sector, which is a contribution of about 40% of the total salary (BSA, 2008). Thus, survival of small businesses is a positive factor in the economy.

Bering in mind the literature and overview of some countries experience regarding small business mentioned above which directly or indirectly affects small business in a residential
settlements, the Ethiopian situation in general and Addis Ababa particularly the study site (Aware area) in Arada sub city will be discussed in the following chapter.
Chapter Four

The Case study

In this part of the research the researcher categorized different aspect of the case study into three main parts to make it easy and specific to understand. Thus, the first part of this chapter deals with the general description location, physical situation and socio economic status of the aware residential settlement, since the Aware local market is part of the Aware residential settlement and it serves for the settlement residents. In addition the small business owners are also living in this Aware settlement. The second part discusses the general characteristics of the specific study area "Aware local market" and describes how the different types of small businesses are composed with the neighborhood as well as among each other. Finally, the third part describes the detailed spatial and socio economic characteristics of the four types of small businesses in the study area.

4.1 Physical situation

4.1.1 Location

Aware renewal project area is located at the eastern corner of Arada sub city kebele 15/16, 13/14 and 17. The area is located in a close proximity with the Grand Palace, Prime Minister Office and Federal Parliament. which signifies that the site is located adjacent to high level federal administrative functions . to the north side Minilik hospital is located in close proximity. To the right side “kebena” residential settlement is located. To the south of the settlement the St. Gabriel church is found.

4.1.2 Site description

Fig.4.1 Location map of Aware area
The aware are is one of the dilapidated old settlements of Addis Ababa. Similar to other old settlements of Addis Ababa this neighborhood has developed a very complex social and economic relation with nearby neighborhoods as well as within itself. Among the very many activities held in this settlement the Aware local market is a well-known identity for the area.

### 4.1.3 Existing land use of Aware neighborhood

As per the existing land use survey for the Aware LDP, the lion share of the existing land use is covered by residential areas. Aware local market is located in the neighborhood. The western part is largely service and administration areas, which is occupied by large plots of the federal administrative offices, the churches and the cemeteries. Additionally schools like kindergarten, elementary school and high schools and Holy Trinity College, which are provided by the church administration, are located in the aware area. As per the existing land use the proportion of the road to the area of the settlement is below standard. As well services like school, hospital, playing area, recreational area are below standard.
4.1.4 Existing Road network map

According to the structural plan road network the major street network layout of Aware are Queen Elizabeth Street and Niger Street which are planned as principal Arterial Street 4 and 3 and are designed as 30 meter and 40 meter width consecutively. Lorenzo Tiezaz Street is planned as sub Arterial Street 1 with 25 meter width and Dejazmach Woldegebreil Street is also planned as sub Arterial Street 2 with 20 meter width. Additionally the road linking Prime Minister Office and Dagmawi Minilik Hospital is planned as sub Arterial Street 2 to have 20 meter width. There are also local roads paved with stone and mud with a size <15 meter. The aware market is located on the 10 meter local road paved with stone.
4.1.5 Ownership status description

As per the Aware LDP report describes the ownership status of the houses in the residential residential as well as commercial houses belongs mainly to: Addis Ababa rental housing agency, kebele, municipality and private ownership. The ownership status of the houses greatly contributes to the quality and physiology of the house owners. Especially for small businesses ownership stats of the house affects the performance of the business. In addition if business owners have power over the house they will have the courage to maintain and invest on it for a better income.

Source – Aware LDP report, 2010

Ownership status of Aware area

Fig. 4.4 Longitudinal section of Aware settlement
4.2 Socio economic situation

4.2.1 Population and House hold size

According to the Aware LDP report, the total population of the study area is 5,603. Average household size for the study area is about 5.3 persons per household. The family size ranges from 1 to 16; the maximum family size is 16. According to the report, 15.8 percent of the households have four family sizes, 14.7 percent have five family size, and 13.6 percent and 13.8 percent have six and seven family size, respectively. The majority of the households, therefore, have between four and seven family size.

<table>
<thead>
<tr>
<th>SEX</th>
<th>FREQUENCY</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>2,548</td>
<td>45.5</td>
</tr>
<tr>
<td>Female</td>
<td>3,055</td>
<td>54.5</td>
</tr>
<tr>
<td>Total</td>
<td>5,603</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 4.1. Population and household size

4.2.2 Sex distribution

According to the report, out of the total population of the study area which is 5,603. 2,548 are male and 3,055 are female.

Out of the total of 1,046 household heads assessed in the study area, 504 (48.2%) are male and 542 (51.8%) are female. This indicates that the majority of the household are female headed.
4.2.5 Employment status

According to the report, among the residents of the study area 16.0 percent are government employees; 2.9 percent are NGO; 11 percent are employed in private sector; 26.5 percent unemployed; and 18 percent are pensioned.

In addition the report also pointed out, since considerable amount of the households heads are unemployed it is important to consider creation of employment opportunities in the area.

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Government employee</td>
<td>167</td>
<td>16.0</td>
<td>16.4</td>
<td>16.4</td>
</tr>
<tr>
<td>NGO</td>
<td>30</td>
<td>2.9</td>
<td>2.9</td>
<td>19.3</td>
</tr>
<tr>
<td>Private sector employee</td>
<td>114</td>
<td>10.9</td>
<td>11.2</td>
<td>30.5</td>
</tr>
<tr>
<td>Formal business man</td>
<td>60</td>
<td>5.7</td>
<td>5.9</td>
<td>36.4</td>
</tr>
<tr>
<td>Railway station employee</td>
<td>97</td>
<td>9.3</td>
<td>9.5</td>
<td>45.9</td>
</tr>
<tr>
<td>Vendor</td>
<td>60</td>
<td>5.7</td>
<td>5.9</td>
<td>51.8</td>
</tr>
<tr>
<td>Student</td>
<td>8</td>
<td>.8</td>
<td>.8</td>
<td>52.6</td>
</tr>
<tr>
<td>Unemployed/Housewife</td>
<td>277</td>
<td>26.5</td>
<td>27.2</td>
<td>79.8</td>
</tr>
<tr>
<td>Pensioned</td>
<td>188</td>
<td>18.0</td>
<td>18.4</td>
<td>98.2</td>
</tr>
<tr>
<td>Other</td>
<td>18</td>
<td>1.7</td>
<td>1.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>1019</td>
<td>97.4</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Missing System</td>
<td>27</td>
<td>2.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1046</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source – Aware LDP report

Table 4.3 Employment status

4.2.6 Source of income

Concerning households monthly income, the majority (54.9 percent) of the households have less than 500 birr monthly income, of which 35.6 percent have less than 300 birr monthly income; 23.5 percent have a monthly income from 501 – 1000 birr; only 21.5 percent have more than 1000 birr monthly income. Those with a monthly income of more than 5000 birr are only 2.9 percent.

Generally, 78.4% of the households have a monthly income of less than 1000 birr.

