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ADDIS ABABA UNIVERSITY,
COLLEGE OF DEVELOPMENT STUDIES
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**ASSESSMENTS OF MARKET CHALLENGES AND OPPORTUNITIES OF MICRO
AND SMALL SCALE MANUFACTURING ENTERPRISES IN SNNPR, SAWULA
TOWN OF ETHIOPIA**

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Declarations

I Hiyaw Hizkel, hereby declare that this thesis is my original work and that it has not been submitted partially or in full by any other person for an award of a degree in any other university/institution.

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Approval

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Abstract

The overall objective of the study is assessment of Market Challenges and Opportunities of Micro and Small Scale Manufacturing Enterprises in SNNPR, in Sawula town. Descriptive design method used scrutinizing with quantitative and qualitative data. Census sampling technique was employed for this study to select the study population. Data was collected through direct observation, structured and semi-structured questionnaires. The data was also analyzed in the descriptive statistics, using mean, standard deviations, frequencies and percentages.

Result regarding to the major Market Challenges of Manufacture Micro and Small Scale Enterprises in Sawula town was found that market challenges and opportunities of Small scale manufacturing Enterprises result regarding to Management Related Constraints at higher weight average mean difference by 3.002; this shows that there is management problem of the firms.

The finding shows that financial constraint toward in marketing is complained to improve to reflect the local realities; access to finance depicted that in weight average 3.401 is not sufficient and barrier to allow MSE to easily start up a new venture, undertake productive investments and to expand their businesses. The weight average of the process of integration of technological constraint became 3.50220, which shows that the MSE's inter-firm relationships, governance and upgrading practices is the major problem in improving their market competitiveness .

According to the result, major problems seen on promotional factors were that there are higher problems found in the selection of promotional media, low purchasing power of customers, advertising, content design and format of the promotional materials, market size, location and addresses of potential customers in higher weighted mean of 4.8000 which is MSE operators did not promote their product and majorities could not have reached. Regarding, MSEs in market opportunities: government provision of technical and Business Management Training found as good Opportunities of Sawla town's micro and small scale manufacturing enterprises and those in MSEs form shows better government support than those working in other sector.

Generally, it was recommended that the government body of Sawla town need to strive to do everything possible to improve the business environment in which MSEs operate through improving access to finance and technological advancement.

Key words: MSES, manufacturing, marketing challenges and opportunity

CHAPTER ONE

INTRODUCTION

1.1. Back ground of the study

Micro and Small Enterprises (MSEs) can be defined as one, which are independently owned and operated, and not dominated in its field of operation. It is also defined in terms of sales volume and by the number of employees in the firm. The legal definition of MSEs often varies from country to country and from industry to industry; in the United States generally fewer than 100 employees while fewer than 50 employees in the European Union (Endalkachew, 2008).

In Ethiopia, according to the Government of the Federal Democratic Republic of Ethiopia MSE Development Strategy (2011), the definition of MSEs is as; Micro Enterprises are business enterprises found in all sectors of the Ethiopian economy with a paid-up capital (fixed assets) of not more than Birr 100,000. While Small Enterprises are business enterprises with a paid-up capital of more than Birr 100,000 and less than Birr 1.5 million.

The micro and small business sector is recognized as an integral component of economic development and a crucial element in the effort to lift countries out of poverty (Wolfenson, 2007). The dynamic role of micro and small enterprises (MSEs) in developing countries as engines through which the growth objectives of developing countries can be achieved has long been recognized. It is estimated that MSEs employ 22% of the adult population in developing countries (Fisseha, 2006).

Having recognized the importance of the MSEs sector to the economy, the Federal Government of Ethiopia has issued a MSEs Development Strategy in 1997 followed by the proclamation for the establishment of the Federal Agency for MSEs Development in 1998 (MoTI, 1997). It is obvious that agriculture is still the backbone of Ethiopian economy and medium and large Companies are contributing for economic growth and development of the country. MSEs have been given due Attention since 1997 as they have invaluable contributions in the economic development of countries like other sectors. Currently, the Ethiopian government has given priority and planned to work aggressively on MSEs to complement with the objectives of the 5

years of Growth and Transformation Plan (GTP 1&2) that is focuses on industrial development in the country. The sector is expected to play a significant role as an instrumental in curbing the challenges of unemployment, poverty and to accelerate economic growth. Thus, this implies that further research is required on the factors affecting the growth of MSE's (MoFED, 2017).

In Ethiopia, Manufacturing sectors are the second largest employment generating sector next to agriculture. In line with this, about half of the urban workforce is engaged in the Manufacturing sectors , and the capital city, Addis Ababa, nearly accounts for about 40% of the total operators in micro enterprise activities (Gebrehiwot & Wolday, 2015). In the PASDEP period (2005/06-2009/10), it was planned to create 1.5 million employment opportunity. Accordingly, through 167,835 MSEs 1.46 million employment opportunities were created (MoUDC, 2011). The Growth and Transformation Plan (GTP) (2010/11-2014/15) annual Progress Report for, 2010/11 shows that about 542,000 jobs were created (MOFED, 2012). A national survey conducted by Central Statistics Agency (CSA) in 2019 indicates that more than 3.2 million people in the country are engaged in MSEs sector. Micro and small enterprise in Ethiopia are, however, confronted with several factors that affect the performance of MSE. A large number of MSEs are unable to grow (expand in terms of employment) and remain to be survival (non-growing) type which cannot provide employment. Moreover, out of 1000 MSEs in this country around 69% of them are found survival types (Yodite, 2015). The study done by Anteneh shows that Particularly in some major towns of SNNPR majority (75.6%) of the MSEs are unable to grow at all since start up and only 21.9% of the MSEs was added workers (Anteneh, 2017 cited in CSA, 2010). Therefore, this study aims to investigate the micro and small scale Manufacturing enterprise marketing challenge and opportunities in Sawula town of Ethiopia.

1.2. Statement of the Problem

The most important marketing challenges of MSEs include access to finance, competition, limited production/market place, lack of market for the product or service; and other barriers to trade. On the other hand, the internal (firm-specific) factors that inhibit the growth of MSEs include management competency, lack of skilled labor, poor marketing strategies, innovation level and investments on technology, etc (CSA, 2010).

In this respect, Endalkachew (2008) depicted that firm growth decreases with firm size and age. Others contend that the smallest firms were most vulnerable and that those that grew were less likely to fail than those that did not (Yodite, 2015).

There are previous research works conducted on MSEs in Ethiopia, for instance (Abiyu, 2011; Yodit, 2015; Alemu, 2014; Hailemichael, 2014; Mohammed *etal* 2014; Dagmawit and Yishak, 2016; and Addisu, 2016). However most of them were focused from the success, and growth point of view, and conducted several years ago, most of their sample sizes were small, most of them were not clearly shown the correspondence between challenges and opportunities, also there was a time gap observed due to the updating of information and the progressive policies and strategies in the promotion of MSEs, as well as they lack consistency. Accordingly, in Sawula town in 2010 there were 350 of Manufacturing MSEs Registered and started their own business. According to Sawla town MSE office report in 2017, 165 of them withdrew from manufacturing business and the rest of 79 shifted their business to different non- manufacturing sector and only 106 are actively participate on manufacturing sector at Sawula town currently. The report stated that majority of MSEs gave out their business sector due to lack of the market value chain from manufacturing sector from day to day (Sawla town MSEs office report, 2018). From the researchers' experience in the town, due to their ownership structure as well as their limited capital, the Sawla town MSEs face a number of challenges including the marketing of their products and services. Other gap is that market opportunities for the enterprises were not identified in the area for the survival of their business. For instance, Gofa Zone administration report (2017) stated that Sawula town is located under mass of natural resource for investor as textile input, metal work input, for food and beverage productions, leather and leather products, Wood works including furniture and ornaments sector. This seems there is a good opportunity

for MSE's. Therefore, this study will attempt to identify the different marketing factors that influence and the opportunity of manufacturing MSEs in Sawula town of Ethiopia.

1.3. Research questions

To guide the study towards the attainment of its objective, a number of research questions were developed:

1. What marketing strategies are used by Micro and small scale manufacturing enterprises in Sawula town?
2. What are the major marketing related factors that affected to increase sales and Place sustainable competitive advantage of manufacturing MSEs?
3. What opportunities are available for Micro and small scale manufacturing enterprises to enhance and to determine the choice of target market segments, positioning and allocation of resources?

1.4. Objectives of the Study

The main objective of this study is to investigate Market Challenges and Opportunities of Micro and Small Scale Manufacturing Enterprises in Sawula town.

Specifically, the study attempts to address the following objectives;

- 1) To identify the marketing strategies that employed by Micro and small scale manufacturing enterprises in Sawula town?
- 2) To evaluate the major marketing related factors that affect the enterprises target sale and the sustainability of marketing competitive advantage?
- 3) To identify the favorable opportunities available for Micro and small scale manufacturing enterprises to enhance and to determines the choice of target market segments, positioning and allocation of resources?

1.5. Significance of the Study

This study expected to have made contribution through adding information and understanding to local conditions to fill data gaps for policy making, design of programs and projects. Thus, the study will be a resource for policy makers, rural practitioners

and organizations working on MSEs as well as for academic discussions in the country. In general, the contributions of this will be:

- Its findings will help the policy makers, planners and researchers for further investigation aiming at solving related problems;
- It can influence local level policy maker's decisions by indicating directions for intervention that can target constraints of MSEs;
- It can facilitate means of collaboration between private, NGO and the public (community) in addressing the problem; and
- It can help to mobilize debates and discussions on understanding the factors hindering the growth and survival of MSEs in this sub city helps policy makers—governments (federal, regional and zone), NGOs, and other stakeholders—to design targeted policies and programs that will actively stimulate innovation, as well as helping those policy makers to support, encourage, and promote MSEs for unemployment and poverty alleviation through minimizing the constraints hindering the growth and survival of the enterprises. For MSEs, this study offers alternative actions to counteract against to the problems identified.

1.6. Scope and Limitations of the Study

The study is conducted to identify market challenges and opportunities in Sawula town of Ethiopia in which major emphasis was given to examine the manufacturing sector of MSEs. The study basically assessed using qualitative research design (interviews and observations) and quantitative research design through questionnaire by considering the time, energy and financial resources required to accomplish the study.

CHAPTER TWO

2. LITRATURE REVIEW

2.1. Overview of MSEs in Ethiopia

As in many developing countries, various studies as well as government reports indicate that MSEs are largely believed to provide means of livelihood to quite a large proportion of the population in Ethiopia (MoTI, 1997; PASDEP, 2000; CSA, 2003; GTP, 2010). “MSEs in Ethiopia play significant role in terms of accommodating a number of operators and creating gainful employment to the labor force. They provide livelihood to the vast majority of the population next only to agriculture” (Solomon, 2003).

A National survey conducted by Central Statistics Agency (CSA) in 2007 indicates that more than 1.3 million people in the country are engaged in MSEs sector. But a large number of MSEs are unable to grow (expand in terms of employment) and remain to be survival (non-growing) type which cannot provide employment. Moreover, out of 1000 MSEs in this country around 69% of them are found survival types (Gebreyesus, 2007) and particularly in capital city Addis Ababa majority (75.6%) of the MSEs are unable to grow at all since start up and only 21.9% of the MSEs were added workers (Wasihun & Paul, 2010). Even though MSEs that add workers or seeking to add labor force make a major contribution to the economic growth of the country (Mead & Liedholm, 1998) and helping more of these enterprises to grow (add workers) can make a greater contribution to unemployment reduction and income generation than equal efforts made for the promotion of new MSEs. Besides, the MSEs that add workers are very important mechanism for helping people to move up and out of poverty since increase in size is often 8 associated with an increase in economic efficiency but, most MSEs are subject to different set of

dynamic forces which can affect their growth and reduce their potential contribution to the economic growth of the country.

