

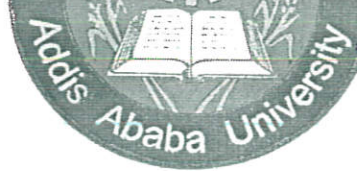
**BY**  
**ABERA DEMSISS**



A project paper submitted to the school of graduate studies  
of AAU in partial fulfillment of the requirements for the  
degree of Master's of Business Administration [MBA]

**Advisor: Dr. RAKESH BELWAL**  
**Assistant Professor of Management**  
**Department of Management**

**August, 2007**



# PROSPECTS AND PROBLEMS OF MICRO AND SMALL ENTERPRISES [MSEs] IN ETHIOPIA

[THE CASE OF ADDIS ABABA]

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**BY**

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*Abera Demsis,  
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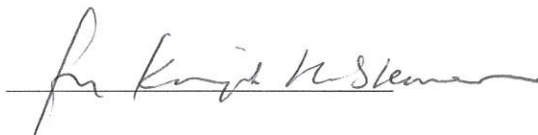
Faculty of Business and Economics

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**Letter of Certification**

This is to certify that this project work, “**Prospects and Problems of Micro and Small Enterprises in Ethiopia: The case of Addis Ababa**”, undertaken by Abera Demsiss for the partial fulfillment of Master’s of Business Administration [MBA] at Addis Ababa University, is an original work and not submitted earlier for any degree either at this university or any other university.



Dr. Rakesh Belwal [Advisor]



## **Abstract**

This paper gives some detailed evidence on the background of the MSE operators/MSEs and presents a systematic analysis of the marketing and other related problems, their impact on development of the MSE sector in Ethiopia and the constraints. It is based on primary data collected from 93 MSE operators using a structured questionnaire prepared for the purpose. Although there have been serious attempts by the government to liberalize and improve the environment of the MSE sector, which resulted in increase in investment and competition and improvement in the licensing procedures, information from the survey data indicates that there is divergence between policies and directives issued and their actual implementation on the ground and there are still problems which requires due attention to alleviate the problems with regard to marketing, finance and appropriate working areas.

The results show that capital shortage, inadequate business premise, inadequate/uncertain market and high taxes are the major constraints for MSEs in Ethiopia. Moreover, the MSE operators revealed that the policy predictability is quite low which implies that a lot remains to be done to create an enabling policy environment for the MSE sector. Concrete and coordinated regulatory and institutional support (infrastructure facilities like business premises, water and power; financial services; extension services; assistance in the transfer of technologies; promotion of marketing facilities; and provision of training on sustainable basis) has yet to be provided by the government.

In Ethiopia, the issue of Micro and Small Enterprise [MSEs] and Entrepreneurship development have received a great deal of attention as priority areas that are crucial for formulating economic growth in both developed as well as developing countries., but the MSE sector has been neglected for long. However, especially following the country's shift to a market economy, the government as well as NGOs and donors have shown interest in the area. The shift to a market led economic system would mean the development of MSEs in Ethiopia as they constitute the majority of the sector. Moreover, lack of market for their existing products and services aggregate the problem with this background. Hence, the main objective of this study was first to see the current marketing and other problems of MSEs and then assess what good things will happen if these problems are solved.

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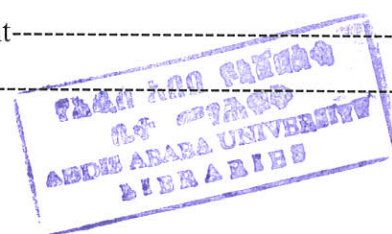
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# Chapter One

## Introduction

### 1.1 Background

The issues of Micro and Small Enterprise (MSE) and Entrepreneurship development have received a great deal of attention as priority areas that are crucial for stimulating economic growth in both developed as well as developing countries. In Ethiopia, the MSE sector has been neglected for long. However, especially following the country's shift to a market economy, the government as well as Non Governmental Organizations (NGOs) and donors have shown interest in the area. The shift to a market led economic system would mean the development of MSEs in Ethiopia as they constitute the majority of the sector [ FeMSEDA 1997].The MSE sector is characterized by highly diversified activities which can create job opportunities for a substantial segment of the population.

This indicates that, the sector is a quick remedy for employment problem. Hence in order to channel the support facilities to this diversified sector, a definition is needed to categorize the sector accordingly. Therefore, a definition that is based on capital and number of people employed in the sector is adopted. Since there are limited resources available to address all the needy enterprises, it is also recommended to narrow the definition at this stage and expands it latter as resources permit. Thus the following definition is used to categorize the sector for the propose of this study. (Andualem 2001)

**Micro Enterprise:** are those economic units with a paid up capital of up to Birr 20,000 and excluding high tech consultancy firms and other high tech establishments. They

- ❖ Are independently owned and operated
- ❖ Have a small share of the market
- ❖ Are managed by the owner and
- ❖ Employ five or less employees.

**Small Enterprise:** are those economic units with paid up capital of more than Birr 20, 000 and not exceeding Birr 500,000 and excluding high-tech consultancy firms and other high-tech consultants. They:

- ❖ Are independently owned & operated
- ❖ Have a small share of the market.
- ❖ Are managed by the owner, and employ 6-49 employees

In most fast developing countries, MSEs by virtue of their size, location, capital investment and their capacity to generate greater employment have proved their powerful propellant effect for rapid economic growth. The sector is also known as an instrument in bringing about economic transition by effectively using the skill and talent of the people without requesting high-level training, much capital and sophisticated technology. The Micro and Small Enterprises sector is also described as the national home of entrepreneurship. It provides the ideal environment enabling entrepreneurs to exercise their talents to the full and to attain their goals. In all the successful economies, MSEs are seen as an essential springboard for growth, job creation and social progress at large.

The small business sector is also seen as an important force to generate employment and more equitable income distribution, to activate competition, exploit niche markets, enhance productivity and technical change, and through all of these stimulate economic development.

## 1.2. Statement of the problem



In most developing countries, Micro and Small Enterprises 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 investment potential in bringing economic transition by effectively using the skill and talent of the people without requiring high level of training, much capital, and sophisticated technology.(Wolday;2004). The Micro and Small Enterprise sector is a wide spread and vibrant sector. It is also a dynamic and turbulent sector with multitudes of businesses moving in and out. Most importantly, they are strategically significant in development for various reasons. Understanding the formidable inhibitive factors to the growth and development of MSEs and removing their constraints are crucial if the objective of the country is to pullout of the current poverty syndrome and march in to the development horizon.

It will also gradually improve its international competitiveness and enable it to joint the camp of lately developed countries. The MSE sector is also described as the natural home to entrepreneurship. It provides the ideal environment enabling entrepreneurs to exercise their talents to their full capacity to attain their goals. In all successful economies, MSEs are seen as essential spring board for growth, job creation, and social progress at large. Therefore, in view of the current Ethiopian situation where population is growing at an increasing rate and

substantial increase in urban population is taking place, accompanied by high unemployment rates resulting from educational attrition/ dropouts, retrenchments, dislocations, unavailability of formal sector employment opportunities and a host of other factors, the MSE sector need to be given urgent and due attention to foster development through solving the current marketing problems.

### **1.3 Objective of the study**

**General Objective:** Ethiopia has been facing a problem of entrepreneurial spirited people who operate on MSEs mainly because of cultural influence and lack of the basic marketing knowledge to the operators. Moreover, lack of market for their existing products and services aggravate the problem with this background, the main objective of this study is first to see the current marketing problem of MSEs and then suggest possible solutions to curb down the problems of MSE operators.

#### **Specific Objectives**

- ❖ To review the current services provided to MSE sector
- ❖ To assess the existing marketing problem, and
- ❖ To come up with possible recommendations and suggestions based on the assessment.

## 1.4. Methodology of data collection and Analysis

Regarding data collection, both primary and secondary data has been consulted for this study .The data was collected through the following methods.

- ❖ *Questionnaire*: closed and open ended Questionnaires are distributed to MSE operators
- ❖ *Interview* are used to collect data from the MSE team leaders
- ❖ *Observation* is also part of the data collection technique used by the researcher *while* the MSE operators are doing their business.
- ❖ *Secondary sources*: was also consulted for reviewing related literatures pertinent to the study.

**Target population:** The amount of target population for this research is 1433 formal registered operators found in Yeka sub-city of Addis Ababa. These operators are engaged in Textile and garment, food processing, wood and metal works, construction, and municipal activities. **Yeka sub city** is chosen because it has well established and proportionately distributed MSE operators who have a mixture / combination of both new enterprises and others that are almost as old as the city itself.

The opportunity which is found in this sub-city helps the researcher to dig-deep into the problem of micro& small enterprise to get the solution of why the sector is still stagnant. Moreover, the sub-city is chosen for its proximity to the undertaker of the research. This saves time and money, thus, the effectiveness and efficiency of the study have been greatly enhanced.

**Sampling technique:** Since the population size is large, preparation of questionnaire for a complete enumeration is difficult. Therefore, representative samples are targeted for the study. The target population is heterogeneous, comprising different kinds of groups of MSE operators (sub-sector). The technique of sampling, therefore, is the proportionate Stratified random sampling (SRS) method. This is because; it provides proportional allocation for selecting a representative sample. Thus, the aggregate population is divided in to five groups these are: textile & garment, food processing, wood & metal works, construction, and municipal activities. The explanation is further presented in table 1

MSE sub-sector	Population		Sample (7%)	
	In Number	In percentage	In Number	In percentage
Textile & Garment	220	15	15	15
Food processing	315	22	22	22
Wood & metal works	344	24	24	24
Construction	302	21	21	21
Municipal Activities	252	18	18	18
Total	<b>1433</b>	<b>100%</b>	<b>100</b>	<b>100%</b>

*Table 1: Population and Sample profile of MSE operators*

From the total population, 100 samples have been taken for the purpose of the study (i.e.  $1433 \times 7\% = 100$  samples) and attained 93% return rate.

