ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMIC

DEPARTMENT OF ACCOUNTING AND FINANCE

"THE IMPACT OF MICROFINANCE SERVICES ON THE GROWTH OF SMALL BUSINESS ENTERPRISES IN JIJIGA AND DEGAHBUR CITIES ADMINISTRATION"

By

ABDI MOHAMED

GSR/9738/09

THS THESIS RESEARCH SUBMITTED TO DEPARTMENT OF ACCOUNTING AND FINANCE IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF A DEGREE OF MASTER OF SCIENCE IN ACCOUNTING AND FINANCE, ADDIS ABABA UNIVERISTY

Advisor: Degefe D. (PhD)

February, 2019

ACKNOWLEDGEMENTS

This project has been possible due to the cooperation and contribution of many individuals to whom I wish to acknowledge my indebtedness for their assistance. Many people helped me in the course of making this study a reality. Mentioning each person would be an endless task. It is however necessary to mention some who really need to be mentioned for the great work they did to me.

I take this opportunity to offer a deep sense of gratitude to my almighty Allah and hearty appreciations and sincere thanks to my beloved Mother. It’s for your love, sacrifices and efforts that I have made it to this level.

I am deeply indebted to my advisor **Dr. DegefeDuressa (Ph.D)** for his continued guidance and assistance throughout this long thesis work. His contribution to this work is most sincerely appreciated.

Many thanks to the managers, staff and members of Somali Microfinance Institutions as well as the small business enterprises in Jijiga and Degahbur cities administration for providing this study with the required data.

Lastly, I acknowledge strong collaboration of my friends, colleagues and classmates of MSc Accounting and Finance in Addis Ababa University.

Above all, my gratitude goes to the Almighty Allah for bringing me this far.

DECLARATION

I,Abdi Mohamed declared that this research thesis entitled **“the impact of Microfinance Services on the Growth of Small Business in Jijiga and Degahbur cities Administration”** in the partial fulfillment of the requirement MSc degree in Accounting and Finance is my original work and has never been presented for award of any degree in any other university.

Declared by: Confirmed By:

Abdi Mohamed Muhumed **Advisor’s Name: Degefa D (Ph D)**

Signed…………………………. Signed………………………….

Date…………………………….Date…………………………….

CERTIFICATION
ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATED STUDIES

This is to certify that the thesis organized by Abdi Mohamed which is entitled by The Impact of Microfinance services on the growth of SBEs in Jiiiga and Degahbur cities administration and submitted in partial fulfillment of the requirements of degree MSs in Accounting and Finance complies with regulation of the university and meets the accepted standards with the respect to originality and quality.

Signed by the Examining Committee

Advisor: Degefa D (Ph D) Signature____________ Date____________

Examiner 1: Signature___________Date______________

Examiner 2: Signature____________Date_____________

____

Chair of Department of Graduated program Coordinator

ACRONYMS AND ABBREVIATIONS

ANOVA:	Analysis of Variance
IGA:	Income Generating Activity
ISSP:	International Social Survey Program
MFI:	Micro Finance Institution
MSEs:	Micro Small Enterprises
NGOs:	Non Governmental Organizations
SBEs:	Small Business Enterprises
SMFI:	Somali Micro Finance Institution
SMFISC:	Somali Micro Finance Institution Share Company
SHG:	Self Help Group
SPSS:	Statistical Package for Social Science

Contents

ABSTRACT

This study has investigated the relationship between the microfinance services and the growths of small business enterprises as well as to analyze the microfinance services have significant ability and positive impacts.This study adopted an explanatory method that aimed at finding the impact of MFIs services on the growth of SBEs to identify the extent cause and effect relationship of variables. The study adopted cross-sectional survey research was applied with total population of **9180** registered Jijiga and Degahbur cities, simple random sampling was applied to select **154.**Only **146** respondents were appropriately completed questionnaire. This study used by both primary and secondary source of data with the research approach of qualitative and quantitative approaches. The Adjusted R squared of the findings as shown that with the value of**0.52** an indication that there was variation of **52%**explained the growth small business enterprises due to changes in Collateral, Loan interest, Insurance services, Business Idea Generating, Age Group, educational level, Saving service, Loan Term, Loan repayment, Loan Size, Training program, Advisory services provided by MFIs at **95%** confidence interval. R is the correlation coefficient which shows the relationship between the study variables. From the findings shown in the table below there was a strong positive relationship between the study variables as shown by **0.748**.The research concludes that After discussing with respondents about the involvement of microfinance to the growth of small business enterprises in Jijiga andDegahbur and presenting the collected data in the form of description, percentages, statistical tables and frequency distribution, discovered that the big number of the respondents confirmed that microfinance institution services had impact on the growth of small business enterprises.All variables confirmed MFIs services most important of the growth of small business enterprises in Jijiga and Degahbur cities and the investigation shows that most SBEs confirmed that microfinance services improved their growth of small business enterprise. SMFIs should note that their services are improving the growth small business of most of the enterprise but put in place strategies to market their service more aggressively. The researcher recommended Microfinance, particularly Somali microfinance should be encouraged increasing their loans size and training to SBEs workers. This can be achieved from side to side comforting the conditions of granting loan, flexible repayment period, understandable term of agreement, reduction in the rate of interest and awareness through routine training and programs and more supervision. Further future research is recommended by including more variables other than those included this research like government policy and regulation, level of employment accessibility and availability of infrastructures.

Key words: Microfinance, growth, small business enterprises

CHAPTER ONE

1. Introduction

1.1. Background of the study

The use of microfinance organization can be traced since the early 1700's when the financial organizations used to small loan to the rural community. The microfinance illustrates that in 1846 German evidenced the use of microfinance institutions (MFIs) to help the local farmers of the community. Later in 1974, professor Mohamed Yunis from Bangladesh established the world first microfinance institution (MFI) named "grameen bank" which empowering the women and bring about the sustainable operation of microfinance. The concept was popularized by the self help groups(SHG) as loans were provided to the group and not to individuals (stenzen, 2009).

Providers of microfinance play a vital role in the economic development of many developing countries. Since it's become popular 1990s, microfinance has endeavored to develop sustainable enterprises and its innovations have been replicated from country to country, each time with renewed enthusiasm and innovation leading to international best practices that have benefited and guided the practice of microfinance credit (Rhyne, 2001).

These institutions are those that provide saving and credit services for small and medium size enterprises. They mobilize rural savings, deposits and agricultural fares so as to encourage these entrepreneurs and have simple and straight forward procedures that originate from local cultures and are easily understood by the population (Germinis et al., 1991)

The establishment of SBEs makes employment but these enterprises cannot stay alive for long if they do not have access to enough capital as a result they are bound to die after a short although causing those who gained job positions to lose them and even go not as good as than how they were when they do not have sufficient support from government and financial institutions.

Researcher has viewed microfinance service in different scope. Microfinance institution service offers people new opportunities by helping them to get and protected finances so as to equalize the chances and make them responsible for their own future.

The concept of small business enterprise may be varying from one country to another country. Depending the service and scope of the activities covered by them and the amount of capital required to finance their business operation.

In the folder of Ethiopia a proclamation No.40/1996 which offers for the establishment of microfinance institutions, was subjected in July 1996. Even though the development of microfinance institutions in Ethiopia started recently the microfinance institutions have shown a notable growth in terms of outreach.

According to Peck and W/Yohannes (2009) much of eagerness behind microfinance is driven by its potential to help poor people, better manage their financial resources, take on new economic opportunities, mitigate everyday risk, decrease vulnerability and enhancement condition.

Microfinance has unwritten as causative not only to poverty reduction and financial resource management and sustainability and increase small business of the country their capital and reducing the unemployment rate, increasing gross domestic product, but also to a series of economic development, increased well being, social political empowerment for women by the addressing the goal of the gender equality(Getaneh 2015).

Today in our country there are a lot of different microfinance institutions that are targeted poor in terms of both financial and non-financial services. Somali microfinance institution share company (SMFISC) is one of the Ethiopian microfinance institutionswhich formed and established by the Somali regional state and other stockholders that are licensed on January 31, 2011 by the National Bank of Ethiopia according to proclamation No.626/2009. It's the main objective of the Somali microfinance institution is to offer financing and saving service to the active poor both rural and urban, support self-employment and income generating activities, promote rural and urban micro and small enterprises and improve the culture of the savings by wider public of the region (Muluken and Mesfin 2014).

1.2. Statement of the problem

It is a well-knowntruth that most of the formal banking institutions do not prioritize doing business with individuals and small business customers since they believe them to be high-risk clients. SBEs are considered high-risk businesses because they lack the necessary collateral to supply as a security for loans and the loan process is costly because applicants that are mandatory for the relatively larger loan requests made by middle and hugelevel firms. This has been a major problem to SBEs and as such has it difficult in getting enough support to operate and as a result depend on personal savings and support from family and friends. Also at times is hard to find.

The growths of the small businesses have always challenges in investing in business due to lack of capital, financial management skill, good understanding about the business idea. Lack of financial resource is one of the major problems facing growing small business. The provision of the financial service the small business has increased through microfinance institutions in short period of time in Ethiopia (Wolday, 2003).

One of the issues raised by researchers is that, it has not been satisfactorily or significantly evaluated in relation to its impact (Meehan, 1999). Impact assessment can be used to develop services, increasing impact on growth and microfinance institution efficiency, to support good customer service and accountability and to provide accountability to donors and other external stakeholders (SEEP, 2001). If the involvement is anticipated to existence of small business, it is important to know the degree to which small business use existing services and on what terms they used. The results of few case studies indicated that access to finance could increase the growth of small business. Very limited researches towards improving the financial sector have been observed (Wolday, 2003). Even these limited researches are more concentrated on institutional sustainability rather than client impact on sustainability. There are number of studies examining the impact of microfinance services on differently, examining how the availability of microfinance influences households, borrowers from informal sources in the village economic using at unique household level panel data, set spanning more than two decades. This impact of microfinance is measured in terms of the sales volume and increase of capital. Also determine whether microfinance services have helped to get better the existence and expansion of small business and future investment, increase capacity and better able to arrangement with privilegedresources. Thus, studying the impact of microfinance services participation is important to evaluate business and most of impact studies were concentrated with the contribution of microfinance services to individuals, households or livelihood. And this research would focus on the show of small business enterprise measuring growth of sales and total assets. Though there are researches conducted different part of world and this will be differing by looking performance for the growth of small business enterprises(performance of small business can be measured in terms of volume of sales volume, Profit, capital and total assets and overall of live conditions of business and expansion of investment).

SMFI has not undertaken any impact assessment study to understand or evaluate whether or not there is relationship in the microfinance services and of the growth of small business. To fill the identified gap this thesis research could try to examine the extent to which the possible growth and performance of small business enterprises is connected with receiving services of microfinance. This particular study attempted to assess the impact of microfinance service on growth of small business by taking a case study of SMFI.

The important of the thesis conclusion the researcher focused on the impact of microfinance services by looking different dimension for by the relationship between services of the microfinance institution and the growth of small business in Jigjiga and Degehbur cities administration towns but the previous researches couldn't cover clients and all together of services of the microfinance and the researcher had looked clients section and together with all services of the microfinance institution provides.

1.3. Research Objectives

1.3.1. General Objective

The main general objective of this research is to investigate and examine the impact of microfinance services on the growth of the small business in specifically Jigjigaand Degehbur towns in Somali Region.

1.3.2. Specific objectives

The specific objective of this study would be following:

1. To examine the relationship betweenmicrofinance services and small business enterprises growth.
2. To analysis the microfinance services have significant abilityand positive impacts to influence small business enterprises growth.

1.4. Research Questions

The research questions of this study that the researcher want to answer after data collection will be the following stated below:

1. Is there any relationship between microfinance services and small business enterprises growth?
2. Does a microfinance service have significant ability to influence small business enterprises growth?

1.5. Significance of the Study

This study would provide valuable information to all stakeholders; the information could be useful in different ways. First, the study would contribute to the body of knowledge on the impact of microfinance services on the growth of small business enterprises. Secondly, this study intended to emphasize on the relationship between microfinance services and growth of small business enterprise particularly with the focus on their growth of small business enterprises for total sales turnover both user of the services and policy makers in government, agencies and NGOs. This could help them to come out with the best alternative policy interventions which might help to address problems and challenges which small business enterprises face. However, this study could also contribute in the information gap by looking the socio-economic impact of Somali microfinance institution for the only of these two places. And research findings would be communicated with respected stakeholders, policy makers, and also Somali Microfinance Institution of the Somali Region.

1.6. Scope of the study

Somali Microfinance is one the member of Ethiopian microfinance institution with its main objective of providing financial services to the poor which cannot be done by macro financial institutions and as such helping in improving the living condition of the community of region and poverty alleviation and alleviating poverty. For this reason, the research was limited to activities in the Jigjiga and Degahbur cities administration of the Somali region due to the possibility of my accessibility and services providing microfinance that the previous researchers look microfinance institutions while the researcher focuses on overall services of microfinance and not only credit and saving.

1.7. Limitation of the study

This study was limited to the small businesses who are participating in Somali micro financing program. It only focuses on one MFI and very limited sample size. Therefore, it may not have a strong scientific justification and representativeness to generalize about the impact of MFIs on growth of small business the other small business of the Somali Region and the entire country.
Due to absence of a baseline survey before the implementation of the program, respondents may not recall the situations before taking services properly.

CHAPTER TWO

2. LITERATURE REVIEW

2.1. Introduction

Microfinance, according to Otero (1999) is the provision of financial services to low-income poor and very poor self-employed people”. This section consists of discussing the various services provided by microfinance institutions and their impact to the growth of small business enterprises. Microfinance is defined as a development tool that grants or provides financial services and products such as very small loans, savings, micro-leasing, micro-insurance and money transfer to assist the very or exceptionally poor in expanding or establishing their businesses. It is mostly used in developing economies where SBEs do not have access to other sources of financial assistance (Robinson, 1998).

2.1.1. Service provided by Microfinance Institutions

As stated by Ledgerwood (1999), the services provided by Microfinance Institutions can be categorized into four broad different categories:

1. The first is financial intermediation which consists of the provision of financial products and services such as savings, credit, insurance, credit cards, and payment systems should not require ongoing subsidies.
2. The second is Social intermediation, the process of building human and social capital needed by sustainable financial intermediation for the poor. Subsidies should be eliminated but social intermediation may require subsidies for a longer period than financial intermediation.
3. The third is enterprise development services or non financial services that assist micro entrepreneurs include skills development, business training, marketing and technology services, and subsector analysis.
4. The fourth consist of Social services or non financial services that focus on advancing the welfare of micro entrepreneurs and this include education, health, nutrition, and literacy training.

Among these services as added by Ledgerwood (1999) the major ones are savings and credit. That is why the following sub-sections concerns the discussion of savings and credits as the major services provided by microfinance insitutions and their impact to the growth of small business enterprises.

2.1.1.1. Saving and growth of small business enterprises (SBEs)

Savings can be defined as the sacrificing of current consumption so as to increase the availability of resources for future consumption. It can also be defined as the part of a member's income that has not been spent but rather stored for future use or invested in Income Generating Activities (IGA) so that it can earn more income in the future. It is a sacrifice because it teaches people to lower today's expenses and to withhold valuable resource for future needs instead of consuming immediately. It also teaches people to think on starting a new business or expanding existing ones (Murekezi 2007).

According to MINECOFIN (2008) saving for the future is one of the ways that people can improve on their livelihood. Savings products can broadly be classified into three namely; Compulsory savings products, Voluntary savings products, and Contractual savings products:

A. ***Compulsory Saving*****:** These are funds that must be paid by all members as a condition of membership and in some instances to access credit (loans). Compulsory savings can be considered as part of a loan product rather than actual savings product since they are closely tied to receiving and repaying loans. Compulsory saving is a saving that a member is forced to make on regular basis.

B. ***Voluntary Saving*****:** Voluntary savings are savings, not for access to credit, but for the sake of saving. These are not an obligatory part of accessing credit services. They are provided by both the borrowers and non borrowers who can deposit or withdrawal according to their needs.

C. ***Contract Saving*****:** These are the kind of saving accounts were by the person saves to meet a particular goal. These include: School fees savings accounts; Target Savings Accounts; Fixed Deposit Accounts (AMIR, 2010).

Generally, savings minimizes risks because the members keep their savings safe from theft; and give to the growth of Small Business Enterprises by allowing the entrepreneurs to deposit small, variable amounts frequently and access larger sums in the short, medium, or long term which would enable them to expand their current businesses. According to Olivares and Santos (2009) “there is no place that net saving can go but to finance investment”.

2.1.1.2. Credit and Growth of Small Business Enterprises (SBEs)

According to Logemann (2012), Credit is the trust which allows one party to provide resources to another party where that second party does not reimburse the first party immediately, but instead arranges either to repay or return those resources at a later date. The resources provided may be financial, or they may consist of goods or services. Credit encompasses any form of deferred payment. Credit is extended by a creditor, also known as a lender, to a debtor, also known as a borrower.

Credit service is one of the most important services provided by microfinance institution. Loans are structured based on client demand, capabilities of the provider, and risk management requirement (to ensure repayment). According to Churchill (2011), the core components of a loan are size, term, repayment terms, lending methodology, collateral or security and pricing.

Loan sizes vary depending on need and can be low from a community based provider to upwards for an in individual business loan or housing loan. Loan sizes can increase over time based on clientsneeds; debt capacity, and credit history, loans should not increase simply as function of continued borrowing.

Loan term refers to the length of time the loan is intended to be outstanding. Most microfinance loan term range from three months to one year, although terms can be up to three years or longer. Group loans tend to have short maturities given they are normally small and sometimes provided to clients without a credit history.

Repayment terms affect the credit risk, transaction costs, and accessibility of loan products. Loans are usually designed to be repaid in periodic (often equal) installments over the loan term or at the end as lump sum, ideally matched to the borrowers’ cash flows. Loan payments (usually comprising principal plus interest but can be interest only if the principal is paid all at the end) can be made in weekly, biweekly, or monthly installments depending on the loan structure, or can be lump sum payment at the end of the term.

Lending methodology: Lending methodologies differ with respect to whether loans are made to group or to individuals and in some cases whether they must adhere to Islamic banking principles.

***Group lending*:** group based approach lend to the group itself as one loan, to individuals who are members of a group, or to a groups who then on lend individually to the members. Group lending reduces transaction costs and risks to providers and often facilitates greater access to financial services for those who are difficult and expensive to reach, including remote, rural populations, those with low debt capacity, and those who have no collateral or credit history. The group mechanism effectively shifts the bulk of the responsibility for screening, monitoring, and enforcement from the provider to borrowers and thus some of the costs.

***Individual lending*:** Loan approvals and amounts are based on applicant's eligibility and debt capacity, which in turn are dependent upon a number of factors, including personal and business characteristics, for example age, gender, or reputation, sources and amount of income, age of business (if applicable), cash follow, and available collateral.

Islamic lending: according to Karim (2008), Islamic financial principles strictly prohibit giving or receiving any fixed, predetermined rate of return on financial transaction. Because Islamic law forbid gains on lending money, Islamic loans are often treated more like equity than debt with lenders considered investors rather than creditors; Other Islamic banking principles state that (1) all financial transaction must be linked to a "real" economic activity involving tangible assets and (2) funds may not be invested in activities inconsistent with Sharia (alcohol, pork, or gambling). There are various types of Islamic microfinance lending contracts such as Mudaraba which is trustee financing in which one party provides funding while the other party provides the managerial expertise in managing the business, and they share in the profit or loss.