Micro and small enterprises (MSEs) are a special focus of the government, given that they comprise the largest share of total enterprises and employment in the non-agricultural sectors. In recognition of the important role MSEs have to play in creating income and employment opportunities and reducing poverty, the government drafted its first Micro and Small Enterprise Development Strategy in 1997.

2.2. Definition of Micro and Small Enterprises (MSEs)

Micro and small enterprises are defined in a variety of ways using various factors. Although many countries around the globe seem to use common factors in their definitions, the degree of emphasis and measures used differ quite considerably. These factors include number of employees, volume of sales, and the capital value of the business. Generally, there are two types of definitions. The first is operational definition, which are largely used for working purposes and the other is theoretical definition, which are generally, employed to characterize the sector. In recent times, there has been some degree of convergence in MSEs definitions particularly in Europe. The European Commission defines MSEs using a combination of employee numbers, annual turnover or balance sheet total and ownership.

However, the above convergence does not in any way suggest a common agreement of the specific numbers in terms of these variables. To this end, different governments and writers in MSEs' definition differ considerably. This difference is influenced largely by two factors. These are population & stage of a country's economic development, and industry within which the MSE is competing (Hillary, 2000). A definition of MSEs in the developed world would differ from how MSEs are defined in the third world. An enterprise categorized as micro

enterprise in USA may be treated as medium enterprise in Africa for the fact that the definition of MSE is relative to economic development. The other factor commonly used in defining MSEs is annual turnover. Again, the acceptable figures differ from country to country, depending among other factors on population and stage of economic development. For example, the accepted definition of small enterprises in USA is “an entity with average annual gross revenues for the preceding three years not to exceed \$15 million, and very small enterprises (Micro enterprises) as an entity with average annual gross revenues for the preceding three years not to exceed \$3 million”. This shows that there is no common definition of MSEs and that the definitions vary from country to country depending largely on the size of the economy, the levels of development, culture and population size of a country involved.

In the past the definition of Micro and Small Enterprises was based on paid up capital only. An enterprise is categorized as micro if it's paid up capital is less than or equal to Birr 20,000. Similarly, an enterprise is considered small when its paid up capital is less than or equal to Birr 500,000. However, this does not provide information on the size of jobs or number of employees in the MSE.

It also did not tell the size of the total asset for the MSE and did not differentiate between manufacturing (industry) and services. Current definition considers human capital and asset as the main measures of micro and small enterprise to addresses the limitations of the old definition.

Table 1: The New MSE Definition (2011)

Type of the Enterprise	Sector	Human Power	Total Asset
Micro enterprise	Industry	< 5	< 100,000(Birr)
	Service	<5	<50,000(Birr)
Small enterprise	Industry	6-30	< 1.5 million (Birr)
	Service	6-30	<500,000(Birr)

Source: FeMSEDA, 2011

2.3. Micro and Small Enterprises Development in Ethiopian

Although Ethiopia has a long history of artisan manufacturing activity, the development of modern manufacturing enterprises took place mainly in the post-World War II period. The evolution of the sector falls into three broad phases: the import-substitution period which lasted from the early 1950s to 1974; the centrally planned economic system from 1974/1975 to 1991; and liberalization and market-orientation since 1991. During the second period, private sector industrial activities, consisting mainly SMEs, were openly discouraged through restrictive policies, including regulations and direct controls that prevented access to credit and imported inputs by private enterprises.

During this phase, the number of officially registered small-scale manufacturing enterprises was reduced (Andualem, 1997; FMSEDS, 1997; Zewde & Associates, 2002). When the current Ethiopian government came to owner in 1991, it inherited a centrally planned economy and faced some challenges similar to transition economies, including private sector development.

2.4. The Roles of Micro and Small Enterprises

The small business sector is recognized as an integral component of economic development and a crucial element in the effort to lift countries out of poverty (Wolfenson, 2001). Small-Scale

businesses are driving force for economic growth, job creation, and poverty reduction in developing countries. Further, small scale business has been recognized as a feeder service to large-scale industries (Fabayo, 2009).

In light of this, Micro and Small Enterprise Development Program in Ethiopia has been given due attention by government since 2004/2005. Until 2004/2005, the national strategy was implemented by Federal MSEs Development Agency organized only at national level. Because of this, it was very difficult to make the strategy practical specially in delivering business development service for MSE operators. Thus, by considering the critical role of the sector and the challenges faced by MSE operators since 2004/2005 the government of Ethiopia decided to establish MSEs coordinating body at the regional level. In most fast developing countries, MSEs by virtue of their size, location, capital investment and their capacity to generate greater employment have proved their powerful propellant effect for rapid economic growth. The sector is also known as an instrument in bringing about economic transition by effectively using the skill and talent of the people without requesting high level of training, much capital and sophisticated technology. The micro and small enterprise sector is also described as the national home of entrepreneurship. It has the potential to provide the ideal environment for enabling entrepreneurs to optimally exercise their talents and to attain their personal and professional goals (Carree and Thurik, 1998; Etsegenet A., 2000; Ali and Sims, 2001; Paul and Andy, 2002; Trovato and Becchetti, 2002).

In all successful economies, MSEs are seen as an essential springboard for growth, job creation and social progress. The small business sector is also seen as an important force to: generate employment and more equitable income distribution; activate competition; exploit niche markets; enhance productivity and technical change and through the combination of all of

these measures, to stimulate economic development (Zewde & Associates, 2002; Kiggundu, M.N.,2002; Trovato, and Becchetti, 2002; Andy and Paul, 2002; Nuno &Santos; 2003).

For Ethiopia, while the importance of large industrial and other enterprises for the growth of the economy cannot be denied, there is an ample evidence that the labor absorptive capacity of the small business sector is high, the average capital cost per job created is usually lower than in big business and its role in technical and other innovation activities is vital for many of the challenges facing the country (Petersen and Carpenter,2002; ILO,2004;Freel and Robson,2004;Ishengoma,2004; Amenu 2005;Amyx,2005;Gebrehiwot & Wolday, 2005). The rationale behind such an approach is that small industries provide substantial scope for increasing employment as they are labor-intensive, and they require comparatively less capital.

They have lesser gestation period and can easily be set up in rural areas or in backward areas. They need relatively smaller markets to be economical and hence they have advantage in being set up as ancillary units. They stimulate growth of entrepreneurship and promote a more decentralized pattern of ownership and location (Bhatia & Batra, 2003; Geoffrey, 2004; Eijaz,2005, Céline, 2005, Beck, 2005, Gebrehiwot & Wolday, 2006).

The most significant aspect of small industry development is that this sector has stimulated economic activity of a far reaching magnitude and has created a sense of confidence among a huge number of small entrepreneurs about their strength and vitality (Bhatia & Batra, 2003). According to Beck, (2005) the small industries have been growing during the last three decades on account of their significant role in attaining the major objectives as under: removal of economic backwardness, attainment of self-reliance, reduction of regional imbalance, reduction in disparities in income, wealth and consumption standards facilitate

mobilization of resources, capital and skills and their optimum utilization, create greater employment opportunities and raise levels of output, income and standard of living; and meet substantial part of the economy's requirement of consumer goods and simple producer goods.

2.5. Firms growth measure

Growth of a firm is typically measured using absolute or relative changes in sales, assets, employment, productivity, profits and profit margins. It serves as an indicator of success of the entrepreneur and the company as a whole, and it is a measure of the economic contribution of the firm to common good (Dunkelberg and Cooper, 1982). In principle, the manager expects demand to stabilize before recruiting personnel, thus employment is theoretically a less volatile measure than sales (Delmar, 1997). However, sales data are usually readily available and business owners themselves attach high importance to sales as an indicator of business performance. In addition, sales growth is also easier to measure compared with some other indices and is much more likely to be recorded. Sales are a good indicator of size and growth (Olawale & Garwe, 2010).

According to Maas and Herrington (2006), the creation of a new firm is a two-stage process. The first phase is the start-up phase, a three-month period during which individuals identify the products or services that the firm will trade in, access resources and put in place the necessary infrastructure such as staff. The next phase, a period of 3 - 42 months, is when the business begins to trade and compete with other firms in the market place. Once a firm has successfully existed for more than 42 months, it becomes an established firm.

2.6. Firms Market constraints

In most developing countries small businesses face a wider range of constraints and they are unable to address the problems they face on their own, even in effectively functioning in market economies. Several prior studies' theoretical framework for this type of study was

based on classifying the types of decisions needed to start and maintain a successful business and analyzing common problems faced by small business owners. Although (MSEs) are recognized as a major source of innovation, flexibility and growth in the country, on the other hand different surveys and reports indicates there are many challenges facing them and result in hindering their growth (CSA,2005; Michael Decker, 2006 Rasca Lavinia, 2007; Zuzana Brixiova1, 2009, Okpara(2011).

Ethiopia, as one of the sub-Saharan developing country has integrated MSEs as a strategic tool in the Growth and Transformation Plan (GTP) and forwarded MSE development strategies to promote the sector. However, the sector confronted several factors that affected its performance to grow and develop to its potentials (Werotew, 2010:226-37).

In Ethiopia, MSEs are confronted with various problems, which are of structural, institutional and economic in nature. Lack of capital, working premises, marketing problems, shortage of supply of raw materials and lack of qualified human resources are the most pressing problems facing MSEs. Although the economic policy of Ethiopia has attached due emphasis to entrepreneurship values and appreciation of the sector's contribution to the economy, there are still constraints related to infrastructure, credit, working premises, extension service, consultancy, information provision, prototype development, imbalance preferential treatment and many others, which therefore need proper attention and improvement. It is in this context that the Ethiopian Micro and Small Enterprises Development Strategy was conceived and developed (Ministry of Trade and Industry, 1997).

According to the study by Wolday and Gebrehiwot (2004), the leading factors contributing to the unimpressive growth and performance of the MSEs are limited access to finance, market, business services, working premises. Thus, critical assessment of the association between growth and constraints of enterprises is needed so as to achieve the contributions of their growth to the national economy by overcoming a series of constraints they are facing. This study, therefore, examines the extent to which the growth potential of MSEs is associated with the business constraints while controlling for the owner-managers' attributes and enterprises' characteristics. This is mainly due to poor growth and performance of MSEs, in Africa MSE affected by multiple factors that inhibited the sector, these factors included entrepreneurial and managerial

capabilities of the owners, mentality, skill and motivation in exploring opportunities, access to technology and capital. The regulatory and institutional environment in developing countries was also notoriously burdensome; it frequently hampered small enterprise growth. Econometric analysis underscores how these challenges disproportionately harmed smaller enterprises (Beck, 2006). For instance, strict regulations and high taxes kept firms small and informal (De Soto, 1989). Due to these reasons performance of MSE in Sub Saharan Africa (SSA) is far below than the other developing countries in comparison. The study by Fedahunsi, (1997:170-186) confirmed that the failure rate of MSEs in SSA was 85%.