## 1.5. Scope and Limitation of the study

**Scope:** the study delimited on a sample of randomly selected MSE operators that are found in Addis Ababa (Yeka Sub-City). It has historical, psychological (perception, attitudes, motivation, personality, values and learning), social and cultural, international, economic, environmental and marketing dimensions. But for the purpose of this project mainly marketing dimension is considered. Hence, in this paper, the student researcher has covered the Prospects and problem of the MSEs.

**Limitation:** It is understandable that any research work faces various problems or can be accompanied by some drawbacks. Likewise, the student researcher faces the following problems which potentially would have effect on the study. These are lack of sufficient, relevant and up to date information sources concerning MSE sector operators and what services they have got. Complete assessment or taking large size sample was too difficult with limited time and other essential resource constraints. Due to limitation of time and resources, it focuses on some integrated marketing strategies and marketing mix. The limitation of this project is shortage of time and resources as well as the research is based on sample and thus the sample may not be representative of the total population. The human element (biasness) is also another limitation, which may affect its reliability. Reluctance of some respondents to complete the questionnaire and failure of these respondents to provide accurate, reasonable and objective information into a timely basis were some of concern at the time during the administration of questionnaire. As a result, the response rate was not as expected. Only ninety three out of the one hundred employee replied to the questionnaire.

## 1.6. Significance of the study

MSE sector is very crucial sector in Ethiopian economy. It uses labor intensive technology and if it is well marketed it will bring benefits to the nation and helps to resolve unemployment problem. The development of MSE sector is closely related to better promotion efforts and infrastructure and accommodation facilities to sell MSE Products and service to national and international customers. As this project assesses MSE marketing Problems in Ethiopia, the context of integrated marketing has paramount importance to address marketing problems of the MSE sectors. Therefore, the outcome of this project is expected to help MSE sectors and other stakeholders to take efficient and effective measures to further improve and formulate some integrated marketing strategies like promotional technique through internet to promote the potential benefits. Besides, it would also add to the body of literature on MSE marketing in Ethiopia in context of integrated marketing and use as a base for future researchers to improve MSE marketing in the country and will be helpful as a starting point for other marketing related MSE problems.

As MSEs have great potential for the development of the country, this study deals with the existing marketing problems of MSEs in Ethiopia. The student researcher believes that, these issues have to be studied in order to achieve our poverty reduction objective. Hence, the significance of the study is:

- ❖ To offer background information for other researchers that may have focus on MSEs

- ❖ To stimulate individuals who want to make further study on the topic, i.e. it serves as guidance for further studies.
- ❖ To help MSE sector grow and boom in Ethiopia

## 1.7. Organization of the subject matter

The organization of the paper is designed into cohesive and meaningful parts to help readers retain the concepts and procedures presented. This arrangement also facilitates the planning and presentation of the subject matter. A brief description of the concepts of each chapter follows:

**In chapter One:** A brief description of the background, statement of problem, objective, significance and methodology of the study has been presented. The scope and limitation of the study is also presented here.

**In chapter Two:** Literature Review: The survey of theoretical and empirical frame work for the analysis of the study is presented

**In chapter three:** The Analysis of the study, that is, the importance of solving the marketing problems, and the severity / seriously of the problem from the operator's perspective has been analyzed and the main theme of the study is presented by analyzing the collected data.

**In chapter four:** Summarizes the main findings as arrived after the analysis, and recommends a possible option to increase the productivity of the MSE sector for the development of the country.

## Chapter Two

### Literature Review

#### 2.1 Introduction

In most developing countries, Micro & Small Enterprises 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 investment potential in bringing economic transition by effectively using the skill and talent of the people without requiring high level of training, much capital, and sophisticated technology.(Wolday;2004). The MSE sector is also described as the natural home to entrepreneurship. It provides the ideal environment enabling entrepreneurs to exercise their talents to their full capacity to attain their goals. In all successful economies, MSEs are seen as essential spring board for growth, job creation, and social progress at large. The small business sector is also seen as an important force to generate employment and more equitable income distribution, to activate competition, exploit niche markets, enhance productivity and technical changes, the economic development of the country could be enhanced. So, MSE contributes to:

- ❖ Create employment and thus promoting social stability
- ❖ Plays a major role in sustaining and enhancing economic growth
- ❖ Ground for skill training
- ❖ Spring board for entrepreneurship
- ❖ Stimulating growth of other sectors

Currently, wide ranges of processing techniques with varying sector intensities and technical efficiencies have been established in Ethiopia. Therefore, in Ethiopia, the MSEs must have a strong linkage with the Large Scale Industries for creating greater local market for locally processed goods. In this regard, forward linkages are likely to become more important (FeMSED, 2005)

## **2.2. Role and Contribution of the Sector**

In most fast developing countries, MSEs by virtue of their size, location, capital investment and their capacity to generate greater employment have proved their powerful propellant effect for rapid economic growth. The sector is also known as an instrument in bringing about economic transition by effectively using the skill and talent of the people without requesting high-level training, much capital and sophisticated technology. The Micro and Small Enterprises sector is also described as the national home of entrepreneurship. It provides the ideal environment enabling entrepreneurs to exercise their talents to the full and to attain their goals. In all the successful economies, MSEs are seen as an essential springboard for growth, job creation and social progress at large. The small business sector is also seen as an important force to generate employment and more equitable income distribution, to activate competition, exploit niche markets, enhance productivity and technical change, and through all of these stimulate economic development (Andualem2001). While the importance of large industrial and other enterprises for the growth of the Ethiopian economy can not 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 in big business and its role in technical and other innovation

activities is vital for many of the challenges facing our country. According to the result of the sample survey conducted by the Central Statistical Authority (CSA), in May 1997, the whole labor force engaged in the Informal Sector activities and Small Scale Manufacturing Industries is more than eight fold (739,898 persons) to that of the medium and large scale manufacturing industries (90,213 persons). Moreover the Informal and Small Manufacturing sector contributed value addition of Birr 8.3 million in 1996. Based on the 1992/931 data, this figure constitutes about 3.4% of the GDP, 33% of the industrial sector's contribution and 52% of the manufacturing sector's contribution to the GDP of the same year.

### **2.3. Constraints Facing the Sector**

In most developing countries, small businesses face a wider range of constraints and problems and are unable to address the problems they face on their own, even in effectively functioning market economies. The constraints relate, among others, to the legal and regulatory environments, access to markets, finance, business information, business premises (at affordable rent), the acquisition of skills and managerial expertise, access to appropriate technology, access to quality business infrastructure, and, in some cases discriminatory regulatory practices. In Ethiopian's situation, since there have not been any organized policy and support systems that cater to the sector, MSEs have been confronted by various problems which are policy based, structural and institutional in nature. To start with, marketing problems, lack of smooth supply of raw materials and lack of working premises were the major bottlenecks for small scale manufacturing industries to commence

their activities. On the other hand, lack of sufficient capital and working premises were the leading problems facing the informal sector operators from the start. Serious *marketing problems*, shortage of supply of raw materials, lack of working capital are the first and most pressing problems facing small manufacturing industries for not expanding their businesses. Whereas lack of capital, market and working premises are affecting informal sector operators not to expand their businesses. (Wolday2004). For instance, the result of the survey conducted by CSA in May 1997 on Urban Informal Sector activities showed that out of the 584,913 Informal Sector Activity Operators, about 50% replied that their first major difficulty when starting their operation was lack of sufficient initial capital. According to their responses, this problem has become more critical when they intend to expand their businesses. Alike the informal sector operators, out of 2,731 Small Scale Manufacturing Industries covered by the survey, about 36% have replied that their first problem when starting their operation was lack of sufficient initial capital. Although the economic policy of the country paid due emphasis for 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(CSA1997).

#### 2.4 Other Specific Support Areas/Programs

Active assistance by the Government will be provided to help small businesses to overcome the various constraints to their development. These businesses need to be equipped with the business tools with which to build their commercial features. Therefore,

in addition to creating a favorable legal environment for the sector, the Government will launch a series of support programs to help these businesses to overcome the specific commercial obstacles they face and exploit available opportunities effectively. By launching such a package support program the Government will be in a position to take decisive action to stimulate the development of the sector. These programs include the following:-

***Access to Finance:*** MSEs cite the lack of finance as the greatest constraint to their growth and development, whether they are formally registered or not. The financial needs of different types of micro and small enterprises vary widely, with access problems particularly severe for start-up enterprises. In this regard, the formal financial institutions are reluctant to avail credit facility to the sectors. Their standards of operation, the long waiting time they take to sanction loans, unfavorable disposition towards small loans due to high administrative costs involved in financing them and the stiff and limited collateral requirements are some of the problems that are found to be discouraging micro and small enterprises from approaching them. Thus, the portion of informal sector business operators with access to formal financial institutions is very low. Hence, one of the areas of intervention to ease the problem of MSEs in this regard is to facilitate accessibility to capital. The Government of the Federal Democratic Republic of Ethiopia is committed to strengthen the link between micro and small enterprises and existing as well as evolving financial institutions. In line with this, there are areas for direct or indirect government involvement in the financial sphere, which includes the following:-

### *i. The Formal Banking Sector*

The stiff and limited nature of collateral requirements that are currently being requested by the formal financial institutions should be relaxed in order to create more access to small borrowers.