***Loan collateral*:** low income clients often have minimal assets to pledge for loans, property, land, machinery, and other capital assets are often not available. Because of this, collateral are used to reduce the risk to the lender.

***Loan pricing*:** according to Ledgerwood (1998), for community based lenders who have minimal if any costs, the price for loans is usually set based on demand and supply; If the price is set too high, there will be little demand and therefore minimal returns, if it is set too low, demand will exceed supply.

Credit accessibility gives to the growth of small business enterprises as it is the main way of getting capital. As revealed by (Maragia 2008), entrepreneurs with access to credit or financial assistance are likely to perform well in their venture than those who lack such support.

2.2. Theory of Financial Intermediaries

Traditional theories of intermediation are based on the transaction costs, and asymmetric information (Diamond &Dybvig, 1983). They are designed to account for institutions which take deposits or issue insurance policies and channel funds to firms. However, in the recent decades there have been significant changes. Although transactions costs and symmetric information have declined, financial intermediation has increased. The information asymmetries generate market imperfections, i.e. deviations from the neoclassical framework. Many of these imperfections lead to specific forms of transaction costs. Financial intermediaries appear to overcome these costs, at least partially. They show that these intermediary coalitions can achieve economies of scale and also act as delegated monitors on behalf of ultimate savers, monitoring will involve increased returns to scale, which implies that specialization may be attractive.

The relevant transaction costs consist of search, verification, monitoring and enforcement costs (Benson & Smith, 1976). The financial intermediaries act as coalitions of the individual lenders or borrowers who exploit economies of scale or scope in the transaction technology. The role of the financial intermediaries is to transform particular financial claims into other types claims called qualitative asset transformation. The provision of liquidity is aninput function for savers and investors and increasingly for corporate customers. Financial intermediaries are active because market imperfections prevent savers and investors from trading directly with each other in an optimal way.

2.2.1. Provision of Finance

One of the main reasons why the pioneers of microfinance institutions started them was because they wanted to ensure provision of micro-credit loans to the poor people without security that they could avail to commercial banks to secure capital loans to jumpstart business ventures. The provision of finance by the MFIs ensures a way through which small scale entrepreneurs access capital and start businesses that can ultimately lift them out of poverty. Access to finance is vital in order to start or expand a business and economic scholars like Muhammad Yunus, Joseph Blatchford, and Friedrich Wilhelm Raiffeisen come up with the idea of village banks that offered the solution to provision of finance (Yunus, 2007). The idea of mobilizing savings and lending it in micro credit loans went well with aspiring small scale traders thus it helped spar on business growth thus making microfinance institutions future for increased investment in small scale businesses.

Micro-Finance Institutions have over the last decade proved quite crucial in the provision of formal loans for the poor; providing customers who were empirically and traditionally neglected by commercial banks. Provision of finance in form of small loans is key independent variable for the achievement of the growth of small businesses (dependent variable). Provision of finances fall under the independent variables and it is where the MFIs come to the rescue of potential small scale businesses influencing them to venture in business investment.

Their principal purpose was making small loans with interest for short periods. In the 1800s, various types of larger and more formal savings and credit institutions began to emerge in Europe, organized primarily among the rural and urban poor. These institutions were known as People's Banks, Credit Unions, and Savings and Credit Co-operatives because of their humanity to the small scale business people (Ledgerwood, 2006).

2.2.2. Training Programs

The outreach programs of microfinance banks in offering financial management training were another independent variable that had significant influence on the growth of small businesses in an area. On the objective influence of training programs provided by MFIs, the training acts as the eye opener on the ways of small business proprietors who lack the basic financial management skills to go about daily business affairs and account for every cent gained and given out from the business. For small business growth which was a dependent variable, offering of training in financial management acted as the starting point to equip the potential business people with financial management skills. It was doubtless that gaining financial management skills was beneficial to entrepreneurs and would lead to increased investment in business activities and the repayment of loans taken eventually. Kauffmann (2005) points to the concept of the micro-finance union developed by Friedrich Wilhelm Raiffeisen and his supporters as aimed at raising the business consciousness of the masses. Raiffeisen and company knew that if the masses were enlightened on business management, it would definitely lead to increased investment in the business activities given the MFIs provided low interest loans. Their charitable action was motivated by concern to assist the rural population to break out of their dependence on moneylenders and to improve their welfare by breaking the vicious cycles of poverty by investing in businesses.

2.2.3. Advisory Services

Maixe-Altes (2009) contends that microfinance institutions are unmistakable in their quest to spur on growth in business investment with initiation of advisory services for the entrepreneurs to continue seeking and wisely using their services. The reason in many MFIs offering financial training and advisory services to the people taking up their loans for entrepreneurial activities so that there is guaranteed the loans repayment via wise investment (KIT and IIRR, 2010).The pioneers of micro-finance Institutions whose impact remain fixed in the books of history include Muhammad Yunus, Friedrich Wilhelm Raiffeisen, and Joseph Blatchford among others. The micro-finance organizations have thus become viable financial options to many small scale clients who seek small loans as well as advices on how to wisely utilize the loans borrowed. The contribution of Muhammad Yunus in Bangladesh through his Grameen Bank which he initiated asprogramme of action-research, addressed the banking problem among the poor. In Africa, non-governmental organizations and donors initiated the MFIs where through the1980s, the policy targeted, subsidized credit to the poor people. Ogbor (2009) argues that the cultural environment of business needs to be understood so that there is understanding of what hinders or promotes its development in the society. Governments in Africa have enabled the legal and the regulatory framework that encourages the development of a range of institutions and allows them to operate as recognized financial intermediaries. Business-like NGOs have offered micro credit for small business enterprises at low cost and risk plus advice on putting into use the loans given to them by the micro credit banks. From past MFIs interaction with small businesses, advisory services have huge influence on small business traders because they are advised on which actions would be beneficial to their businesses thus enable sustainable entrepreneurial growth.

2.2.4. Business Idea generation

Meanwhile, starting in the 1970s, the MFIs experimental program in Bangladesh, Brazil, and a few other countries extended tiny loans to groups to invest in micro-businesses after assisting them with business idea generation. Microfinance banks right from inception endeavored ingenerating the viable business ideas for the willing small scale entrepreneurs. The business idea generation is an independent variable aimed at increasing growth of small businesses through ensuring the microfinance beneficiaries venture in viable business so that they eventually prosper and repay the loans taken from MFIs. According to Yunus et al., (2003), this type of micro enterprise credit was based on solidarity group not only in lending to every member of a group but also on giving viable business ideas so that the micro-credit loans could be repaid. These “micro enterprise lending” programs had an almost exclusive focus on credit for income generating activities (in some cases accompanied by forced savings schemes) targeting very poor borrowers.

2.3. Business Growth

The term “growth” implies an increase in the amount of output, export and sales. Secondly, it is a process of overall business development (Johnson, et al 2008). Growth has usually been considered as an essential objective for its contribution to small businesses survival and competitiveness (Rodriguez, 2003). Business growth is increased throughput through the business system. Represented visually, business growth is acceleration clockwise around the business triangle an increase in the throughput at which products and services are developed, sold and delivered (Storey, 2000). It also means migration & the age of business in terms of survival. Business growth is often closely associated with a firms overall success, survival and migration (Johansson, 2009). Growth has been used as a simple measure of success in business (Storey, 2000). Also, as Brush and Vanderwerf (1992) suggest, growth is the most appropriate indicator of the performance for surviving small firms.

2.3.1. Small Businesses

It might seem difficult to obtain a precise definition of small enterprise. Several writers have propounded various definitions and explanations as to what small businesses are. Some have defined them based on the characteristics of the business, such as size, level of operations, type of industry, assets employed, number of employees, turnover, market, and management or control of business. Thus its definition is relative and differs from industry to industry and country to country. The classification may be based on the firm’s assets, number of employees or annual sales. It may also be classified on the basis of initial capital outlay, sales turnover, form of ownership or number of employees (GOK, 2007).

2.3.2. Stages in Growth of SBEs

Theories suggest that small business growth characterised by a number of predictable, common, discrete and consistent **'stages'** or **'phases'.** A business goes through **stages of development** similar to the cycle of life for the human race. In fact, organizations are born, grow, and decline (Churchill and Lewis 1983).

2.4. Factors for Growth of SBEs

Factors for growth of small business enterprises are different. According to Osborne (2011), having the intention, the ability to setup and grow, getting the right opportunity, easy access to finance, favorable rules and regulations and market conditions which are aimed at small businesses lead to the growth of these businesses.

Lucy Martin (2002) revealed that the major factors of business growth include management and know-how, products and services, Customer and Market, the way of doing business and cooperation, resources and finance, Strategy, and external environment.

2.4.1. Measuring Growth

When researching factors affecting growth it is necessary to define firm growth and how growth is measured. Various indicators are used to measure growth and there is no any general measurement. Measuring sales growth and relative employment growth during a specific time period are the more common indicators used than other indicators (Lind 2005). For instance, output and market share vary greatly within industries and is therefore hard to compare. Total assets also depends on the industry's capital intensity and changes over time and profits is not that relevant unless measured over a long period of time. Therefore sales and employment are the two most important indicators measuring firm's size and growth because studies have found that growth in sales and growth in the number of workers are highly correlated. Evans (1987) for example, reports that estimates using employment figures are similar to those using sales.

2.5. Empirical Literature Review

2.5.1. Internal factors

Levy, Margi and Powell (2005) argued that growth is determined by a combination of the entrepreneur, strategy and the firm organization. The author also defined key influences on **SBEs** growth as internal factors that reveal how decisions and features effect the growth of a firm. Internal constraints or factors are those constraints that affect the SBE owner or manger's ability to operate efficiently (Baloyi, 2010). According to Stokes and Wilson (2006) internal factors are the personal attributes, skills and competencies of the individual owner - manager which are crucial to how well the business faces up to the inevitable crises that arise. The factors include: lack of management capabilities, lack of capital, personal characteristics, marketing, financial management, human resource, and the availability of a sound business plan. The discussion on each of these follows here under.

2.5.1.1. Management capabilities

A successful manager is one who understands his business environment, both internal and external. He or she does not only understand, but is prepared, equipped and ready to handle any confusion that emanates from the environment. These include competitors, suppliers, customers, government agencies, labor organizations, and financial institutions (Hisrich, Peters, and Shepherd, 2010). In his multi functional role as a manager, he/she is in charge of planning and implementation, production, human resource management (recruiting and firing of employees), marketing and finances (Stokes and Wilson, 2006). All these demands his attention simultaneously, and in most cases he/she ends up tackling the most immediate first, which may mean overlooking a less obvious but more significant problem which has a critical impact.

Even with all these responsibilities and challenges, the majority of the owner or managers of SBEs were not trained or poorly trained or unskilled in the various disciplines. According to the training needs assessment on Jua Kali (GOK, 1997), the owner - manager were found not only lack financial management skills but also methods of identifying staff with appropriate skills and effective decision making. Informal management structure and the owner/ managers personal control of strategic and operating decisions hinder SBEs output growth significantly. He further found that SBEs that adopted a more less formal structure and those that were more innovative depicted higher rate of growth and more especially where the entrepreneur of such firms had undertaken formal training. Hogarth, Orser, and Riding (2000) further found a positive correlation existed between performance and high level of management skills.

2.5.1.2. Start-up capital

All business ventures regardless of size require finances from commencement and throughout their life cycles. The amount invested will influence greatly the size of the venture, which in turn determines the early survival of an enterprise if other factors are held constant. The entrepreneur will require seed capital to start the business, to operate and manage the business enterprise. Hogarth et al, (2000) noted that unavailability or lack of information about alternative sources of finances and inability of SBEs to evaluate financing option were some of the major problems facing the SBEs. Mambula (2002) singled out lack of access to finances as the main bottleneck facing SBE growth which was similarly who found that start-up capital is a barrier to entry in most entrepreneurial activities.

2.5.1.3. High Cost of Finance

During the early stages of starting a business, many owners commit themselves to taking any sources of finance they have available to them including loans. This can be disastrous as high interest rates and unfavorable repayment schedules are overlooked due to the pressure of financing their business. For the entrepreneur and small business owner, taking on high risk of borrowing is a simple choice between starting a business, and never starting a business. As a result, profits can often only meet the interest payable and the actual credit used is paid off very slowly leading to further monthly interest charges. In a continuing cycle, it is only a matter of time before the business reaches a cash crisis (Mulugeta, 2008).

2.5.1.4. Characteristics of the Entrepreneur

The characteristics of the entrepreneur are widely accepted as vital ingredient that influences growth. Research indicates that particular characteristics of the entrepreneur that are associated with growth of the enterprise include motivation, previous management experience and demographics of the entrepreneur (age, education) (Dutta, 2009). If the entrepreneur’s reasons for starting the business originated in pull or opportunity driven motivates rather that push or necessity driven motivates, the resulting enterprise is more likely to grow. This is because higher levels of education are associated with greater verbal communication and comprehension skills, all of which are important in business decision making and management (McCormick and Pedersen, 1996). Previous experience from an entrepreneurial activity or occupation is considered to be an incentive for one to become a successful entrepreneur. McCormick and Pedersen (1996) found that entrepreneurs with no previous occupation began firms which were relatively small and remained in the smallest category.

2.5.1.5. Education level

Education is a key constituent of the human capital needed for business success. It is argued that education and training provides the basis for intellectual development needed by entrepreneurs in business to be successful. Moreover, they provide the entrepreneurs with confidence to deal with clients (Storey, 1994). SBEs face difficulties in employing and retaining skilled professional skilled workers, because they prefer to work for Large Enterprises that can offer higher salary, job security and career possibilities. In order to meet the demands of the fast changing work environment which is typically associated with SBEs, it is essential that smaller firms ensure that they are able to attract, retain and motivate high quality employees with effective transferable skills through the existence of a strategic training plan and a specific budget for training (Jameson, 2000).

2.5.1.6. Marketing

According to Brush et al. (2009) marketing is another obstacle for companies to grow since many businesses confront challenges of establishing effective distribution channels, communicating product features, pricing products and services in an attractive way, implementing sales and marketing efforts to win and retain customers and undertaking constant product development in order to sustain sales. Market competition has a larger affect for SBEs chance of survival and uncertainty is high as most of the smaller companies tend to have smaller share of the capital. This leads SBEs to have one or two major customers and do not have big influence on prices. Larger companies with higher market share usually determine prices (Levy et al 2005).

2.5.2. External factors

2.5.2.1. Financial support

Financing the firm is essential and getting access to finance plays a crucial role on firm's growth process. There are various ways the business owners can finance the growth of their firms but the fundamental decision is whether or not to accept external equity finance return for part ownership of the business. If owners allow external equity finance they choose to surrender part of their control to either a financial institution or other individuals (Guffey, 2008). For many lenders it is almost impossible to assess the risks of an investment of SBEs.

2.5.2.2. Policy, Laws and regulations

There is a widespread perception that informal enterprises are avoiding regulation and taxation and, therefore, are operating under semi-legal or illegal conditions in the sense that they do not comply with one or more existing government regulations (Sethuraman, 1997). The World Bank researchers argued that constrains that face the growth of Business Enterprises are complex tax systems. There are also regulations which essentially define the framework within which business should be conducted for instance, those concerning establishment and operation of business such as location, registration, licensing, and tax obligation. The consequences of not complying with these and other regulations are many for the informal operators. It could mean paying a penalty in the form of a lump sum fee which resulted in a reduction in incomes. In extreme cases it could mean closure of business or confiscation of business property. The net result is to create uncertainty and discourage business investment (Mulugeta, 2008). Moreover, there is a matter of government policy concerning SBEs. The policies are there but they are not really benefiting the majority of SBEs.

> *"In Tanzania, the government has an SME reform policy which insists provision of government support promoting growth to SMEs in the form of loans at subsidized interest rates, free or subsidized information and advice, ensuring smaller firms get shares of government contracts and so on and so forth. However, the MSEs are not able to access these loans (Nkonoki, 2010)".*

2.5.2.3. Business location

The location of your business must be accessible to the customer base and should be built to ensure efficient accessibility for future clients. When choosing a location of the business owners must take into account the costs of moving or establishing their business in that location. According to Guffey (2008) when choosing locations many different factors must be taken into account. The labor costs, transport, proximity to suppliers, workforce interference, and language factors, are some of the essential location factors. According to Herzong et al (1991), the change that initiates a location search could be changes in perceived market opportunities, or changes in the entrepreneur's own situation. After location consideration the decisions makers can gather information on the tax levels, wage-rate levels, and other cost levels at various locations.

2.5.2.4. Competition

Defining competition can be done in several ways. It is important to recognize that, entering into competition an organization is seeking competitive advantage; this competitive advantage is the key of corporate success. A survey by World Bank for SMEs in developing countries demonstrates that to any individual firm, competition poses a threat to survival. Likewise competition can also encourage the lack of funds, as your business will be forced to offer competitive prices to try to penetrate a highly competitive market. By doing so, you are leaving yourself with a small profit margin that will be difficult for funding other areas in the business (Mulugeta, 2008).

2.6. Role of MFIs on the growth and development of SMEs

The purpose or goal of any firm is to make profit and growth. A firm is defined as an administrative organization whose legal entity or frame work may expand in time with the collection of both physical resources, tangible or resources that are human nature (Penrose, 1995).

The term growth in this context can be defined as an increase in size or other objects that can be quantified or a process of changes or improvements (Penrose, 1995). The firm size is the result of firm growth over a period of time and it should be noted that firm growth is a process while firm size is a state (Penrose, 1995). The growth of a firm can be determined by supply of capital, labor and appropriate management and opportunities for investments that are profitable. Enterprise development services or business development services or nonfinancial services are provided by some MFIs adopting the integrated approach. The services provided by nonfinancial MFI services are; marketing and technology services, business training, production training and subsector analysis and interventions (Ledgerwood, 1999).

Enterprise development services can be sorted out into two categories. The first is enterprise formation which is the offering of training to persons to acquire skills in a specific sector such as weaving and as well as persons who want to start up their own business. The second category of enterprise development service rendered to its clients is the enterprise transformation program which is the provision of technical assistance, training and technology in order to enable existing SBEs to advance in terms of production and marketing. Business enterprise development services are not a prerequisite for obtaining financial services and they are not offered free of charge. These charges are subsidized by the government or an external party since to recover the full cost in providing the services will be impossible by the MFI. The enterprise development services may be very meaningful to businesses but the impact and knowledge that is gained cannot be measured since it does not usually involve any quantifiable commodity. It has been observed that there is little or no difference between enterprises that receive credit alone and those that receive both credit packages and integrated enterprise development services (Ledgerwood, 1999).

2.7. Relationship between MFIs and SBEs

The basic ways by which microfinance institutions raise to the growth of small business enterprises is to provide them with financial and non financial services. Microfinance institutions (MFIs) provide loans, savings, insurance, and money transfers to micro-entrepreneurs to support productive activities, build assets, stabilize consumption, and protect against risks.