Source – Aware LDP report

Graph 4.4 Source of income
4.2.7 Saving profile

The saving profile of household heads indicates that the majority (45.3 percent) do not save. This poor saving profile may be related to poor income of households or some may not tell their exact saving habit. And in fact, considerable amount (22.2 percent) of them saves in a bank; 6.7 percent save in credit associations and 3.1 percent of them save in *Iquib*.

**15.4. Do you save?**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid No, I don't save</td>
<td>474</td>
<td>45.3</td>
<td>57.9</td>
<td>57.9</td>
</tr>
<tr>
<td>Valid Yes, in bank</td>
<td>232</td>
<td>22.2</td>
<td>28.3</td>
<td>86.2</td>
</tr>
<tr>
<td>Valid Yes, in Saving and credit association</td>
<td>70</td>
<td>6.7</td>
<td>8.5</td>
<td>94.7</td>
</tr>
<tr>
<td>Valid Yes, Iquib</td>
<td>32</td>
<td>3.1</td>
<td>3.9</td>
<td>98.7</td>
</tr>
<tr>
<td>Valid Other</td>
<td>11</td>
<td>1.1</td>
<td>1.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Valid Total</td>
<td>819</td>
<td>78.3</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Missing Sy stem</td>
<td>227</td>
<td>21.7</td>
<td></td>
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</tr>
<tr>
<td>Total</td>
<td>1046</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source – Aware LDP report*

*Table 4.4 Saving profile*

4.3 Description on aware Local market

Based on the interviews and site observations of the researcher, the overall setup of Aware local market area can be described as a complex integration of different types of businesses working in the area. This means there are very different levels of income generation activities where the nearby low-income residents are engaged in. The businesses have a complex relations with each other as well as the settlements surrounding it. The aware local market is linearly arranged along the main asphalt roads as well as along the local road.

*Fig.4.5 Aware local market*
4.3.1 Land use in aware local market area

As it is discussed in the general background part, the land use of aware area is mainly a residential settlement but when we see the land use of the aware local market area it is mixed. In aware local market area the land use on the road sides is commercial. And the residential part is located behind the commercial. In addition small scale enterprises are located dispersed in the area. Some are located at the middle of the commercial part and others are located on open spaces far from the commercial and residential area. The researcher mapped open markets on road sides which are not mapped on the master plan.

Open space in Aware area are found as pocket spaces located on the road sides. These open spaces are currently being used as income generating spaces for the low income residents. The detailed use of these pocket spaces will be discussed with the types of small businesses.

Fig.4.6 Land use map of Aware local market
4.3.2 Activity of the local market

From the observation of the researcher on the site, the general activity of aware local market area can be categorized as an medium active market place. The total activity is the contribution of the different types of small businesses, thus the activity of each types will be mapped under the analysis of each types of small businesses.

Fig.4.7 Activity map of Aware area
4.4 Types of small businesses in aware local market

The aware local market area is a sum of very many types of small businesses varying by their size, shape of the shop, type of service, income level, area of shop, socio-economic status of the business owners, ownership status, age and quality of the shop, quality of service. In this research the different small businesses are categorized into four different based on similar socio-economic backgrounds of small business owners and spatial characteristics of shops.

Fig.4.8 Types of small business in Aware local market
4.4.1 Open markets (*Gullit*)

**Location and General Description**

As one part of the small businesses in Ethiopia, Open market, locally called *Gullit* is a wildly available type of business in old residential settlement of Addis Ababa. As aware area is one of these settlements, open market is wildly seen as a place of selling and buying items in the settlements. As Many of the open market business owners describe, the existence of the aware *gullit* is more than 30 or 40 years.

As it is see from the pictures below, the general characteristics of these *gullit* is:

- They just sell items sitting on the road side.
- They use a very small space (average of 2 X3m)
- They don't have shade or shade with very cheap materials.
- Their customers are people passing by the road.
- The people working on this business are mostly very low income, elders or females and support their family members.

*Fig. 4.9 Picture showing character of open market*
In addition, these open markets are not registered by the government and they do not pay rent for the place they use. They are not even mapped on the master plan, so they are using an open space or a rode as a means of income generation mechanism.

At night times they just cover the items with plastic. And there is a guard which they pay 20 – 30 birr per month.

Items they sell in this business is mostly crops, tomato, cabbage, onions in a very small quantity.

The main reason they chose this area is due to its location. People usually come to this area to access the churches, main roads, and to shop items from the market area.

**Over all setting**

As it is seen in the above picture the researcher took the sample of Ato Abas’s open shop to show the general setting of Gullits. On Gullit the shop owners are usually sitting at the back or middle of the items. The shoppers passing by the road can stand or sit in front of the shop to easily see and choose the items available. Since the space is very small (2m\(^2\) -6m\(^2\)). It is easy for the shop keeper to deliver the items without standing. At the back of the shop keepers they usually store items temporarily.
**Location**

*Gulits* are usually located on both side of the 10 meters wide local road, in a space just front of rental shops. Their location makes it very easy and accessible for shoppers passing by the road. In a normal condition their location might not be comfortable for rental shops but in the case of aware *gebeya* the rental shops are willing about it even they prefer the existence of the *gulit*. This is because they get customers coming to the *gulit*, they say it increases the activity of the area. Due to the existence of the *gullit* people of all income groups living in the settlement comes to buy.

![Fig. 4.11 location map of the of open markets](image)

**Socio-economic characteristics of open market**

The open market (*gullit*) clearly clarifies the concept of small businesses and the people engaged in the small businesses. The socio-economic characteristics of this type are people with very low income status, on an age of 45 – 60, mostly female, and with a very low and educational and skill status but supporting their families by this business. Most of the business owners are living very near to the place they work, this mainly minimizes their daily expenses.
Among the different similar cases, the researcher have taken the case of Wro Meselu to create the general picture of socio economic status of owners of the open market (gullit).

Wro Meselu is a 50 year old lady selling “tella” in aware market area. She is married and has six children. Of which three are under aged. She gets a very low financial support from her children, they are working in daily laborer of local road construction. She is educated up to fourth grade and she have no technical skill to generate income.so she is engaged in this business to support her family and raise her children. She lives in a kebele rental house in 18 kebele area about 500m away from her workplace. She said “it really saves my expense since I am working near by my house, I eat my breakfast at home before I come here and it is very easy for me to eat lunch at home and come bake to work. so I have no transportation cost” She have been working here for 25 years.