According to Mambula, (2002), Zewde & Associates, (2002), Wiboonchutikula, P. ,(2002), there are many obstacles hindering their growth like competitions, lack of access to credit, cheap imports, insecurity, debt collection, marketing problems, lack of enough working space, identical products in the same market, change in demand and absence of market linkages, lack of raw material accessibilities. In addition, findings by Lois Stevenson and Annette St-Onge(2005), also indicates managerial skills, level of education and technical skills, ability to convert profit back into investment are other factors instilling or inhibiting the growth of MSE's.

According to Yordanos ,(2006), Gebrehiwot and Wolday, (2006), CSA ,(1995/2003), more than 11, 000 MSEs were surveyed and about 65 percent of them admitted having main constraints like lack of working space for production and marketing, shortage of credit and finance, regulatory problems (licensing, organizing, illegal business),poor production techniques, in put access constraints, lack of information, inadequate management and business skill, absence of appropriate strategy, lack of skilled man power, low level of awareness of MSE's as job area, low level of provision and interest for trainings and workshops.

These constraints confirm with other developing countries' especially experiences of Sub-Saharan countries in which the major common constraints of MSEs are lack of financial support, poor management, corruption, lack of training and experience, poor infrastructural availability, insufficient profits and low demand for product and services (Arinaitwe, 2006; OECD, 2006; Indarti, 2006; Thiam, 2007; ILO, 2007; Hailay, 2007; Dildar and Zafar Yaqub, 2010; Gurmeet and Rakesh, 2007). Even though in the past decades the focus of Ethiopian government was mainly on large organizations, the recent wave of private sector development initiatives however shifted the policy efforts to MSEs. This new orientation has been possible because of poor performance in most state owned companies and the tension introduced by globalization and the

increased need for competitiveness (Zewde & Associates, 2002; Rahel and Issac, 2010; Jining Song, Junjie Wu, 2008; Hamilton & Fox, 1998; Desta, 2010).

Most of the time the common constraints indicated by different researchers are: attitude of the society towards the enterprises, financial support constraints and lack of access to loans, skills problem to run the business and meet the objectives, lack of smooth supply and availability of raw materials, lack of less working premises, unavailability of markets, unfamiliarity with technology, risk of being vulnerable than big companies and threatened by scarce resources, fierce and increased competition from different dimensions are the major bottlenecks holding back the growth of MSEs by low-productive jobs in the state sector to more productive ones in the private sector remain unfulfilled. This lack of good (productive and well-paid) jobs discourages workers from acquiring skills, out of fear that such asset would not be utilized (Assegedech, 2004).

Since 1991, there has been significant improvement in the incentive system and the macroeconomic environment with positive implications for manufacturing activities. A liberal investment code has been introduced. Domestic price controls have been removed. The financial system has been partially liberalized. Tariffs have been reduced and non-tariff barriers have been removed. A public sector reform programme has also been introduced and one of its main objectives to privatize SMEs that were nationalized in the 1970s. All these reforms have immensely improved the domestic policy environment for SMEs (Ibid).

Gradually, the government of the Federal Democratic Republic of Ethiopia has recognized and paid due attention to the promotion and development for MSEs for they are important vehicles to address the challenges of unemployment, economic growth and equity in the country (Ibid).

To this effect, the government has formulated a National Micro and Small Enterprises Development and Promotion Strategy, which enlightens a systematic approach to alleviate the problems and promote the growth of MSEs. Government has gone a step further in its support for small enterprises by formulating strategy by refinements of micro-policies and incentive schemes aimed at promoting learning and technical change at the enterprise level (Assegedech, 2004; Amenu, 2005).

The CSA survey revealed that the number of people earning their livelihood from the micro and small scale manufacturing industries is eight times larger than those engaged in the medium and large scale industrial establishments (CSA, 2005). There are the policies and strategies developed in the past years to create an enabling environment and targeted support for the development of the private sector in general and the MSE sector in particular.

Currently, according to the discussions of Ethiopian New Micro, Small-Enterprises Development Package Design of 2011 national conference held in Addis Ababa , the overall objective of MSEs sub-sector is to play a vital role in national development particularly in the creation of employment opportunities and poverty reduction with complementary of objective of the 5 years GTP. In another way to address the challenges of unemployment in the country by giving special emphasis to widely develop MSEs sector to ensure accelerated industrial development which is serving as foundation for the country's economic growth. As the conference, this will be achieved by providing the comprehensive and accessible support for the enterprises and the government has given priority to the sub-sector in the next five year industrial development plan with a firm believe that the sector is an instrumental curbing urban unemployment problems. Although it was obvious that as there are various challenges hindering the growth and development of MSEs reported, there were proposed strategic directions to tackle challenges in the sector by providing human, technological and financial resources as well as manufacturing and market access, clustering MSEs and delivering industrial extension services were other strategic directions. In addition to these government is aggressively working on developing the attitude and skill of entrepreneurs in realizing the sector's objective through enhancing demand oriented human resources development & technological transformation (Ethiopian Herald, 2011).

The survival rates for small businesses according to Stokes (1995) are low and agro industry MSEs are no exception. It is therefore important to understand the factors in the environment that influence the likelihood of success. Smit et al. (2007) define a business environment as all those factors or variables, both inside and outside the organization that may influence the continuous and successful existence of the organization. The factors are dynamic that is, their impact on the firm changes over time. Changes in the business environment may have either a negative or positive effect on the growth or failure of MSEs in most countries in Africa (World

Bank, 2006). When it has a negative impact, it is often regarded as a constraint since it hinders the growth and sometimes survival of the enterprise. This business environment can be divided into the internal and external environment.

2.6.1. Firms Internal Marketing factors

According to Stokes (1995), the internal factors or influences stem from the motivations, attributes and competencies of the owner-manager who sets up the business in the first instance. These are factors in a firm 's environment that are largely controlled by the firm. It is made of factors such as finance (especially internal finance such as owner 's equity), managerial competency of the owner, location, investment in information technology, cost of production and networking (Cassar, 2004; Barbosa & Moraes, 2004). These factors can become constraints for the firm when their presence or lack thereof hinders the growth of the firms.

Access to finance and capital: Factors contributing to the unimpressive performance of MSEs, as mentioned in different studies, are limited capital and limited access to finance (Okurut & Bategeka 2006; Kappel *et al.*, 2004). MSEs are usually financed from owners' wealth and/or by accessing external sources of finance, whether from 'informal' sources such as family and friends, or from 'formal', market-based sources such as banks, venture capitalists and private equity firms. Once businesses are trading, further development can be financed using retained profits (Olawale & Garwe, 2010). Lack of access to external finance affects MSEs 'decisions to upgrade their equipment, machinery and technology; this is because by making new investments they further constrain their limited internal sources of financing (Ishengoma & Kappel, 2008).

Management skills: Managerial competencies are sets of knowledge, skills, behaviors and attitudes that contribute to personal effectiveness (Hellriegel *et al.*, 2008). The competence

of the manager is the ultimate decider of whether the firm will grow or fail. According to Stokes (1995), as the business develops, growth can be prematurely curtailed by the inability to draw others into the management of the enterprise. Managerial competencies are very important to the survival and growth of MSEs. Martin & Staines (2008) found that lack of managerial experience and skills are the main reasons why new firms fail.

Location: Rogerson (1998) found that the availability of infrastructure services is often directly linked to the location of business. The MSEs located closer to urban centers often have better access to services such as compared to those in poorer rural areas (Matangul *et al.*, 2001; Berry *et al.*, 2002). The necessary services for business survival and growth include access to water; electricity, accessible roads, telecommunications, postal services and protection from crimes are available in the urban areas (Clover & Darroch, 2005). Olawale & Garwe (2010) pointed out that geographical proximity to either potential buyers or suppliers produces a form of enhanced environmental scanning that enables MSEs to be easily identified and exploit growth opportunities in the market.

Networking: Networking is very important to MSEs and can positively impact on their performance and access to finance. Researchers have identified networking as one of the fastest ways for the owner-manager to understand his environment which is crucial for the business growth. Okten & Osili (2004) found that the formation of networks help entrepreneurs to tap resources in external environment successfully. Shane and Cable (2002) suggest that networking can be used to reduce information asymmetry in creditor/debtor relationships. Ngoc *et al.* (2009) explain that in the absence of effective market institutions, networks play an important role in spreading knowledge about a firm's existence and its practices. It also enables a firm to learn appropriate behavior and therefore obtain needed

support from key stakeholders and the general public (Olawale and Garwe 2010). Successful entrepreneurs use informal networks to keep up to date thus developing a rich mental map of their environment (Stokes, 1995).

2.6.1.1. Management Constraints

These problems are usually labeled as critical success/failure factors as they are internal to the organization and within its control. These problems need immediate managerial actions and include human resources management, business planning, organizing, and directing. The future of small firms depends on the development and maintenance of human resources in which few highly competent people dedicated to the task, driven by it, working full time and very hard are the successful once. For many firms, the attraction, development and maintenance of successful individuals are a critical success factor even though recruiting new employee is one of the biggest challenges facing small firms, and a key component of organizational success (Chrisman,1989 Hyvarinen ,1990;Hailey,1991; Donckels & Fröhlich 1991;David and Nyong,1992 ;Lussier, et.al,,1996 ;Yusuf and Attahir, 1995).

Most owners/ managers lack sufficient trainings, they do not have proper management procedures and their concern has remained on daily routine and to keep the business going and all decision making is concentrated in the hands of owner-manager, innovation activities in the enterprises mostly monopolized by them and gives less motivation for others workers to reveal their potential talents (Riding & Santos, 1990; Nuno Santos, 2003; Hausman 2005).

Various empirical studies have tested the effect of human capital and demographic factors on innovation concerning firms which are led by more educated executives or owners to innovate (Christopher, et.al., 2006; Okpara, 2007; ILO, 2008; Rupasingha and Sergio, 2010) .Robson et al. (2008) found that education of owners, experience, level of skill and knowledge are

important factors and has been found to affect innovation activities (Hausman 2005). Mahemba and de Bruijn (2003) have also shown that training of workers is associated with higher innovation. As Liedholm and Mead, (1993), McPherson, (1996), Nuno Santos, (2003), Kibas, (2006), Ibrahima Thiam, (2007), the ability of managers to perform activities has very important bearings on the performance of the business.

However, the sources of many of managerial problems in SMEs are lack of education and professional training. Today, owners/managers of small firms must be familiar with many aspects of management such as finance, personnel, sales, production, and so forth. Many studies indicated that entrepreneurs perform poorly in many areas of management such as bookkeeping, marketing, costing, warehousing, stock control, production scheduling, and quality control. The owner/managers in some cases either do not understand financial statements or do not use them for planning purposes cannot not differentiate between personal expenditure and business expenses, and have no accurate perception of their production costs (such as unit cost of labor; cost per unit of capital; marketing cost per unit of product etc.).

It is obvious that inability to evaluate results on continuous basis may result in not recognizing problems at an early stage when changes can be made at reasonable costs. SMEs seldom evaluate organizational progress against plans. This can serve as early warning system by providing clues for further study. Hence, lack of creativity, innovativeness and responsiveness hampers MSEs (Indarti & Langenberg, 2005; Michael B., Samuel M., 2009; Mohammad et, al., 2011). Management skills, lack of occupational experience in related businesses for many MSEs entrepreneurs has been indicated as a constraint to growth (Gurmeet Singh & Rakesh Belwal, 2008; Sugato et, al, 2009; Mshenga & Owuor, 2009;

Okpara,2011). There is a general lack of an entrepreneurial culture in Ethiopia and, more particularly, for potential and operating owner/managers of MSEs (Woretaw, 2010).