Thus microfinance institutions contribute to the growth of small business by enabling them to increase their financial means. As indicated by Quaye (2011), the growth of a firm can be determined by supply of capital, labor and appropriate management and opportunities for investments that are profitable.

2.8. Empirical Microfinance Impact Studies on Ethiopia

Microfinance has become a growing part in Ethiopia. This is partly because of the demand created by the abject poverty in the country and encouraging policy atmosphere for the microfinance services as part of business growth(wolday, 2003).

Accordingly, there have been a growing number of microfinance impact studies being conducted by academic institutions, microfinance associations, government agencies, and funding organizations and donors. As a result, it seems difficult to get all the impact studies undertaken by the host of actors and partners. However, some of the studies to which the researcher granted access have been reviewed here.

For instance, Wolday (2003: 42-3) concludes that the microfinance industry in Ethiopia showed remarkable growth in terms of outreach. He states that the “MFIs have been successful in addressing the financial needs of the rural poor.” Good repayment rates, mobilization of significant amount of savings from the poor, and promotion of food security among the poor were reported by the study.

The paper by Fitsum and Holden (2005) indicated that the impact of participation in microfinance resulted in positive changes in per capita consumption expenditure but not statistically significant. The impact on off-farm income and children's education was statistically significant positive change. However, livestock holding is negatively correlated with participation in the microfinance.

2.9. Research Gap

A number of studies have been conducted on microfinance services. Copstake et.al. (2000) did a study on the impact of microcredit. The findings and recommendations given by the studies above made in different parts of the world are different. Some of the findings have shown that there is an economic and social progress to both institutions and members, but, even those who said so, they only talk about progress of the borrowers regardless of the proportion of the entire population concerned. It could be just a few people out of the big population who show that progress whose change has no significant change to the entire population. Most of the researchers focused on general development of small business enterprise but this study also considered the development of microfinance services on the growth of the SBEs specifically.

Their results suggest that access to the microfinance services contributes significantly to the magnitude of the economic contributions of microfinance seems to reported by individuals, women, live condition of household, livelihood, to the likelihood of an increase in asset holdings in their own names, to an increase in their exercise of purchasing power, and in their political and legal awareness as well as in composite empowerment index.

The programme was not directed towards the poorest business operators but one third of the clients who were below national poverty line. Those who graduated from their first to second loan on average experienced significant higher growth in their profit and household income, as compared with otherwise similar business operators. The borrowers also diversified their business activities more rapidly.

On the other hand, some other literature review show that, most of the research on this topic have been conducted in urban and sub-urban areas but this study also focus in the Somali Regional state small business enterprises who are receiving the services of this SMFI. This study has been concluded to discoverthe relationship between microfinance services and growth of the small business by measuring the performance sales and capital. The impact of microfinance will be measured in terms of sales volume and capital and will be used quantitative to determine whether microfinance services have helped to improves the reality of small business and invest future development of business in escalating capability and enhanced able to deal with capital.

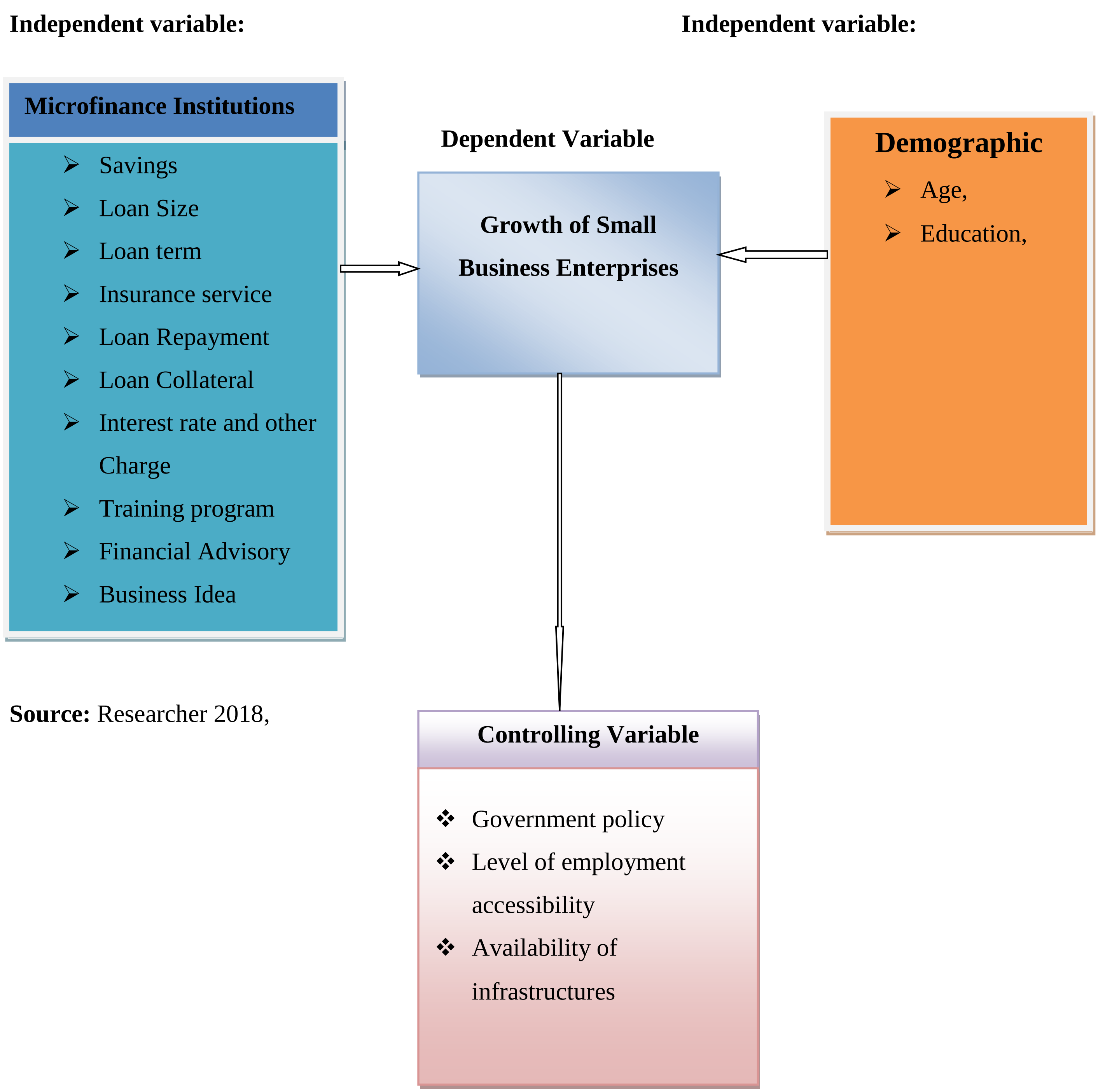
This gap which focused on the forms of MFIs services which is financial and non financial in remote areas and examine their impacts on the business and life standard of the population and most of these literature looks either one of the service credit or saving while this study focuses on different services of savings, loans size, loan term loan duration, loan repayment, collateral, interest rate and other charge, training program, financial advisory and business idea which is different for other researchers and this will be limited only SMFI of these cities.To fill the identified gap this research paper tries to examine the amount to which the enlargement potential and performance of small business is allied with business constraints that affect the growth of small business. To conclude the research gap the researcher will attempt to focus on microfinance services isdesirable indeed having clear impact on the growth of small business enterprises by creating additional assets and sales growth. This study therefore seeks to fill this research gap.

2.10. Conceptual framework

A conceptual framework is an analytical tool with several variations and contexts. It is used to make conceptual distinctions and organize ideas. Strong conceptual frameworks capture something real and do this in a way that is easy to remember and apply. In this study, the variable of primary interest is the dependent variable which is the small business growth. The independent variables explaining how is the growth of small businesses while independent variables explain about the financial service which are saving and credit accessibility and nonfinancial service which are also called independent variables that directly or indirectly increase the growth of the small business. Intervene explain about lack of management capabilities, lack of capital, personal characteristics, marketing, financial management, human resource, Competition, Business location, Policy, Laws and regulations and the availability of a sound business plan. the main the part of this study which the researcher want to study as independent variable are savings, loan size, loan term, loan duration, loan repayment, loan collateral, interest rate and other charge, training program, financial advisory and business idea. The conceptual framework theory above explains that there is a positive correlation and relationship between loan accessibility from microfinance institutions and growth of micro and small businesses enterprises.

The central objective of this study will examine the variables that enhance the growth of small business in case of jigjiga and degahbur cities administration.

Figure 1: Conceptual framework



Source: Researcher 2018,

CHAPTER THREE

3. Methods of Research

According to Kothari (2006) research methodology refers to a way to systematically solving the research problem. It may be understood as a science of studying how research is done scientifically. This chapter deals with the description of the methods applied in carrying out the research study.

Research method can be described as a course of action which explains the tools that are used when conducting a research study. This chapter involves various methods, the research design study area, target population study, sample design, sampling techniques,sample size determination, source of the data, research approaches, and procedures of the data collection, processing as well as data analysis that was used to collect, analyze and interpret data which gives an overview of how the entire study was conducted to reach a final conclusion on microfinance institution services increases the growth of small business.

3.1. Research Design

This study adoptedanexplanatoryresearch designthat aimed at finding out the impact of the Microfinance Institutions services on the growth of Small Business Enterprises in Jigjiga and Degahbur of Somali region. Explanatory research was conducted in order to identify the extent and the nature of the cause and effect relationship. This research design was conducted to assess the impact of specific change of the microfinance service and the growth of the small business enterprise. This explanatory research focuses on the analysis of a situation or specific problem to explain the patterns of relationship between variables.

3.2. Population of the Study

According to Frankel and Wallen (2000) a population refers to the group to which the results of the research are intended to apply. They stated that a population is usually the individuals who possess certain characteristics or a set of features a study seeks to examine and analyze. Kumekpor (2002) emphasized this by defining a population as the total number of all units of the issue or phenomenon to be investigated into which is “all possible observations of the same kind”. The research population consisted of 9,180 registered Jigjiga andDegahbur cities SBEs.In order to answer the research questions that developed in this study and to investigate the Impact of microfinance institution services on the growth of SBEs; it is required to have quantitative data of a statistically representative sample of SBEs.

3.2.1. Sampling Design

A research sampling design was that part of the research plan that indicates how cases are to be selected for observation. The design therefore maps out the procedure to be followed to draw the study's sample. A sampling frame is a list of elements from which the sample is actually drawn and is closely related to the population under study (Cooper and Schindler, 2003). In this study, the sampling frame represent of Small Business enterprise entrepreneurs and the information would be obtained from the Somali microfinance institutions.

3.2.2. Sampling Techniques

The populations of this study were small business clients who are involved in the SMFI in Jigjiga and Degahbur branches. The sampling technique used in this study was both probabilistic and sampling techniques. This is the method where the probability of a particular sample being selected in unknown (Saunders et al., 2009).153 clients were selected based on simple random sampling to the representative of the total population. The researcher believes that they have the information required for this research.

3.2.3. Sample Size Determination

In statistics the sample size is the subset of population selected for measurement, observation to provide the statistical information about the population. There are 8,261 clients in Jigjiga and 919clientsin Degahbur. The total population of this study was9,180 clients. Since the study would target small business of this two location. The sample size was153 clients. The sample was determined based on the simplified formula provided by Yamane (1967), at 95% of confidence interval level, 0.05 degree of variability and 8% of level precision.

$$\boldsymbol{n = \frac{N}{1 + N(e)2}}$$

$$\boldsymbol{n = \frac{9,180}{1 + 9,180(0.08)2}}$$

$$n = \frac{9,180}{1+59}$$

$$n = \frac{9,180}{60}$$

$$n = 153$$

Whereas:

n=is the sample size,

N is the total population size of both locations

e= is the level of the precision.

3.3. Sources of Data

There are two types of data sources in research. These are primary data and secondary data, which could be explained in details in the following paragraphs.

3.3.1. Primary Data

It is the type of data collected by the researchers themselves and hence no intermediary. The aim of a research is either to improve an existing knowledge or solve a particular problem and hence researchers have a good idea of which type of data is needed and where to get them. This allows researchers to focus on the research problem and collect data that is relevant to the research objective (Hox&Boeije, 2005). The various approaches to collecting a primary data are influenced by the subjective behavior of the researcher, which includes but is not limited to experiments, observations and communication (Ghauri&Gronhaug, 2010).

This research tries to utilize mainly primary data consisting of number of items in well structure questionnaires that will be administrated to and completed by the respondents/clients. Communication arises as a result of interviews and surveys conducted by the researcher with his/her respondents. This is done to ensure that the questionnaire is clear to respondents and can be completed in the way you wish. Thus, it should be piloted on the sample to be used. Primary data could be collected throughquestionnaires and in-depth interviews for key informant of the microfinance staff (operation or the branch manager). The various sources of primary data are of great help in enhancing the reliability and validity of a research due to its consistency with the research questions. These methods have been selected because they were cost effective and less time consuming.

3.3.2. Secondary Data

The word "second" in the secondary literally explains what it means. Secondary data is data collected from secondary or other sources other than the primary source. This means that the researcher has no hand in the collection of data from the original source. According to Ghauri&Gronhaug (2010), secondary data is data that is indirectly collected by the researcher from someone else who collected the same data for different purposes. These secondary data can be obtained from either an online source or from professional research organizations like the International Social Survey Program (ISSP It is the type of data needed that determines the particular source to be used..

3.3.3. Research Approach

A research approach is a technique used in collecting and analyzing data for a particular purpose. There are two basic ways of collecting primary data for research purposes, namely qualitative and quantitative methods. The type of method chosen by the researcher depends on the objective of the research. The data can also be either collected in advance or during the study process (Creswell, 2003).

3.3.4. Qualitative Methods

"Qualitative data refers to all non-numeric data or any data that have not been quantified and can be a product of all research strategies" (Saunders, Lewis, Thornhill, 2009, p480). It usually has an emphasis on different types of representations and descriptions and has nothing to do with numbers.

3.3.5. Quantitative method

The quantitative research method is defined as a research process that is objective, formally structured and a systematic process in which information is obtained using numeric data about a particular research topic. It is the collection of numeric data and explanation of the correlation between theory and research with an objective conception of social reality (Bryman&Bell, 2007). The main characteristic of the quantitative method is the use of statistics to analyze data. A qualitative method is a result-oriented approach to analyzing data that ignores the perspectives of the researcher thereby reducing the influence of subjectivity. The quantitative method is very popular with a testing hypothesis which is more scientific on measurement. Different types of quantitative research exist which include structured questionnaires, experimental research, and correlation methods. The most popular type is the use of a structured questionnaire which usually requires researchers to use a population sample and both probability and non-probability sampling method. Therefore, this study was employed both qualitative and quantitative methods and mainly this was employed to quantitative research for the purpose of explanatory research design.

3.4. Data collection procedure of the study

This research was conductedby to collect information using administered questionnaire and interview where a face to face encounter between the researcher and the respondentswere performed. This method of data collection has the advantage of providing in depth data collection, that is both qualitative and quantitative data could be easily collected. The method also facilitates clarification through interaction and usefulness. Since a good part of the population is semi literate, it is possible to translate the questions to understandable the language to them through interaction in the interview.

3.5. Data Analyzes and Interpretations

There are several statistical procedures that can help to better analyze and understand the data that has been conducted by means of a survey. The purpose of analytic methods is to convert data into information needed to make decisions. According to Hair et al. (2010), the choice of the methods of statistical analysis depends on

A. The number of variables,
B. The scale of measurement,
C. Parametric versus nonparametric statistics

The major difference between parametric and non-parametric lies in the underlying assumptions about the data. When the data are measured using an interval or ratio scale and the sample size is large, parametric statistics are appropriate. It is also assumed that the sample data are collected from populations with normal distributions. In contrast, when a normal distribution cannot be assumed, the researcher must use non-parametric statistics.

Data analysis incorporated both qualitative and quantitative methods. Quantitative data would beanalyzed using descriptive and inferential statistics. Descriptive was used to describe the basic features of the data in the study in the tendencies and then replicated in tabular manner. It involved use of percentages and frequencies.

Conclusions from inferential statistics were used toAnalysis of Variance (ANOVA), Correlation analysis, and regression analysis specially Multiple regression analyzes (determining, specifying and measuring these independent variables)was employed on this study by looking the independent variables at the same time the dependent variable extended beyond the immediate data alone to the relationships that establish themes and conclusions that was be arrived at further strengthening the quantitative data. This model of analysis examined the simultaneous effects of the independent variables on a dependent variable. This study was analyzed the Statistical package for the social science **(SPSS)** software on **20th** version. After the data analyze with this software the researcher was cross-checked the classical linear regression assumption whether data are statistically significant or indifference.

3.6. Econometric model

The econometric model of this study adapted is multiple linear regression model that show the relationship between dependent variable(Growth of Small Business) and the independent variable which the relationship between microfinance services and the growth of small business that provided by Somali microfinance institution.

$$\mathbf{GSBEs} = \boldsymbol{\alpha} + \boldsymbol{\beta 1AGE} + \boldsymbol{\beta 2ED} + \boldsymbol{\beta 3IS} + \boldsymbol{\beta 4SS} + \boldsymbol{\beta 5LS} + \boldsymbol{\beta 6LT} + \boldsymbol{\beta 7LR} + \boldsymbol{\beta 8LC} + \boldsymbol{\beta 9ITOC} + \boldsymbol{\beta 10TP} + \boldsymbol{\beta 11FA} + \boldsymbol{\beta 12BIG} + £$$

Where: GSBEs= Growth of Small Business Enterprises

α=Constant (Alpha)

AGE= Age of the respondent

ED= Education Background

SS= Saving Service

Ins. service = insurance service

LT = Loan term

LS= Loan Size

LC= loan Collateral

LR= Loan Repayment

ITOC= Interest rate and Other Charge

TP= Training Program

FA= Financial Advisory

BIG= Business Idea Generation

£ = Error Ter

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSION

4. Introduction

This chapter presents a detailed data analyze, presentation, interpretation and discussion and analysis of findings of the study with particular reference to the responses received findings of the study, tables, and figures regression model and other related that are useful to the study. It presents discussions on the detailed profile of SBEs who are beneficiaries of the Services of MFIs, the impact of MFIs on the business activities that lead to the sustainable growth of SBEs in the Jijiga and Degahbur cities administration. Data collected for the study were quantitatively and qualitatively analyzed. To achieve the objective of the study, SPSS version 20 Statistical software was used to analyze data. Linear regulation was used to establish the impact of microfinance services on the growth of SBEs in Jijiga and Degahbur cities administration of Somali Regional State.

4.1. Respondents' Rate

Out of the intended 153 respondents, only 146 returned fully completed questionnaires, giving a response rate of 95.4%. This response is acceptable as recommended by Mugenda&Mugenda (2003). This reasonable response rate was realized after the researcher made personal calls and visits to remind the respondents to fill and return the questionnaires.

Table 4.1 respondents' rate

Category	Questionnaires sent	Responses received	Response rate(as % of total
SBEs	153	146	95.4

Source: from survey of the researcher 2018

4.2. Reliability Analysis

A reliability analysis was conducted. I had an issue all variable. I remove the item to improve the Cranach's alpha. Therefore, all variables were internally consistency and reliable. As such the variables are deemed to be ready for further analysis. The reliability analysis of the data measure of Cranach's alpha shown that (.756) which is found to be good enough to make the data reliable for further analysis.