She has no rental cost for the market because gullit is not registered by the government and is considered as a temporary business. She says her educational status and age limits her from working a larger business. She describes her business as “small but crucial for my family.”
Spatial characteristics of open market

The physical situation of this gullit is slum or shanty. They don’t have an attractive feature visually, they Usually don’t have shades but if there is it is constructed of very cheap materials like: plastic top cover and plastic side cover. It is constructed by the shop owners themselves. As most of my interviews responded, both the business owners and the shoppers don’t give much concern for the quality, shade, comfort and standard of the shopping area. This is mainly due to the economic and ownership status of the business owners( which will be discussed on the next pat briefly). That they can’t do anything about it and they are not willing to spend any money to upgrade the physical condition of the shop. For the shoppers the main thing they are concerned about is the price of the item and the fact that they can buy a flexible and very small quantity for a very cheap price.

size – the size of these open markets are not clearly defined and varies from one to the other. The average size of the plots is 3 – 8 m². the determination of the size of plot is laze-fair based on deferent factors : the first time they demarked their Owen space, their size of items they have, variety of items and services they have (someone who have wide variety items to sell have a wider size of plot and vice versa), based on mutual understanding between business owners.
Accessibility – In terms of accessibility for shoppers the open market is the most accessible type of shop in aware area. This is due to the distance from the local road is very near and the level difference from the road is almost equal, (just 50 cm more than the level from the road).
Visibility – Their location in aware area creates an excellent visibility for the open markets. Since these open markets are the first thing to see for someone passing by the road. In addition since they usually have no shade around them they can easily be seen by the shoppers. As their name describes visibility is their first aim and that is why they are sitting just on the side of the road.

Fig. 4.17 Activity and visibility of open market

Working time and activity – the working and activity of open market is highly dependent on the activity of the overall market activity of aware area. Thus open market are more active on mornings and evenings rather than the day time. This is because mornings and evenings are the times people are using the road to go to work and go back to home. In addition Due to the hot weather at the day time customers prefer to shop or before after the harsh sun hours.

<table>
<thead>
<tr>
<th>Time</th>
<th>Activity Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morning (1 – 5)</td>
<td>Good activity on week days Very Active on <strong>Wednesdays, Saturdays</strong> and <strong>Sundays</strong>.</td>
</tr>
<tr>
<td>Day (5 – 9)</td>
<td>Low activity on week days but has good activity on <strong>Wednesdays</strong> and Saturdays.</td>
</tr>
<tr>
<td>Night (9 – 1)</td>
<td>Very active on everyday including Saturdays and Sundays.</td>
</tr>
<tr>
<td>Holydays</td>
<td>It is very active on eve of holydays.</td>
</tr>
</tbody>
</table>

*Table 4.5 Working time and activity of open market*
4.4.2 Home Based Businesses

Location and General Description

Home based business is also the other type small business, in the previous times it was the wildly available type of business in old residential settlements of Addis Ababa. People are used to generate income for living by preparing homemade food, drinks, cloth and other products and sell them in their houses. People who are engaged in home based businesses in aware area usually renters of Kebele houses, which are located directly on the main or local road sides. Other than this people living in houses which don’t face road are forced to sell the home made products on road sides like gullit or in rental shops on a nearby location.

As it is seen on the pictures on the pictures, the general characteristics of these home based businesses in aware area is:

- They prepare products in their homes.
- The business is not usually planned. The business owners are with a very low educational status.
- The front part of the house itself is also used as a shop the other part is used as a sleeping and living area.
- They use a very small space for preparing and selling the items.
- Their customers are people passing by the road.
- The people working in this business are mostly very low income, elders or females and support their family members.
In addition, these home based businesses are not registered by the government so they have limited accesses for micro credit. As most of the business owners describe they were initiated to start this business are: due to the conducive market activity of the aware area, the location of the house, it is a very low rent so it has a lesser expense and their skill is all they have to support their families. Items they sell in this business is mostly Homemade *Injera*, Bread, *Tella* (local beer), homemade spices, Shoes repairing, clothes sewing etc…

As *woreda 8 kebele* officials described to upgrade the capacity this home based business the government is organizing the business owners into MSE cooperatives, relocate them, support
them financially and create market linkage for them. But in this research, the researcher took samples which are currently working in their homes to clearly identify the spatial and socio-economic characteristics of home based business. The spatial and socio-economic characteristics of people working in MSE cooperatives will be briefly discussed in type four of the case studies.

**Overall setting** - At it is seen in the house plan the researcher took the sample of W/ro Ayalneshe’s home based business. The overall setting of home based businesses is: items are prepared at the backyard and displayed in the shop, in front the shop part is available and it is accessible for shoppers to buy items without disturbing the other functions of the house. In some cases some items are displayed in front of the house just on the road side to make the items available easy to see for shoppers.

![Setting of W/ro Ayalneshe’s shop and house](image)

**Location** – home based businesses are located apart from one another in aware local market. As the researcher observed from the site there are almost no home based businesses located in a
row next to one another. This is due to two main reasons 1) the availability of space and location. If the house is not located on the road side it is not accessible to start up a home based business so, the location of the house is a reason. 2) Due to the age of business owners and low profitability of the business a lot of home based businesses are closed. Others are getting support from the government and are being relocated to other places as MSE for upgraded and more profitable practices.

Socio-economic characteristics of home based businesses

Similar to the open market (gullit) the home based businesses in aware area can clearly classified to small businesses. As it is briefly discussed in the literature review part many writers described that the character of home based businesses and business owners in other countries like India, china, Kenya, are informal, less educated, with a very less skill. Similarly home based business owners in aware area are: with a very low income status, low educational skill, mostly female, with an age of 45-60, living in kebele rental hose with a very cheap rental price, one or two
employees including the business owners, almost all the business owners of this type don’t know their income and expenses properly (due to the expense also includes living cost for the family), most of the interviewees said that their main advantage in this business is they don’t worry about the place of work because it is almost private, has a very less transport and other expenses. Especially if they are women it will be very easy to control their children and their house as well as the business.

**Among the different similar cases, the researcher have taken the case of Wro Asegedech T/Mariam to create the general picture of socio economic status of the home based business owners.**

**Life Story –** Wro Asegedech T/Mariam is a 57 year old lady engaged in home based business of preparing and selling local beer “Tell, In Aware market area. She is widowed and has one son. She has been living in this house for more than 35 years and she has been working this business for more than 30 years. She is educated up to fourth grade, she has no trained technical skill to generate income so she is engaged in this business to support her family and raise her child. As she described working in her home gave her a great advantage in terms of cost minimization and perform house hold jobs easily. She said “ these days I am getting older and older and also my customers are getting fewer and fewer thus I am planning to change business, I am planning to work in people’s houses as a servant, washing cloths I wish if the government can support me in any way possible”.

![Fig.4.21 picture of Wro Asegedech T/Mariam](image-url)
**Size** – the size of home based businesses mainly depends on the size of the house itself. As it is discussed above the business owners divides the space for living and shop area as a result it will be even smaller than the house the “kebele” registered. Among the interviews for this research the average size of the total house is 15 m² - 30 m². From this area of 5 m² – 8m² is partitioned as shop and the rest area at the back will serve as working, living and sleeping spaces.

![Fig.4.23 Picture showing the size of home based business](image)

**Accessibility** – home based businesses are accessible for the shoppers because the location of the house is on the road side. As the respondents stated customers are usually nearby residents so it wouldn’t be difficult to accesses and buy items from the home based shops. In addition for the accessibility age of the shop and quality of service also has a great effect on the accessibility due to the informal relation build between the customer and the business owners, the shoppers don’t mind to come and buy even if the location is somehow inaccessible.