2.6.1.2. Financial Constraints

Financing is one of the crucial elements that determine the development of (MSEs) and necessary to help them to set up and expand their operations, develop new products, and invest in new staff or production facilities. But if they are successful, there comes a time for all developing MSEs when they need new investment to expand or innovate further. That is where they often run into problems, because they find it much harder than larger businesses to obtain financing from banks, or other financial institutions. Lack of finance was cited as the most pressing need of the MSE sector operators (Nuno Santos, 2003 Nurul & Langenberg, 2005).

The survey further indicated that working capital (necessary for the business growth) was the most needed followed by investment capital (for starting up new business). This is due to most banks do not operate a MSE financing window and low capability of borrower to prepare and present applications that meets bank's requirements. It is too expensive to hire professional services for doing this job for MSE. This is reflection of the lack of information or the perceived high cost of collecting such information on MSE. MSEs have also inability to fulfill the acceptable collateral requirements like fixed assets such as residential houses and vehicles. Thus, rather than focusing their attention on evaluating income streams flowing from an investment project they may focus more on the value of collateral available in the event of financial distress. This creates a problem for small firms in that they often do not have significant fixed assets to secure on in their early years of establishment (Arinaitwe, 2006; Suwastika Naidu, Anand Chand, 2006; Ibrahima Thiam, 2007).

As a result of these and inability of small entrepreneurs to secure collateral requirements, the banking institutions became reluctant to provide them loans. Coupled with absence of other sources of finance other than traditional ones and informal sources, creation of new enterprises and the growth and survival of existing ones will be impeded. Particularly in developing countries like Ethiopia, where the financial market is weakly efficient, there is high information asymmetry between financial institutions and Micro and Small Enterprises (MSEs). As a result, financial institutions face severe problems of adverse selection. That is why access to formal finance is usually difficult for MSEs (Jining, 2008 Eshetu and Zeleke , 2008, Rakesh Belwal, 2008 Ayokunle ,2007 ILO,2008). If SMEs cannot find the financing they need, brilliant ideas may fall by the wayside and this represents a loss in potential growth for the economy. Lack of financial availability and accessibility is cited in many studies as being one of the major barriers and constraints to growth. A loan approved for the applicant by the OCSSC, failed to materialize because land title deeds as collateral. Owning title deeds as collateral to finance expansion is still a hurdle for most entrepreneurs, given that property is not usually registered in their names (Mulu Gebreeyesus (2009). Bowen, Mureithi, 2009; Gebregziabher Haileselasie Gebru, 2009, Dildar and Zafar, 2010; Anil and Contreras,2010).

2.6.2. Firms External Market Environment

According to Stokes (1995), the external market environment is made up of the macro environment and the micro environment. The macro environment is made up of political and regulatory factors (e.g. levels of tax), economic conditions (e.g. inflation rates), social and demographic influence (e.g. age profile of population), and technological changes (e.g. information handling and communication) which impact the firm nationally or internationally. The micro environment refers to factors which influence a particular firms or enterprises such

as the competitive environment, customer needs and the structure of demand for individuals' products and or services. These state variables are largely uncontrollable by MSEs.

Economic variables and markets: Ehlers and Lazenby (2007), observed that economic factors have a direct impact on the potential attractiveness of various strategies and consumption patterns in the economy and have significant and unequal effects on organizations in different industries and in different locations. Economic variables include the fiscal and monetary policies of the government, inflation, interest rates and foreign exchange rates. These variables influence the demand for goods and services, hence the growth of MSEs. The extent of competition and potential competition also impact on the market potential and growth opportunities of MSEs. Therefore, managers of new firms have to scan and interpret environmental changes (especially the extent of present or future competition) to maintain their firms' viability and performance (Zahra *et al.*, 2002).

Corruption: Gaviria (2002) argued that the reason why MSEs engage in corruption is often linked to problems with regulatory compliance and bureaucracy. MSEs lack the bargaining power and the influence to oppose requests for unofficial payments and similar solicitations. The World Bank (2005) found that about 70 percent of MSEs perceive corruption as an impediment to their business compared to approximately 60 percent, for large firms.

Labor, infrastructure and regulations: MSEs require access to a pool of suitably-skilled and suitably- motivated labor in order to sustain growth. Labor can only be hired at a cost and within the confines of the labor regulations such as the Employment and Minimum Wage Regulations. Many developing countries suffer from deplorable state of basic infrastructure like transportation, telecommunication and electricity. Electricity supply does not meet the demand leading to power cuts which can affect the production and turnover of MSEs (Kalra, 2009). In addition, the cost of regulation may impact on the growth of MSEs. MSEs have to obtain registration licenses and pay taxes (Hashi, 2001).

The World Bank Doing Business Report (2006) indicated that it takes 127 days to deal with licensing issues and there are 16 procedures involved in licensing a business in Ghana. It takes longer (176 days) in South Africa and there were 18 procedures involved in dealing with

licensing issues. Meanwhile, the absence of antitrust legislation favors larger firms, while the lack of protection for property rights limits SMEs access to foreign technologies (Kayanula and Quartey, 2000). Most MSEs also perceive that they do not get enough support from the government.

2.6.2.1. Marketing Constraints

Today it is widely accepted that small businesses are not just “little big” businesses. Rather it is acknowledged that they have their own peculiar characteristics, which affect the way they operate and largely determine their preoccupation and concerns. For MSEs, marketing is that an intuitive approach exists among them and found largely on traditional practices and experiences, where it entirely dependent on the depth of experience and knowledge of owners/managers. Often, planning of marketing activities is limited to planning for “selling” within a narrow industry perspective (Honjo, 2000).

Due to lack of resources and expertise, many small firms do not conduct marketing research, keep customer records, make follow up on their customers and study customers’ characteristics and preferences. The first few years of small firms require aggressive marketing of products and services. But, lack of understanding the strategic importance of marketing in achieving competitive advantage, startup firms does not sufficiently market their products and services (Bergin & seers, 2000). Even though marketing has been widely accredited as one of the most important of all activities and critical for the survival and growth of MSEs), many studies found owner/managers of MSEs as having a very limited understanding of the marketing concept generally to be little more than advertising and public relations and lacking adequate marketing skills. Specifically, problems in promotion and marketing research were frequently encountered by MSEs. These problems include the selection of promotional media, difficulty in getting customers to pay, low purchasing

power of customers, advertising, content design and format of the promotional materials, market size, location and addresses of potential customers as Trovato and Becchetti, (2002).

Studies show the problems of MSEs on marketing side with lack of linkage between MSE operators, information in the market, available technologies, existing opportunities, etc. Due to lack of market related knowledge MSEs face serious problems because of they are unable to meet the visible growth due to lack of information where the best market areas are located, inability to analyze their respective market, lack of skills to set competitive prices, inability to effectively promote products (Etsegenet, 2000; Mambula, 2002; Carpenter and Petersen, 2002).

They have limitations in using marketing strategy which helps to develop good marketing mix to sell the products through which selected target client/market, studying the client with respect to his/her buying motive and behavior, segmentation of the market using relevant bases, evaluating each of the segments, reaching the target market (Kaibori, S. 2001; Bergin-seers, et.al., 2001; Wiboon chutikula, 2002).

Since the business line of MSE activities in Ethiopia is relatively similar, a lack of product diversity, however, is prevalent and as a result similar products are over-crowding the market. Furthermore, certain MSEs lack the skill to modify their products and its designs. Most products that are made available by MSEs can also be obtained from medium-sized enterprises that mostly have market advantages in terms of their size and economy of scale (Assegedech, 2004; Lois and Onge, 2005; Longenecker, 2006).

The other most important problem of MSE is in relation to price. This is due to lack of basic costing knowledge; overhead costs are mostly not calculated as expenses; the fact that salaries

or wages of family members involved in production or sales are overlooked as cost product. Not knowing the exact earnings from sales separately during and at the end of the day, family members spend the money earned from sales without recording, manufacturers do not correctly know how much raw material and accessories are required to make one unit of a product. Consequently, some of them sell at break-even or even below cost and do not know whether they actually making profit or not. They express their success only by accentuating the changes they make. While other MSEs tend to overprice their products, with some underpricing due to lack of costing skills as well as competition, some instances MSEs are forced to sell at any lower price, due to the existence of larger enterprises, which sell similar products with reduced prices (Allan Mulengani et,al,. 2009, Olalekan Asikhia 2010).

In most cases, MSEs have limited means in obtaining effective and relevant data as well as information on market availability that can be obtained from Chambers of Commerce, MSE Development Agencies, associations as well as Trade, Industry and Tourism Bureaux. Nevertheless, MSEs have difficulties in getting their hands on adequate data and information, one of the reasons for this deficit is that many of the centers are not within the reach of most MSEs (MSEDS, 2005; Rahel, Isaac, 2010).

Problems related to the promotion of many MSE are plan on their products. However, their budget is mostly tight and they refrain from undertaking such promotional activities to use the money for other urgent matters even though some enterprises understand that issuing flyers, posters and business cards have promotional values, The other marketing problem of MSEs is concerning competition between themselves and from middle and large companies , which implies that some larger companies in relation to MSEs have advantages due to selling at reduced price without reducing product quality using economies of scale, customer

targeting capacity, proper and intensified product/service advertising capacity, good personal contacts and networks, sound industry reputation, sufficient information regarding existing market and capacity to exploit more market opportunities. The place or MSEs' business location and channel of distribution most of the time face difficult to reach the market and the chosen potential customers.

2.6.2.2. Working place factors

The working place is one of the main components that are needed for a successful and sustainable growth of enterprises because it is essential in creating access to resources and the necessary markets. Most of the women do not have their own working premises; their working place is shared with other members in the cooperative (Rahel & Issac, 2010).

For MSEs, lack of premise is unquestionably a serious problem. Most informal operators do not get access to suitable locations where they can get easy access to markets. The issue of acquisition and transaction cost has become very prohibitive to the emergence of new enterprises and to the growth and survival of existing ones. The issue of land provision and the land lease system has greatly constrained the chances of micro, small and medium enterprises who aspire to startup businesses (Eshetu & Mammo, 2009).

According to Rolfe et al (2010) findings location is critical factor for sales and income of small scale enterprises and hence entrepreneurs benefit from businesses in formal residential areas. Logically, this finding stems from the higher per capita income and demand density in developed urban areas. Demand density also makes taxi ranks and train stations more lucrative. These spaces are limited and thus a source of competitive advantage that cannot be copied or re-created. Mboniyane & Ladzani (2011) found that small businesses select a site without first thoroughly analyzing the suitability of location. The same researcher found that

most of the micro-enterprises are failing owing to a lack of space provided by the government and the various shortcomings of the small business owners regarding their businesses. Olawale & Garwe (2010) also found that poor location has a negative impact of the performance of micro and small enterprises.

2.6.2.3. Technological factors

Choice of technology and innovative capacity is another important factor determining growth of MSEs. According to Albu (2001: 16) in Moyi, E and Njiraini, P (2005), it is divided in to production, investment, and innovative/adaptive capability. Production capability is the static knowledge and skill required to use existing Technology development which is far less applicable to MSEs is the process of designing new machineries/ equipments/ Processes/ products.

The appropriate technology paradigm assumes MSEs as beneficiaries and not as active participant of development and improvements of technology; technology as a resource that can only be adapted by MSEs for improving factor productivity and reducing unit costs. It also focuses on incremental choice and suitability of available technologies to the production and market environment of MSEs operating in environment of unskilled and large labor market, low income consumer market, and low quality inputs. But appropriate technology paradigm is challenged for its limited impact and its failure to narrow gaps between MSEs and larger enterprises. The technical capability paradigm has emerged as a result of unsatisfactory result with appropriate technology paradigm and with an objective to raise capacities of MSEs in making use of innovated technologies as most innovated technologies is adopted from separate

workshops. It needs institutional, technical and engineering skills to adapt these technologies to different climate, raw materials and market demand.