Table 4.2: Reliability Statistics

Cronbach's Alpha	N of Items
.756	79

Source: from survey of the researcher 2018

4.3. Demographic characteristic analysis

This section analyzes the demographic data of the selected respondents. It helps tobuild a profile of the respondents on their gender, age, marital status and level of formal education for therespondents and their period in active business. The study findings are summarized inthe subsequent sub-headings in tables:

Table 4.3 Demographic characteristics

Questions	Description	Frequency	Valid percent	Cumulative percent
Gender of the respondents	Male	69	47.3	47.3
	Female	77	52.7	100.0
Age Group	Age 20-30	18	12.3	12.3
	Age 31-40	93	63.7	76.0
	Age 41-50	31	21.2	97.3
	Age 51-60	4	2.7	100.0
Marital status	Single	23	15.8	15.8
	Married	79	54.1	69.9
	Widow(er)	32	21.9	91.8
	Separated	12	8.2	100.0
Educational level	None	15	10.3	10.3
	Primary	51	34.9	45.2
	Secondary	68	46.6	91.8
	University	12	8.2	100.0

Source: from survey of the researcher 2018

According to the above table1, it shown that genders of the respondents were out of 146 sample population 77(52.7%) were female participants and the remaining of 69(47.3%) of the respondents were also male participants. This shows the majority of the small business enterprise who were participated this was female.

The study wanted to determine how gender influenced those who had business and how MFIs had helped to offset solutions to gender disparity in setting up businesses. This was due to the evidence that men had previous access to capital for starting the business. However, with the emergence of the microfinance institutions in the area, more people are coming up to seek its services and more especially women who previously were hampered by lack of adequate capital to startup businesses. The number of women compared to men engaged in small business enterprises was expected to increase because the microfinance institutions are providing a favorable investment climate to break the gender barriers experienced before in the area after all. As a result of capital provision through micro credit loans from SMFIs, more women had involved in setting up of small business enterprises in Jigjiga and Degahbur than before.

The age group of the respondents were classified as the majority of respondents were the age between 31-40 year which was (93(63.7%), Those participating in small business enterprises are mainly the mature youth in the age brackets of 31 to 40 years who have the potential to source capital from various avenues and investments. Out of 31(21.3%) of respondents were the age between 41-50 years, were18(12.3%) individuals of the respondents were the age between 20-30 years and also the last portion of 4(2.7%) of respondents were the age between 51-60 years. Therefore, the majority of this study was the mature business clients who had capabilities to manage their businesses and found their profits.

According to the above table, the marital statuses of the study the majority part of respondents were married. Out of 146 participants 79(54.1%) were married, were also 32(21.9%) of the respondents were widow(er), 23(15.8%) of the respondent was single status and the remaining of 12(8.2%) of the respondents were separated. Therefore, the majority of this study was married participants. The reason of getting a big number of married respondents in this study is that the married people are those who are stable and trustable with the microfinance institutions, so that they are highly concerned with services provided by those microfinance institutions including the SMFIs. According to the views of respondents during interview, lack of collateral is the main challenge that prevent the youth from getting loan which would enable them to start small businesses.

According to the educational level attained by the owner/managers of participants which was the majority of respondents 68(46.6%) were holds the secondary education levels, while 51(34.9%) of the respondents had attained by the primary level, 15(10.3%) were not attend any kind of education and the remaining of the 12(8.2%) were completed a university education. What this implied is that the selected small business clients would understand the questions and answer as expected because their level of education allows them to have the basic knowledge in reading and writing. Therefore, the having educational background can give an advantage in the success of business clients/owners and borrowing credits the microfinance institutions' (Simanowitz& Brody, 2004).

4.4. Microfinance institution of saving on the growth of the Small Business Enterprise

Table 4.4. Responses SBEs service in saving

Questions	Description	Freq	V.pre	Cumu. per	MEAN	S.D
when did you start to be SMFI member	2011	16	11.0	11.0		
	2012	33	22.6	33.6		
	2013	61	41.8	75.3		
	2014	9	6.2	81.5		
	2015	21	14.4	95.9		
	2017	6	4.1	100.0		
Kindly indicate the source of your first capital for starting the business	Personal	31	21.2	21.2		
	Loan From Microfinance Institution	91	62.3	83.6		
	Loan from Commercial Bank	24	16.4	100.0		
Do you have any Saving in SMF	yes	135	92.5	92.5		
	No	11	7.5	100.0		
MFIs encourage savings	Strongly Disagree	22	15.1	15.1	3.91	1.364
	Satisfactory	10	6.8	21.9		
	Agree	51	34.9	56.8		
	Strongly agree	63	43.2	100.0		
Level of saving determine volume of	Strongly Disagree	13	8.9	8.9	3.68	1.26

lending to the growth of SMEs	Disagree	15	10.3	19.2		5
	Satisfactory	24	16.4	35.6		
	Agree	48	32.9	68.5		
	Strongly agree	46	31.5	100.0		
There is a relationship between saving and the growth of the small business	Disagree	12	8.2	8.2	3.94	.896
	Satisfactory	22	15.1	23.3		
	Agree	73	50.0	73.3		
	Strongly agree	39	26.7	100.0		
Where did you store your Saving	Microfinance	122	83.6	83.6	1.16	.372
	Commercial Bank	24	16.4	100.0		
attracts you store your savings in the above question	Ease of access	79	54.1	54.1	1.46	.500
	Good relationship	67	45.9	100.0		
types of saving you have in SMFI	Compulsory	86	58.9	58.9	1.94	.991
	Voluntary	60	41.1	100.0		
your compulsory saving in each time	5%	58	39.7	39.7	1.94	.991
	10%	52	35.6	75.3		
	15%	28	19.2	94.5		
	20%	3	2.1	96.6		
	More than 20%	5	3.4	100.0		
How much was your voluntary saving in each time	5%	91	62.3	62.3	1.38	.486
	10%	55	37.7	100.0		
What is Purpose of saving	Loan Repayment	141	96.6	96.6	1.03	.182
	For the Safety of cash	5	3.4	100.0		
Interest rate on saving	less than market Rate	88	60.3	60.3	1.40	.491
	greater than market rate	58	39.7	100.0		
Does saving enable business growth	Yes	146	100.0	100.0		
There is required monthly limit in Savings	Strongly Disagree	19	13.0	13.0	3.29	1.399
	Disagree	35	24.0	37.0		
	Satisfactory	12	8.2	45.2		
	Agree	45	30.8	76.0		
	Strongly agree	35	24.0	100.0		

Savings and withdrawal procedures are simple	Strongly Disagree	10	6.8	6.8	3.34	1.092
	Disagree	17	11.6	18.5		
	Satisfactory	55	37.7	56.2		
	Agree	41	28.1	84.2		
	Strongly agree	23	15.8	100.0		

Source: from survey of the researcher 2018

On the above table it shows the impact of saving on the growth of Small business enterprises. Therefore the data show that as follows: according to the when they joined to SMFIs the majority of the business clients 61(14.8%) were joined the 2013, 33(22.6%) were become member the SMFIs in the year of 2012, while 21(14.4%) had joined in the year of 2015, 16(11%) were joined in the year of 2011, 9(6.2%) of the participants were connected in the year of 2014 while the last portion 6(4.1%) of the business clients were joined in the year of 2017. Therefore, the majority of participants were joined to be a member of SMFIs in the year of 2013. According to the first source of business capital, the majority of 91(62.3%) were started their business loan from microfinance institution, 31(21.2%) of the respondents were started personal capital and 24(16.4%) were started the business capital loan from commercial bank. Therefore, this study shows that, the majority of business clients were found their first capital had from Microfinance institutions. Asking whether they had any saving the SMFIs, the majority of the respondents were answered 135(92.5%) small business they had saving in SMFIs while the 11(7.5%) had not any saving SMFIs. According to encouragement microfinance to save, the majority of this study shows that, 63(43.2%) of the respondents were strongly agree, 51(34.9%) of the respondents were answered to agree, 22(15.1%) had responded to they were strongly disagreed and the remaining of the respondents were responded to satisfactory. This had the average mean of 3.91 and standard deviation of 1.364 which was agreed the microfinance had encouraged on the saving. Determining the level of the saving volume to the growth of SBEs the majority of business clients respondents 48(32.9%) of the respondents were answered to agreed, 46(31.5%) of the respondents were responded to they had strongly agreed, 24(16.4%) were said satisfactory and 15(10.3%) and 13(8.9%) were responded disagreed and strongly disagreed respectively and average mean and standard deviation of 3.68 and 1.265 respectively. Which tells us they had agreed on the saving determines lending volume which had an impact on the growth of small business. According to the relationship between the saving and the growth of SBEs, the study shown that the majority of 73(50%) of the respondents were agreed, 39(26.7%) of the respondents were answered strongly agreed, while 22 (15.1%) and 12(8.2%) of the responded t satisfactory and disagreed with the mean and standard deviation 3.94 and 0.896 respectively. Therefore, this indicates that they were agree on the saving had direct relationship on the growth of small business enterprises.

As it indicates the above table where the small business enterprises store their saving, the entire sample size of 146 out of 122(83.6%) were stored on microfinance bank institution while the remaining 24(16.4%) of the respondents were answered that they are stored in commercial bank. Therefore, this study shown that, the majority of business clients had stored on microfinance bank with the average mean and standard deviation of 1.16 and 0.372 respectively. According to question what attracts you to store saving the respondents of this study answered that the majority of the respondents 79(54.1%) were attracted by ease of access of microfinance and 67(45.9%) of the participants of the study answered by the good relationship of the microfinance with the exact mean and standard deviation of 1.46 and 0.50 respectively.

According the types of saving entire sample size 86(58.9%) of the respondents had compulsory saving and the remaining of 60(41.1%) of the respondents answered that they had voluntary saving. as a result, this study shown that majority of business clients had compulsory saving with the mean and standard deviation of 1.41 and 0.494 correspondingly. As the above table presents the amount of compulsory in each time, the majority of the business clients 58(39.7%) had five(5) percent compulsory saving, 52(35.6%) of the clients had 10% of compulsory saving, 28(19.2%) of the participants had 15% of compulsory saving in each time, while the remaining of the clients had 3(2.1%) and 5(3.4%) of the respondents had compulsory saving of 20% and more than 20% in each time with the mean and standard deviation of 1.94 and 0.991 correspondingly. As it indicated the above table the voluntary saving of each time were 5%, 91(62.3%) of the respondents were answered they had 5% of voluntary saving while the remaining of 55(37.7%) of the respondents had 10% of voluntary saving, this gives the mean and standard deviation of 1.38 and 0.486 respectively.

According the purpose of saving, the majority of the respondents out of 146, 141(96.6%) of the respondents were saved the loan repayments and 5(3.4%) of the respondents were for the safety of cash had the main reason to be the purpose of saving with respect of mean and standard deviation 1.03 and 0.182 respectively. Therefore, the study found that the purpose of saving was to repay the loan from microfinance and minimum of safety cash.

As it was presented the above table according to the interest on saving 88(60.3%) of the respondents were answered that less than market rate while 58(39.7%) were greater than that of market. However, this study revealed that joined the microfinance had the lower interest rate according to market rate. As it was indicated the above table they require monthly limit of savings, the majority of 45(30.8%) were agreed that they had monthly required limit of savings, 35(24%) were strongly agreed and 35(24%) were disagreed that they there is no monthly required limit of saving, while last 19(13%) of the respondents had strongly disagreed the month required limit of savings. Therefore, this revealed that there is required month limit of saving to the business clients with the average mean and standard deviation of 3.29 and 1.399 respectively.

As presented on the above table saving and withdrawal procedures the majority of respondents answered that 55(37.7%) of the responses were satisfactory, 41(28.1%) were agreed, 23(15.8%) of the respondents were answered strongly agreed, and 17(11.6%) and 10(6.8%) were respectively disagree and strongly disagree. As a result of this revealed that saving and withdrawal was simple according to commercial bank. The reason was the mean and standard deviation of 3.34 and 1.092 which was given to agreed level.

4.5. The loan size on the growth SBE

Table 4.5 loan size

Questions	Description	Freq	V. per	Cumu per	MEAN	S.D
you have an access to credit before joining microfinance programmes of SMFI	Yes	53	36.3	36.3		
	No	93	63.7	100.0		
you get any credit/loan from the SMFI	Yes	127	87.0	87.0		
	No	19	13.0	100.0		
If yes what amount of loan did you receive	Less than Birr 10000	55	37.7	37.7	2.08	1.151
	Between birr 10,000-50,000	50	34.2	71.9		
	between Birr 50,000-75,000	27	18.5	90.4		
	between Birr 75,000-100,000	11	7.5	97.9		
	More Than Birr 100, 000	3	2.1	100.0		
did you do with loan/credit from SMFI	Increased My Capital	17	11.6	11.6	1.88	.322
	Create New Business	129	88.4	100.0		
you observe any expansion/growth in your business from the after loan you collected	Strongly Disagree	3	2.1	2.1	3.80	.899
	Disagree	1	.7	2.7		
	Satisfactory	55	37.7	40.4		
	Agree	50	34.2	74.7		
	Strongly agree	37	25.3	100.0		
If you compare your business before and after taking credit from SMFI, is there any difference	Yes	145	99.3	99.3	1.01	.083
	No	1	.7	100.0		
What is the working capital before taking credit/loan	Less than 10,000	62	42.5	42.5	2.05	
	between 10,000 and 50,000	39	26.7	69.2		

	between 50,000-75,000	26	17.8	87.0		1.141
	between 75,000-100,000	14	9.6	96.6		
	More than 100,000	5	3.4	100.0		
Is credit services increase to the growth of small business enterprises	Yes	146	100.0	100.0		
What is the working capital after taking credit	Less than 50,000	132	90.4	90.4	1.10	.295
	between 100,000 and 500,000	14	9.6	100.0		
They increase working capital	Strongly Disagree	10	6.8	6.8	3.88	1.168
	Disagree	10	6.8	13.7		
	Satisfactory	19	13.0	26.7		
	Agree	56	38.4	65.1		
	Strongly agree	51	34.9	100.0		

Source: from survey of the researcher 2018

The above table indicates the loan size history of Small business enterprise for how long they have participated, how many times they took the loan and in what amount they received. As indicated in the table, Small business enterprise who had access to credit before joining of microfinance program the respondents of this study underlined the majority of participants 93(63.7%) were no access of credit before joining the SMFIs, 53(36.3%) of the respondents also said that they had access to credit. However, this study revealed that majority of the business clients in SMFI had recently joined and get access to credit to growth of small business enterprise. According to the credit loan from SMFIs the entire sample size of 146, out of 127(87%) of the respondents get loan from SMFI, and 19(13%) of the participants answered that they had no credit/loan from SMFI. Therefore, this gives the hint of the majority of business had received loan from microfinance. As indicated the above table amount of loan received according to range for 55(37.7%) of the responded that they had received less 10,000 birr, while 50(34.2%) of the respondents had received between 10,000 and 50,000 birr, 27(18.5%) of the business respondents were received the between 50,000 and 75,000 birr, 11(7.5%) had received the range between 75,000 and 100,000 birr and 3(2.1%) had received the loan more than hundred thousand birr. Therefore this study had majority of amount of loan between ten thousand and fifty thousand as indicated with the mean and standard deviation of 2.08 and 1.151 respectively. According to what they did the loan from microfinance for the entire business clients 129(88.4%) of the respondents were created new business and 17(11.6%) of the respondents were used to increase their previous capital. Therefore, this study revealed by the majority of credit/loan from SMFI was used to create a new business and this give the mean and standard deviation of 1.88 and 0.322 respectively. According to perception of the small business owners/managers of expansion/growth of the business after loan collected from SMFI the majority of the business owners/managers respondents 55(37.7%) were replied satisfactory, 50(34.2%) of the respondents were responded agreed that the loan collected from had expansion to the growth of the business enterprises,37(25.3%) of the respondents were strongly agree that expansion of small business in Jiijga and Degahbur cities and last 3(2.1%) and 1(0.7%) were had replied that strongly disagree and disagree respectively with mean and standard deviation of 3.80 and 0.899 respectively. This means that MFIs are impacted a lot for expansion of old businesses as well as to start the new small-scale businesses. Therefore, the researcher found that the majority of the responded had agree with average loan collected from SMFI had an expansion or the growth of the small business enterprises from both SBE cities administration. As indicated from the above table comparing any difference between business before and after taking credit/loan the entire sample size 145(99.3%) of the small business enterprise had difference comparing before and after taking loan and 1(0.7%) of the respondents were no difference in the business before and after taking loan/credit. This gives the average mean and standard deviation of 1.01 and 0.083 also. Therefore, according to the above finding show that both cities administration SBEs were there a difference by comparing before and after taking loan from SMFIs.

The information regarding to the situation of respondents business enterprises before getting credit was collected and presented in the following table: As presented the above table according to working capital before that taking loan/credit the majority of the respondents of 62(42.5%) were responded that their working capital before taking capital was less than 10 thousand birr, 39(26.7%) of the respondents were replied that their work capital between 10 thousand and 50 thousand birr, 26(17.8%) of the respondents were answered that their work capital 50 thousand and 75 thousand birr, 14(9.6%) of the respondents had working capital ranging between 75 thousand and 100 thousand birr, and the 5(34%) of the respondents were had working capital more than 100 thousand birr. This gives the mean and standard deviation 2.05 and 1.141 respectively. Therefore, this study revealed that the majority of the small business enterprise in both cities (Jijiga and Degahbur) shown their working capital before taking was between 10 thousand and 50 thousand birr. According to the credit size services of SMFI increase the growth of small business enterprises, the entire sample size were replied that credit/loan size service had increased the growth of small business enterprises.

After getting information regarding to the situation of respondents' business before taking credit, I have considered as important to know in detail how the credit enabled the small business owners to grow their business. As presented the above table it shown that working capital after taking credit, 132(90.4%) of the small business enterprise was less than 50 thousand birr capital and 14(9.6%) of the respondents were answered their working capital after taking loan from SMFI was between 100 thousand and 500 thousand birr. consequently, this study revealed that there was growth of their capital after taking loan to the small business enterprise taking loan from SMFIs. This gives the average mean and standard deviation of 1.10 and 0.295 respectively. By comparing the situation of the respondents' business enterprises before and after taking credit from SMFI, it remarked that the SMFI impacted a lot to the growth of their business enterprises.

As indicated in this table, entire respondents equal revealed that savings and credit impact to the growth of small business enterprises. However, during interview with managers of SMFI they revealed that for enabling the credit to add to the business expansion, it is necessary to have a proper plan and follow the preplanned program rather than changing. Therefore, as all respondents confirmed that services of savings and credits provided by SMFI had impact to the growth of small business enterprises of Jigjiga and Degahbur cities administration.

The data presented on the table above, indicates that 56(38.4%) of the total respondents revealed agree that the services of credit impacted to the growth of small business by increasing their working capital, 51(34.9%) of the respondents revealed that they were strongly agree that the loan increase the working capital, 19(13%) of the respondents were answered that were satisfactory, and 10(6.8%) of the small business enterprise reported by disagree and strongly disagree as the same. This also gives the mean and standard deviation of 3.88 and 1.168 and this revealed that to the level of agree.