![Fig.4.24 Accessibility of home based business](image)
Visibility – in most cases in front of home based business the open market (gullit) are located this might minimize the visibility of the in addition it might also be helpful for the home based businesses to have more customers which are easily attracted by the open markets. To increase the visibility the business owners usually changes the front part of the house with metal and glass and also they use a very small space in front of their shop as a display to easily attract customers.

Working time and activity – the working time and activity of home based businesses is highly dependent on the activity of the overall market activity of aware area. Thus home based businesses are more active on mornings and evenings rather than the day time. This is because mornings and evenings are the times people are using the road to go to work and go back to home. In addition Due to the day time temperature customers prefer to shop before after the harsh sun hours.
<table>
<thead>
<tr>
<th>Time</th>
<th>Activity Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morning (1 – 5)</td>
<td>Good activity on week days Very Active on <strong>Wednesdays</strong>, <strong>Saturdays</strong> and <strong>Sundays</strong>.</td>
</tr>
<tr>
<td>Day (5 – 9)</td>
<td>Low activity on week days but has good activity on <strong>Wednesdays</strong> and Saturdays.</td>
</tr>
<tr>
<td>Night (9 – 1)</td>
<td>Very active on everyday including Saturdays and Sundays.</td>
</tr>
<tr>
<td>Holydays</td>
<td>It is very active on eve of holydays.</td>
</tr>
</tbody>
</table>

*Table 4.6 Working time and activity of home based businesses*
4.4.3 Rental shops

**Location and General Description**

Among the very many small businesses used as income generating mechanisms in old residential settlements the most popular type is rental shop business. As the observation and interview of this study shows, rental shops are the major elements in aware market area. They attract a lot of shoppers to the area due to their numerous number and variety of services. Rental shop type of small business is fully initiated and implemented by the business owners. As data from *Keble* shows the ownership type of these shops is mainly rented from private and some shops are *kebele* owned and are registered as commercial. Compared to other types of small business in the study area they pay relatively more rental price especially if it is rented from private owner.

As many of the rental shop business owners describe, the existence of these shops have aged more than 30 or 40 years.

As it is seen from the pictures on the right side, the general characteristics of these rental shops are:

- They are a better organized type of small businesses.
- They use a very small space (average of 3 X4m2) due to the high rental price.
- They are constructed of metal, mud or HCB houses.
- Mainly their customers are people passing by the road.
- The people working in this business are youngsters, mostly have a better income, and have a better educational status.

These rental shops are categorized and registered by the government based on the type of services they have and their income level. Thus, they are legal and registered tax payers.

Among the different services observed on site and the government registered are: bread bakeries, barber shops, shops in different sizes, shoes repairing shops and so many others.
Overall setting – The overall setting of rental shops can be described as houses facing road side and have no connection with the backside of the house. The shops are mostly rented from private owner so there is no relation between the shop and the main house. The shop can only be accessed from the front side through a moveable door. Rental shops are directly next to the road side to make it accessible and visible for shoppers. Shoppers can stand outside the shop and they are served by the shop owner. The rental shops are mostly with a very small size due to the high rental price.

Where are they located? - the very similar locational characteristics of rental shops is, on both sides of PAS road as well as local street, linearly along road side and continuous. Their linear arrangement on the sides of the road creates an effect of active market space. In most cases completely different functions of shops are arranged next to one another. At some locations similar shops are also located as neighboring shops. The shop owners said, the location of different functions creates active area due mixed service.
Characteristics of Small Businesses in Residential Settlements of Addis Ababa 2014

Fig. 4.27 Overall setup of rental shops

Fig. 4.28 Location of Rental Shops in Aware Area

Fig. 4.29 Picture of Rental Shops in Aware Area
Socio-economic characteristics of rental shops

The socio-economic characteristics of rental shops in aware area resemble the concept of small businesses which were discussed in the literature review part. These businesses are usually owned by one person or a family and employees a very small number of workers. In addition, among the business owners interviewed 85% of them are young (age of 20 – 35), actively participating in the business, educated to 10th grade or more, have good technical skills, has relatively less burden in supporting other family members, living in nearby settlements. (2-4km away). They generate a good income from the business, have a better income and expense record. Unlike the other types of small businesses in aware area rental shop owners face risk of profit loss due to the ownership status. They pay relatively more rent if they rent it from private owner.

Among the different similar cases, the researcher have taken the case of Ato Sheferaw Getahun to create the general picture of socio-economic status of the rental shop business owners.

Life story Ato Sheferaw Getahun a 32 year old young man engaged on privat rental shop business. He has been working in these business for 15 years. In this shop he sells soft drinks, house hold items, crops and many others. He is a degree graduate with accounting. He has inherited the shop from his family. From the profit he gets from this shop he supports five family members including him. His mother, two sisters and one brother. He lives at “Kebena” residential settlement area 1km away from aware local market area, as he described the proximity of the house has a very good contribution for the success of the shop as well as to minimize his personal expense. He gets average of 3000 –4000 birr per month and he supports his family with all the profit. He also describes his degree education is very supportive for his business and it made him to take his decisions carefully.

Fig.4.30 Ato Sheferaw’s shop
He said "if I have a comfortable space of shop I would have made the business more profitable and include more services which can attract more customers. But in the current shop I can’t even store valuable items due to the quality of the shop."

**spatial characteristics of rental shops**

**The physical condition** - The physical condition of rental shops compared to other small businesses is relatively with good quality. Rental shops are usually constructed of mud wall at the back, metal and glass window display at front. Due to the small size of the rental shops, business owners make the front side of the shop open to increase their visibility for shoppers. Thus all items available in the rental shops is easily visible for shoppers. As the rental shops business owners describe their shop is comfortable compared to other small businesses in the area because they have a good shade from sun and rain, they can lock their items at night times, and they can keep their items clean from dust. But almost all shop owners complain that their shop doesn’t have storage space and toilet. Business owners points out that, we can’t do nothing about our problems because of the ownership of the house. Business owners who are not comfortable with the existing situation of the shop have only the choice to leave that place rather than upgrading because he is not the owner of the shop.

*Fig.4.31 Picture showing spatial character of rental shop business*
Size – the size of rental shops is an average of 10 - 15 m². The size of rental shops mainly depends on the decision of the house owners. In seeking to more profit house owners subdivides the road side of the house into very small rooms with a very high rental price. The renters will choose from the rental shops available. As a result rental shops are characterized by very small rooms arranged in a row on the sides of the road.

Is it accessible for shoppers? – In terms of accessibility for shoppers similar to open markets, Rental shops are easily accessible type of businesses in aware area. This is due to the distance from the local road is very near, located at the ground level and items available in the shop are easily visible, almost anyone can access any rental shop in aware area.

Visibility – Their location in aware area creates an excellent visibility for the Rental shops. Rental shops easily identifiable by their items displayed in the shop. Sometimes rental shop business owners display some items outside the shop to create an easy visual access for shoppers. It can also be easily observed that the displays outside of their shop is also the common characteristics of rental shops in Aware area.
**Working time and activity** –

In terms of working time rental shop business owners chose the time they want to open their shop. In general Rental shops are usually open at 7pm in the morning and closes at 8 am in the evening. Similar to other businesses in the area rental shops have good activity at mornings and evenings. For rental shops working based on type of skills such as shoe maintenance and tailors the day time is more active than the mornings and evenings.