2.6.2.4. Access to infrastructure

The most of small firms faced lack of appropriate location for their businesses. Some of the small firms are located in places with an inadequate supply or lack of public services and economic infrastructure (water and electricity, transport systems, telecommunication system, sanitation services). In comparison to middle or high income communities, small firms with access to these services incur a relatively high cost per unit for the service.

Besides, small size firm cannot afford to invest in private public goods (Reinikka & Svensson, 2002) or to buy services from private providers which would be more expensive than supplying from government suppliers (Ishengoma, 2004). A poor economic infrastructure and limited access to public services increases the operating costs of small firms, limits their ability to meet quality standards (hygiene standards in cafe), hinders their participation in linkage relationships (Collier, 2000).

2.7. Conceptual framework of the study

Figure 1 below presents a conceptual framework to investigate Market Challenges and Opportunities of Micro and Small Scale Manufacturing Enterprises in Sawula town. Under the conceptual framework, the variables identified as the market challenges are: management skill, political legal factors, promotions factor, technological factors, infrastructural factors and financial factors and the opportunities are: government help, availability of natural resources at the study area.

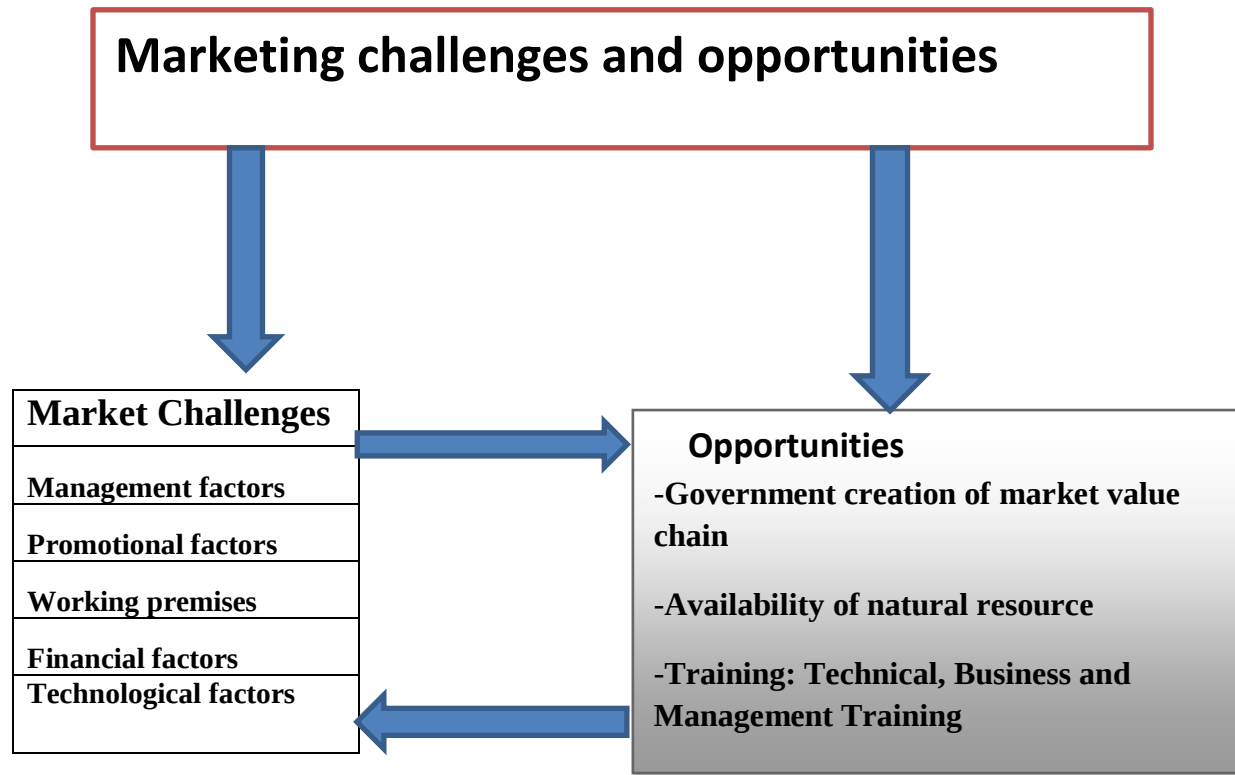


Figure1. Own Computation, 2019

CHAPTER THREE

3. Research Methodology

3.1. Description of the study area

Sawula town is located 516 km South west of Addis Ababa, the capital of Ethiopia. Sawula is a Gofa zone administrative Town in SNNPR. The population of the town is more than 41,456 including the population of expansion areas (rural Localities) in 2010. The study is limited to Sawula town Administration Office of MSEs implementation Area and the office operating environment.

Majority of the people's livelihood is depending mainly on informal and formal business and trading activities which are neglected for the economic sectors. However, starting from few years ago the government promotes and supports those entrepreneurs and small business holders, there is a numbers of micro and small enterprises were starts hatched and grow. Even though the numbers of micro and small enterprises were emerging, only few are succeeding and survive while others are collapse and liquidate because of so many factors.

3.2. Research Design

Research design serves as a blue print for conducting the research. Research design focuses more on the end product and the research problem while the methodology focuses more on the process, the tools and procedures to be used in the research (Bobbie & Mouton, 2001). The design selected for this study is descriptive survey design, which can entertain both quantitative and qualitative research methods (Onwuegbuzie & Daniel, 2003). Descriptive survey describes the status of a given phenomenon. It describes the nature of existing conditions, or identifying

standards against which existing conditions can be compared, or determining the relationships that exists between specific events at a given time (Abiy et.al.2009).

Therefore, a descriptive survey method was selected because it serves the intended purpose of assessing the market challenge and opportunities Micro and small scale manufacturing enterprises. As stated by Sidhu (1985), descriptive survey is a method that describes and interpret what exists at present form of practice, effects, attitudes, etc. (Sidhu, 1985).

3.3. Target populations, Sample size and Sampling Techniques

3.3.1. Target populations

The study of the total population was taken from 106 available Micro and small scale manufacturing enterprises who are participating to the productions routine in Sawla town and 5 available MSEs expert and 3 MSEs supervisors.

3.3.2. Sampling Techniques

Census sampling was used for performing surveys where the population enterprise business sector involvement homogeneity and number well-known as geographically. In addition to that stratified sampling method was used, a population first divides in five subgroups based on maneuvers sub- business sector; Textile and garment, Leather and leather products, Wood works including furniture and ornaments service, Food processing and beverage and Metal works and engineering which is the sample was selected from each stratum and this guarantees representation of each sub business sector group.

In Census sampling Techniques, the individual business operator is actually responsible for making decision on doing their daily business and market activities (koltere & killer, 2012). Accordingly, the number of business licensed in the study area was classified into five groups based on their project states demonstrate the following basics to answer market challenge and opportunities, how the plans will work, what aims and goals to achieve.

3.3.3. Sample size

Concerning the sample size, the respondents were five groups of operators of MSEs and the enterprise experts and supervisors. The total number of these available manufacturing sector operator MSEs are 106 of which, 16 are associations of operators of metal work, 44 are associations of operators of Textile and garment, 5 are associations of operators of Leather and leather products, 11 are associations of operators of are Wood works including furniture and ornaments service, and the rest 30 are associations and involved in Food processing and beverage productions and 8 enterprise expert and supervisors were selected for interview.

Table 2 sample size			
Category	Male	Female	Total
Textile and garment	23	21	44
Leather and leather products	3	2	5
Wood works including furniture and ornaments service	8	3	11
Food processing and beverage	6	24	30
Metal works and engineering	16	0	16
Total	56	50	106
MSEs expert	3	2	5
MSEs supervisors	3	-	3

Source: Obtained from Sawla town MSEs office, 2019

3.4. Instruments and Procedures of Data Collection

3.4.1. Instruments

The following instruments of data collection namely: questionnaire and interview were used in the study.

3.4.2. Questionnaire

The first part of the questionnaires was intended to gather background information of the micro and small scale manufacturing enterprise. For the collection of the main data, questionnaire items were prepared for MSE's. Regarding the questionnaire items prepared for enterprise respondents, 5 point Likert scale items was prepared to assess their marketing challenges and opportunities towards their manufacturing product market segment and strategies. Similarly, 5 point Likert scale items were also prepared for the enterprises to see the extent to which their challenge and opportunities during market segment.

The questionnaire items that were prepared to collect data from Enterprise and first developed in English latter translated in to Amharic language. During translation, people in the area was consulted (especially Amharic language respondents was consulted). Moreover, there were also some open-ended questions in order to let participants write down additional information about the situation of their market challenges and opportunities.

3.4.2. Interview

Semi-structured interview items were prepared for five MSEs experts and three zonal MSEs supervisor. The results of the interview were used to supplement the data that was collected through the different instruments employed for this study.

3.5. Procedures of Data Collection

The first step that the researcher did in collecting the pertinent data was making a contact with Enterprise expert and supervisor in order to introduce them with the purpose of the study. Then the researcher with the enterprise expert at tanged time and place to get the participants. Accordingly, he first distributed the questionnaire for the Enterprise. Questionnaire items were distributed in the presence of the researcher. The need to distribute the questionnaire papers in the presence of the investigator was to avoid any ambiguity that might affect the study negatively. Before letting them fill the questionnaire, short explanation on how to fill the questionnaire was given by the researcher.

Moreover, questionnaire papers for MSE's were distributed with the help of the enterprise expert. So as to let them thoroughly understand the questionnaires, two days were given. The researcher then carried out the interview with the enterprise supervisor and experts while waiting for the return of the questionnaire papers of enterprises. The interview was conducted on individual base. Finally, to carry out interview with enterprises expert and supervisor, the researcher asked permission.

3.6. Validity and reliability Test

Reliability and validity tests are important in standardizing instruments' scale and demonstrating whether the scale correctly measures what it is supposed to measure. Thus, series of tests were made three times to check the validity and reliability of the quantitative data (Creswell, 2009). Reliability concerns the degree to which an instrument gives similar results over a number of repeated trials. Piloting of the questionnaire was done in different MSE's within the study area. The MSE's was selected those manufacturing in terms of the purpose of the research, facilities

and conditions. Repeated trial tests were conducted to check the degree to which the instrument brings the same result. Validity was made to ensure the extent to which the instrument measures what it intended to measure (Leedy and Ormrod, 2013).

Before the actual data collection, the instruments were given to colleagues so as to get valuable comments and criticisms on the strengths and weaknesses of the items. Based on the comments obtained, necessary modifications were made and were given to the thesis advisor for further comments, criticisms and evaluation.

Eventually, the instruments were tried out for pre-test in small-scale study in Addis Ababa Akaki sub city, specifically in 35 manufacturing enterprises. For the pilot study from each MSE's were selected. Moreover, 5 enterprise experts were taken from interview as participants through random sampling techniques. Thus, the reliability of the instruments was tested by Cronbach alpha method. A check was done by revising the questions to remove ambiguity and wrong phrasing of questions by collecting comments from peer researchers, teachers and the research advisor to confirm each items convey the same meaning to all respondents.