4.6. The loan term on the growth of small business enterprises

Table 4.6. Loan Term

Questions	Description	Freq	V. per	Cumu. per	MEAN	S.D
Loan processing charges	Strongly Disagree	22	15.1	15.1	3.18	1.102
	Disagree	11	7.5	22.6		
	Satisfactory	34	23.3	45.2		
	Agree	79	54.1	100.0		
Loan processing speed	Strongly Disagree	30	20.5	20.5	3.11	1.227
	Disagree	12	8.2	28.8		
	Satisfactory	16	11.0	39.7		
	Agree	88	60.3	100.0		
Loans application and approval process at microfinance banks are fast enough to my satisfaction	Disagree	2	1.4	1.4	3.79	.613
	Satisfactory	40	27.4	28.8		
	Agree	91	62.3	91.1		
	Strongly agree	13	8.9	100.0		
If you have had problems in paying back the loan, what were the challenges	the loan activity was not profitable	55	37.7	37.7	1.69	.594
	profitable but used for other expenditure	81	55.5	93.2		
	profitable but the outputs are sold in credit	10	6.8	100.0		
Did you invest the last loans you took from SMFI in income Generating activities	Yes	91	62.3	62.3		
	No	55	37.7	100.0		

Source: from survey of the researcher 2018

According to the table above, a good number of respondents equal to 79(54.1%) of the respondents answered that the main agree was loan processing charges on loan term, 34(23.3%) confirmed that they satisfactory, 22(15.1%) of the respondents revealed that they are strongly disagree that loan processing charge of loan term was affected by the growth of small business enterprise, The last but not least category of category equal to 11(7.5%) indicated that loan processing charge was not impacted the growth of small. Therefore, this revealed by the mean value and standard deviation of 3.18 and 1.102 respectively.

As presented the above table, the loan term for the loan processing speed impacted the growth of small business enterprise, the majority of the respondents 88(60.3%) were responded that agree on the loan processing speed, 30(20.5%) of the respondents were replied that strongly disagree that loan processing speed as loan term impacted on the growth of small business enterprise, 16(11%) of the respondents were answered that they are satisfactory agree the loan term, last but not least 12(8.2%) of the respondents were disagreed the loan term by loan processing speed. Therefore, this revealed that loan term had impact of the growth of small business enterprises with average mean value and standard deviation 311 and 1.227 respectively.

According to the loan application and approval process at microfinance banks are fast enough to satisfaction of loan term the respondents of this replied that 91(62.3%) was responded that they agree the loan tern of the loan application and approval of the SMFI, 40(27.4%) were also reported that they were satisfactorily agree the loan term and loan application process with their approvals, 13(8.9%) of the respondents were answered they are strongly agreed and last 2(1.4%) of the respondents answered that they strongly disagreed the loan term for the loan application and loan approval. Therefore, this has the mean value standard of 3.79 and 0.613 which indicates that majority of the respondents of this study were statistically agree.

As the presented the above table, the problem of the paying back the loan was the challenges faced on the term, the respondents of the study answered that the majority of 81(55.5%) of the respondents replied that the loan was profitable but used another expenditure which impacted the growth of small business enterprise, 55(37.7%) of the business owner clients answered that the loan activity was not profitable which affected the growth of small business enterprise Jijiga and Degahbur. And the last 10(6.8%) of the respondents were replied that it was profitable but the outputs were sold on credit. This had the mean value of 1.69 and standard deviation of 0.594. Therefore, the loan term service of the SMFI proves that it was impacted negatively the growth of small business enterprise and total sale turnover of the annually. According to the question did you invest the last loans you took from SMFI in income generating activities the majority of the respondents 91(62.3%) of the respondents were replied that the used to invest income generating activities, while the remaining of 55(37.7%) of the business clients responded that they were not used the last loan for income generating activities.

4.7. The impact of loan repayment of the growth of small business enterprises

Table 4.7: responses of the impact of loan repayment of the growth of small business enterprises

Questions	Description	Freq	V. per	Cumu. per	MEAN	S.D
What is the status of your loan repayment	Full repaid	66	45.2	45.2		
	Not yet paid	80	54.8	100.0		
Loan repayment according to schedule	Disagree	23	15.8	15.8	2.51	1.293
	Satisfactory	46	31.5	47.3		
	Agree	54	36.9	84.2		
	Strongly agree	23	15.8	100.0		
If did not pay according to schedule, what is the major reason. The loan activity was not profitable	Strongly Disagree	37	25.3	25.3	2.58	1.236
	Disagree	36	24.7	50.0		
	Satisfactory	33	22.6	72.6		
	Agree	32	21.9	94.5		
	Strongly agree	8	5.5	100.0		
Profitable but used for other expenditures	Strongly Disagree	9	6.2	6.2	2.76	.764
	Disagree	35	24.0	30.1		
	Satisfactory	86	58.9	89.0		
	Agree	14	9.6	98.6		
	Strongly agree	2	1.4	100.0		
Profitable but the outputs are sold in credit	Satisfactory	39	26.7	26.7	3.55	.933
	Agree	92	63.0	89.7		
	Strongly agree	15	10.3	100.0		

Source: from survey of the researcher 2018.

According to loan repayment for the business clients were impacted the growth of small business enterprises, in order to achieve the objective of the study, the researcher looked loan repayment status and how it could influence the growth of the small business enterprises in Jigjiga and Degahbur cities administration. As indicated the above table the status of loan were the respondents answered 80(54.8%) of the respondents was the yet paid the loan amount of the SMFIs and 66(45.2%) of the business clients were full repaid the loan received from microfinance institution. Therefore, this study revealed that there are loan not yet repaid the microfinance institution and then this impacted both SMFI and small business enterprise were negatively affected the annual growth.

As presented on the above table, the loan repayment according to schedule, the majority of the respondents 54(36.9%) were agreed to repay the on the given schedule, 46(31.5%) of the respondent were replied the a satisfactorily on the schedule, 23(15.8%) of the respondents were answered strongly agreed and disagreed to the schedule given by microfinance institution and keep strictly the schedule. Therefore, overall small business enterprise had knowledge to repay the loan from microfinance institutions accordingly to schedule this gives the mean value of the 2.51 and standard deviation of 1.293.

According to the if did not pay according schedule the major reason was the loan activity not profitable the respondents of the study were replied that 37(25.3%) was strongly disagree that the loan activity was profitable, 36(24.7%) of the respondents were also disagree that loan activity was profitable, 33(22.6%) of the respondents were as well satisfactorily that the loan was not profitable, 32(21.9) were also responded that they are agreed that the loan activity were not profitable and last 8(5.5) of the respondents were answered that they are strongly agreed that the loan was not profitable. This gives the mean value and standard of 2.58 and 1.236 respectively. Therefore, the loan repayments would be affected and also this impacted that the growth of SBEs could be reversely influenced. According to the loan it was profitable but used other expenditure. Therefore, as indicated the above table, the majority of the respondents 86(58.9%) were responded to the satisfactorily, 35(24%) of the respondents were also disagree that the it was profitable but used other expenditure, out of 14(9.6%) were responded that they agree the it was profitable but used other expenditure, while the rest 9(6.2%) and 2(1.4%) of the respondent were given the strongly disagree and strongly agree respectively. Therefore, this affected the loan repayments on the provided schedule from SMFI and the impacted that lower growth of SBEs.

As presented the above table, the other point which influenced the loan repayment was when SBEs sold the credit, this also give that entire sample size of the study 92(63%) of the respondents were agree the selling credit could affect the loan repayments on the predetermined schedule from microfinance institution, 39(26.7%) of the respondents were also said that satisfactorily and last but not least 15(10.3%) of the respondents were strongly agreed that to sold credit/loan could be influenced the loan repayment. Therefore, loan repayment negatively impacted the growth of SBEs. This gives the mean value and standard of 3.55 and 0.933 which was identified it agreed.

4.8. The impact of loan interest MFI on the growth of Small business enterprises

Table 4.8: responses of loan interest MFI on the growth of Small business enterprises

Questions	Description	Freq	V. per	Cumu. per	MEAN	S.D
Loan interest rates at microfinance banks are higher that of commercial bank	Strongly Disagree	110	75.3	75.3	2.61	1.528
	Disagree	36	24.7	100.0		
Penalties and other service charged	Strongly Disagree	22	15.1	15.1	3.19	1.234
	Disagree	13	8.9	24.0		
	Satisfactory	46	31.5	55.5		
	Agree	45	30.8	86.3		
	Strongly agree	20	13.7	100.0		

Source: from survey of the researcher 2018

According to the impact of loan interest on the growth of SBEs the above table information provided to clients of the SBEs could be analyzed. Consequently, the researcher asked that the loan interest rate of microfinance bank are higher that of commercial bank, the respondents of this study 110(75.3%) was responded the strongly disagree which gives information that the interest loan of the microfinance institution bank was lower than that of commercial bank, and 36(24.7%) of the respondents were also disagree that same way. This also provides the mean value of the 2.95 which was nearly satisfactorily, and standard deviation of 1.234.Therefore, this study reveal that interest rate of the loan from SMFI was lower than that of commercial bank accordingly. As presented the above table, the penalties and other service charged the respondents of this study shown that, the majority of 46(31.5%) of the respondents were responded they are satisfactory which means that there is penalties and other service charged on the microfinance institution and 45(30.8%) of the business clients were answered agree, 22(15.2%) of the respondents were they are strongly disagree and 20(13.7%) of the participants of this study were responded that they are strongly agree and last 13(8.9%) of the respondents were also disagree the that penalties and other service charged affect the growth of small business enterprise in jijiga and Degahbur cities administration. Also with the mean value and standard deviation of 3.19 and 1.234 respectively.

4.9. The Growth of Small business enterprises

As stated in the second objective of the study, it was necessary to evaluate the growth of small business in Jijiga and Degahbur cities. For seeking how to reach this objective, we asked respondents whether their business are growing. Their responses on that question ar presented on the table below:

Table 4.9. Responses for the Growth of Small Business enterprise

Questions	Description	Freq	V. per	Cumu. per
Is your business growing	Yes	146	100.0	100.0
The indicators for the growth of a business includes increase of customers	Disagree	1	.7	.7
	Satisfactory	31	21.2	21.9
	Agree	76	52.1	74.0
	Strongly agree	38	26.0	100.0
Business growth can be realized net asset	Satisfactory	23	15.8	15.8
	Agree	55	37.7	53.4
	Strongly agree	68	46.6	100.0
Increase of profit is the indicator of business growth	Disagree	17	11.6	11.6
	Satisfactory	42	28.8	40.4
	Agree	41	28.1	68.5
	Strongly agree	46	31.5	100.0
Increase of total sales turnover	Satisfactory	29	19.9	19.9
	Agree	54	37	56.9
	Strongly agree	63	43.1	100.0

Source: from survey of the researcher 2018

As shown in this table, a good number of respondents equal to 93(63.7%) confirmed that their businesses are growing, while 53(36.3%) did not confirm. This category includes those who answered that they cannot know immediately whether their businesses are growing and those who revealed that they are tending to failure.

As indicated on the figure above, a good number of respondents equal to 7(52.1%) were responded that they agree, this revealed that the main indicator of business growth is the increase of customer, 38(26%) of the respondents were answered they are strongly agreed that, the main business indicator of business growth were customers, 31(21.2%) of the respondents were responded that they are satisfactorily agreed that customer are the business growth indicator, while the minimum number of the respondents were answered that disagreed that the customer are not business growth indicator.

According the business growth can be realized net asset, the respondents of the study were said 68(46.6%) of the respondents were answered that they are strongly agree, 55(37.7%) of the respondents were said that they agreed that business growth indicator could be net asset realized while 23(15.8%) of the respondents were replied that thy satisfactorily agreed that business growth indicator are net asset realized.

The respondents supported the idea that the major indicator of business growth is increase of profit, 46(31.5%) of the respondents were answered they are strongly agreed that increase of profit is the indicator of the business growth, 42(28.8%) of the respondents were replied satisfactorily agree, 41(28.1%) of the respondents were answered that they are agreed that increase business profit was the business growth of small business enterprises, while the 17(11.6%) of the respondents were answered disagree that they increase business profits were not the growth of small business enterprises.

According to the above table, increase of total sales turnover were the business growth, the majority of the respondents were said 63(43.1%) they are strongly agreed that total sales turn over increase business growth of small enterprises, 54(37%) of the respondents were said that they are agree that increase of the total sales turnover were the growth of small business enterprises, while the 29(19.9%) of the respondents were answered that satisfactorily agree that increase of total sales turnover was the growth of small business enterprises.

4.10. Micro insurance coverage

Table 4.10 insurance services

Questions	Description	Freq	V. per	Cumu. per
MFIs have various Micro-insurance covers	Strongly Disagree	12	8.2	8.2
	Disagree	9	6.2	14.4
	Satisfactory	7	4.8	19.2
	Agree	74	50.7	69.9
	Strongly agree	44	30.1	100.0
I have taken several micro-insurance covers	Strongly Disagree	13	8.9	8.9
	Satisfactory	18	12.3	21.2
	Agree	72	49.3	70.5
	Strongly agree	43	29.5	100.0
	Strongly Disagree	22	15.1	15.1
Micro-insurance covers have been of benefit to me and my family	Agree	72	49.3	64.4
	Strongly agree	52	35.6	100.0

Source: from survey of the researcher 2018

According to the impact MFIs of insurance services of the small business enterprises, findings indicated that majority of 74(50.7%) of the respondents agreed that microfinance reported having insurance covers , 44(30.1%) of the respondents were strongly agreed that MFIs have various micro insurance coves which impacted the growth of small business enterprise in jijig and Degahbur cities administration, while 12(8.9%) of the were strongly disagree that microfinance covers the micro-insurance and last 9(6.2%) of the respondents were answered that disagree that the microfinance would not covers the micro-insurance that impacted the growth of small business enterprises and 7(4.8%) were satisfactorily agree that microfinance covers the micro insurance that influence the growth of small business enterprises, the clients with insurance. Respondents indicated that they had benefited from the insurance covers they received from the MFIs.

As presented the above table, small business enterprise had taken several micro insurance covers, the majority of the respondents 72(49.3%) had agree that they had been taken several micro insurance covers, 43(29.5%) of the respondents were answered that they are strongly agreed they have taken several micro insurance covers while 18(12.3%) of the respondents were satisfactorily agree and 13(8.9%) of the respondents had received several micro insurance cover which influenced the growth of small business enterprises.

According to the Benefits of micro insurance covers to you and family of small business enterprises they were answered that the majority of the respondents 72(49.3%) had agreed that the micro insurance had benefit to them and their families, 52(36.6%) of the respondents were strongly agree that the micro insurance had benefit to their families while 22(15.1%) of the respondents were answered that strongly disagree that micro insurance had not benefited to them and their families. The insurance again led to better usage of loan received from the MFIs as well as increase in amount of money saved which increased the growth of small business enterprises.

4.11. The impact of Collateral on the growth of small business enterprises

As indicated the below table shown that the influence of the collateral on the growth of small business enterprises which were located in Jijiga and Degahbur cities administration. Therefore, below table were presents the respondents answer.

Table 4.11. Collateral

Questions	Description	Freq	V. per	Cumu. per
you always require collateral securities before granting loans to SBEs	Yes	146	100.0	100.0
kind of collateral do you request	land	39	26.7	26.7
	House	23	15.8	42.5
	Car	13	8.9	51.4
	Shop	71	48.6	100.0
SBEs always get the collateral requested	Yes	91	62.3	62.3
	No	55	37.7	100.0
percentage of total applicants qualify for loans within a month	<25%	46	31.5	31.5
	26-50%	82	56.2	87.7
	51-75%	12	8.2	95.9
	76-100%	6	4.1	100.0

Source: from survey of the researcher 2018

According the above table 4.10, were asked the respondents collateral securities is required before granting the loan to small business enterprises, the majority of respondents were said that it was required to collateral securities before granting loans to small business enterprises.

As indicated the above table, what kind of collateral do you request for small business clients, then the greater part of respondents were answered that 71(48.6%) had been requested to shop, were also that 39(26.7%) of the respondents were said that it was required to land, 23(15.8%) of the respondents were said that it required to house, while the 13(8.9%) of the respondents were replied the microfinance institution required to have car. Therefore, all this information regarded to the collateral had negatively affected the growth of small business enterprises.

As presented the above table percentage qualifies for loan with a month the majority of the respondents were said that 82(56.2%) 26-50% of applicants of the respondents were qualify the loan application process within a month, while 46(31.5%) of respondents were qualifies the loan application process less than that 25%, ad 12(8.2%) of the respondents were said that it was qualifies the loan process applicants 51-75% of the respondents, and minimum part of 6(4.1%) of the small business clients were answered that qualifies the loan application process.

4.12. The impact of training program on the growth of small business enterprises

Part of the services offered by SMFIs includes training programs to business persons with an objective of improving their know-how in financial matters in their businesses. The study sought to find how much the small business enterprise owners had benefited from the MFIs training programs and the responses show that majority of SBEs owners had attended the trainings. Therefore, below table shows the detail information about training program SMFIs.

Table 4.12.Responses for training program

Questions	Description	Freq	V. per	Cumu. per
Have you ever been trained on Financial Management	Yes	75	51.4	51.4
	No	71	48.6	100.0
Who offered the Training	Microfinance	143	97.9	97.9
	Commercial Bank	3	2.1	100.0
If you attended training did the training help in growing your business	Yes	139	95.2	95.2
	No	7	4.8	100.0
Would you similar to microfinance banks to continue offering the training services they offer in your part	Yes	124	84.9	84.9
	No	22	15.1	100.0
How many MFI trainings did you attend	One- Two	41	28.1	28.1
	Three-four	82	56.2	84.2
	Five-Six	19	13.0	97.3
	More Than Six	4	2.7	100.0
Trainings have enabled me save more than before	Satisfactory	45	30.8	30.8
	Agree	60	41.1	71.9
	Strongly agree	41	28.1	100.0
Trainings have led to better usage of Micro-credit	Satisfactory	31	21.2	21.2
	Agree	64	43.8	65.1

	Strongly agree	51	34.9	100.0
MFIs training programs have helped Small business owners gain business management skills increasing their profits in the long run	Satisfactory	32	21.9	21.9
	Agree	63	43.2	65.1
	Strongly agree	51	34.9	100.00

Source: from survey of the researcher 2018

According to the above the table it shown that the 75(51.4%) of respondents had attended the training program in SMFIs while 71(48.6%) of the respondents had not been attend the training program. Most small business enterprise persons in jijiga and degahbur cities have benefited very little from helpful programs run by MFIs in order to improve their businesses. As presented the above table, SMFIs offered the training program, the majority of 143(97.9%) of the respondents were answered that SMFI offered the training program while the 3(2.1%) of the respondents were replied that the commercial bank offered the training program. As indicated the above table, the training help in growing small business enterprises. The the majority of respondents replied that 139(95.2%) had agreed that training enable growing the growth of SBEs in Jijiga and Degahbur cities while 7(4.8%) of the respondents answered training program had not been help growing of small business enterprises.