<table>
<thead>
<tr>
<th>Time</th>
<th>Activity Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morning (7 Pm – 1pm )</td>
<td>Good activity on week days Very Active on <strong>Wednesdays</strong>, <strong>Saturdays</strong> and <strong>Sundays</strong>.</td>
</tr>
<tr>
<td>Day ( 11pm – 3am )</td>
<td>Low activity on week days but has good activity on <strong>Wednesdays</strong> and Saturdays. Good activity for rental shops working based on skills.</td>
</tr>
<tr>
<td>Night ( 3am – 8am )</td>
<td>Very active on everyday including Saturdays and Sundays.</td>
</tr>
<tr>
<td>Holydays</td>
<td>It is very active on eve of holydays.</td>
</tr>
</tbody>
</table>

*Table 4.7 Working time and activity of rental shop*
4.4.4 Small scale enterprises (MSEs)

**Location and General Description**

Small scale enterprises in Aware are small businesses working in cooperatives and are supported by the government small scale enterprises administration office. The members of the cooperatives are mostly young and trained in TVET colleges with metal work, wood work, textile etc. they are with an age of 20-40 and are living in the Aware residential settlement. The working space for the small scale enterprises is arranged by the kebele administration office. They are currently working based on their skill.

As it is see from the pictures below, the general characteristics of these MSEs are:

- MSE doesn’t have common physical characteristics.
- They use a large space average of 50m2 – 200m2
- They have relatively good quality.
- Their projects are awarded from the government.
- The people working this business are mostly very low income, young and support their family members.

The small scale enterprises are registered by the government and they are under a continuous assessment from the government officials. According to the national small scale enterprises program, enterprises are first set up as a very small firms and then after some time they will be upgraded to a medium scale enterprises based on their performance and if they manage to succeed finally they will get support and to be upgraded to a large scale enterprises. Thus the government has a lot of hope on these small scale enterprises to contribute their part to the national economy.
Significant number of women is engaged in small scale enterprises. Among the interviewees of this research women working in food processing small scale enterprises have been addressed. The members of the enterprise are happy about the space and financial support they have gotten from the government and they are striving to change their lives using this opportunity.

**Over all setting** – Small scale enterprises have a very different setting based on the space they have and based on the type of service they are working on. In the above picture the researcher took sample of two small scale enterprises. These enterprises have rectangular workshops where
the office and machineries are kept. As members of these enterprises described, due to the shortage of space they have, even if it is not comfortable they use the open space in front of the workshop. They have constructed plastic shades for protection from sun and rain.

**Location** – Small scale enterprises are located in a dispersed manner in aware settlement and the local market area. This is due to the government is giving them workshops on available open spaces found in the settlement. As the director of Arada Sub City MSE administration described, “We are now locating new small scale enterprises on available open spaces. This is because there is no planned space for small scale enterprises in existing settlement, but now we are constructing a new building at Arat kilo area”. As MSE a cooperative member describes, the building the government constructed is not workable since it is not located in a market area. So they prefer if they can get a space located in the market. They also pointed out that some small scale enterprises have failed due to bad location.

**Socio-economic characteristics of Small scale enterprises**

In general, The socio-economic characteristics of people working in small scale enterprises are people with very low income status, on an age of 20-40, with a good educational and skill status and supporting their families by the profit they get from this business. Similar to the other small business owners most of the business owners are living a very near to the place they work, this
mainly minimizes their daily expenses. They are highly supported from the government starting from formation of cooperative of the MSE to financial support.

Among the different similar cases, the researchers have taken the case of Ato Wabi kedir from Aware wood and metal works enterprises to create the general picture of socio economic status of small business owners of the small scale enterprises.

Ato Wabi Kedir is one of the founding members of Aware wood and metal small scale enterprise. They are currently working on an area of 50m2 and paying 370 birr yearly for land lease. The enterprise has seven members with an average age 27. The enterprise has an age of 8 years, it was started on 1997. EC.

Ato Wabi is a young man with an age of 35 living and working in aware area. He is not married and has completed 12th grade and he was trained wood works skill in TVET College. He supports thee family members including himself from the profit he gets from this business. He lives in Aware area 500m away from the workshop. This helps him to minimize his daily expense.

He gets an average income of 1000 – 2000 birr monthly.as Ato Wabi describes “we are thankful with what we have now but the current working space has so many problems such as: bad location, low quality, area, toilet and storage space. If we have a better space to work I hope we will perform better. Because we have the necessary skill and good work experience. we can get more profit and change our lives in a better way.”

Fig.4.37 Picture of Ato Wabi Kedir and MSE the shop
Spatial characteristics of Small scale enterprises

The physical situation - the physical condition of small scale enterprises workspaces is mostly below standard. They are constructed of wood and corrugated Iron Sheets (CIS). They use a very cheap construction material and cheap construction systems because of many reasons. Such as low standard of the business and cost minimization. The initial capital they have borrowed from the government must be repaid in a fixed time so most of the small scale enterprises prefer to work in houses with poor condition. The special arrangement of in the workshop is unplanned and uncomfortable for working. The holes on the CIS are letting rain water into the workshops. As the small scale enterprise members describes due to the physical condition sometimes finished products are affected by rain water and creates loss for their company. On sunny days the construction material (CIS) increases the room temperature and creates a bad working condition. In addition they have also described the sound they produce in the workshop highly affects the nearby residents. They get a lot of complains every time but they can’t do anything about it. Generally the construction system and materials has contributed for the slum condition of the general aware local market area.

size – the size of small scale enterprise work spaces from place to place and based on the service they give. For meal and wood workshops they have 50 – 70 m2 of working area, for car washing service they have around 150 m2 of compound. For foods and drinks preparation MSE they have around 100 m2 of shop, for leather and shoes production they have around 50 m2 of working space.
Accessibility – In terms of accessibility for shoppers the small scale enterprises are not accessible for shoppers and they are located far from the market area. Even if some of the small scale enterprises need accessibility for their business since there is no space available on the appropriate location they are forced to work on the available location. On the other hand most of the small scale enterprises are not obligated to be accessible because they are working for government projects.
Visibility – Due to the inappropriate location of small scale enterprises most of the MSE are not visible for shoppers. As the researcher interviewed the business owners, they said the poor visibility from shoppers might lead to fail the company. Even if they have projects from the government, if they are visible for shoppers they can get more projects from individuals and will grow the profitability of the enterprise.