### *ii. Micro and Small Enterprises Focused Financing Institutions*

Although the formal financial institutions have taken various measures to strengthen their operation and expand their services, they could not address the financial needs of micro and small enterprises satisfactorily. It is thus necessary to design special instruments and mechanisms to meet the financial requests and thereby promote the development of MSEs.

### *iii. Information on Access to Finance*

In as far as lack of knowledge about available financing programs or the process of application constrains access for individual micro and small enterprises, the envisaged Micro and Small Enterprises Development Agencies or the designated regional organs are expected to play a significant role as a forum for joint action between financial institutions, NGOs and local authorities or community groups.

### *iv. Incentives Schemes*

In order to alleviate some of the financial problems and encourage the growth of MSEs, it needs consideration for the provision of the provision of some incentives. These measures would improve the competitiveness of MSEs by reducing the cost of inputs and making their outputs competitive in price.

***Encouraging Partnerships:*** The need of micro and small enterprises are often so complex that even a comprehensive range of support services can not do justice to all the requirements. The most effective mechanism for small enterprises to acquire experience

and skills, enter new markets, secure additional financing and meet market competition is quite often the entering in to joint venture with an experienced local or foreign partner. This can happen among small numbers of cooperative partners, or a big business/small enterprises link-up, or a franchise relationship. Lack of experience and the effect of economic stagnation in Ethiopia have discouraged the development of such joint ventures in the past.

The need and scope for an appropriate promotional mechanisms to ensure both local and foreign business undertaking initiatives requires due attention to contribute effectively to capacity building, among emergent enterprises.

***Training in Entrepreneurship, Skills and Management:*** The acquisition of relevant vocational, technical and business skills is generally regarded as one of the critical factors for success in small enterprises. In addition, literacy and entrepreneurial awareness are seen as particularly important requirements to enable people to advance lower level activities into larger and better earning enterprises. Responsibility for education, training and experience transfer rests on a wide range of institutions, including the federal and regional governments, NGOs and the private sector. This also applies to the sphere of entrepreneurship sensitizing, training in skills relevant to micro and small enterprises in different sectors and industries, and the acquisition of management experience by small-business owners and staff. During the past years, the range of relevant training programs made available to micro and small businesses have been very minimal. In fact, a general lack of awareness about the spread of already existing facilities and what they offer to the small enterprises sector or to those interested in a business career constitutes one of the shortcomings of the whole training program. Taking into account the diversity of MSEs

and the wide range of training suppliers, the government considers the following as core elements in a national training strategy for micro and small enterprises (Andualem 2001). Information on available types and possibilities of training has to be disseminated more effectively to reach entrepreneurs all over the country. Such information should also help match particular needs and specific training programs. The Federal Agency and Regional Agencies or the designated organs will play a significant role in this process. School curricula and other school related activities should give more scope for the inculcation of entrepreneurial attitude and a general awareness about self employment opportunities (Gebrehiwot2004).

All suppliers of training have to reconsider the nature, content and effectiveness of their programs, taking into account the small business environment in the different sectors of the economy and working closely with the business sector. Thus, training has to become far more sector specific, focusing on the particular needs and practical problems of small enterprises. Such as micro enterprises in rural areas; women entrepreneurs; construction, manufacturing, small-scale agriculture, tourism and youth seeking self employment. Training programs have to be modular, so that trainees can combine theoretical with practical training. Linked to this is the need for certification of small-business training institutes in order to protect trainees and allow training paths. A two pronged strategy will be considered. One, restructuring of training programs of existing training institutes to serve the training needs of MSEs. Secondly, the establishment of a national industrial is training council which will be responsible for setting standards, giving acknowledgment and certification to competent MSE training centers in the Regions.

Another important avenue for intensive experience exchange is business internships for MSEs. This approach, which is comparable to apprenticeships, shall be encouraged in our country. Franchises joint investments and other types of partnership agreements can play a similar role and should be expanded in the country. Although the main thrust in all the above spheres has to come from the private sector, government will undertake some support interventions. (Andualem, 2001)

***Access to Appropriate Technology:*** Another major constraint and handicap that influenced the success of MSEs is inaccessibility of appropriate technology. This applies to both ends of the technology spectrum, viz. sophisticated or appropriate. Identifying and selecting appropriate technology for MSEs operating in the labor intensive, and low skill spheres deserve more attention and justify some government support. A structural process of appropriate technology development involves such activities as technology search, assessment, transfer, absorption, adaptation and replication (ReMSEDA2007). In countries where the manufacturing sector is better developed, the government's role has been confined to the dissemination of the results of search, assessment and evaluation of transfer mechanisms. Entrepreneurs then take over and affect the actual transfer, absorption, adaptation and replication. However, in Ethiopia, micro and small businesses have problems in getting information on appropriate technology and the process of transfer. To execute these crucial stages of technology transfer, the government will play catalytic role and lay-down the basis for technological development and transfer. Measures for assisting MSEs in this area will focus on: strengthen the relevance and effectiveness of existing R & D institutions and centers to support MSEs; disseminating R & D outputs to MSEs through extension agents and establishing a technology data base

*Access to Market:* Small enterprises usually regard market constraints and the inability to sell their products and services as one of the most serious obstacles to the starting of businesses and growth beyond mere subsistence level. This assertion also holds true in the case of Ethiopian MSEs, as revealed from various studies undertaken concerning the MSE sector. Responsibility for steps to overcome this constraint falls upon many different groups: individual entrepreneurs and groups of small businesses which have to compete with others for the same clients, regional governments, chambers and business associations who should see to it that there are no hindrances to market access of new comers, and big enterprises who should re-orient procurement towards small suppliers and subcontractors. The following measures should have to be taken to facilitate this complex process in order to ease the marketing problems of MSEs:

- ❖ Encourage cooperation between relevant government institutions as well as private sector organizations and NGOs to reach MSEs and to mobilize training and mentoring support for small enterprises, so that they are able to manage inter linkage activities and contracts.
- ❖ Facilitate the development of more appropriate small-enterprise export-support programs. Such programs could cover exhibition facilities, export trading houses, and promote export credit schemes, an expansion of the export marketing assistance scheme and special training efforts with regard to quality development systems.
- ❖ Closely associated to marketing and supply problems of MSEs are issues related to reasonable access to raw materials and quality services at affordable prices.

Associations of MSEs and cooperatives play an important role to address such problems by way of bulk purchase arrangements and group service requests.

At present there is no market information center and/or system that would furnish market related information, in such areas as, information on prices, source of inputs, existing and potential markets, consumer needs, etc. for MSEs. One possibility to address these problems is to establish a marketing information center and/or system or integrate the activity in already existing or in the envisaged Federal MSE development Agency and regional agencies or the designated organs. .

## **2.5. Marketing Problems Faced by MSEs**

When the researcher reviews different literatures to really identify the marketing problems of MSEs with regard to: product ,price ,sales ,promotion ,competition, lack of knowledge in market, retailing, finance, and raw materials, they are reviewed as under (Asseghedech 2007)

**Product:** 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. Some micro enterprises shift from one product to another, and in doing so, capture better market opportunities. Nevertheless, as soon as the market has established itself, a multitude of further micro enterprises start off in the same business and this causes the selling price to fall immediately. Furthermore, certain MSEs lack the skill to modify their products, such as handicraft products, pottery, furniture, metal products, kitchenware etc. There is also lack of sufficient range of product 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 alone.

**Price:** The following are the most important problems in relation to price. Some MSEs sell at break-even or even below cost. Some of the reasons for selling at such a lower price can be attributed mainly 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 all family members spend the money earned from sales without recording; and manufacturers do not correctly know how much raw material and accessories are required to make one unit of a product.

**Sales:** The micro enterprises that work in 'gulit' areas do their business on the sidewalk or by the roadside. The majority of them sell products such as tomatoes, onions, seeds, 'enjera', 'teff', and pottery products. Traders in this category face problems such as: textile products being exposed to too much dust; pottery products are exposed to high risk of breakage; as the result of poor environmental hygiene, food items get spoiled; and there are limited market outlets for some products. Some products such as bread, 'enjera', milk and others are sold on a door-to-door basis. In areas where such services are of frequent practice the relatively bigger enterprises must follow the same offering not to loose market share. This makes the competition stiff. In addition; family members with limited business management and salesmanship (mostly children) are involved in the operation of their respective family businesses. In such cases owners fail to control the daily sales transactions of the business. Most of the MSEs lack marketing skills.

**Promotion:** There are many problems related to the promotion of products of MSEs. Some of these are presented as follows: Many MSEs Plan on promoting their products, however, their budget is mostly tight. Even though some enterprises understand that issuing flyers, posters and business cards have promotional values, they refrain from undertaking such promotional activities to use the money for other urgent matters. Many MSEs are not correctly informed on how to join their respective Chambers of Commerce, or trade association of their industry. They seem not to be aware of the services that they could obtain from chambers and associations such as: issuing journals; organizing promotional events; organizing trade fairs; advertising MSEs' products; upgrading skills; assisting MSEs in finding market outlets; solving general market outlet problems. Certain MSEs that have previously participated in trade fairs fail to follow up, simply due to lack of awareness and skill. Most MSEs are of the opinion that a mere participation in trade fairs is enough to promote their products.