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.950	.963	42

Source: from SPSS computed data, 2019

The computed Reliability Statistics based on Cronbach's Alpha Based on Standardized Items 0.963 for items prepared to describe marketing challenge and opportunities of enterprises respectively. Hence, the test conducted confirmed that the instruments were reliable to collect

data for the main study. Therefore, the result confirmed that the instruments can measure what is intended to measure. In addition, content validity of the instrument was checked carefully to ensure the inclusion of all the necessary questions related to the validity which Cronbach's Alpha was 0.950.

3.7 Analysis measure

3.7.1. Reliability measures

Cronbach's alpha is one of the most popular methods to assess the reliability (Rosnow and Rosenthal 1998). The value of alpha shows the relations among the measurement indicators which with higher correlations among the indicators is the higher of alpha value (Pedhazur and Schmelkin 1991). A value of alpha ranges from 0 to 1 and the higher the alpha the higher the reliability. Table 1 shows the value of Cronbach's alpha, composite reliability and average variance value for each indicator in the research model.

Table 5: Reliability Test measures using Cronbach's alpha		
Item	Cronbach's Alpha	Number of item ability (CR)
Management related factors	0.875	5
Promotional factor	0.927	4
Working place factors	0.700	3
Financial factors	0.730	5
Technological factors	0.835	4
Opportunities indicated	0.882	11

**Source: from field survey data, 2019

A reliability analyses was conducted to each variable of the instrument. The reliability of the measures is to examine the internal and external manufacturing MSE marketing challenge in sawula town was examined through the calculation of Cronbach's alpha coefficients. For scale acceptability, Hair et al. (1998) suggested that Cronbach's alpha coefficient of construct is 0.6.

If each domain obtains the value 0.6, it means that, the items in each domain are understood by most of the respondents. On the other hand, if the findings are far from the expected value of 0.6, this might be caused by respondents' different perception toward each item of the domain.

The Cronbach's alpha values are reported as follow. Starting from Management Related Constraints model yield to Cronbach's alpha=0.875, promotional factor model yield to Cronbach's alpha=0.927, Working place factors item yield to Cronbach's alpha=0.700, Financial factors model yield to Cronbach's alpha, 0.730, Technological factors model yield to Cronbach's alpha 0.835 and Opportunities indicated model yield to Cronbach's alpha 0.882. The Cronbach's alpha values for all the variables considered are greater than 0.6 and this indicates that the items in each of the domains are well understood by the respondents. The items have measured what they were designed to measure.

3.8. Methods of Data analysis

For this study both qualitative and quantitative data analysis techniques were used. The supplementary data that was collected through interview and some open-ended items of the questionnaires were analyzed qualitatively.

However, the data collected via questionnaires was analyzed using descriptive statically analysis and the end result of the study was presented by frequency, percentages, mean, grand mean and standard deviation. In dealing with the qualitative analysis based on the evidences collected from

the different sources, an effort was made to carefully understand and interpret the information to use it to gather with the quantitative data. Case studies were documented and some photos were taken from the field of different manufactures.

CHAPTER FOUR

Data analysis, Interpretations and Presentations

when coming to this section, 106 Questionnaires were released for MSEs and all of the questionnaires answered back accurately. The findings are based on the responses of sample MSE with the help of structured questionnaire in the study area. The analysis of measures, mean, standard deviations, and summary of interview analysis are examined under each point. The data was collected and then analyzed in response to the problems posed in the first chapter of this study.

Data obtained from interview were carefully studied and presented, and were used to substantiate and crosscheck with the responses collected using the questionnaire. The analysis and interpretation of data was made in relation to basic research questions and hence the discussion under this session includes characteristics of the respondents and enterprises, management related factors, promotional factor, working place factors, financial factors, infrastructural factors, technological factors and opportunities indicated sustainable business practices. Discussion of the findings was portrayed using graphs and tables.

4.1. Demographics of Respondents

Table 3: Characteristics of Entrepreneur Respondents

Category	Textile and garment		Leather and Leather products		Wood-works including furniture and ornaments and service		Food processing and beverage		Metal works and engineering		Total	
	NO	%	NO	%	NO	%	NO	%	NO	%	NO	%
1. Sex												
Male	23	48	3	62	8	73	6	20	16	100	56	53
Female	21	52	2	38	3	27	24	80	0	0	50	47
Total	44	100	5	100	11	100	30	100	16	100	106	100
2. Age of the Entrepreneur												
Below 25 years old	8	12	1	25	0	0	8	27	0	0	16	15
26 – 35 years old	14	30	3	50	7	64	14	47	8	50	47	44
36 – 45 years old	22	58	1	25	1	9	6	20	4	25	34	32
Above 46 years old	0	0	0	0	3	27	2	7	4	25	9	8
Total	44	100	5	100	11	100	30	100	16	100	106	100
3. Level of education												
No formal education	0	0	0	0	0	0	0	0	0	0	0	0
Primary school 1-4	6	9	0	0	1	10	4	13	1	6	9	8
Primary school 5-8	6	9	1	13	0	0	2	7	1	6	8	8
Secondary school	20	50	3	56	4	36	16	5	2	13	48	45
Vocational school	10	25	1	6	2	18	2	7	10	63	23	22
University / college	2	7	0	25	4	36	6	20	2	12	18	17
Other	0	0	0	0	0	0	0	0	0	0	0	0
Total	44	100	5	100	11	100	30	100	16	100	106	100
4. Form of ownership												
Sole proprietorship	8	13	1	25	3	27	8	27	8	50	27	25
Partnership	20	50	3	19	2	18	8	27	2	13	31	30

Cooperative	16	37	1	56	6	55	14	47	6	37	48	45
Other	0	0	0	0	0	0	0	0	0	0	0	0
Total	44	100	5	100	11	100	30	100	16	100	106	100
5. Date of establishment												
Less than 2 years	10	18	2	31	3	27	7	17	2	13	23	19
2 – 5 years	16	36	2	23	3	27	14	47	6	38	38	37
6 – 10 years	10	18	1	38	4	36	8	26	4	24	27	26
Greater than 10 years	8	28	0	8	1	10	1	10	4	25	18	18
Total	44	100	5	100	11	100	30	100	16	100	106	100

Source: from researcher field survey data, 2019

Table 3 above, depicts the characteristics of entrepreneur respondents. The respondents include 53% of male respondents and 47% of female respondents. Though in aggregation almost equal numbers of male and female respondents are obtained, there is great difference by sub – sectors except the textile sector where the respondents are 48% male and 52% female. The female respondent in the metal, wood, leather and food processing sub-sectors are 27%, 38% and 80% respectively. Although the participation of female in the leather sub-sector is considerable, it is insignificant in the metal and wood sub-sector.

On the contrary male are less attracted to the food sub-sector as compared to female due to the society trend where male is less engaged and experienced in cooking food in the house. The entrepreneurs have gained primary relevant experience from government organization training (26%), non-government organization training (6%), from previous experience as an employee (25%), from school (9%), inherited from family (23%) and through self-effort through gathering information (11%).

In relation to age, the majority of entrepreneurs are in two age groups, 26 – 35 and 36 – 45, representing 44% and 32% of respondents respectively. The below 25 years age group is the third largest group accounting for 15%, whereas the above 46% accounted only for 8% of the

respondents. This shows that 92% of the respondents are young entrepreneurs. In many countries, the current level of basic education is so low that it severely hinders development options and plans for a sustainable future. A higher education level is necessary to create jobs and industries that are "greener" (i.e., those having lower environmental impacts) and more sustainable. Generally, research shows that basic education is key to a nation's ability to develop and achieve sustainability targets (UNESCO, 2006).

According to the survey, all the entrepreneurs have followed formal education stream and 84% of them have completed secondary education and above while 16% have enrolled in primary level of education. Higher education level i.e vocational school and university / college level is attended and completed by 22% and 17% of respondents respectively.

The MSE's in the study areas have form of sole proprietorship, partnership and Cooperative. The term "Partnership" is defined as "an enterprise established by more than one person with legal status. The responsibility/liability is equal for all the partners irrespective of their share and can consist of 2 or more people. Cooperative is a society established by individuals on voluntary basis to collectively solve their economic and social problems. It is also an enterprise owned by a group of persons who took full part in the activity of the enterprise by coordinating their knowledge and assets. Co-operative society can contain 10 or more members.

On the other hand, sole proprietorship is defined as the sole trader or simply a proprietorship, which is a type of business enterprise or entity that is owned and run by one individual. In sole proprietorship there is no legal distinction between the owner and the business. The owner receives all profits (subject to taxation specific to the business) and has unlimited responsibility for all losses and debts (FeDRE 2013).

With regard to field survey result, 45% and 30% of the enterprises are cooperative and partnership respectively where as 25% of respondents are sole proprietorship enterprises. The government highly encourages the partnership or cooperative form of business to bring together the skills, knowledge and capital of individuals to enhance their business capacity. The age of the most of the enterprises (83%) are below 10 years of age and the majority 37% and 26% of the respondents are in the range of 2 to 5 years and 6 to 10 years old respectively.

This is because most enterprises have been established since 1999 G.C because of the attention given to the sector specifically after the 1997 MSE strategy and the recent development of the support like working premises and loan facilities by the MIFs. 17% of the enterprises have longer period of experiences and are greater than 10 years of age.

4.2. Economic performances of the Firms

Table4: Descriptive Statistics on Economic performances of the Firms					
Item	N	Minimum	Maximum	Mean	Std. Deviation
startup capital	106	1000.0	3000000.0	120122.424	457794.6144
current capital	106	15000.00	5500000.00	935660.6061	986516.82453
time span of the plan	106	1.00	4.00	2.4606	.75302
profitability compared to last year	106	1.00	1.00	40.0000	.80000
beginning employment size of the firm	106	1.00	19.00	9.5879	3.24599
current employments size	106	5.00	60.00	20.3152	11.78041
Valid N (list wise)	106				

Source: from researcher survey data, 2019

From above table 4 results, regarding to Economic performances of the Respondents mean startup capital is 120122.424 ET birr depicted by standard deviations variance of 457794.6144. Enterprise regarding to their Mean of current capital is 935660.6 ETB depicted to standard deviations variance of 986516.82453.

Enterprise regarding to their Mean time span of the plan is 2½ years depicted by standard deviations variance of 0.75302. Similarly, Enterprise regarding to their Mean profitability compared to last year growth to 40.0% per radical of year depicted by standard deviations variance of.80000 which is Enterprise at beginning average employment size were 9.00 at standard deviations of 3.24599, after that micro and small scale manufacturing current average employments size were 20 employ in average at standard deviations of 11.78041. This shows that enterprise created job opportunities for other house hold 10 times than previous start up year. Researchers in the field of entrepreneurship agree that this sector is crucial for economic growth, employment creation, poverty reduction and reducing levels of inequality.

This sector is very crucial and plays a significant role in marginalized and rural provinces job opportunities, such as the Eastern Cape Province of South Africa where the majority of people depend on government grants areas (Fatoki & Smit, 2011). It is as a result of the role played by MSEs that the Sawla has also called for support of these employment opportunities and for city entrepreneurs, particularly in rural area.