According to the respondents were asked whether they would similar to the MFIs to continue offering the training services they offer in Jijiga and Degahbur cities and from their responses, majority said yes as shown. As 124(84.9%) of the respondents agreed that MFIs should continue offering training services in Jijiga and Degahbur while 22(15.1%) of the respondents were said no. Those who agreed said that the training programs were helping them in financial management and giving them ideas on how to access credit facilities while for those who said know majority feel sad that they find difficulty accessing credit even after the trainings. According to the how many training they were attended, the majority of respondents 82(56.2%) were attended three-four training, while 41(28.1%) of the respondents were said they participated one-two training, 19(13%) of the respondents were answered that they attended five- six training, while the last part of 4(2.7%) of the respondents had participated more six training. Therefore, this shown that overall small business enterprises in jijjia and Degahbur cities had attended minimum training of one.

As presented to the above table, the respondents were asked the training have help to more than before, the majority of the respondents were agreed that training had helped them to save more. The majority of the study respondents of 60(41.1%) of the respondents who had attended SMFI the training program were trained on savings and deposit facilities and their significance, while 45(30.8%) of the respondents answered satisfactorily, and 41(28.1%) had replied strongly agreed. Therefore, this shows that MFIs are playing a great part in improvement of small business enterprises in Jijiga and degahbur cities. The respondents of small business enterprise were also asked the training program have led to better usage of micro-credit. As indicated the majority of the respondents 64(43.8%) had agreed that the training enable and led better usage of credit, 51(34.9%) were also strongly agreed that training led to better utilization of loan, while 31(20.5%) of the respondents were answered that satisfactorily had been educated on loan services acquisition, repayments and penalty of defaults. Therefore, this shows that MFIs are playing a great part in improvement of small business enterprises in Jijiga and degahbur cities.

According to the above table, the respondents were raised whether MFI training program have helped Small business owners gain business management skill increasing their profits, the respondents were agreed that MFIs training had helped the gain of the profits in long run. Therefore, the majority of the respondents 63(43.2%) had agreed that training program also have helped Small business owners, 51(34.9%) of the respondents were answered that also the training had facilitate small business owners. While the last but not least 32(21.9%) of the respondents were replied that MFIs training helped the owners gain. Training program enables business enterprise operators adopt better management practices such as profit retention, good customer relations, timely loan repayments and structured bookkeeping.

4.13. The impact of advisory on the growth of small business enterprises

The study sought to determine whether advisory services given by MFIs were beneficial to the small business enterprises and from those who had received advisory services, their responses were summarized below table:

Table 4.13 Responses for Advisory services

Questions	Description	Freq	V. per	Cumu. per
Has the advisory services given by microfinance banks been beneficial to your small business	Yes	132	90.4	90.4
	No	14	9.6	100.0
Funds management	Strongly Disagree	5	3.4	3.4
	Satisfactory	20	13.7	17.1
	Agree	70	47.9	65.1
	Strongly agree	51	34.9	100.0
Loan securing and savings	Satisfactory	19	13.0	13.0
	Agree	63	43.2	56.2
	Strongly agree	64	43.8	100.0
Book keeping and accounting skills	Satisfactory	42	28.1	28.8
	Agree	66	45.2	74.0
	Strongly agree	38	26.0	100.0
Business governance	Strongly Disagree	9	6.2	6.2
	Disagree	7	4.8	11.0
	Satisfactory	21	14.4	25.3
	Agree	59	40.4	65.8
	Strongly agree	50	34.2	100.0

Business planning skills	Satisfactory	14	9.6	9.6
	Agree	81	55.5	65.1
	Strongly agree	51	34.9	100.0
Management capabilities	Satisfactory	40	26.0	27.4
	Agree	69	47.3	74.7
	Strongly agree	37	25.3	100.0
Which other areas do you need to be given advice on so that your small business can flourish	Management of finance	70	47.9	47.9
	Saving	76	52.1	100.0

Source: from survey of the researcher 2018

According to the respondents' responses of the thought that 132(90.4%) of the respondents were said advisory services given by microfinance banks had been beneficial to their business while 14(9.6%) of the respondents said that they had not beneficial. When asked additional whether they agreed with the report that advisory services offered to small business enterprises by MFIs had relatively relationship on the business growth, all those who said that advisory services were beneficial also agreed. The common agreements repeated the important role MFIs are playing in providing advisory services to small business enterprises owners in Jijiga and Degahbur cities.

According to advisory of fund management the majority of business owners responded that 70(47.9%) of the respondents were agreed they had need fund management, also 51(34.9%) of the respondents were strongly agreed that they felt the guidance of fund/finance management, 20((13.7%) of the respondents said satisfactorily need the counsel of the fund management while 5(3.4%) of the respondents said they had strongly disagreed the fund management of microfinance institution.

As presented the above table, SBEs owners need advisory services for the saving and securing the loan. Those who needed advice on savings and securing loans were 64(43.8%) of the respondents were strongly agree that they had need for the advisory service, 63(43.2%) of the respondents were also agreed that there is a need for advisory service of saving and securing loan while the last part of the 19(13%) satisfactorily needed the advisory of saving and loan securing from MFIs i**n Jijiga and Degahbur cities.**

According to the above table, the respondents were asked advisory of bookkeeping and accounting skills, then the respondents were 66(45.2%) were said the bookkeeping and accounting skill are needed, 42(28.1%) of the respondents were said that the bookkeeping and accounting skill had been needed, while 38(26%) of the responses were strongly agreed that they had need to have knowledge of bookkeeping and accounting to determine the financial position of SBEs. According to the consulting the SBEs were asked to the respondents the business governance and the majority of the respondents had agreed on the advisory business governance. As indicated the above table, the majority of the respondents 59(40.4%) were had agreed that the business governance advisory services are needed, 50(34.2%) of the respondents were strongly agreed, 21(14.4%) of the respondents were answered satisfactorily, while 9(6.2%) of the respondents were had strongly disagreed that they had not been needed the business governance advisory service while also the 7(4.8%) of the responded disagreed that they were not required business governance financial advisory service. As data presented on the above table, the respondents were raised to business planning skills, the majority of the then agreed that they had need business planning skills. Therefore, the greater part of respondents 81(55.5%) were agreed that business planning was necessary, 51(34.9%) of the respondents had strongly agreed that they were needed business planning skills while 14(9.6%) of the respondents were answered satisfactorily agreed that they had required the business planning. According to the advisory part include the management capabilities of business owners, they were asked how management capabilities of small business enterprises owners increase the growth of SBEs. Therefore, the entire sample size out of 69(47.3%) of the respondents were agreed that management capabilities of business owners had been influenced the growth of SBEs, 40(26%) of the respondents had been said satisfactorily, while 37(25.3%) of the respondents strongly agree that they had been required the management capabilities of small business enterprise owners. According to other areas do you need to give advice on your small business enterprises could be advice the majority of the respondents were said 76(52.1%) were needed advice to save and 70(47.9%) of the respondents were said management of finance.

4.14. The impact of business idea generating on the growth of small business enterprises

Analysis on business idea generation revealed that only a few of the respondents had sought services from MFIs on that.

Table 4.14 Business Idea generating on the growth of SBEs

Questions	Description	Freq	V. per	Cumu. per
Have you ever sought the services of microfinance banks on business idea generation	Yes	122	83.6	83.6
	No	24	16.4	100.0
Was it beneficial to you	Yes	144	98.6	98.6
	No	2	1.4	100.0
Setting up viable business	Satisfactory	146	100.0	100.0
Dealing with your clients well	Disagree	2	.7	1.4
	Satisfactory	30	20.5	21.9
	Agree	63	43.2	65.1
	Strongly agree	51	34.9	100.0
Suitable location of your business	Satisfactory	30	20.5	20.5
	Agree	65	44.6	65.1
	Strongly agree	51	34.9	100.0

Source: from survey of the researcher 2018

According to All the respondents who had required services from MFIs on business idea generation agreed that the service had been beneficial to them saying that they had been able to come up with new business ideas that enabled them develop their small businesses enterprises. The majority of the respondents 122(83.6%) had sought business idea generation services, while the 24(16.4%) of the respondents had not sought the business idea generation from microfinance. As presented the were asked was business idea generating beneficial to your small business enterprise, the majority of business enterprise wad beneficial to small business enterprises which gives 144(98.6%) of the respondents while 2(1.4%) of the respondents were not beneficial to business idea generating.

According to respondents 146(100%) had learnt how to set up viable businesses through advice given by MFIs, while the majority of 63(43.2%) of the respondents agreed that they had gained knowledge on dealing with clients, 51(34.9%) of the respondents were strongly agreed that they had knowledge dealing with their clients and 30(20.5%) of the respondents were satisfactorily agree that they had knowledge of understanding the clients. Suitably locating of small business enterprise of business affairs were also some of the benefits as refer to by 65(44.6%) of the respondents answered that agreed that they had suitable location of business, 51(34.9%) of the respondents were strongly agreed that they had been located suitable place, while the 30(20.5%) of the respondents were satisfactorily agreed that they had suitable location. The benefits cited by the respondents have been explained in this study as major pillars in the success of small business enterprises. This shows how big a position of MFIs that are playing in impacting the growth small business enterprises in Jijiga and Degahbur cities. The analysis show that a good number of small scale business persons have benefited from business idea generating services rendered by MFIs but still some of the small business enterprise owners have never benefited and therefore a need for MFIs to increase their presence to reach more in Jijiga and Degahbur cities.

4.15. Multiple Regressions Analysis

The researcher further sought to establish the impact of each of the independent variables; (Collateral, Loan interest, Insurance services, Business Idea Generating, Age Group, educational level, Saving service, Loan Term, Loan repayment, Loan Size, Training program, Financial Advisory) to the dependent variable of the growth of small business enterprise in Jijiga and Degahbur cities administration. The regression model below was used to determine the extent to which the predictors.

4.15.1. Model Summary

In the model summary Adjusted R squared is coefficient of determination which tells that the variation in the dependent variable due to changes in the independent variables, from the findings as shown in the table the value of adjusted R squared was 0.52 an indication that there was variation of 52% on the growth small business enterprises due to changes in Collateral, Loan interest, Insurance services, Business Idea Generating, Age Group, educational level, Saving service, Loan Term, Loan repayment, Loan Size, Training program, Advisory services provided by MFIs at 95% confidence interval. R is the correlation coefficient which shows the relationship between the study variables. From the findings shown in the table below there was a strong positive relationship between the study variables as shown by 0.748.

Table: 4.15.1. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.748[a]	.560	.520	2.220

a. Predictors: (Constant), Collateral, Loan interest, Insurance services, Business Idea Generating, Age Group, educational level, Saving service, Loan Term, Loan repayment, Loan Size, Training program, Advisory service

b. Dependent Variable: GSBE

4.15.2. The Analysis Of Variance (ANOVA)

To find out whether the overall regression model was a good fit for the collected data, an ANOVA was done. The ANOVA analysis is anticipated to investigate whether the variation in the independent variables explain the observed variance in the outcome – in this study the impact of MFIs services on the growth of Small Business enterprises. The ANOVA results established the significance of the regression model from which an f-significance value of p<0.000. Therefore, 0.0000 was lesser than 0.05, the model obtained is significant at the 95% of the confident level. However, the independent variables had significant impact of the dependents variable of the growth of small business enterprises in Jigjig and Degahbur Cities administration.

The F-Statistic which is input statistic in this cross-section study is 14.083 (0.000) and is significant at 95% confident level. This implies that almost all the independent variables in the model have jointly impacted to the dependents variable of the growth of the SBEs in the Jijiga and Degahbur cities administration. The output in this case is presented in the table below:

Table 4.15.2. ANOVA

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	**833.009**	**12**	**69.417**	**14.083**	**.000[b]**
1	**Residual**	**655.574**	**133**	**4.929**		
	Total	**1488.582**	**145**			

a. Dependent Variable: Growth of SBE

b. Predictors: (Constant), educational level, Advisory Service, Saving service, Loan Term, Training program, Age Group, Insurance services, Collateral, Business Idea Generating, Loan interest, Loan Size, Loan repayment

4.15.3. Diagnostic Tests

Normality Distribution

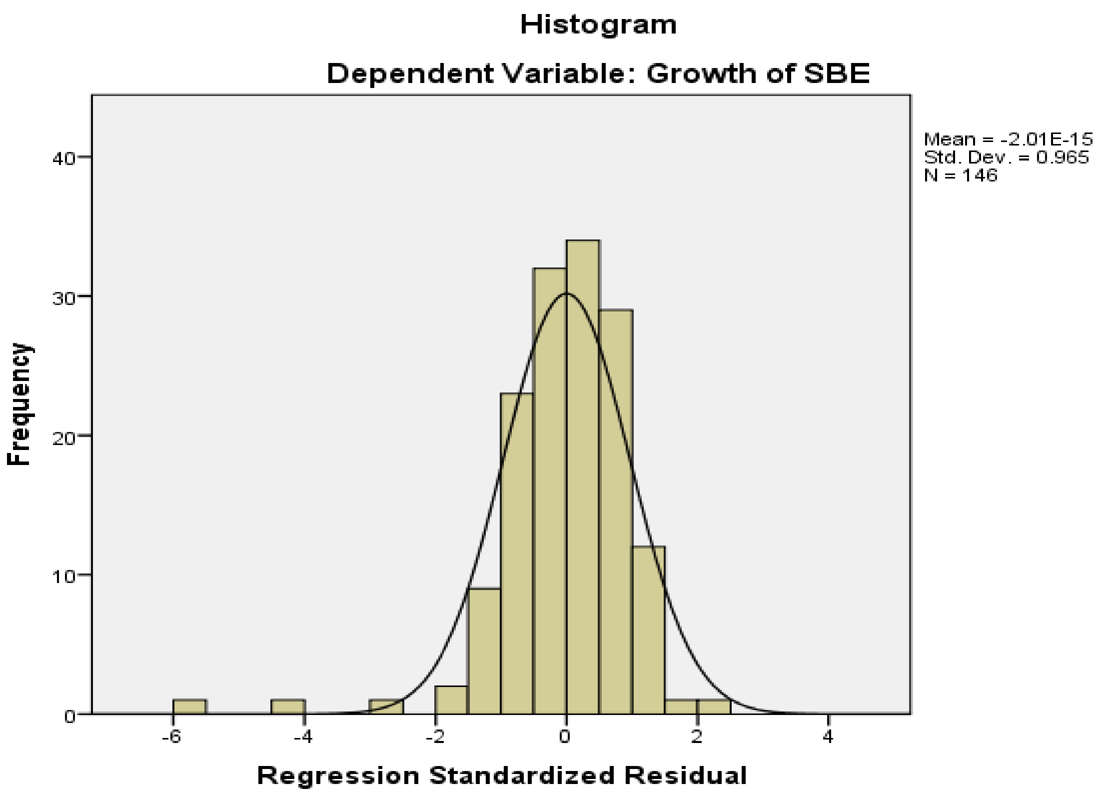
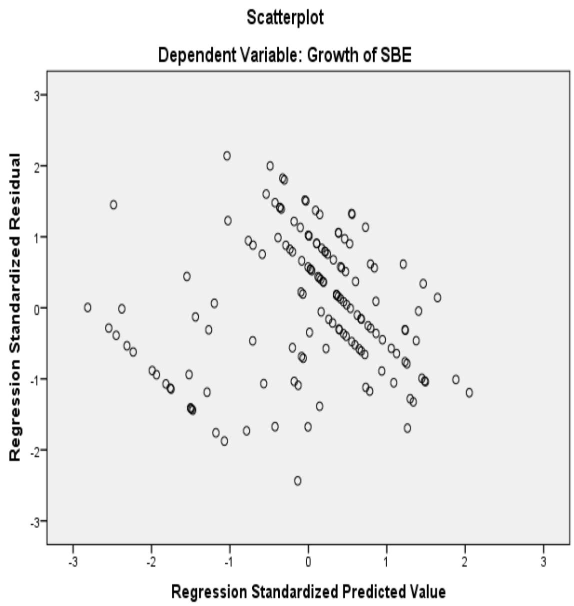


Figure 1.



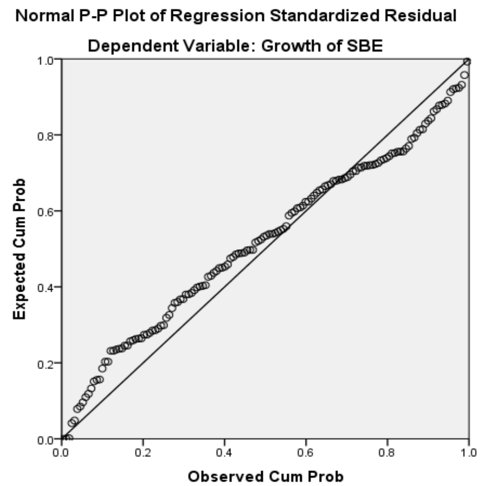


Figure Two

First, the researcher need to check whether there is a linear relationship between the independent variables andthe dependent variable in this multiple linear regression model. To do so, the researcher checks the scatter plots. The researcher used to create scatter plots using the Graphs/ chart builder.Alternatively the researcher usedthe Matrix Scatter Plot. As the Goldfeld---Quandt test is not supported in data analysis; the researcher checked the homoscedasticity and normality of residuals with an eyeball test. The plot indicates that in multiple linear regressions analysis there is no tendency in the error terms as proofed the above figure. The histogram of the residuals is also consistent withthe assumption of normality and the above figure it was normally distributed.

Multi-co linearity test

Co linearity Statistics	
Tolerance	VIF
0.883	1.132
0.78	1.283
0.621	1.609
0.567	1.763
0.881	1.135
0.818	1.223
0.858	1.166
0.862	1.159
0.664	1.507
0.775	1.291
0.891	1.122
0.554	1.806

According to the above table also the researcher checked for multicollinearity in multiple linear regression model. Multicollinearity is the extent to which independent variables are correlated with each other. Tolerance should be greater than 0.1 (or VIF < 10) for all variables which they are. If tolerance is less than 0.1 there is a suspicion of multi-collinearity, and with tolerance less than 0.01 there is proof of multi-collinearity. Therefore from the table showed that there is no any multi-colinearity.

4.15.4. Regression Coefficients

The regression model was used to establish the relationship between the independent variables and the dependent variables. The regression model obtained was;

$$"Y = 13.841 + (-0.671Age) + 0.479Edu + 0.670Saving + 0.585Insu - 1.529coll - 0.468LTerm + 0.217Lsize - 0.155Lrepayment - 0.157Linterest + 0.233Tprogram + 0.126Advisory + 0.132BIG + e"$$

Table 4.15.3. The coefficients in regression model were presented in Table below:

Regression Coefficients					
Model	***Unstandardized Coefficients***		***Standardized Coefficients***	***t***	***Sig.***
	B	***Std. Error***	***Beta***		
(Constant)	***13.841***	***1.878***		***7.371***	***.000***
Age	***-.671***	***.276***	***-.198***	***-2.427***	***.016***
Educational level	***.479***	***.235***	***.167***	***2.038***	***.043***
Saving service	***.670***	***.130***	***.394***	***5.148***	***.000***
Insurance services	***.585***	***.221***	***.215***	***2.645***	***.009***
Collateral	***-1.529***	***.728***	***-.172***	***-2.101***	***.037***
Loan Term	***-.468***	***.171***	***-.223***	***-2.742***	***.007***
Loan Size	***.217***	***.082***	***.215***	***2.646***	***.009***
Loan repayment	***-.155***	***.050***	***-.250***	***-3.101***	***.002***
Loan interest	***-.157***	***.032***	***-.376***	***-4.875***	***.000***
Training program	***.233***	***.096***	***.199***	***2.434***	***.016***
Advisory Service	***.126***	***.041***	***.250***	***3.104***	***.002***
Business Idea Generating	***.132***	***.066***	***.164***	***1.996***	***.048***

Source: from survey of the researcher 2018: Dependent Variable: Growth of SBE

It can be noted that the independent variables were all significant at 5% significant level. From the above regression model, when combined all independent variables assume and remain constant (zero value); the growth of small business enterprises would be equal to 13.841.