**Competition:** As is mostly the case and common recognition, "Competition is Cruel", which implies that some larger companies in relation to MSEs have advantages due to: selling at reduced price without reducing product quality using economies of scale; customer targeting capacity; proper and intensified product/service advertising capacity; good personal contacts and networks; sound Industry reputation; as well as sufficient information regarding existing market and capacity to exploit more market opportunities.

Competition is not only between the MSEs and the relatively bigger companies. There is also competition among operators within the MSE sector itself and between MSEs that are engaged in the same line of business. The latter is what concerns MSEs more than

competition from the big companies, because they serve different market segments and target clients. The target clients for the MSE sector, in most cases, are people with lower level of income and with the need to invest rather on consumption goods/services than making long-term capital investments. Example for competition in terms of quality: Some bakeries use 'white flour', while others use 'dark wheat powder ' to bake bread. Consumer preferences are more for white bread presently and, as a consequence, sellers of dark bread loose market shares. What makes this really a bad situation is that they do not even know the reason for the sales decline.

*Example for competition in terms of price:* In the 'gulit' areas the spacing between the selling stands are at a minimum, which invites some smart sellers to adjust their selling prices after hearing the offered prices of their neighboring seller.

**Retailing:** Some MSEs may have the need for retail stores, in order to sell their products, but do not have the necessary retail outlets. In this case they are obliged to sell products on market days only. In some areas, where soft drinks and beer are sold, the area may be 'dull and ragged'. In addition, consumers prefer going to a better and active area. In such situations, food and local drinks/beverage sellers lose access to the market, with household consumers remaining their only customers. Several MSEs engaged in activities such as shoemaking, furniture production, metal works, photography, hairdressing and catering might have relatively substantial number of customers provided that they are strategically located and have good salesmanship. However, accessing premises in good locations may not be easy for MSEs. There may be the problem of infrastructure as well as high rent for the premises.



**Finance:** In discussing marketing problems the subject of finance should not be overlooked. Shortage of funds discourages the smooth operation and development of MSEs. Even if there are credit facilities, some of the MSEs do not use the money for the intended purpose. They rather divert it for other unintended and non-productive expenditures. Consequently, the enterprises fail to return the money back to the lender on time. This can result in a loss of credibility to get repeated loans when needed most. In order to minimize the impact of shortage of working capital MSEs should be able to: have a budget/plan on how to use credit funds most effectively and for the intended purpose; have to be able to save money on their own for future investment in their business.

***Access to Information and Advice:*** Lack of access to appropriate, relevant and understandable information and advice is one of the most important problems of small enterprises in particular micro enterprises and small start-ups. This problem is encountered by Ethiopian MSEs, first due to the fact that information system is not developed to enable proper collection, organization and dissemination in the country as a whole. There are also a few consultancy and advisory firms which are inaccessible to MSEs. Secondly, the small and micro business operators often don't recognize the crucial importance of business information services and are not in a position to receive information on fee basis, particularly micro enterprises and small business start-ups. There are, however, some efforts and activities in information and advice rendering by chambers and associations. But, most of the activities of these bodies are restricted /limited to bigger enterprises operating in urban areas. Thus, most urban and rural MSEs are seldom reached by the existing information and advisory services.

To improve MSEs access to information and advice, steps including the following shall be taken:-As a principle, information and advice should be as focused and sector-oriented as possible and it should be supplied at grassroots level wherever this is possible. The responsibility for the preparation and dissemination of relevant materials falls on all agencies, which are directly or indirectly involved to support the MSE sector. These include: public institution like Ministries of Trade and Industry, Education, Culture and Information, Central Statistical Authority, respective Regional Bureaux, regional agencies, or the designated organs, Chambers of Industry and Trade, Sectoral Associations, NGOs, etc.( Andualem 2001)

The Ministry of Trade and Industry through its Trade Point service will compile, consolidate and disseminate foreign business information to the needy MSEs through the Federal Agency and the respective regional bureaux. Reliable statistical information is important for the small business sector, for small-enterprise support agencies and for the federal as well as regional governments, to monitor policy effectiveness and facilitate planning. The existing statistical base is inadequate with respect to most aspects of small and micro-enterprise development in Ethiopia. The task to upgrade and regularly update relevant trends cannot be the responsibility of the government alone. The most effective approach will need the cooperation of the following parties:-The Ministry of Trade and Industry, which after consultation with all relevant parties, determines the range of statistics to be prepared or monitored by the federal government; Central Statistical Authority, who should collect as much of the relevant data as is possible within the framework of its resources and techniques; the regional MSEs development agencies or the designated organs which should focus, in particular on support programs and related trends;

the Federal Agency, which organizes and disseminates information to regional agencies or the designated organs; Regional governments and development associations, who will be encouraged to closely monitor regional and local trends, within the broad national framework set by the Ministry of Trade and Industry. The private sector, which should respond to data needs or supply statistics for those who need it.

**The Physical Infrastructure:** Infrastructure is one of the basic factors required to enhance the pace of industrialization in any country. The development of business and industrial premises (shops, offices, factories, market stands, etc.) and infrastructure facilities, including the supply of electricity, water, telecommunication connections, sewage systems, etc. are crucial infrastructural facilities and utilities which warrant the growth and expansion of business enterprises. The mentioned physical infrastructure elements are not adequately developed and expanded to meet the growing demand of business activities in Ethiopia. The main factor for such underdevelopment is due to the obvious nature of infrastructural projects which entail huge investment cost outlays. Hence, most enterprises particularly the small and micro enterprises are facing serious problems in this regard.

To address the problem, the government has drawn various programs with regard to developing road networks, power, water, telecommunication, etc. and concerted efforts are being made to carry out such programs. In addition, the private sector is also encouraged to participate in the development of certain infrastructures to augment government's endeavor in this area.

Regional governments, development associations, NGOs and community development efforts are increasingly involved in infrastructure development, complementing the efforts of the federal government.

## **2.5 Institutional Strengthening of Private Sector Associations**

As in other areas of the socio-economic development process, business associations have an important role to play in the strengthening of small business interests. This relates as much to business organizations operating at federal and sectoral levels as it applies to those focusing on the regional, zonal and wereda levels. Of particular concern are those organizations that represent the interests of emergent, small and micro-enterprises. In Ethiopia, the existing business associations are financially weak and most of them have a very limited capacity to actually support and strengthen their members. Most small businesses and virtually all micro enterprises have not also been embraced by the existing business associations and chambers, thus excluding them from any form of support that could be obtained from them. The government now has recognized the necessity of appropriately restructured business associations and chambers that will embrace small and micro enterprises to make effective and efficient intervention to support the sector. To this effect, a new organizational structure will be worked out to replace the existing chamber of commerce. Like wise, associations are also expected to be formed sectorally, starting from zones, up to the federal level with the fundamental principles of autonomous associations, voluntary membership and demand driven services. Against this background, the government will consult with all relevant stakeholders about the developments among others, in the following directions:-Each MSE voluntarily be a member of at least one

business-related association of their own choice, Accredited business associations can also supply other services qualify like training programs for particular target groups, micro-enterprise support schemes, raw material acquisition schemes, etc.

The Ministry of Trade and Industry, the respective Regional Bureaux, the foreseen federal agency and regional agencies, or the designated organs can use accredited business associations to implement any of the support policies. Such involvement will make the associations and chambers of industry and trade eligible for capacity-building support. All accredited business associations will be encouraged to actively involve in the planning, implementation and monitoring of MSE related development activities at regional and local levels, with particular emphasis on the needs and capacities of the different economic and business sectors. (Gebrehiwot 2004)

## Chapter Three

### Analysis and Interpretation

This part presents the results of collected and analyzed data that have been conducted to find out those problems of MSE operators that are bottlenecks and obstacles to start, expand and develop their business activities.

#### 3.1. Distributed and Returned Questionnaires

A total of 100 questionnaires were distributed to the MSE operators: 24 questionnaires were distributed to wood and metal sector, 21 for construction, 16 for textile and garment, 22 for food processing, and 17 for municipal activity sector.

S. No	MSE Sector Operators	Questionnaires			
		Distributed		Returned	
		In number	In percentage	In number	In percentage
1	Wood and Metal Work	24	24	24	24
2	Construction	21	21	20	20
3	Textile and Garment	16	16	16	16
4	Food Processing	22	22	18	18
5	Municipal Activities	17	17	15	15
	<b>Total</b>	<b>100</b>	<b>100</b>	<b>93</b>	<b>93</b>

Table 3.1 Respondents' Profile by their involvement in Activities

As shown in table 3.1 above, the study attempted to cover representative samples of MSE operators in five business types in which the study were conducted. Accordingly 24, 21, 16,

22, and 17 MSE operators have been approached from wood and metal work, construction, textile and garment, food processing, and municipal business types respectively. As pointed out in the first part of this paper the student researcher employed three methods to gather data from MSE operators for the research, these were questionnaire, interview and observation. To summarize, the questionnaire distributed to the 100 MSE operators of the five business types and attained 93% return rate.