Working time and activity

Working time of small scale enterprises is based on the company’s rule of the enterprise. Generally speaking, all workers of the enterprise will start at 8am in the morning and have lunch break at 12am- 1:30pm and works until 5pm in the evening. Workshops are closed after 5pm. As MSE members describes there are times they work overtime even at night times if they have urgent projects. For MSE workshops Sundays are closed

<table>
<thead>
<tr>
<th>Time</th>
<th>Activity Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>(8am – 12am)</td>
<td>Active on Monday - Saturday</td>
</tr>
<tr>
<td>(1:30pm – 5pm)</td>
<td>Lunch Break</td>
</tr>
<tr>
<td>(9 – 1)</td>
<td>Active on Monday - Saturday</td>
</tr>
<tr>
<td>Holydays and Sundays</td>
<td>Closed</td>
</tr>
</tbody>
</table>

Table 4.8 Working time and activity of MSEs
Chapter Five

Data analysis and Findings

5.1 Data analysis

In this part of the research data collected from the case study is analyzed both quantitatively and qualitatively based on the filters. Quantifiable data taken out from the questionnaire are analyzed quantitatively and are described by graphs and tables and text. From the quantitative analysis measurable findings are drawn and are useful to draw quantifiable findings. Data which are obtained from observation, maps, pictures are analyzed qualitatively. As the filters have been used in the case study part to describe the case from different points of views, in this part these filters are used to analyze the socio-economic and spatial characteristics of the four different types of small businesses in aware area. To compare and analyze the socio-economic aspect of the small businesses. The researcher used filters like educational status, skill status, age, gender, income level, additional income and ownership status. To compare and analyze the spatial aspects the filters like location, area of shop, visibility, accessibility, quality of shop, overall compassion of the different business types and security level of the shops have been analyzed in graphs, texts, pictures and maps. Then findings were drawn. In addition, after drawing the findings the researcher have identified the spatial implications of the findings which are the stepping-stones for the design proposal part.

5.1.1 Analysis on the socio economic characteristics of small business in aware area

Educational status and skill status of small business owners

As we can see from the graph below the educational status for the four types is different. The average educational status of Open market and home based business owners is 6th grade, for rental shop business owners is 10th grade and for small scale enterprises is 12th grade. And also, the skill status of the different business owners can be clearly seen from the graph which is: from the ranking out of 10, The skill status of open market and home based busses owners is very low which is 2, and the rank for skill status of rental shop owners is 7 based business type they are engaged in, and the rank for the business owners of small scale enterprises is 9 because most of them are trained in TVET colleges before starting the business.
Gender and Age of the small business owners

In terms of gender proportion and age status of small business owners in aware area it can be easily seen from the graph below, out of the 41 sample interviews the average age status for the open market business owners and home based business owners is 55 years and 50 years old respectively. And the average age status for the rental shop business owners and small scale enterprise owners is 30 years old.
Income per month of the small businesses

Generally speaking open market and home based business owners have a very low income level. On the other hand, people engaged in rental shop and small scale enterprises generate a good income. The low income people working on gullits gets an average monthly income of 500 birr and home based business owner gets average of 700 birr monthly. Whereas rental shop owners gets average monthly profit of 2500 birr and small scale business owners gets average monthly profit of 3000 birr.
Ownership status

Graph 5.5 Ownership status of open market

Graph 5.6 Ownership status of home based business

From the above two graphs we can see the ownership status of the different type of small businesses in Aware area. They have very different characteristics and it has a great impact on the physical characteristic and income of the different types of small business. The ownership status is varied. For ownership status of open markets, out of the 13 person interviewed 12 persons (93%) are using space on the side of the road thus it is categorized as free, 7% is working *gillit* in a *kebele* owned house with rent free. For home based businesses 83% of the interviews are working in *kebele* houses, 9% are working in their relative’s houses and 8% are working in houses rented from private.

Graph 5.7 Ownership status of rental shops

Graph 5.8 Ownership status of small scale enterprises

Ownership status for rental shops, 43% of the shops are *kebele* owned paying 10 – 100birr/month, 36% of them are rental shops from private owners and 26% of the houses are owned by rental agencies.
housing agency. Ownership status for small scale is, 67% is given to the enterprises with a lease policy, 13% is rental from private, 13% owned by rental housing agency and 7% of the interviewed enterprise business owners are working on an open space with a rent free (especially car washing business enterprises).

**Type of the market / composition by business type**

Among the very many types of small businesses in the settlements the researcher categorized them by their spatial characteristics and socio-economic characteristics. When the researcher analyzes the overall composition of small business.

Among the total of 153 small businesses currently functioning in aware area 60 of them are rental shops, 40 of them are open markets, 33 of them are small scale enterprises and 20 of them are home based businesses.

**Spatial implications of their locations**

Where are the interviewed shops located?

Generally small businesses in aware are located in a very interdependent manner. Open markets are located in front of rental shops and home based enterprises are dispersed throughout the local market. MSE are located on previous open spaces of the settlements. The costumers coming to one type of business will also buy items from the other types. And all types of business owners are happy about the composition of the local market. This trend was developed without planning based on the preference of the business owners and availability of space. The location of the businesses implies that if planned properly the small businesses can support lives of so many urban poor residents.
Fig. 5.1 Map showing the different locations of small businesses in Aware area.
In comparing the area of the different small business types, area of the shop has direct relationship with the performance of the business. Because if they have a properly planned area of shop the business owners can have a better and more quality service, as a result they can generate more income. Thus properly planned shops will contribute for creating economically sustainable settlements.

<table>
<thead>
<tr>
<th>Type of small business</th>
<th>Area they Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open market/ Gullit</td>
<td>5 - 8m²</td>
</tr>
<tr>
<td>Home based business</td>
<td>20 – 40m²</td>
</tr>
<tr>
<td>( shop 3 -6m²)</td>
<td></td>
</tr>
<tr>
<td>Rental shops</td>
<td>10 – 20m²</td>
</tr>
<tr>
<td>Small scale enterprises (MSE)</td>
<td>100 – 150m²</td>
</tr>
</tbody>
</table>

Table 5.1 Types and area of small businesses
Spatial implications of Accessibility

Based on the interviews and observation of this study accessibility means different for each type of small businesses. The issue of accessibility is very crucial for home based businesses and open markets due to the type of the service they give. If they cannot manage to be very accessible they can get customers. Whereas for rental shops, if it is somehow not accessible, they can manage to have better customer attraction due to the standard of their service, especially for the rental shops working based on some kind of skills. For MSE business type accessibility is not that much of an issue because their customers are mainly governmental institutions.

Fig. 5.3 spatial implications of accessibility
Comparison and spatial implication on working time

Working time has a great relation with type of small business. In the graph below the researcher ranked the full day out of ten and analyzed the activity of the business types based on time of the day. Thus, open markets are more active at mornings and night rather than the day time, similarly home based businesses are active at mornings and evenings, rental shops are more active at the day time than mornings and evenings. Whereas small scale enterprises perform most of their activity at the day time and have a very limited activity at mornings and evenings.

Activity based on different time intervals

Graph 5.10 Activity based on different time intervals

Quality of the shop

As it is briefly discussed in the case study chapter in this research quality of shop is analyzed by the physical condition and materials they are constructed of. Thus it can be seen that open markets, Home based businesses and MSE has mainly very poor Quality and rental shops have a medium quality of shops. The quality of the shop has a relation with the type of service they give and their income level.
In this research the issue of security has been experienced unlike it was expected. As we can see from the graph the researcher ranked the security level out of ten and the result was most of the business owners are feeling medium or very safe about the area. Open market business owners responding safe and medium have ranked 80%.