The regression model of this study revealed that there was a strong negative relationship between the Age of the respondents and the growth of small business enterprises by a cause of -0.671. This means that a one-year addition to the age of small business enterprises owners it will lead to a decrease of growth of Small business enterprises owned average annual sales turnover by -0.671 which is the highest impact of the model which indicates that it is statistically significant at 0.016 which is less than 5%.

According to the educational level of the respondents had also impact of the growth if small business enterprises. Therefore, as shown the above table of the regression coefficients of educational level had positive impact of 0.479 of the growth of small business enterprises. This means that a one year increase in the educational level of the respondents all other independents remain constant, it will leads to increases the average annual growth of small business enterprises of 0.479 which was statistically significant 0.043 which is less than 0.05.

While saving service had the highest influence on the growth of small business enterprises when all other variables remain constant, a unit increase to the saving service leads to an increase the growth of small business enterprises 0.670 in the annual growth of small business enterprises. Therefore, saving services has a strong positive relationship to the growth of SBEs which indicates that it is statistically significant at 0.000. This data indicates that saving is very important to SBEs in Jijiga and Degahbur. Since the P-value 0.000 is less than the confident level 0.05, reject null hypothesis and accept the alternatives. This concurs with Gardiol, (2004) that Savings is a critical service for entrepreneurs.

According to insurance service of SMFIs indicates the above equation shows that an increase in micro insurance would give way 0.585 increases in the growth of small business enterprises which indicated by all other variables remain constant a unit addition to the insurances service would change in increase of 0.585 on the growth of small business enterprise which indicates that it is statistically significant at 0.00. Then although the P-value of 0.009 is less than 0.05 of the confident level, then reject the null hypothesis and accept the alternative.

As presented the above regression model, collateral has a strong negative relationship of the growth of small business enterprises which is statistically significant. According to highly required the collateral in MFIs, it would lead to decrease the growth small business enterprise in jijiga and degahbur cities with -1.529 when all other variables remain constant. This indicates it is statistically significant at 0.037 which is less than confident level of 0.05, then rejects the null hypothesis and accept the alternative.

An improvement in loan term credit had negative impact the growth of small business enterprises would yield a -0.468 will lead to decrease the growth of small business enterprises by all other variables remain constant which indicates that it is statistically significant at 0.007 which is less than 0.05. Therefore, than reject the null hypothesis and accept alternative.

As the small business enterprises need loan from MFIs, this loan size determines and affected positively impact on the growth of small business enterprises, then as indicated the above regression model loan size, every addition of loan would lead to increase the growth of small business enterprises of 0.217 by all other variables remain the same which indicates that it is statistically significant at 0.009 which is less than 0.05. Therefore, as the P-value less than the confident level of 0.05 then reject the null hypothesis and accept the alternative which means that loan size service had positive relationship on the growth of small business enterprises had in jijiga and Degahbur cities.

As the study revealed that loan repayments were also impacted the growth of small business enterprises, then as indicated the regression model table above, the loan repayment influenced by loan amount (size) and loan duration. According to this study as the loan amount (size) is large the loan repayment would be long and the reverse is true. Then loan repayment would also affect the growth of small business enterprises provided by MFIs. Therefore, with regard, the regression model of the study gives that loan repayment had negative impact on the growth of small business enterprises, in every edition of the loan frequency of repayment would decrease the -0.155 percent of the growth of small business enterprises which indicates that it is statistically significant 0.002 which is lower than 0.05. According to Olowe F.T, Moradeyo O.A and Babalola O.A (2013) on repayment of asset loan, the result obtained shows a negative impact on SBEs growth; this indicates that as the frequency of repayment is increased, SBEs growth will decrease by 44.9%. Therefore, reject the null hypothesis and accept the alternative.

Similarly, the amount of loan interest rate charged on the loan negatively impacts on the ability of SBEs to increase the growth of small business enterprises. This means that as interest rate charged is increased by the cost of SBEs significantly falls. Evidently, from a percent increase in interest rate of the loan level of SBEs decreased by about -0.157 percent. This indicates that it is statistically significant 0.000 which less than 5 percent. This has consisted with the theory because the interest rate is a cost to the firm and the high rate of interest will constrain the firm growing. This then implies that greater efforts have to be put in place to keep low the interest rate so as to allow more funds to sustain the existence of the small business.

As shown the above table, MFIs provide a training program to its members that one unit change in Business Training results in a 0.233 increase in the growth small business enterprises, when all other independent variable remain same and indicates that it is statistically significant to 0.016 which is less than 0.05. Therefore, the researcher rejects the null hypothesis and accepted the alternative.

This result are in agreement with the conclusions made by Siekei, Wagoki&Kalio (2013) where they concluded that training programs led to a significant improvement of the SBEs. The researcher of this study, therefore, conclude that training programmes provided to business increase the growth of SBEs among in Jijiga and Degahbur driven initiatives.

Improvement advisory skill of small business enterprises had value to increase the business sustainability and knowledge required skills, as the above the regression model shows that advisory services to business increase the growth of small business enterprises, then as revealed that every addition of advisory service to small business would change 0.126 units to the growth small business enterprises in Jijiga and Degahbur cities which indicates that it is statistically significant at 0.0020 which is lower than 0.05. Therefore, reject the null hypothesis and accept the alternative. Advisory services have a huge positive impact on the growth small business enterprises because they are advised on which actions would be strong or beneficial to their businesses thus enable sustainable growth of small businesses. This is supported in this study where all the respondents agreed that advisory services were beneficial in the growth of the businesses.

According to have Business idea generation services had enabled the small business enterprises persons to come up with new business ideas that enabled them to improve their small business enterprises. As indicated the regression model of the above table shown that increase unit knowledge to the business idea would generate the increase the growth of small business enterprises by 0.132 which is statistically significant at 0.048 which is lower than the confident level of 0.05. Therefore, reject the null hypothesis and accept the alternative.

4.16. Discussion Research Findings

In the model summary Adjusted R squared is coefficient of determination which tells that the variation in the dependent variable due to changes in the independent variables, from the findings as shown in the table the value of adjusted R squared was 0.52 an indication that there was variation of 52% on the growing small business enterprises due to changes in Collateral, Loan interest, Insurance services, Business Idea Generating, Age Group, educational level, Saving service, Loan Term, Loan repayment, Loan Size, Training program, Advisory services provided by MFIs at 95% confidence interval. R is the correlation coefficient which shows the relationship between the study variables. From the findings shown in the table below, there was a strong positive relationship between the study variables as shown by 0.748.

It can be noted that the independent variables were all significant at 5% significant level. From the above regression model, when combined independent variables assume and remain constant (zero value); the growth of small business enterprises would be equal to 13.841.

According to the study both descriptive and regression analyses were shown that the age of the respondents has a direct positive relationship the impact of the growth of small business enterprise clients of the Jijiga and Degahbur cities administration. This means that as the age of the business owner increase in one year it would decrease that -0.671 the growth of small business enterprises but the trust of business clients increased positively in MFIs which was statistically significant of 0.016 which is less than 0.05 then reject the null hypothesis and accept the alternative hypothesis.

As presented both descriptive and regression analyses of this study, it shown that as educational level of small business owners add unit (one year level) it would 0.479 increase of growth of small business enterprises in jijiga and Degahbur cities administration which indicates that it is statistically significant at 0.043 which is less than 0.05. Then reject the null hypothesis and accept the alternative hypothesis which was the educational level of had positive relationship the growth of SBEs in jijiga and Degahbur cities administrations. And the first research objective that microfinance services had a great positive relationship on the growth of small business enterprises SMFIs in Jijiga and Degahbur cities administration clients. And to answer the second objective of this research education had significant ability and impacts to influence the growth SBEs.

This data indicates that saving was important in growing the businesses in Jijiga and Degahbur cities administrations and does not concur with a study by Bateman and Chang who critically examined evidence on saving with microfinance institutions in Croatia and found that savings were only useful in the maximization of profits for MFI managers and external shareholders. As indicated the above the above descriptive and regression analysis as increasing/additional unit in saving service of SMFIs institution it would increase the growth of small business enterprise at a rate of 0.670 units which is statistically significant 0.000 which is less than 0.05. The ANOVA results indicated a p-value of 0.000 was less than 5%. This implied that the model developed was significant at 95% confidence level and hence could be used in prediction and decision making. This implied that the services obtained from microfinance all have a significant effect on the growth of SBEs. Therefore, rejecting the null hypothesis and do not reject the alternative hypothesis. So as to meet first research objective and research questions those microfinance services of saving had a great positive relationship on the growth of small business enterprises in Jijiga and Degahbur cities administration clients. And to meet the second objective of this research saving had significant ability and impacts to influence the growth of SBEs. This also agrees to the results of Margaret W (2012) and Bett (2014) that the saving had positive impact on the growth of small business enterprises.

The insurance service again led to better usage of loan received from the MFIs as well as the increase in the amount of money saved with a mean of 0.585. This study is shown that the microfinance insurance service of the small business enterprise has a positive relationship to the growth small business in Jijiga and degahbur cities administration. Therefore, as the regression coefficients insurance service shown that incremental insurance will lead the of growth SBEs in 0.585when all independent variables remain the same which indicates it is statistically significant of 0.009 which is less than 0.05 then reject the null hypothesis and accept the alternative hypothesis. To meet the first research objective and research questions those microfinance services of insurance had a positive relationship on the growth of small business enterprises in Jijiga and Degahbur cities administration clients. And to answer the second objective of this research insurance had significant capacity and impacts to influence the SBEs the annual growth of SBEs.

According to this study it revealed that collateral, loan term, loan repayment and loan interest had negative impact to the growth of small business enterprises as it indicated the regression coefficients of -1.529, -0.468, -0.155 and -0.157 respectively which all are statistically significant less than 0.05 of the confident interval. Therefore, this result is in line with the empirical study of Olowe F.T, Moradeyo O.A and Babalola O.A (2013). Therefore, the null hypothesis is rejected which says that microfinance service had no relationship on the growth of small business enterprise and accepted the alternative hypothesis which is true.

As indicated the regression model of the training program would impact the growth of small business enterprises. With increasing of single training had an effect of 0.233 units in the growth of small business enterprises with statistically significance of 0.016 which is less than 0.05 and also The ANOVA results indicated a p-value of 0.000 was less than 5%. This implied that the model developed was significant at 95% confidence level and hence could be used in prediction and decision making. Therefore, reject the null hypothesis and accept alternative which means that the training program had a positive influence of the growth SBEs in jijiga and Degahbur cities administration. This is echoed by Kauffmann (2005) who posits that if the masses were enlightened on business management, it would definitely lead to increased investment in the business activities given the MFIs provided low-interest loans. The pieces of training again led to better usage of loan received from the SMFIs as well as an increase in the amount of money saved. This shows that MFIs provide a good environment that allows its members to develop skills and talents as well as acquiring knowledge on the use of MFI products. To meet the research objective and research questions those microfinance services of training program had a great positive relationship on the growth of small business enterprises in Jijiga and Degahbur cities administration clients. And to second objective of this research training program had significant ability and impacts to influence the growth SBEs.

According to this study where all the respondents agreed that advisory services were beneficial in the growth of the businesses. Also, regression coefficients of this study revealed that every addition of advisory service to small business would change 0.126 units to the growth of small business enterprises in Jijiga and Degahbur cities which indicates that it is statistically significant at 0.02 which is lower than 0.05. And also The ANOVA results indicated a p-value of 0.000 was less than 5%. This implied that the model developed was significant at 95% confidence level and hence could be used in prediction and decision making. Therefore, reject the null hypothesis and accept alternative which means that advisory had a positive influence of the growth SBEs in jijiga and Degahbur cities administration. To meet the research objective and research questions those microfinance services of advisory had positive relationship on the growth of small business enterprises in Jijiga and Degahbur cities administration clients. And to meet second objective of this research advisory had significant ability and impacts to influence the growth SBEs. This is also in line with the study Phyllis Asorh (2016), and this study projected that the relations that happens between SBE's and business advisory service of SMFIs supports common reliance that is needed for transactional interactions in a safe and timely manner.

As indicated the regression model of the above table shown that increase unit knowledge to the business idea would generate the increase the growth of small business enterprises by 0.132 which is statistically significant at 0.048 which is lower than 0.05 and also the ANOVA results indicated a p-value of 0.000 was less than 5%.This implied that the model developed was significant at 95% confidence level and hence could be used in prediction and decision making. Therefore, reject the null hypothesis and accept alternative which means that Generating business idea had a positive influence of the growth SBEs in jijiga and Degahbur cities administration. This result agree with KIT and IIRR (2010) assertions cited in the literature review that views microfinance organization as an essential element in any country's financial system and the push to empower the small scale businesses in Kenya.

Business idea generation services had enabled the small scale business persons to come up with new business ideas that enabled them to improve their small scale businesses. Some had opened up multiple businesses that ran concurrently as well. All those who had sought business idea generation services from the MFIs and other providers approved that they had benefited on ideas of setting up viable business, dealing with clients well, suitably locating a business and proper handling of business affairs. This is because the masses will be able to generate the right business ideas in one way or another and empowers them leading to increased growth of small businesses after all. To meet research objective and research questions those microfinance service of generating business ideas had a positive relationship on the growth of small business enterprises in Jijiga and Degahbur cities administration clients. And to answer the second objective of this research business idea generating had significant capacity and impacts to influence the growth of SBEs.

CHAPTER FIVE

CONCLUSSION AND RECCOMMENDATION

This chapter contains the conclusions of the research, Recommendations and suggestions for policy change, Strengths and limitations of the study and recommendations for fartherresearchstudies. The conclusion and recommendations were formulated basing on summary of findings from the data that have been collected, presented and analyzed in the previous chapter

5.1. Summary of Research Findings

In the model summary Adjusted R squared is coefficient of determination which tells that the variation in the dependent variable due to changes in the independent variables, from the findings as shown in the table the value of adjusted R squared was 0.52 an indication that there was variation of 52% on the growth small business enterprises due to changes in Collateral, Loan interest, Insurance services, Business Idea Generating, Age Group, educational level, Saving service, Loan Term, Loan repayment, Loan Size, Training program, Advisory services provided by MFIs at 95% confidence interval. R is the correlation coefficient which shows the relationship between the study variables. From the findings shown in the table below there was a strong positive relationship between the study variables as shown by 0.748.

All these microfinance services(savings, insurance, educational level, loan size (amount), training program, advisory services and business idea generating had positive impact to growth of small business enterprises with the statistically significance less than 0.05. While the rest of these variablesof loan interest charged, collateral, loan term and loan repayments had negative impact on the growth of SBEs in jijiga and Degahbur cities administration with the statistically significant. But according to microfinance services overall model was significance which the ANOVA results indicated a p value of 0.000 was less than 5%. Therefore, the hypothesis testof this study are rejecting the null hypothesis and do not reject the alternative hypothesis which means that it is true the microfinance services had positive relationship on the growth of small business enterprises in Jijiga and Degahbur cities.

Microfinance institutions also enable the clients to generate income that could be spent on improved facilities and improve the living condition of households. The average monthly expenditure of active clients shifted from the lower category to the next higher category after joining SMFI program.

SMFI's intervention has also shown a positive impact on improving access to education; SMFI program has a positive impact on expending an existing enterprise, increasing job opportunities of the household members and the community, increase in total production and net profit.

5.2. Conclusion

This section of the general conclusion comprise of the synthesis of results from the study untitled "The impact of microfinance institutions services to the growth of small business enterprises in Jijiga and Degahbur cities administration; **c**ase study of SMFIs".The main objective of this study was to find out the impact of Microfinance Institutions services to the growth of Small Business Enterprises in Jijiga and Degahbur cities administration. Thus, this study discovered that a big number of the respondents confirmed that microfinance institution services had positive impact on the growth of small business enterprises. Regarding to impact of those services to the growth of their small businesses clients, the respondents revealed that all microfinance services from the Somali Microfinance Institution had make a payment to the growth of small business.

It has been said that microfinance services have a positive impact on the growth of SBEs. The variables include: in Collateral, Loan interest, Insurance services, Business Idea Generating, Age Group, educational level, saving service, Loan Term, Loan repayment, Loan Size, Training program, Advisory services. The implication of the finding are saving, loan amount, insurance training program, business advisory and having business idea services are most important of the growth of small business enterprises in Jijiga and Degahbur cities and the investigation shows that most SBEs confirmed that microfinance services improved their growth of small business enterprise. While the rest of the following variables had negative impacton the growth of SBEs which are loan term, frequency of loan repayment, collateral, and loan interest charge but statistically significant. SMFIs should note that their services are improving the growth small business of most of the enterprise but put in place strategies to market their service more aggressively.

In line with the first specific objective that consisted of examining the relationship between microfinance services on the growth of Small Business Enterprises, the respondents made us to know that the indicators of business growth include:

However, there are some conditions that prevent the members from taking credit. Among those conditions, the most one is the requirement of collateral that is necessary on the wall of SMFIs for ensuring that microfinance institution that the client or member will not reject to pay back the loan, but not easy to find for client, especially youth, women and poor who are ready to take credit for starting small businesses.

5.3. Recommendations

Based on the findings of the study, the researcher recommended isproffer:

Microfinance Financial institutions, particularly Somali microfinance banks should be encouraged increasing their loans size and training to SBEs workers. This can be achieved from side to side comforting the conditions of granting loan, flexible repayment period, understandable term of agreement, reduction in the rate of interest and awareness through routine training and programs and more supervision.SMFIs should establish relevant well adapted and appropriately structured which provided non-interest bearing banking services to people who believes that interest led transactions are prohibited based on their religious belief.Credits should be going with trainings and formation of business on basic management skills and providing additional advices for the correct utilization of credit.

Further future research is recommended by including more variables other than those included this research like government policy and regulation, level of employment accessibility and availability of infrastructures.

6. Reference

AMIR (2010).Responding to Microfinance Needs: A Philosophical and Organizational Change. Annual report; Kigali: Rwanda.

Baloyi, J.K. (2010). An Analysis of Constraints Facing Smallholder Farmers in the Agribusiness Value Chain: A Case of Farmers in Limpopo Province, Unpublished. University of Pretoria, Pretoria.

Benson and Smith (1976). A transaction cost approach to theory of financial intermediate. American Finance association,Vol. 31, No. 2, (Stable URL: http://www.jstor.org/stable/2326596), 215-231.

Bryman A. & Bell E. (2007).The nature of quantitative research. In: Business Research Methods. New York. Oxford University Press. P. 154-177.