4.4. Descriptive statistics of market challenges and opportunities of Micro and Small scale manufacturing Enterprises

4.4.1 Market challenges

Table 5: Management Related Constraints

Item	No	Mean	Std. deviations
Lack of well-rounded experience in basic business activities	106	4.8129	1.59059
Lack of multi- skill training to perform multiple tasks	106	2.5362	1.42019
Inefficient utilization of business resources	106	3.9858	1.70707
Lack of management ability in creating external relationship	106	3.4071	1.60438
Lack of suitable management style	106	3.1986	1.60009
Weight average	106	3.002	1.11081

NB: The translation of level of ranking is analyzed based on the following criteria which was taken

from Achilleas (2013). Mea Difference =1.00 - 2.50 = Low

2.51-3.50 Medium

3.51-5.00= High

Source: from field survey data, 2019

From Descriptive statistics market challenges and opportunities of Micro and Small scale manufacturing Enterprises; above table 5 result regarding to Management Related Constraints portrayed that there is Lack of well-rounded experience in basic business activities which is the mean difference is 4.8129 indicated at SD of 1.59059, it Lack of multi- skill training to perform multiple tasks point out in the mean difference of 2.5362 defying in SD of 1.42019, there is also Inefficient utilization of business resources points out in the mean difference of 3.9858 defying in

SD of 1.70707, Lack of management ability in creating external relationship point out in the mean difference of 3.4071 defying in SD of 1.60438, Lack of suitable management style point out in the mean difference of 3.1986, defying in SD of 1.60009 which is demonstrations the problem got higher degree of response during study time.

This research work revealed that market challenges and opportunities of Small scale manufacturing Enterprises result regarding to Management Related Constraints at higher Weight average mean difference by 3.002; they spend more time on getting unable to manage. According to Enterprise expert during interview remarked that:

“Some of enterprise are working in a premise that did not have advantageous for their day to day business. Some are selected their premises because it is nearby to their residents. All this has a big challenge for their market success”. (Interview headed, 2019)

There is increasing recognition that MSEs need specific management services (BDS) to reach higher value markets and/or to improving their competitiveness. However, the MSEs in general are constrained to access these business services. For example, it was observed that government is also making effort to build different cluster/sheds; that is a good initiative to address their need.

However, government has to do more and apply a more effective approach by building premises that are rationally address their needs to MSEs and build more as market demand arises. The sites to be chosen should be appropriate to the needs of MSEs that realize their infrastructure requirement, access for market, input etc.

Table 6: MSEs Financial Constraints

Item	No	Mean	Std. deviations
Lack of providing convincing business plan to get loan	106	3.3741	1.46591
Lack of sufficient working capital	106	3.6299	1.42430
Absence or inadequacy of credit institutions	106	4.1304	1.52270
Lack of access to credit institutions	106	3.3841	1.61798
Shortage of working capital	106	3.5000	1.45187
Weight average	106	3.401	1.57120

NB: The translation of level of ranking is analyzed based on the following criteria which was taken

from Achilleas (2013). Mea Difference =1.00 - 2.50 = Low

2.51-3.50 Medium

3.51-5.00= High

Source: from field survey data, 2019

From Descriptive statistics result of market challenges and opportunities of Small scale manufacturing Enterprises; above table 6 result regarding to MSEs Financial Constraints portrayed that there is Lack of providing convincing business plan to get loan point out in the mean difference of 3.3741 defying in SD of 1.46591, Lack of sufficient working capital point out in the mean difference of 3.6299 defying in SD of 1.42430, Absence or inadequacy of credit institutions point out in the mean difference of 4.1304 defying in SD of 1.52270, Lack of access

to credit institutions point out in the mean difference of 3.3841 defying in SD of 1.61798 and there is highly Shortage of working capital point out in the mean difference of 3.5000 defying in SD of 1.45187 portrayed that MSEs Financial Constraints is highly affected their marketing opportunities at the time. The finding shows that financial constraint toward in marketing is complained to improve to reflect the local realities; access to finance depicted that in weight average 3.401 is not sufficient and barrier to allow MSE to easily start up a new venture, undertake productive investments and to expand their businesses.

Moreover, as indicated, in UNCTD, 2001, banks in many developing countries have traditionally lent overwhelmingly to the government, which offered less risk and higher returns. Such practices have crowded out most private sector borrowers and increased the cost of capital for them. Governments cannot expect to have a dynamic private sector as long as they absorb the bulk of private savings. In the case of venture capital funds, they have been concentrated in high technology sectors. Likewise, the international financial institutions have ignored the plight of SMEs.

However, the MSEs in general are constrained to access these finance services is important component of the most of the value chain development programs is the facilitation of market. Result refers to the wide range of services used by entrepreneurs to help them operate efficiently and grow their businesses. Formerly known as “non-financial services” the field originally concentrated on providing training, consulting, and other services that addressed the internal constraints of enterprises their lack of education and technical capacity.

The SEEP Guide to Business Development finance (Lusby, 2004) identified seven to access these finance categories that include market access, input supply, technology and product

development, training and technical assistance, infrastructure, policy/advocacy, and alternative financing mechanisms. More recently, access these finance field has grown to include marketing services and information resources that help firms gain access to services usually enjoyed only by larger firms.

According to interview headed with MSEs supervisor can give attention for these precise challenges identified on this access to finance different platform that MSEs can have easy access for loan with reduced interest rate, but, they stated that it relaxed to collateral requirement, allocate or arrange a different guarantee mechanism so that they can easily access finance with prolonged repayment period.

Table 7: Technology factors			
Item	No	Mean	Std. deviations
Lack of information in the availability of appropriate tools and materials	106	4.9774	1.63051
Lack of skill and knowledge to handle new technology	106	3.4929	1.48613
Lack of capital to acquire new technology	106	3.4892	1.70407
Unable to select proper technology	106	3.8321	1.57913
Weight average	106	3.50220	1.52310

NB: The translation of level of ranking is analyzed based on the following criteria which was taken

from Achilleas (2013). Mea Difference =1.00 - 2.50 = Low

2.51-3.50 Medium

3.51-5.00= High

Source: from field survey data, 2019

According to Table 7: result, Technology factors intruding to Lack of information in the availability of appropriate tools and materials point out in the mean difference of 4.9774 defying

in SD of 1.63051, there is Lack of skill and knowledge to handle new technology point out in the mean difference of 3.4929 defying in SD of 1.48613, it was Lack of capital to acquire new technology point out in the mean difference of 3.4892 defying in SD of 1.70407, Unable to select proper technology point out in the mean difference of 3.8321 defying in SD of 1.57913 which is result dealt with the process of integration of technological constraint shows to MSEs examined the inter-firm relationships, governance and upgrading practices by information's which firms improves their competitiveness is major problem in Weight average 3.50220. It is well established that integration into global value chain helps the firms to improve their competitiveness. According to (Reji, 2013) integration of small-scale producers into market is constrained by a host of factors: small size, limited access to resources, information, skills, technology, and access to other business services. Integration of small-scale producers into high value market is a topic of current interest. Value chain approach⁶ is widely used as a tool to facilitate this process of market integration. Unlike the traditional approaches to enterprise development, the value chain

Technology factors describe the full range of factor for activities that MSEs and workers do to bring a product from its conception to its end use and beyond. This includes activities such as design, production, marketing, distribution and support to the final communications. The Technology comprise contained among different innovations to produce goods or services, and can be contained within a single geographical location or spread over wider areas development emphasizes on facilitating market linkages, developing business services market, and improving the environment in which enterprises operate. It is claimed that adopting a value chain approach could help the small producers to benefit from integration into high value markets and improving their competitiveness.

According to Enterprise expert during interview argued that integration into technology is major problem let the MSEs to:1) decrease the efficiency of its internal operation; 2) lack of inter-firm linkages that reduce transaction costs; and 3) degrade along the value chain, lower product branding, new products, and disproved version of existing products in the market lower than the rivals. Studies also reveal that, by technology collaborative ties between the MSEs facilitate sharing of knowledge, technologies and inputs; develop greater responsiveness to global demands; and attain greater export levels as a result of collective efficiency and improving competitiveness

Table 8: Working place factors			
Item	No	Mean	Std. deviations
Absence of own premises	106	3.0362	1.56331
Current working place is not convenient	106	4.6029	1.71391
House rent is too high for my business	106	4.2590	1.45631
Weight average	106	3.7122	1.37916

NB: The translation of level of ranking is analyzed based on the following criteria which was taken from Achilleas (2013). Mea Difference =1.00 - 2.50 = Low

2.51-3.50 Medium

3.51-5.00= High

Source: from field survey data, 2019

Above Table 8 depicting the prevalence of Working place factors arises the Absence of own premises point out in the mean difference of 3.0362 and defying in SD of 1.56331: Current working place is not convenient point out in the mean difference of 4.6029 and defying in SD of 1.71391: House rent is too high for my business point out in the mean difference of 4.2590 and defying in SD of 1.4563. Working place factors is the most highly Marketing challenge indicated in weight average of 3.7122 which is widely constraint as being the most important critical factor for the liquidity risk of MSEs. However, during interview this MSEs supervisors found that the owner/managers of MSEs as having a very limited understanding of the marketing concept generally to be little more than working are problem and lacking adequate marketing skills. Specifically, MSEs frequently encountered problems in promotion and marketing research.

According to MSEs expert response during interview relied that working are constraints that limit the marketing performance of MSEs; the most pressing of which is shortage of resources. MSEs individually lack the skills and resources to improve their capabilities. Therefore, it would be very important that the small and fragmented enterprises within sectors, regions or other localities being supported to network more effectively in order to jointly address hindering obstacles, take up opportunities, and build collective efficiency. In addition to this, inter-sectoral linkage would also be crucial for their development.

Table 9: Basic promotional Factors:			
Item	No	Mean	Std. deviations
Problems include the selection of promotional media	106	4.0821	1.66362
low purchasing power of customers due to lack of information's	106	4.8878	1.69929
Problem of promotional content design and format of the promotional materials	106	4.5172	1.40314
Lack of sufficient location and addresses of potential customers	106	4.3286	1.54629
Weighted mean	106	4.8000	1.60126

NB: The translation of level of ranking is analyzed based on the following criteria which was taken

from Achilleas (2013). Mea Difference =1.00 - 2.50 = Low

2.51-3.50 Medium

3.51-5.00= High

Source: from field survey data, 2019

Table 9: Basic promotional Factors was major Problems include the selection of promotional media point out in the mean difference of 4.0821 and defying in SD of 1.66362, there is low purchasing power of customers due to lack of information's point out in the mean difference of 4.8878 and defying in SD of 1.69929, there is Problem of promotional content design and format of the promotional materials point out in the mean difference of 4.5172 and defying in SD of 1.40314 and there is Lack of sufficient location and addresses of potential customers point out in the mean difference of 4.3286 and defying in SD of 1.54629. the result on promotional Factors was major Problems shows that there are higher problems found the selection of promotional media, low purchasing power of customers, advertising, content design and format of the promotional materials, market size, location and addresses of potential customers in higher weighted mean of 4.8000 which is MSE operators did not promote their product and majorities could not have reached.

When I observe the entrepreneurial characteristics of MSEs, the data result indicates that most of the enterprises are not promotional oriented. As shown in the data analysis 81% of MSEs confirmed that, their promotional activity has no unique difference from others similar competent enterprises; 78% of MSEs did not have niche market promotions for their product compared to other competitors. More that this about 76% of the respondent confirmed that they are not used unique technology for their product and about 66% does not believe that their product has higher quality.