Security

In this research the issue of security has been experienced unlike it was expected. As we can see from the graph the researcher ranked the security level out of ten and the result was most of the business owners are feeling medium or very safe about the area. Open market business owners responding safe and medium have ranked 80%.
home based businesses responding safe and medium have ranked 80%, and 90% rental shops and small scale enterprise business owners have responded safe and medium. The reason for this result is that security is handled by the security guards which are paid monthly by the contribution from all small business owners.
5.2 Findings

The main purpose of this research is to study the characteristics of small businesses in the residential settlements of Addis Ababa. Thus, the study has focused on the spatial and socio economic characteristics of small businesses. In addition the overall contribution of small businesses is also discussed. Aware area is taken as a sample to show the characteristics of small businesses in residential settlements of Addis Ababa. As it is seen from the literature review and case study parts of this research we can clearly see the potentials created by small businesses in residential settlements. As different writers described small businesses have great potential for country’s economic development, employment generation, creating equivalent income distribution, economic sustainability, gender equity by promoting women to generate income and promoting entrepreneurship. For these to happen the study analyzed the basic elements that contribute for the existing characteristics of small businesses in the residential settlements of Addis Ababa. As a result It is revealed that the types of businesses, spatial characteristics of the shops and socio-economic characteristics of business owners are the determinant factors for the successful development of small businesses. In addition the major findings of this research are discussed briefly as follows.

Major reasons that determine the Type, size shape, and location of small businesses in a settlement are:

- In generally speaking, the type and size of small business in aware are is determined by the choice, initial capital of the business owner and the type of space available in the market area. As the analysis shows type of business is related to the size and shape of the business. Because for open market and home based business the size and shape is determined by the type of business which is based on the initial capital of the business owner. For rental shops and they have relatively better choice of deciding the type and shape of the place to work.

- In Aware market area location is determined by the availability of space and the business type. For small businesses like rental shops, home based business and open markets being located at the center of the market are is crucial. But workshops small scale enterprises have to be located a bit far from the market area due to their noise pollution.

- The relationship between the socio economic status of small business owners and the spatial characteristics of the small businesses.
✓ The socio economic characteristics of business owners who are living in that settlement and the spatial characteristics of the businesses are highly dependent on one another. As the analysis of this research clearly shows people with old age, low educational stats and low skill stats and low initial capital are working in a small and poorly constructed type of shop. And haven’t grown financially for many years. Whereas business owners who are young and have better skill and educational status are working in a better income generating activity even if they have small initial capital too. Thus it has been found out that giving some kind of skill training and initial capital can create a better income generating households.

- Major elements which determine the activity of small businesses in a residential settlements.

✓ The major elements which determine the activity of small business are clearly identified in the case study and analysis parts. These are mainly categorized into two the spatial situation of the business and socio economic background of the business owner. The spatial elements are: the type location, ownership stats, size of the business are quality of the materials and functions available in the shop( toilet and storage space), in some cases availability of proper display area also affects the activity of the businesses.

✓ The socio economic elements are: Age, Initial capital, educational background and skill status of the business owner. The support they can get from other bodies such as governments and relatives also determines their activity.

- The contribution of small businesses in creating economically sustainable neighborhood.

✓ As the researcher found out from in from the literatures and the case study research if it is handled well small businesses have the capacity of creating economically sustainable neighborhood. If it is done in proper and planned manner small businesses can be a tool for creating stable income distribution between neighborhood residents. People employed and working in the formal businesses will buy house hold items from small business owners thus the urban poor working in small businesses can generate a stable and adequate income to support their families. But in order to achieve these small business owners should get the proper financial and training support and proper space to work to insure the quality of their service.
Lessons we can get from the composition of old residential settlements and small businesses in Aware area

The analysis on the composition of the local market and the settlement shows that the arrangement of small businesses in Aware area is neither mixed nor separated from the settlement around it. As the local market has developed in Aware settlement spontaneously and in unplanned manner it has its own shortcomings and advantages. The advantages we can get are: The local market doesn’t disturb the activity of settlement residents because it is located on major and minor roads only. As well it is very accessible for the neighborhood residents because it is near. And also, due to the spontaneous development the different small businesses are arranged in a row and compact manner. One open market can be located in front of rental shop. They are supportive to one because they have different services and customers. The researcher believes this is something basic one can learn from their composition.
Chapter Six

Recommendation and Design proposal

6.1 Recommendation

At the beginning of this research the researcher identified the main objectives of this research which are: assessing how small businesses are spatially composed with a residential settlement, identify the types and differences between small businesses working in a settlement, identify the suitable shape, size and location of small businesses in a settlement, identify the relationship between the socio economic status of small business owners and the spatial characteristics of the small businesses, point out the major elements which determine the activity of small businesses in a settlement, and identifying the impact of each element by analyzing them by filters. In addition the researcher stated the problems and challenges for the development of small businesses. After the detailed knowledge developed from the related literatures reviewed and the realities of the case study the researcher forwarded recommendations, in addition spatial elements are also designed.

Thus, the proper planning for the integration of small businesses and settlement around it, the proper design for shops and business area. And also, proper policy and support from the government, financial support for the business owners from government and NGOs, continuous technical trainings to upgrade their skills and business linkage with big industries to receive the products of the small businesses can play a major role for successful development of small businesses. Taking this as a base the researcher proposed a market center which can be applied in a residential settlement.
6.2 Implication of Small Businesses

- Small businesses are important at a neighborhood level to a better income distribution between neighborhood residents.
- Different status of age, skill, educational level of urban poor residents can benefit by working in these small business centers located at walking distance.
- Neighborhood residents can buy fresh and good quality household items with chip prices due to the low profit margins of the business owners.
- Neighborhood residents can buy items at a walking distance.
- Competition with business owners same neighborhood and of different neighborhoods can promote quality production and creativity.
- At a city level small businesses can produce smaller components for big industries and contribute for the
### 6.3 Standards

<table>
<thead>
<tr>
<th>Center</th>
<th>Functions to be incorporated in the respective centers</th>
</tr>
</thead>
</table>
| Sub (neighbourhood) Kebele | • Kiosk  
• Small Gulit/open market  
• Public office/club  
• Development association office  
| Kebele | • Kebele Adm.  
• shops-daily consumption  
• Open market  
• Mill  
• Bar, Clubs, Hotel, and Grocery  
• Small scale manufacturing i.e. wood work  
• Post Office, telephone service  
• Development and consultation office  |
| Woreda            | • Administration offices  
• Open markets and covered (modern) shops  
• Sport activity  
• Development association |

- Local Markets can be at Sub-kebele or Kebele level
- **population size**: Can serve to 5,000 – 15,000
- **Area**: Can be placed on 0.5 – 1 hectare of land
- **Functions**: Open Markets, Shops and Small manufacturing and others can be incorporated
- **Building type**: open, semi covered up to G+3
- Advisable on walkable distance