Copestake, G., Brody, A., & Greeley, M. (2000).*Money with a Mission*: Microfinance and poverty reduction, IDTG.

Churchill, C. (2011). Making microfinance work: Managing product diversification. Geneva: International Labor organization.

Cooper, D. R., & Schindler, P. S. (2003). Marketing Research.New Delhi: McGraw-Hill.

Creswell J. W. 2003. Research Design: Qualitative, Quantitative, and Mixed Methods Approaches (2nd edition). Thousand oaks, CA: Sage.

Daniel, N. Quaye. 2011. The effect of micro finance institutions on the growth of small and medium scale enterprises (SMEs); a case study of selected SMEs in the Kumasi metropolis. Accessed 30/01/2016.

Fitsum and Holden (2005) the Impact of Credit on Changes in Welfare of Rural Households: Empirical Evidence from Northern Ethiopia. Department of Economics and Social Science: Norway

Frankel, H., &Wallen, G. (2000).Researching and Writing Dissertation: A Guild Book for Business Students. England: Pearson Education Limited.

Germinis et al. (1991). Financial systems and development: What role for the formal and informal sector? OECD development centre, Paris).

Ghauri, Pervez &Gronhaug, Kjell. 2005. Research Methods in Business Studies.3rd edition. Prentice Hall, London.

Ghauri, Pervez &Gronhaug, Kjell. 2010. Research Methods in Business Studies. 4th edition. Essex, England. Pearson Education Limited.

Government of Kenya (GOK), (1997).Micro and Small Enterprises Training and Technology Project. Government final report on Jua Kali upgrading needs phase1. Nairobi: Netcom Information Systems Ltd.

Hair, J. F., Wol_nbarger, M. F., Ortinau, D. J., and Bush, R. P. (2010). Essentials of Marketing Research (2nd ed.). McGraw-Hill/Irwin.

Hisrich, R.D, Peters, P.M and Shepherd, D.A (2010).Entrepreneurship. 6th Edt. Tata New Delhi.McGraw Hill.

Hogarth,S. S., Orser, B. J., and Riding, A.L., (2000). "Performance, firms size and Management problem solving (x)". Journal of small Business Management Vol.38. No.4

Hox, J.J. &Boeije, H.R. 2005.Data collection, primary versus secondary.Encyclopedia of social measurement, pp. 593 -59.

Jameson, S. (2000), Recruitment and training in small firm, Journal of European Industrial Training, Vol.24 (1).

John A, H. T. (2007). *Research Methods for graduate Business and Social Science students.* New Delhi, India: Published by Vivek Mehra for Response Books, typeset in 10/12 pt Times New Roman by Star Compugraphics.

Karim, N. et al (2008). Islamic microfinance: an emerging market niche. Focus note49, CGAP, Washington, DC.

Kauffmann Celine (2005), "Financing Small and Medium Enterprises in Africa". Policy Insight No. 7 African economic outlook.

Kothari, C.R., Methodology. Methods and Techniques, New Age International 2nd end (2006), New Age International(P) Ltd Publishers, New Delhi.

Kumekpor, J. (2002). Business Research: A Practical Guide for Undergraduate and Postgraduate Students. London, Macmillan.

Ledgerwood, J. (1998). Microfinance Handbook: An Institutional and Financial Perspective Washington: World Bank.

Ledgerwood J. (1999) Sustainable Banking with the Poor: Microfinance Handbook, The Institutional and Financial Perspective. The World Bank: Washington D.C.

Levy, A., Margi, P. and Philip, T. (2005) strategies for growth in SMEs: The Role of Information and Information Systems. DP Publications Ltd.

Logemann, J. (2012). The Development of Consumer Credit in Global Perspective: Business, Regulation, and Culture (New York: Palgrave Macmillan), ISBN 978-0-230-34105-0.

Mambula, C. (2002), Perceptions of SME Growth Constraints in Nigeria, Journal of Small Business Management, Vol. 40 No.1.

Maragia, I. (2008). Factors that determine entrepreneurial behavior in Micro and Small Enterprises (MSEs) in Kenya. Nairobi: Haile Selassie Avenue.

Mayoux.L and M.Hartl, 2009.Gender and rural microfinance; reaching and empowering the women. Guide practitioners, by the international fund for agricultural development (IFAD).

Meehan F. (1999) Microfinance in Rural Development: The Impact of Credit Provision by the Dedebit Savings and Credit Institution on Economic Activity and Household Income in Tigray M.Sc. Thesis: Ethiopia.

McCormick, D and Pedersen, P.O. (1996). Small Enterprise Flexibility and Networking in Africa Context. Nairobi: Longhorn Kenya Ltd.

MINECOFIN: Republic of Rwanda (2008). National Savings Mobilization Strategy Financial Sector, development Secretariat Ministry of Finance and Economic Planning. Rwanda: Kigali.

Murekezi, F. et al (2007).Extending the outreach of Rwandan Peoples' Banks to the rural poor through village savings and credit associations. Rwanda people's Banks: FAO-AFRICA-RWANDA.

Mungai b (2012).The relationship between business management training and small and medium-sized enterprises' growth in Kenya.Nirobi Kenya

MulugetaE, (2008). Underlying Causes of Micro and Small Business Failures in Addis Ketema Sub City:A Case Study. Addis Ababa.

MulukenAlemayehu (MPM) andMesfin Lemma (PhD) Assessment of Factors Affecting the Performance of Microfinance Institutions: The Case of Hawassa City

Nkonoki, E., (2010); What Are the Factors Limiting the Success and/or Growth of Small Businesses in Tanzania? – An Empirical Study on Small Business Growth, Helsinki.

Olivares, M. & Santos, S. (2009). Market Solutions in Poverty: The Role of Microcredit in Development Countries with Financial Restrictions School of Economics and Management Technical University of Lisbon.

Olowe F.T, Moradeyo O.A and BabalolaO.A(2013) Empirical Study of the Impact of Microfinance Bank on Small and Medium Growth in Nigeria. ***International Journal of Academic Research in Economics and Management Sciences*** *November 2013, Vol. 2, No. 6 ISSN: 2226-3624*

Ong'ayo Milcah, M. M. (2002). An evaluation ofmicrofinance programmes in Kenya as supportedthrough the dutch Co-finance programme. Research Gate ,https://www.researchgate.net/ publication/40129588.

Otero, M., (1999).The New World of Micro Enterprise Finance, Kumarion Press, W. Hartford, CT. Overview of Impact Assessment Tools, in Alternative Finance.ITDG publishing.

Penrose E.T (1995) „The theory of the growth of the firm", Basil Blackwell, London

Poverty Reduction. Occasional Paper No. 7 Association of Ethiopian Microfinance Institutions: Addis Ababa.

Robinson, M.S. (1998). The Paradigm Shift From credit Delivery to Sustainable Financial Intermediation, In Mwangi S Kimenyi, Robert C Wieland and J D Von Pischke (eds), 1998, Strategic Issues in Microfinance. Ashgate Publishing: Aldershot.

Rhyne, E. (2001). Mainstreaming microfinance: How lending to the poor began, grew and came of age. Bolivia: Kumarian Press).

Saunders M., Lewis P. &Thornhill A. 2009.Research Methods for Business Students.5th Edition.

SEEP Network (2000) Learning from Clients Assessment for Microfinance Practitioners (draft Manual) USAID: Washington D.C.

Sethuraman, S. V. (1997) Urban Poverty and the Informal Sector: A Critical Assessment of Current Strategies Geneva, International Labor Office, Geneva.

Stokes, D. and Wilson, N. (2006).Small Business Management and Entrepreneurship.South-Western Cengage Learning: DP Publications Ltd.

Wolday A.(2000). Microfinance and Poverty Reduction in Ethiopia, Addis Ababa, Ethiopia.

WoldayAmha (2003) Microfinance in Ethiopia: Performance, Challenges and Role inPoverty Reduction. Occasional Paper No. 7 Association of Ethiopian MicrofinanceInstitutions: Addis Ababa

Yunus, Mohammad (2003), "Banker to the Poor: Micro-Lending and the Battle against World Poverty". Alan Jolis, New York.

Yunus, M. (2007).Creating a world without poverty.Social business and the future ofcapitalism.Public Affairs, New York.

Zikmund, W.G., Babin, J. carr, J. & Griffin, M. (2012). *Business Research Methods*. Qualtrics printed Access Card Cengage Learning.

ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMIC

DEPARTMENT OF ACCOUNTING AND FINANCE

PROGRAM MASTERS OF SCIENCE IN ACFN

APPENDIX 1: QUESTIONNAIRE

Dear Respondents,

I am **Abdi Mohamed**, **MSc.** student in the Accounting and Finance in Addis Ababa University College o Business and Economic. I am carrying out an academic research Thesis on **"the Impact of Microfinance Institutions on the Growth of Small Business Enterprises in Jijiga and Degahbur;" withcase study of Somali Microfinance institution in Somali Regional State.**

I would be very grateful if you could spend some time to respond to these questions for me. You are assured that any information provided would be used for academic purposes only and will be held strictly confidential.

1. **Notes:** please tick (√) in the reserved box or answer by your own words where necessary

   For the questions that require you to express your views, use the space provided.

PART ONE: RESPONDENT'S IDENTIFICATION

1. **What is your Sex:**
   A. Male ☐
   B. Female ☐
2. **What is your age group:____________________**
3. What is you marital status:
   A. Single ☐
   B. Married ☐
   C. Widow (er) ☐
   D. Separated ☐
4. Educational level:
   A. None ☐
   B. Primary ☐
   C. Secondary ☐
   D. University ☐

PART TWO: RELATED TO THE TOPIC

1. When did you start to be a SMFI member? …………..…………..

2. Kindly indicate the source of your first capital for starting the business

A. Personal savings

B. Cooperative Agency loan

C. Loans from microfinance banks

D. Loan from commercial bank

3. Do you have any saving in SMFI?

A. Yes

B. No

4. MFIs encourage savings

A. Strong Agree

B. Agree

C. Neutral

D. Disagree

E. Strong disagree

5. Level of saving determine volume of lending to the growth of SMEs

A. Strong Agree

B. Agree

C. Neutral

D. Disagree

E. Strong disagree

There is a relationship between saving and the growth of the small business

A. Strong Agree

B. Agree

C. Neutral

D. Disagree

E. Strong disagree

6. Where do you store your savings?

A. Microfinance

B. Bank

C. Friends and Relatives

7. What attracts you to Store your savings in above question?
   A. Ease of Access
   B. Good Relationship
   C. Interest Rate
8. What types of saving you have in SMFI?
   A. Compulsory
   B. Voluntary
   C. Percentage of total loan received
   D. Others
9. How much was your compulsory saving in each time?
   A. 5%
   B. 10%
   C. 15%
   D. 20%
   E. More 20%
10. How much was your voluntary saving in each time?
    A. 5%
    B. 10%
    C. 15%
    D. 20%
    E. More 20%
11. What is Purpose of saving?
    A. For loan repayment
    B. For safety of cash
    C. For consumption
    D. House improvement
    E. For emergency issues
    F. Others
12. Interest rate on saving
    A. Less than market rate
    B. Greater than market rate
    C. Have no information
    D. Don't know

E. No answer

13. Does saving enable business growth?
    A. Yes
    B. No
14. There is required monthly limit in Savings
    A. Strong Agree
    B. Agree
    C. Neutral
    D. Disagree
    E. Strong disagree
15. Savings and withdrawal procedures are simple
    A. Strong Agree
    B. Agree
    C. Neutral
    D. Disagree
    E. Strong disagree

Part Two

1. Did you have an access to credit before joining microfinance programmes of SMFI?
   A. Yes
   B. No
2. Did you get any credit/loan from the SMFI?
   A. Yes
   B. No
3. If yes what amount of loan did you receive?
   A. Less than 10 thousands Birr
   B. Between 10 and 50,000 Birr
   C. Between 50,000-75,000 birr
   D. Between 75000-100,000 birr
   E. More than 100 thousand
4. What did you do with loan/credit from SMFI?
   A. Increased my capital

B. Create new business

C. I hire more employees

D. I bought more materials

E. Others (please specify)

5. Do you observe any expansion/growth in your business from the after loan you collected?

A. Strong Agree

B. Agree

C. Neutral

D. Disagree

E. Strong disagree

6. If you compare your business before and after taking credit from SMFI, is there any difference?

A. Yes

B. No

7. What is the working capital before taking credit/loan

A. Less than 10 thousands Birr

B. Between 10 and 50,000 Birr

C. Between 50,000-75,000 birr

D. Between 75000-100,000 birr

E. More than 100 thousand

8. What is the working capital after taking credit?

A. Less than 50 thousand birr

B. Between 100 thousand and 500 thousand birr

C. Between 500 thousand and 1 million birr

D. More than 1 million birr

9. Is credit services increase to the growth of small business enterprises?

A. yes

B. No

10. They increase capital

A. Strongly Agree

B. Agree
C. Neutral
D. Disagree
E. Strongly Disagree

11. Loan processing charges
    A. Strongly Agree
    B. Agree
    C. Neutral
    D. Disagree
    E. Strongly Disagree
12. Loan processing speed
    A. Strongly Agree
    B. Agree
    C. Neutral
    D. Disagree
    E. Strongly Disagree
13. Loans application and approval process at microfinance banks are fast enough to my satisfaction
    A. Strongly Agree
    B. Agree
    C. Neutral
    D. Disagree
    E. Strongly Disagree
14. If you have had problems in paying back the loan, what were the challenges?
    A. High interest rates
    B. Unsatisfactory credit needs
    C. Shorter payment periods for large capital investment
    D. Mandatory savings services
    E. Strict repayment schedules
    F. Other (Specify) ______________________
15. Did you invest the last loans you took from SMFI in income Generating activities?

A. Yes
B. No

16. What is the status of your loan repayment? (LR)
    A. Full repaid
    B. Not yet paid

17. Loan repayment according to schedule
    A. Strongly Agree
    B. Agree
    C. Neutral
    D. Disagree
    E. Strongly Disagree

18. If did not pay according to schedule, what is the major reason. The loan activity was not profitable
    A. Strongly Agree
    B. Agree
    C. Neutral
    D. Disagree
    E. Strongly Disagree

19. Profitable but used for other expenditures
    A. Strongly Agree
    B. Agree
    C. Neutral
    D. Disagree
    E. Strongly Disagree

20. Profitable but the outputs are sold in credit
    A. Strongly Agree
    B. Agree
    C. Neutral
    D. Disagree
    E. Strongly Disagree

21. What do you think about the repayment period of the loan?
    A. Short
    B. Satisfactory
    C. Long

D. No answer

22. Loan interest rates at microfinance banks are higher that of commercial bank(LIROC)

A. Strongly Agree
B. Agree
C. Neutral
D. Disagree
A. Strongly Disagree

23. Penalties and other service charged

A. Strongly Agree
B. Agree
C. Neutral
D. Disagree
E. Strongly Disagree

24. Is your business growing?

A. Yes
B. No

25. The indicators for the growth of a business includes increase of customers

A. Strongly Agree
B. Agree
C. Neutral
D. Disagree
E. Strongly Disagree

26. Business growth can be realized net asset

A. Strongly Agree
B. Agree
C. Neutral
D. Disagree
E. Strongly Disagree

27. Increase of profit is the indicator of business growth

A. Strongly Agree
B. Agree

C. Neutral
D. Disagree
E. Strongly Disagree

28. Increase of total sales turnover
    A. Strongly Agree
    B. Agree
    C. Neutral
    D. Disagree
    E. Strongly Disagree
29. MFIs have various Micro-insurance covers
    A. Strongly Agree
    B. Agree
    C. Neutral
    D. Disagree
    E. Strongly Disagree
30. I have taken several micro-insurance covers
    A. Strongly Agree
    B. Agree
    C. Neutral
    D. Disagree
    E. Strongly Disagree
31. Micro-insurance covers have been of benefit to me and my family
    A. Strongly Agree
    B. Agree
    C. Neutral
    D. Disagree
    E. Strongly Disagree
32. Do you find the criteria for loan processing cumbersome? Collateral
    A. Yes
    B. No
33. Do you always require collateral securities before granting loans to SBEs?

A. Yes
B. No

34. What kind of collateral do you request:
    A. Land
    B. House
    C. Car
    D. Shop
    E. Other
35. Do SBEs always get the collateral requested? a.
    A. Yes
    B. No
36. What percentage of total applicants qualify for loans within a month?
    A. less than 25
    B. 26 to 50
    C. 51 to 75
    D. 76 to 100

PART THREE OTHER NON-FINANCIAL SERVICES

1. Have you ever been trained on Financial Management?

A. Yes ☐ ☐

B. No

2. Who offered the Training?

A. Microfinance ☐

B. Bank ☐

C. Friends and Family ☐

3. If you attended training did the training help in growing your business? ☐

A. Yes ☐

B. No

4. Would you similar to microfinance banks to continue offering the training services they offer in your part?

A. Yes ☐

B. No ☐

5. How many MFI trainings did you attend

A. One-two

B. Three-four
C. Five- six
D. More than six

6. MFIs organize trainings for its members

A. Strongly Agree
B. Agree
C. Neutral
D. Disagree
E. Strongly Disagree

7. Trainings have enabled me save more than before

A. Strongly Agree
B. Agree
C. Neutral
D. Disagree
E. Strongly Disagree

8. Trainings have led to better usage of Micro-credit

A. Strongly Agree
B. Agree
C. Neutral
D. Disagree
E. Strongly Disagree

9. MFIs organize trainings after every three months

A. Strongly Agree
B. Agree
C. Neutral
D. Disagree
E. Strongly Disagree

10. MFIs training programs have helped Small business owners gain business management skills increasing their profits in the long run.

A. Strongly Agree
B. Agree
C. Neutral
D. Disagree
E. Strongly Disagree

11. Has the advisory services given by microfinance banks been beneficial to your small business?

A. Yes

B. No

12. If yes, do you agree or disagree with the statement that advisory services offered to your small businesses by microfinance banks has relatively influenced business growth?

A. Agree

B. Disagree

13. Other business growth advisory services increase the sustainability of business sector

1. Strongly Agree 2. Agree 3. Neutral 4. Disagree 5. Strongly Disagree

Statements	1	2	3	4	5
Funds management					
Loan securing and savings					
Book keeping and accounting skills					
Business governance					
Business planning skills					
Management capabilities					

14. Which other areas do you need to be given advice on so that your small scale business can flourish?

A. Management of finances

B. Venturing into new businesses

C. Savings

D. Securing loans

E. Changing from one business to another

15. Have you ever sought the services of microfinance banks on business idea generation?

A. Yes

B. No

16. Was it beneficial to you?

A. Yes

B. No

17. Setting up viable business

A. Strongly Agree
B. Agree
C. Neutral
D. Disagree
E. Strongly Disagree

18. Dealing with your clients well

A. Strongly Agree
B. Agree
C. Neutral
D. Disagree
E. Strongly Disagree

19. Suitable location of your business

A. Strongly Agree
B. Agree
C. Neutral
D. Disagree
E. Strongly Disagree

20. Ensuring affairs of running the business are in order

A. Strongly Agree
B. Agree
C. Neutral
D. Disagree
E. Strongly Disagree