### 3.1.1. General Information

#### A. The Year that the Enterprise Established

<b>Year of Establishment</b>	<b>In number</b>	<b>In percentage</b>
Before 1983	29	31
1983-1987	21	23
1988-1992	33	35
After 1992	10	11
<b>Total</b>	<b>93</b>	<b>100</b>

Table 3.1.1 Establishment of MSEs

The data stated in the above table clearly indicates the establishment of the MSEs, where 31% of them were established before the year 1983 E.C., 23% during the year 1983-1987 E.C, 35% from the year 1988-1992 E.C ,and 11%after the year 1992 E.C . The above data clearly indicates that most of the MSEs were established after the year 1983 E.C., which implies that the free market economic policy played its role in creating conducive atmosphere for the establishment & growth of MSEs

#### B. Respondents Profile

<b>Responsibility of the Respondents</b>	<b>In number</b>	<b>In percentage</b>
Owners	82	88
Administrators	5	5
Representatives	6	7
<b>Total</b>	<b>93</b>	<b>100</b>

Table3.1.2 Respondents Profile by Responsibility

From the data in table 3.1.2 it can be observed that 88% of the respondents were owners, 5% administrators and 7 % representatives from the enterprise. This implies that the owners themselves manage most of the MSEs.

### **C. Number of Employees and Number of Families that Participate in the Enterprises Activity**

<b>Number of Employees</b>	<b>In number</b>	<b>In percentage</b>
No Employees	47	50
1-2	23	24
3-4	11	12
Above five	12	13
<b>Total</b>	<b>93</b>	<b>100</b>

Table3.1.3 Numbers of Employees that Participate in the Enterprises Activity

From the foregoing table it can be observed that 50% of the respondents had no employees, 24 % of the respondents had 1-2 employees, 12 % of the respondents had 3-4 employees and 13% of the respondents stated that they had above 5 employees. Hence most of the MSE operators operate their enterprises by themselves.

<b>Number of Families</b>	<b>In number</b>	<b>In percentage</b>
No Families	24	26
1-2	47	50
3-4	18	19
Above five	4	5
<b>Total</b>	<b>93</b>	<b>100</b>

Table 3.1.3.1 Number of Families that Participate in the Enterprises Activity

The data set out in the above table shows that 26%, 50%, 19% and 5% of the respondents responded that they had no families, 1-2 families, 3-4 families and above 4 families respectively that participate in the enterprise's activity. From the above figure it can be deduced that MSEs create employment for many people and most of them at the same time use family labor.

#### D. Level of Education

Level of Education	In number	In percentage
Illiterate	6	6
Grade 1-4	16	17
Grade 5-8	15	16
Grade 9-12	51	56
Above grade 12	4	4
<b>Total</b>	<b>92</b>	<b>99</b>

Table 3.1.4 Level of Education

With regard to educational level out of the MSE operators surveyed; 6% were illiterate, whereas 17% were from grade 1-4, 16% from grade 5-8, 56% from grade 9-12, 4% above grade 12, and 1 MSE operator did not respond to the question. The above figure clearly shows that MSEs offer greater opportunities of creating employment not only for educated people but also for the illiterate and low skilled labor force and it also implies that most of the MSE operators are unable to get into competition of modern business.

#### E. Gender distribution of Employees

Employees	In number	In percentage
Male	548	51
Female	526	49
<b>Total</b>	<b>1074</b>	<b>100</b>

Table 3.1.5 Gender distribution and Total number of Employees

As shown in table 3.1.5, 51% of the respondents surveyed were male and 49% of the MSE operators were females. The above figure signifies that most of the respondents are male

and this implies that male operators slightly dominate the MSE sector. It should, however, be noted that street vendors and ‘*Gulits*,’<sup>1</sup> where women dominance appears relatively high, have been excluded from the sample.

#### F. Age

Age	In number	In percentage
15-20	5	5
21-30	33	36
31-40	28	30
41-50	16	17
51-60	6	7
above 50 years of old	5	5
<b>Total</b>	<b>93</b>	<b>100</b>

Table 3.1.6 Age distribution of MSE operators

From the above noted table, it can be observed that the age ranges of the MSE operators surveyed are: 15-20(5%), 21-30(36%), 31-40(30%), 41-50(17%), 41-50 (7%) and 5% above 60 years of old. The above figure clearly indicates that most of the MSE operators surveyed were young and productive people. This implies that MSE sector generates employment opportunities for young citizens.

#### G. Establisher of the Enterprise

Establisher of the Enterprise	In number	In percentage
Owners themselves	82	89
Established by others	10	10
<b>Total</b>	<b>92</b>	<b>99</b>

Table3.1.7 Establisher of the Enterprise

<sup>1</sup> *Gulits* are open markets where most women sell their products nearby roads, which are common in Ethiopia

In order to assess as to who establish the enterprise 89% of the respondents responded that the enterprise was established by themselves while 10% of the respondents replied that the enterprise was established by others and 1% of the MSE operators surveyed didn't respond to the owners themselves.

### 3.2. Working conditions of MSEs

When the MSEs start their business, they face many problems. By considering this into account, the student researcher requests them to get such information. And their response is summarized in the following tables with their respective interpretation.

#### A. Problems faced During the Establishment of the Enterprise

Problems faced During Establishment	In number	In percentage
Shortage of initial capital	49	53
Absence of premises	19	20
Lack of experience about the business	5	5
Lack of survey /study/	2	2
Lack of training before starting business	5	6
All of the problems mentioned above	3	3
Both shortage of initial capital and absence of premises	5	6
Both shortage of initial capital and lack of training before starting business	2	2
Shortage of initial capital, absence of premises and lack of experience about the business	1	1
Did not respond to the question	2	2
<b>Total</b>	<b>93</b>	<b>100</b>

Table 3.2 Problems faced During the Establishment of the Enterprise

The respondents were asked to state the problems faced during the establishment of their business and this shows that most of the MSEs are established by enterprise. As table 3.2 indicates the problems existed during the establishment of the enterprise were shortage of initial capital (53%), absence of premises (20%), lack of experience about the business (5%), lack of survey /study/ (2%), lack of training before starting business (6%), all of the problems mentioned above (3%), both shortage of initial capital and absence of premises (6%), both shortage of initial capital and lack of training before starting business (2%), shortage of initial capital, absence of premises and lack of experience about the business (1%) and 2 % of the respondents did not respond to the question. From the above data it can be observed that the first major problem during the establishment of the MSEs is lack of finance and lack of premises is the second serious problem. This implies that MSE operators at their start have less access to formal financial institution.

### B. The source of Initial Capital

Source of Initial Capital	In number	In percentage
Gift from relative	24	26
Credit from relatives	14	15
Credit from bank	5	5
Credit from usurers	7	8
From their own savings	37	40
Credit from financial institutions	4	4
Both credit from relatives and own savings	2	2
<b>Total</b>	<b>93</b>	<b>100</b>

Table3.2.1 The source of Initial Capital

As table3.2.1 clearly shows the source of initial capital for the MSE operators were: 26% gift from relative, 15% credit from relatives, 5% credit from bank, 8% credit from usurers,

40% from their own savings, 4% credit from financial institutions and 2% both credit from relatives and from their own savings. This signifies that most of the MSE operators surveyed get initial capital from their own savings, gift from relatives and credit from relatives. This implies that MSE operators have less access to credit from banks and micro finance institutions.

### C. Favorable Conditions to Start /Establish/ the Enterprise

<b>Favorable Conditions to Start</b>	<b>In number</b>	<b>In percentage</b>
Availability of raw material	8	9
Availability /existence/ of consumer	44	47
Having experience about the business	23	25
All the favorable conditions mentioned above	14	15
Not response.	4	4
<b>Total</b>	<b>93</b>	<b>100</b>

Table3.2.2 Favorable Conditions to start /establish/ the Enterprise

The respondents were asked to declare the favorable conditions to establish their enterprise-As table 3.2.2 clearly shows the favorable conditions to establish the enterprise were: 9% of the respondents responded the availability of raw material, 47%of the MSE operators surveyed stated the availability /existence/ of consumer, 25% of the respondents replied having experience about the business, 13% of the respondents responded all the favorable conditions mentioned above and 4% of the respondents did not respond to the question. From the above figure it can be observed that most of the MSE operators start /establish/ their enterprise by assuming there is enough consumer for their product/ service, without any other feasibility study /analysis of the business's profitability/ before

implementation and this causes no progress of the business, simply they start buying and selling the cheaper stock they can find around.

#### D. The Instruments /Tools that are using for Production/Service

<b>Instrument used by MSE Operators</b>	<b>In number</b>	<b>In percentage</b>
Modern	30	32
Traditional	57	61
Didn't Respond	6	7
<b>Total</b>	<b>93</b>	<b>100</b>

Table3.2.3 The Instruments /Tools that are using for Production/Service

In response to the question whether the instruments/ tools that they are using for production or service are modern or cultural, 61% of the respondents responded that it is modern, 32% of the respondents replied that it is cultural and 7% the respondents did not respond to the question. /Table 3.23/ Even though most of the respondents by comparing their instruments / tools / with their neighbor responded their instruments / tools that they are using for production / service rendering activities are modern it is observed that most of the MSE operators have been used cultural instruments /tools for their production / service rendering activities. The respondents were asked the way they obtained the instruments /tools/ they are using for production or service rendering activities. The MSE operators were also asked 'How could they obtain the instruments' and their response is shown here as under:

<b>How MSE operator obtain the instruments</b>	<b>In number</b>	<b>In percentage</b>
By buying	58	62
By manufacturing	6	7
From their family inheritance	3	3
By rent	11	12
Both by purchasing and by manufacturing	1	1
Did not respond	14	15
<b>Total</b>	<b>93</b>	<b>100</b>

Table3.2.4: How MSE operators obtain the instruments

As table 3.2.4 clearly indicates 62% of the respondents responded that they obtained by buying, 7% of the respondents replied that they obtained by manufacturing, 3% of the MSE operators responded that they obtained from their family inheritance, 12% of the respondents responded that they obtained by rent, 1% of the selected sample obtained both by purchasing and by manufacturing and 15% of the respondents did not respond to the question. The result of the survey clearly shows that most of the MSE operators obtain an instrument /tool for production/ service rendering activities by purchasing from the market.