<table>
<thead>
<tr>
<th>No</th>
<th>Market level</th>
<th>Catchment area</th>
<th>Catchment radius (Km)</th>
<th>User size</th>
<th>Population size</th>
<th>Catch. (hectare)</th>
<th>Area (hectare)</th>
<th>Service standard</th>
<th>Building standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Primary</td>
<td>City/national/international</td>
<td>City/national/international</td>
<td>City/national/Inter.</td>
<td>115</td>
<td>450,000-900,000</td>
<td>4 to 6 hectare</td>
<td>High standard wholesale and selective special retail trade.</td>
<td>G+1-G+5 buildings</td>
</tr>
<tr>
<td>2</td>
<td>Secondary</td>
<td>One-trip taxi/mass transport range</td>
<td>5-7</td>
<td>450,000-900,000</td>
<td>4 to 6 hectare</td>
<td>Specialized shops of high-order goods, supermarkets and department stores</td>
<td>G+1-G+3 buildings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Tertiary</td>
<td>Walking distance</td>
<td>1-2</td>
<td>100,000 to 200,000</td>
<td>1 to 2.5 hectare</td>
<td>Mini super markets marketing durable and food items and services, Open and semi-covered market, short distances for frequently purchased items</td>
<td>G+0-G+3 of semi-covered and open markets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Local</td>
<td>Kebele, neighbourhood</td>
<td>0.5-0.75</td>
<td>5,000 to 15,000</td>
<td>0.25-0.5</td>
<td></td>
<td></td>
<td></td>
<td>G+0 of semi-covered and open markets</td>
</tr>
</tbody>
</table>
6.4 Open markets

**Major Considerations**
- Simple construction
- Easily Accessible
- Visible display area
- Located on the road side
- Integrated with other business types

- Lockable Private storage area
- Separate area for each shop
- shaded Main shop
- Concrete shade
- G+0 arranged in a row
6.5 Home based businesses

Major Considerations
- Space for preparation of items
- Easily Accessible
- Visible display area
- Separate from the residential area
- Integrated with other business types

- Separate storage area
- Separate Preparation area
- Located on ground floors
- Open and visible display area
6.6 Rental shops

**Major Considerations**
- Accessible
- Visible display area
- Integrated with other business types
- Total of 10 m² for each shop

- Separate storage area
- Multipurpose shops
- Open and visible display area
- Can be located on ground or 1st floors
6.7 Small Scale Enterprises

Major Considerations
- Suitable workshop
- Defined functional arrangement
- Located in the business area
- Integrated with other business types

- Total of 100 – 150 m²
- Separate office and storage area
- Located on ground and 1st floors
- Separate display area
- Can be used for 15 - 20 workers
6.8 Over all layout of neighborhood business

Major Considerations

- Simple construction
- Very Accessible
- Roads crossing the Business area
- Open markets are located on ground floors.
- Rental shops and home based businesses are mixed together and are located on G+1 buildings.
- MSE are located on ground and 1st floors of one block, locating the workshops at the back side to protect noise pollution.
6.9 Actors and Strategy

**IMPORTANT ACTORS ON SMALL BUSINESS DEVELOPMENT**

- Government
- NGO
- TVET Colleges
- Private business owners
- Neighborhood residents
- Big Industries
- MSE

**IMPLEMENTATION STRATEGY**

- Government is the primary developer to promote small businesses, and can benefit by promoting formal business trends, collect proper tax and fulfill mission of supporting the urban poor.

- NGOs can support this development by mobilizing external financial sources.

- Business owners can be renters and their performance should be assessed continuously by an assigned body.

- Progressively Replacing business owners after 7-10 years of working in the same business, and they should upgrade themselves to a better organized and better income generating business.

- TVET colleges can give trainings for business owners based on their technical interest.

- Government, Private business owners and Neighborhood residents are the major actors.

- TVET Colleges are important actors for giving skilled trainings for the business owners.

- NGO can be an important actor in development of small businesses by supporting them financially, giving trainings for business owners and creating other opportunities.

- Big Industries can be an important actor in developing Small businesses by receiving their products, add value to it and export it.
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Appendix: Questionnaire for Small Business Owners

General questions

1. sub-city: ..............................

2. Name of interviewing area/ sefer: .......................... Day and Time of interview: ............

3. Name: ........................................... Age ...... Sex. ..... 

4. Place of birth: ................................. House No..........Floor.............................

Specific questions

5. Status of people working in shops
   o Educational status
   o Skill status
   o Marital status
   o Do you live in this settlement?
   o Why do you choose to work here?
   o Do you support you family or others from the profit you get from this shop?

6. Level of the market/ Type of the businesses
   o MSEs
   o road side shop
   o Home Based Businesses
   o “Gulit”

What items do you sell or prepare in your shop?
Filters to test the activity of

Small Businesses in Aware Residential Settlement

7 - Location
   o Where is the location of your shop in the settlement?
   o How does the location affect your shop. Either positively or negatively?

8 - Age of the market area
   o How old is this market area?
   o How long have you worked in this shop?
   o Do you think age of the shop affect the income? How?

9 - Area of the shops
   o How much is the area of your shop? Is it enough for your work?
   o What additional functions do you wish to have here?
   o Do you think the area and type of space of the shop affect the income of the shop? How?

10 - Accessibility
o How far is the shop from the residential settlement center?

o The number of roads type of road the shop facing?

11 - Level of Visibility for shoppers

o Is it easily visible from the pedestrian walkway?

o If not, what blocks the visual contact?

o How Does the visual contact have an effect for the costumers coming to your shop?

12 - Quality of the shop

o What is your quality than the nearby similar shops?

o What are the materials from which the shop is constructed of?

o Does the construction material affect the income of your shop?

13 - Working Time

o When, at what time and which days, do you open shop? Why?

o What factors affect the opening hours of your shop?

o Does the location affect the opening hours?
14 - Profit

- How much do you get from this shop per day? Or per month?

- What are the major expenses of your shop?

- How can you maximize your profit in this shop?

15 - Diversity

- What are the major and most common markets in your settlement?

16 – Items or service available

- What items do you have in your shop. why? Why don’t you add more items ? is the problem related with the space you currently have?

- What items do people need to buy usually In this settlement? Why?

- If people don’t buy items here why? Is the problem related with space of the shops?

17 - Density of market. Activity,

- How many people come in an hour?

- What factors affect the number of shoppers in a day?

- How do you classify this market area, Hot, Medium, and Low? Why?
What are the factors that affect the activity of this market area?

18 - Security

- Do you feel safe in this shop? Why?

- Have you ever experienced a robbery in this neighborhood? At what time? How did you manage it?

- How do you classify the safety in this market?

19 - Proportion of the market to the residential settlement

- Do you think this proportion is enough?

20 - Ownership of the shop

- Do you own this shop? How did you get it at first?

- If not, who is the owner of the shop? How much do you monthly pay for rent?