4.5. Opportunities of Sawla's city micro and small scale manufacturing enterprises

Table 10, government provision Technical and Business Management Training				
Item	Frequency	Percentage	Mean	Std. Deviation
Owners who attained Management and technical training are better profitable	89	78.18%	3.9182	1.05524
Technical skill will increase profitability	98	82.4%	4.1420	.86955
Business Management training increases profit	99	83%	4.1481	.79768
Availability of counseling on business management	90	80%	4.0000	.89301
Do you believe majority of MSE have enough access to training	66	40%	2.4103	1.04648

NB: The translation of level of ranking is analyzed based on the following criteria which was taken

from Achilleas (2013). Mea Difference =1.00 - 2.50 = Low

2.51-3.50 Medium

3.51-5.00= High

Source: from field survey data, 2019

As can be evidenced in table 10 above, regarding the effect of technical and business management training on MSEs growth, the majority, 78% of the respondents agree technical and management training of owners and managers significantly leads to profitability of MSEs. The management and technical training received by the owners and managers affect MSE growth with a mean score of 3.92 with a standard deviation of 1.05.

The table also shows that 82.4% of the respondents believe technical and business management training improve growth of MSEs with mean score of 4.14 with standard deviation of .87.

Then 83% of the respondents agreed that business management will increase profit and it affects growth of MSE with mean score of 4.14 with standard deviation of .79. Related to, the effect of business management counseling, 80% of the respondents believe on the importance of counseling service for MSE growth with mean score of 4.00 and standard deviation of .89. The majority that is about 60% of the respondents believe that the owners and managers of MSEs do not have enough access to training, those who claimed that there is enough training was 40% and mean 2.41 and standard deviation of 1.04 which is government provision Technical and Business Management Training found a good Opportunities of Sawla's town micro and small scale manufacturing enterprises.

Table 11: Government support and resource allocations opportunities			
Item	Percentage	Mean	Standard Deviation
I agree MSEs engaged on Manufacturing sector get more support from government than those engaged in the sector	69.1%	3.4591	1.20517
I agree starting MSE on service sector is easier than MSE on manufacturing sector.	61.8%	3.1013	1.12408
I agree SME engaged on manufacturing of product have wider market than those engaged in other sector.	67.3%	3.3602	1.19139
I agree MSE engaged on service sector Are profitable than those engaged on manufacturing	52.7%	2.6563	1.08765
I agree there are More Resource Allocations to MSE engaged to those engaged on manufacturing sector (e.g input material, natural resource)	64.8%	3.2390	1.14990
I agree MSE on manufacturing sector are easily tracked by government and they need to be licensed work than those engaged on other sector	64.2%	3.2075	1.13670

NB: The translation of level of ranking is analyzed based on the following criterion which was taken from Achilleas (2013). Mean Difference =1.00 - 2.50 = Low

2.51-3.50 Medium

3.51-5.00= High

Source: from field survey data, 2019

Regarding Government support and resource allocations opportunities has an effect from table 11 shows about 69.1% of the respondents agreed that MSE engaged on the manufacturing sector get better support from the government side than those engaged on providing service. This was confirmed with a mean score of 3.4591 and standard deviation of 1.2. On the other hand, 61.8% of the respondents agreed starting MSEs on service sector is easier than MSE on manufacturing sector. From the in-depth interview with different parties, the main reason for this include, the level of capital required to establish MSEs on production sector is bigger than those engaged on service sector. Since they do not need to rent a place for running their business many businesses engaged on service sector are currently working without taking license from government office.

Most of these businesses are traditionally known as “lie-inline”. Moreover, 67.3% of the respondents agreed that MSEs engaged on manufacturing of product have wider market than those engaged on other sector. The response rate was with mean of 3.36 and standard deviation of 1.19. While, 52.7 % of the respondents agreed that MSE engaged on service sector are profitable than those engaged on manufacturing sector. The response was made with mean of 2.656 and standard deviation of 1.08.

About allocations of resource of MSEs, 64.8% of the respondents agreed that there are more allocations of resource on MSEs engaged on manufacturing sector than those engaged on service sector. The response was made with mean score of 3.239 and standard deviation of 1.15. Similarly, 64.2% of the respondents agreed that MSEs on manufacturing sector are easily tracked by government and they need to be licensed to work than those engaged on the service sector.

The response was made with a mean score of 3.2 and standard deviation of 1.13. Regarding, MSEs in market opportunities form, those in MSEs form shows better government support than those working in other sector.

CHAPTER FIVE

5. CONCLUSION AND RECOMANDATIONS

5.1. Conclusion

The research work revealed that market challenges and opportunities of Micro and Small scale manufacturing Enterprises result regarding to Management Related Constraints at higher weight average mean difference by 3.002; this shows there was management problem of the firms.

The finding shows that financial constraint toward in marketing is complained to improve to reflect the local realities; access to finance depicted that in weight average 3.401 is not sufficient and barrier to allow MSE to easily start up a new venture, undertake productive investments and to expand their businesses. The result dealt with the process of integration of technological constraint shows to MSEs examined the inter-firm relationships, governance and upgrading practices by information's which firms improves their competitiveness is major problem in Weight average 3.50220 failed to reach the majority.

The result on promotional Factors became major Problem which shows that there are higher problems found in the case the selection of promotional media, low purchasing power of customers, advertising, content design and format of the promotional materials, market size, location and addresses of potential customers in higher weighted mean of 4.8000 which is MSE, which means operators did not promote their product and majorities could not have reached their objectives. Regarding MSEs market opportunities, government provision of technical and business management training became a good Opportunity of Sawla town's micro and small scale manufacturing enterprises and those who included in MSEs got better government support than those working in other sector.

5.2. Recommendations

Based upon the results of the study, the following points are forwarded as recommendations:

- Thus, it would be better if the government body of Sawla town give due attention for these precise challenges identified in relation to access to finance so that MSEs can have easy access for loan with reduced interest rate, relaxed collateral requirement, allocate or arrange a different guarantee mechanism so that they can easily access finance with prolonged repayment period.
- It is also recommended that the government body of sawla town would promote MSEs owned and managed by women because experience across different developed markets has shown that women have a better repayment record and yield a higher cross sell ratio for financial institutions.
- MSEs are recommended to adopt information and communication technologies in their businesses because the development of information and communication technology is central, not only for production but also for trade facilitation in both local and international markets.
- By all means, the government of Sawla town needs to strive to do everything possible to improve the business environment in which MSEs operate through improving access to finance and technological advancement. The environments should be established in such a way that they promote or allow for new enterprises to emerge, existing ones to grow, and the large and small enterprises to coexist by supporting one another
- Managerial competencies of the firms need to be implemented and addressed to place of work important to the survival and growth of MSE's.

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APPENDIX ONE: QUESTIONNAIRE

RE: REQUEST TO CONDUCT A RESEARCH STUDY

My name is Hiyaw Hizkel. You have been selected to participate in this study to obtain your perceptions and views regarding various aspects of the SME who are took apart of manufacturing sector marketing challenge and opportunity. Please, answer the questions that follow by ticking the appropriate option (if provided) or writing close ended questions. Please answer all questions freely but objectively. So, your genuine, honest and timely response is vital for accomplishment of this study on time. Therefore, I kindly ask you to give your response to each items/questions carefully. Finally, I confirm you that the information that you share me will be kept confidential and only used for the academic purpose. Thank you for your assistance and for sparing your precious time.

Sincerely,

Hiyaw Hizkel

PART ONE: PERSONAL RELATED DETAILS

1. Gender: Female ☐ Male ☐

2. Age of the principal business owner(s)

❖ Below 25 years old ☐

❖ 26-35 years old ☐

❖ 36-45 years old ☐

❖ Above 46 years old ☐

3. What is your education background?

❖ No formal education ☐

❖ Primary school, 1-4 ☐

❖ Primary School, 5-8 ☐

❖ Secondary school ☐

❖ Vocational School ☐

❖ University or college ☐

❖ Other ☐

4. Form of Ownership

❖ Sole proprietorship ☐

❖ Partnership ☐

❖ Cooperatives ☐

❖ Others ☐

5. Date of establishment

❖ Less than 2 years

❖ 2-5 years

❖ 6-10 years

❖ Greater than 10 years

PART TWO: Questions related to challenges & opportunities:

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

1. Questions related to market challenges

Management Related Constraints	1	2	3	4	5
Lack of well-rounded experience in basic business activities	1	2	3	4	5
Lack of multi- skill training to perform multiple tasks	1	2	3	4	5
Inefficient utilization of business resources	1	2	3	4	5
Lack of management ability in creating external relationship	1	2	3	4	5
Lack of suitable management style	1	2	3	4	5
Financial Constraints	1	2	3	4	5
Lack of providing convincing business plan to get loan	1	2	3	4	5
Lack of sufficient working capital	1	2	3	4	5
Absence or inadequacy of credit institutions	1	2	3	4	5
Lack of access to credit institutions	1	2	3	4	5
Shortage of working capital	1	2	3	4	5
Weight average	1	2	3	4	5
Technology factors:	1	2	3	4	5
Lack of information in the availability of appropriate tools and materials	1	2	3	4	5
Lack of skill and knowledge to handle new technology	1	2	3	4	5
Lack of capital to acquire new technology	1	2	3	4	5
Unable to select proper technology	1	2	3	4	5
Working place factors:	1	2	3	4	5

Absence of own premises	1	2	3	4	5
Current working place is not convenient	1	2	3	4	5
House rent is too high for my business	1	2	3	4	5
Promotional Factors:	1	2	3	4	5
Problems include the selection of promotional	1	2	3	4	5
low purchasing power of customers due to lack	1	2	3	4	5
Problem of promotional content design and	1	2	3	4	5
Lack of sufficient location and addresses of	1	2	3	4	5
Problems include the selection of promotional	1	2	3	4	5
2. Questions related to market Opportunities					
Government provision Technical and Business Management Training	1	2	2	4	5
Item	1	2	3	4	5
Owners who attained Management and technical training are better profitable	1	2	3	4	5
Technical skill will increase profitability	1	2	3	4	5
Business Management training increases profit	1	2	3	4	5
Availability of counseling on business management	1	2	3	4	5
Do you believe majority of MSE have enough access to training	1	2	3	4	5

		Table 11: Government support and resource allocations opportunities				
Item		1	2	3	4	5
I agree MSEs engaged on Manufacturing sector get more support from government than those engaged in the sector		1	2	3	4	5
I agree starting MSE on service sector is easier than MSE on manufacturing sector.		1	2	3	4	5
I agree SME engaged on manufacturing of product have wider market than those engaged in other sector.		1	2	3	4	5
I agree MSE engaged on service sector Are profitable than those engaged on manufacturing		1	2	3	4	5
I agree there are More Resource Allocations to MSE engaged to those engaged on manufacturing sector (e.g input material, natural resource)		1 1 1	2 2 2	3 3 3	4 4 4	5 5 5
I agree MSE on manufacturing sector are easily tracked by government and they need to be licensed work than those engaged on other sector		1	2	3	4	5

Anything you want to add or opinion you may have on constraining factors growth of your business do not mention in the table?

Part V. Interview Guiding Questions

1. Please if you tell me briefly why and how you start this business.
2. What is the major function of your enterprise?
3. How many employees are there in your enterprise?
4. Do these employees have ability to work in multiple activities? Extents to what such multiple duties are believable to bring quality in the operation.
5. How do you improve the competences and skills of the workers?
6. What are the constraints you faced in accessing and using the finance?
7. How do you see the effort of government support for such enterprises and visible changes come?
8. What are your major competitive advantages over the competitors? How do you know as you are operating better than them?
9. What do you think the journey of your business looks like in its operation/ sales volumes?
10. Do you have external linkage/network with other individuals or businesses? Who advices you and extent to what you benefited from it?
11. What are the other problems did not reach in our interview but hindering your business to grow or survive?