#### **E. Seasonality of the Demand of the Product/Service**

<b>Seasonality of the Demand of the Product</b>	<b>In number</b>	<b>In percentage</b>
it is seasonal	60	64
it is not seasonal	32	35
did not respond to the question	1	1
<b>Total</b>	<b>93</b>	<b>100</b>

Table3.2.5 Seasonality of the Demand of the Product/Service

In response to the question whether the demand for their product /service is seasonal, 64% of the respondents responded that it is seasonal, 35% of the MSE operators surveyed declared that it is not seasonal and 1% of the respondents did not respond to the question. This reveals that the demand for most of the MSEs Product or service is seasonal because as it was observed in many cases their market depends on the farmer's seasonal products and farmers are the main clients of their business.

#### **F. Profitability of the Enterprise**

<b>Profitability of the Enterprise</b>	<b>In number</b>	<b>In percentage</b>
Highly profitable	2	2
Quite profitable	68	73
Not profitable	19	21
Did not respond to the question	4	4
<b>Total</b>	<b>93</b>	<b>100</b>

Table3.2.6 Profitability of the Enterprise

The respondents were asked to state the degree of profitability of their enterprise. According to the response 2% of the respondents responded that they are highly profitable, 73% of the MSE operators approached replied that they are quite profitable, 21%of the respondents stated that their enterprise is not profitable and 4% of the respondents did not respond to the question. /Table 3.2.6/.The approached MSE operators who are not profitable were asked to state the reasons for not being profitable. Their result is as follows

<b>Reasons for not being profitable</b>	<b>In number</b>	<b>In percentage</b>
Shortage of raw material	2	12
Lack of finance/capital	7	36
Lack of training in business management	2	13
Lack of market	8	39
<b>Total</b>	<b>19</b>	<b>100</b>

Table3.2.7 Reasons for not being profitable

The above noted table states that the reasons for not being profitable were shortage of raw material /12%, lack of finance/capital (36%), lack of training in business management (13%) and lack of market (39%). /3.2.7/ The above figure clearly shows that a significant number / 75%/ of the MSE operators are not profitable mainly because of lack of market & lack of finance/working capital /

#### **G. Advertisement**

<b>Do you Advertise your product</b>	<b>In number</b>	<b>In percentage</b>
Yes	23	25
No	70	75
<b>Total</b>	<b>93</b>	<b>100</b>

Table3.2.8 Advertisement MSE Profile

In response to the question whether they advertise their product/ service or not, 25% of the respondents responded that they advertised their product/ service while 75% of the MSE operators did not advertise their product or service.

The student researcher also requests the MSE operators who advertise their product by what means are they promoting .And their response given as below /Table3.2.9/:

<b>Advertising mechanism Used by MSE operators</b>	<b>In number</b>	<b>In percentage</b>
By means of placards	14	63
By means of newspaper	1	5
using sample of the Product	5	22
By means of bazaar	1	1
Not response	2	9
<b>Total</b>	<b>23</b>	<b>100</b>

Table3.2.9 Kind of Advertising mechanism used by MSE operators

From those who advertised their product/service 63% of the respondents responded that they advertise by means of placards, 5% of the MSE operators approached replied that they advertise by means of newspaper, 22% of the respondents are using sample of the product as means of advertising mechanism, 1% of the respondents replied that they advertise by means of bazaar and 9 % did not respond to the question. The respondents were asked why they have used the above advertising mechanisms. The reasons are least price/56%/, accessibility /27%/, lack of awareness of other options/15%/ and 2% of the respondents did not respond to the question

#### **H. Information**

<b>Is information necessary to develop your business</b>	<b>In number</b>	<b>In percentage</b>
Yes	81	87
No	11	13
<b>Total</b>	<b>92</b>	<b>100</b>

Table 3.2.10 Necessity of information to develop your business

In response to the question whether information is necessary or not to develop their business, 87% of the respondents responded that information is necessary to develop their business while 13% of the MSE operators surveyed replied that information is not necessary to develop their business. Those respondents who replied information is necessary to develop their business were asked the necessary information to their business activity but not able to obtain. Their response is summarized as below in table 3.2.11.

<b>Necessary information to their business activity but not able to obtain</b>	<b>In number</b>	<b>In percentage</b>
Lack of information about credit service	62	76
Lack of access to market information	55	68
Lack of information about technology	41	51
Lack of information about government rules and regulations	58	71

Table 3.2.11 Necessary information to their business activity but not able to obtain

*Note: In this table, the number of respondents is greater than the total number of respondents surveyed. This is because respondents tick more than one choice*

According to the response, 76% of the MSE operators approached replied that they lack information about credit service, 68% of the respondents responded that they had no access to market information, 51% of the respondents stated that they couldn't get information about technology and 71% of the sample surveyed replied that they couldn't get information about government rules and regulations.

The above figure clearly shows that most of the MSE operators cannot get information about credit service, market, appropriate technology and government rules and regulations. This implies that most of the MSE operators have poor access to credit, market, appropriate technology and government rules and regulations.

### J. Training

As table 3.2.13 clearly indicates 14 % of the respondents responded that they took training after they start their business activity while 86% of the MSE operators approached replied that they did not take any training after they start their business activity.

<b>Did you take any marketing Training after starting your business</b>	<b>In number</b>	<b>In percentage</b>
Yes	13	14
No	80	86
<b>Total</b>	<b>93</b>	<b>100</b>

Table3.2.12 marketing Training Profile of MSEs in their business

From those who took training after they started their business activity, 83% of the respondents stated that the training was very important, 15% the MSE operators approached responded that the training was quite important and 2% of the respondents replied that the training they took was not important for their business activity as shown in table3.2.13 below:

<b>How important is training to your business</b>	<b>In number</b>	<b>In percentage</b>
very important	10	83
quite important	2	15
is not important	1	2
<b>Total</b>	<b>13</b>	<b>100</b>

Table 3.2.13 importance of training to MSE operators

This implies that most of the MSE operators run their business with out any training because of the concerned governmental institutions; the MSE operators themselves and non governmental organizations involved in this area have not paid special attention for training.

#### L. Book of Account

<b>Do you have a book of account</b>	<b>In number</b>	<b>In percentage</b>
Yes	32	34
No	61	66
<b>Total</b>	<b>93</b>	<b>100</b>

Table 3.2.14 MSEs Book of Account profile

The MSE operators surveyed were asked whether or not they have a book of account for their business activity. According to their response 34% of the respondents responded that they had a book of account for their business activity while 66% of the MSE operators approached replied that they did not have any book of account for their business activity. Those MSE operators approached who do not have a book of account were asked why they do not have any book of account for their business activity. The reasons are lack of trained manpower (22%), unable to employ an accountant (33%), believing that it was unnecessary (40%), both lack of trained manpower and unable to employ an accountant (5%) and 1% of the respondents did not respond to the question as depicted in table 3.2.15

<b>Why don't you have book of account</b>	<b>In number</b>	<b>In percentage</b>
Lack of trained manpower	14	22
unable to employ an accountant	20	33
believing that it is unnecessary	24	40
both lack of trained manpower and unable to employ an accountant	3	5
<b>Total</b>	<b>61</b>	<b>100</b>

Table 3.2.15 Why MSE operators do not have book of account

The research conducted reveals that most of the MSE operators had no book of account for their business activity due to lack of awareness of the significance of a book of account to run their business and unable to employ an accountant because of high salary demanded by professionals in the field.

### 3.3. The level of problems which have been confronted by MSEs

According to the survey, the MSE operators face with several problems and constraints that affect the role they play in the socio-economic condition of the region. From a number of problems the MSE operator's encounters in their day-to-day activity, the following severe problems are treated below:

Severity of MSE problems	Yes	No
Lack of market	83	17
Lack of Finance /Capital	80	20
Problems Related to Government Rules & Regulations	59	41
Lack of Information and Advice	57	43
Lack of Sufficient Training	50	50
Lack of Premises / Working Place	40	60
Shortage of the Supply of Raw Materials	37	63
Cultural Influence	32	68
Lack of Infrastructure Facilities	31	69

Table3.2.16 Severity of MSE problems

**A. Lack of market:** The first severe operating difficulties of the MSE operators according to the research conducted is lack of market. Out of the 93 MSE operators surveyed (83%) responded that they are facing with lack of market while (17%) of the respondents replied that they do not encounter with market problems. From the above figure it can be observed that most of the MSE operators are faced with lack of access to market and inability to sell their products and services. This implies that there is lack of focus on providing basic marketing techniques that the operators should have to promote the marketing of their goods and services, and lack of practical assistance in marketing the products of the operators.

**B. Lack of Finance /Capital/:** The second most severe problem to the growth and development of the MSEs is lack of finance / the working capital. It is undisputed fact that all types of services such as training, counseling, managerial and technical skill development should be accompanied by the provision of finance, in order to improve and strengthen the support provided. According to the survey, (80%) of the MSE operators approached responded that they have a critical problem of finance/capital while (20%) of the respondents replied that they do not face shortage of finance. The above figure clearly indicates that most of the MSE operators have faced a critical problem of finance and it also indicates that the portion of MSE operators with access to formal financial institutions is very low. This implies that the formal financial institutions are reluctant to avail credit facilities to MSEs and it also implies that MSE operators lack knowledge about available financing programs or the process of application.



**C. Problems Related to Government Rules & Regulations:** Problems related to government rules and regulations like license, taxation, registration, etc is the third severe problem facing the MSE operators. According to the research conducted (59%) of the respondents replied that they face a problem related to government rules and regulations while (41%) of the MSE operators approached responded that they do not face a problem related to government rules and regulations.

The above figure clearly indicates that most of the MSE operators have been faced with government rules and regulations. It may be because of a significant number of the MSE operators are working without license and they are not officially registered and recognized by the government and as the MSE operators also reported that the rise of the amount of taxation is also a serious problem in their operation. This implies that most of the MSE operators are unclear regarding government rules and regulations and the government criteria for license and registration are so strict.

**D. Lack of Information and Advice:** According to the research conducted lack of access to appropriate and relevant information and advice is the 4<sup>th</sup> severe problem faced by MSE operators. Creating access to information and advisory services to MSE in income generating entrepreneurial activities is highly crucial not only for their growth but also for their sustainability. MSE operators need information about market, source of finance, appropriate technology, source of raw materials and inputs, sources of special services related to training, product design, government rules and regulations, etc. About fifty seven percent of the respondents responded that they have encountered lack of information and advice while /43%/ of the respondents replied that they have not faced with lack of

information and advice. This implies that business information is not adequately provided to the beneficiaries, i.e., the MSE operators often do not recognize the crucial importance of business information services and are not in a position to receive information on a fee basis.

**E. Lack of Sufficient Training:** This is the 5<sup>th</sup> severe problem faced by the MSE operators the acquisition of relevant vocational, technical and business skills is generally regarded as one of the critical factors for success in MSEs. Training would help to increase efficiency of MSE operators and enables the MSE operators to be competitive in the market. According to the survey (50%) of the respondents responded that they lack sufficient training while (50%) of the MSE operators surveyed replied that they have not been encountered with lack of sustainable training. This implies that the range of relevant training on vocational, technical and business skills made available to micro and small enterprises is very low and it also implies that MSE operators lack awareness about the already existing training facilities and what they offer to this sector.

**F. Lack of Premises / Working Place:** The development of business and industrial premises warrant the growth and expansion of business enterprises. Lack of working place includes a problem of limited place or not being conveniently located to areas where clients can easily reach them or work in rented houses, which are very expensive in terms of cost. According to the survey lack of premises / working place is the 6<sup>th</sup> severe problem of MSEs. In response to the question whether they encounter with lack of premises or not, (40%) of the respondents replied that they have been faced with lack of premises while (60%) of the MSE operators surveyed responded that they have not been encountered with lack of premises. This implies that the constructed commercial premises are not sufficient

/enough/ for the MSE operators and the existing land acquisition procedures do not consider accessibility of land for MSE operators

**G. Shortage of the Supply of Raw Materials:** In order to assess the availability of raw materials, the MSE operators surveyed were asked whether they have faced with the shortage of the supply of raw material or not. According to the survey shortage of raw materials is the 7<sup>th</sup> problem faced by MSE operators. From the MSE operators conducted (37%) of the respondents responded that they encountered with the shortage of supply of raw materials while (63%) of the respondents replied that they have not faced with the shortage of supply of raw materials. As per to the above data it can be observed that smooth supply of raw materials to MSE is not adequate & this implies that raw materials needed by micro and small enterprises are not sufficiently available around the working place of MSE operators.

**H. Cultural Influence:** In the past decades and still now, the attitude of the public to the importance of the sector especially for handicrafts is negative due to cultural influence. Cultural influence is the 8th problem faced by MSE operators. According to the survey (32%) of the respondents responded that they have faced with cultural influences while (68%) of the respondents replied that they haven't encountered with cultural influence. This implies that even though there is an improvement, still the cultural problems have a great impact to expand MSE activities.

**I. Lack of Infrastructure Facilities:** According to the survey a significant number of MSE operators are facing serious problems regarding lack of infrastructure. Infrastructure facilities like transport, the supply of electricity, water, telecommunication connections & sewerage systems are crucial infrastructure facilities, which guarantee the growth and expansion of MSEs. Lack of infrastructure facilities is the 9<sup>th</sup> problem faced by MSE operators. From the 93 MSE operators surveyed (31%) of the respondents responded that they have been confronted by lack of infrastructure facilities while (69%) have not been faced with lack of infrastructure facilities. Even though most of the MSE operators responded that they didn't face this problem, the student researcher has observed lack of infrastructure facility as one of the obstacles for MSEs.

### 3.4 Interview Analysis

The student researcher also have made a thorough interview with the MSE team leader of the Yeka Sub City with regard to marketing problems and the strategies that are undertaken by them .And the response as to 'what marketing strategy they use' is given as follows: A marketing strategy is about developing a good marketing mix. The elements of the mix are: Product, Price, Place/channel of distribution, Promotion and Person/process. The mix also involves selecting the 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, selecting the appropriate segment as target market

*1. Product Development :* With regard to Product development the team leader shares decisions with respect to: what product to produce? What should the design, model, appearance and style of the product be? What should the brand name of the product be?

With MSE operators. Comparison of the product with its competitors should also be considered.

2. *Selling Price*: Price is a ratio reflecting the exchange value of a good or a service, measured in terms of money. As the interviewee's response, through the following questions we clarify the idea of pricing i.e. my pricing strategy: Should I go for profit maximizations in the short-term? Profit optimizations in the long-term? A minimum return on investment? Keeping parity with competition? Fast turnaround and early cash recovery? My pricing methods: should I follow cost-based pricing? Demand-based pricing? Competition-oriented pricing? Affordability-based pricing? Or differentiated pricing? The answers to the above questions will help setting the selling price for each product/service. The strategy of considering price decreases for market entry can be carefully applied and based on study. However, under-pricing without studying the market can be a dangerous risk. Since a small decrease in cost structure leads to high improvement in profit, the best tactic would be to minimize costs. With due consideration to the profit margin, temporary price reduction can be used as a strategy to increase sales or to sell products in high stock. Reduced offer announcements encourage customers of purchasing larger quantities.

The tactics of decreasing cost would be the safest way to improve profit margins. The pricing strategy has to regard the profit margin. In view of this fact, the volume of sales has an important meaning. Some enterprises focus on unit sales and not too much on profit margins, which can be risky. The price being the most common strategic element of marketing, some related schemes will be outlined below. Offering reduced prices is a valuable tool to attract customers as well as to try a product. However, this should only occur for a given period of time.

3. *Place of Business and Channel of Distribution:* The place refers to the MSEs' location of the business and the channel of distribution chosen to reach potential customers. Through the following questions like: "Can I get a proper business location not far from my customers and not too near to my competitors? Can I get proper premises with reasonable price/rent? What should be the channel of distribution?" The MSE operators become aware of the strategy of distribution. Distribution is the physical movement of goods through a system called the value chain. Distribution channels include wholesaling, retailing, mail order, catalogue sales, telemarketing, contracting, or working through brokers. If the number of handled steps is much more than a product should be handled, the product could be easily damaged. Accordingly, the strategy should be to handle only one merchandise at a time and to treat it delicately. This can be applied especially for perishable and restaurant products. Product storage has to be appropriate. Due to the nature of the micro enterprise's market area, rats, insects and other rodents can be expected, in which case the products have to be protected from damage related to this problem. Establishing an appropriate distribution network is necessary; besides it is also tactical to give the enterprises' product literature to the distributors, if any is available. Distributing in gross deliveries to other outlets is a tactical alternative

4. *Promotion:* The role of promotion is to facilitate exchange between product/service providers and customers. Commercial enterprises are concerned with attracting customers. Different types of enterprises will have distinct promotional mixes utilizing a variety of promotional methods. The major promotional mixes that the MSE sectors are advised to use as a strategy as forwarded by the interviewee are given below: Advertising: is a form of impersonal broadcasting through commercial mass media. Advertising is the pervasive

form of promotion because it is one form that captures our attention. Sales promotion: is a term used to imply an activity that is specifically designed to induce sales by enhancing the value for the consumer. This value may be created through volume discounts. Publicity: is the result of public service announcements or news generated through media. Newspaper articles, recognition in public affairs, magazine stories and talk-show interviews. As the team leader replied these are the potential strategies which will benefit the sector as it grows.

5. *Person*: The person (i.e. the entrepreneur) should be competitive enough in terms of: practical abilities needed to produce the product/service; business management skills; personal characteristics and situation, commitment, motivation; taking risk.

Almost all micro and small enterprises have competitors. Therefore, the enterprises have to strategically stress their strengths over competitor offers. For instance, if one enterprise has lower costs in comparison to its competitor, then its pricing strategy can be based on selling at lower price. If the MSE has a broader selection of goods as compared to its competitors, then he/she should emphasize this issue and take advantage of more sales. If the competitor's store area is unattractive, a strategy can be set to make one's own store more attractive for potential customers. In this way competition can be beaten. Joining chambers and trade associations is one way of interacting with competitors and learning how successful enterprises do business. If the enterprise suffers from different rivals, it could use a strategy that provides it with a competitive advantage over others as part of the sales deal. A wiser strategy would be to try to be good in some competitive areas. MSEs need to select a few areas, in which they can excel in the competition, since it is difficult to be good in all areas

## Chapter Four

### Conclusion and Recommendation

#### 4.1. Conclusion

It is recognized that MSEs are very important for job creation, economic growth and equal income distribution. In other words, they play a considerable role in poverty reduction especially in developing countries such as ours. However, they face a number of problems related to market, information and technology access, financial and human resources. Taking this into account, the survey was initiated to examine and access the marketing problems of MSEs in Ethiopia, the case of Addis Ababa. To this end hundred questionnaires were distributed and ninety-three were collected. In addition to this, related literatures were consulted and reviewed. The responses gained from the questionnaire were analyzed and presented in the foregoing chapter. Based on the analysis the following findings were drawn. Despite their role in economic growth and in particular employment creation, MSEs face many constraints to realize their potential. Among these:

**Problems during Establishment of MSEs:** The major problems during the foundation MSE are mostly shortage of capital and absence of premises (73%) as indicated in the analysis chapter three table 3.2. This will be due to lack of research in marketing strategies as shown in table 3.1.4 of chapter three level of education almost 96% of the MSE operators had no higher/tertiary level education.

**Lack of skilled human resources:** The quality of their human resources is very low. The educational background of more than 96% of persons engaged in MSEs is below high school and high school Table 3.1.4.

The Absence of research on business opportunities: Entrepreneurs lack information on viable enterprise opportunities and, therefore, they miss chances that would have generated them a better return. Since they lack capital (Table), they want to spend limited resources on income generating activities they have proven successful. This is because they have no access to information and new technology as depicted in table 3.2.12 of the analysis part.

**Lack of effective market linkage:** (from the interview); effective market linkage is critical to the success of MSEs so far this is not available and is the main cause for business failures. Innovative means of linking products to market is highly needed as can be inferred from the interview session of Chapter 3. Major Problems of MSEs as depicted in the) The data set out in the Analysis Part of Chapter Three (Table3.2.16) indicates that lack of market is the most severe problem encountered to MSE operators in their way of attaining their goals followed by Lack of Finance /Capital, Problems Related to Government Rules and Regulations, Lack of Information and Advice, Lack of Sufficient Training, Lack of Premises / Working Place, Shortage of the Supply of Raw Materials, Cultural Influence, and Lack of Infrastructure Facilities.

## 4.2. Recommendations

Based on the findings and conclusions presented in the previous sections of this chapter, the following recommendations are forwarded by the student researcher in order to promote the growth of MSE sector and realizes its potential, the following measures need to be considered.

### 4.2.1 Enabling Environment

The following policies need to be in place to create an enabling environment for micro and small businesses.

- ❖ Investment incentives including general deregulation and liberalization of economy, provision of investment allowances to encourage relocation, infrastructure provision and other financial incentives.
- ❖ Assistance with technological acquisition and adaptation through research institutions and universities.
- ❖ Improved market access to MSEs products through public recruitment policies that favor MSEs, subcontracting linkage with large enterprises.
- ❖ Public procurement policies to consider purchase of MSE products.
- ❖ Wider dissemination of information on domestic and export market.

Thus, the government needs to lead the efforts toward their development. Another important approach is broadening access of MSE, for productive resources, particularly marketing training and access to finance.

In this regard, Microfinance Institutions (MFIs) play a great role in empowering MSEs by way of creating access to them that would have not been the case from formal banking institutions. However, micro and Finance Institutions need to be strengthened, not only in human resources development but also in networking capability to possibly create credit inter-lending between MFIs. Besides, the support of other institutions is also required to cushion the savers and lenders from possible risks.

#### **4.2.2 Non-Finance Promotional Policies:**

Non financial promotional programs include: guidance, counseling, marketing, product design, managerial and technical training and other services provided to MSEs and required for their entry, survival, productivity, and growth.

Individual non-financial promotional policies should be formulated on the basis of.

- ❖ Technical and Managerial Policies
- ❖ Market enhancing policies
- ❖ Gender related policies

Government Ministers in collaboration with the private sector, non-governmental organizations, and community based organization need to:

- ❖ Review and develop the legal and regulatory environment for MSE activities,
- ❖ Formulate and develop programs to improve access to credit and finance,
- ❖ Support women and youth involvement in MSE sector through special programs,
- ❖ Review and harmonize licensing procedures for the MSE sector,

- ❖ Develop programs to assist MSEs and exporters improve product quality,
- ❖ Encourage local authorities to set aside land for use as industrial parks specifically targeting MSEs so as to minimize the initial start up costs for them.

In the wood and metal work sector of MSE, it is recommended for the operators to use more of metal products as raw material because using wood as raw material affects the environment hence aggravate deforestation. Entrepreneurial training and consultancy is the most important means by which the long term vision and mission of business objectives will be achieved. Besides this, the government, private sector, and NGOs should have to be cooperative to MSE development by promoting the products and services so as to solve the marketing problems of MSEs. Many of the NGOs who have made assessment of the problems of MSEs have ignored micro-entrepreneurs as an agenda of training while most of the problems facing the entrepreneurs are in one way or another interlinked with lack of training. Training is the father of all problems. The signs are taxation based on guess, capital-weakening effect of taxation, and hence lack of capital, inability to save and use of accounting system. They grow rapidly to aggravate problems related to good entrepreneurship. However, training and micro enterprises cannot be treated separately, simply because micro and small operators work on the principles underlying in marketing. Businessperson had handed over firms from a family, probably when they were not ready to perform accordingly, in which time micro-operators want markets come to their shops on their feet rather than micro operators search for outlets to their services and produces. They set prices in an orthodox manner, which does not follow demand and supply rules.

This should have been understood as lack of knowledge, skill and attitude. Here lies the real problem that everybody is unable to identify keeping in mind the fact that most of them acquire skills informally (i.e., on the job...). Training aspect of donation is left unmentioned due to various reasons as if it has no value to the developmental efforts of MSEs. The reasons may be the attitude of researchers, or the multitude of problems etc. But lack of training aspect of the problem has greater share of the bottleneck faced by entrepreneurs.

Most micro and small operators prefer staying in the shops waiting for the solution for their market problems to come from somewhere to going to training sessions and learn principles of marketing. Some think that training is a waste of time, money, and manpower. Some others think it to be a panacea, a magic answer for all problems. Still some others think that training effects will show up as soon as they expect. " How dare I pay before I see the importance ... " was the answer many small traders gave. That is why training is said to be surprisingly little understood by small traders and researchers as well.

The following are recommended to be implemented by each stakeholder who is engaged on promotion and supporting activities of MSE.

- ❖ Develop curriculum that is capable of bringing about tangible result. This can be achieved in cooperation with higher education institutions. Target population should evaluate the already existing training materials intensively so as to prove the comprehensiveness. The training material/course inculcates communication and the use of exchange of information in business..

- ❖ Encourage individual trainers and support them to develop to a training center. The trainings which are being conducted must be recorded by videos so as to evaluate the method the trainers are using, the style of the training (check from the principles of learning/ teaching), the efficiency of audio visual aids used, personality of trainers, reactions of trainees in class etc. So that strong trainers could be licensed to work privately. At the same time, the Agency should develop standard to measure the strengths of trainers and adopt certification criteria.
- ❖ Encourage trainees who have put the training into practices is also one method to be used to encourage application of training courses by target population..
- ❖ Formulate a policy, which facilitates the above recommendations.
- ❖ The stakeholders in the micro and small enterprises sector are the micro and small enterprises operators themselves, chambers of commerce, women's affairs, the Bureau of Trade, Industry and Urban and works development, and other local and foreign NGOs should work in cooperation in order to develop the share of the sector contribution in the economic development of the region & the country. Availing finance and credit, computers, televisions, videos, overhead projectors, white boards, which are necessary to establish training centers, are expected from donors.
- ❖ A wiser strategy would be to try to be good in some competitive areas. MSEs need to select a few areas, in which they can excel in the



competition,

since it is difficult to be good in all areas

- ❖ The best strategy would be a strategy that separates micro and small sized enterprises from its competitors.
- ❖ For micro and small enterprises, the more the stock of data and information the better they can do business
- ❖ Price reductions do not have to be as low as throw-away prices.
- ❖ Building clientele is the best way of keeping customers loyal to micro and small enterprises.
- ❖ It is important and basic for micro and small enterprises to attain superior performance in handling customers. It does not cost them much.
- ❖ If the price for the quality of the product is appropriate, then there is a good chance of the product achieving repeated purchases.
- ❖ The wider the price gap between the regular and the reduced, the more buyers are attracted into purchasing. In fact, sometimes there are buyers who search for low prices even with bizarre standards.

Finally, business success is most critically dependent on the personal attributes of an entrepreneur; namely: self confidence, creativity, innovation and drive to take risks. In addition, a community as a whole has to take advantage of the available business opportunities in the society; and provide supportive measures for entrepreneurs (MSE operators) at all levels of development to realize their potential

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# APPENDIX

# Addis Ababa University

## Faculty of Business and Economics

### MBA Program

#### Questionnaire for users

This questionnaire is prepared to support and assess the current marketing problems of MSEs in Addis Ababa. It is mainly designed to collect information about the various MSE activities and services. Hence, it is aimed at finding out the fundamentals problems and obstacles of Micro and Small enterprises to start, expand, and develop their business activity and recommend alternative solutions. The purpose of this questionnaire is for the fulfillment of the requirements of Masters of Business Administration (MBA)

The information given by you is only be used for purpose of survey and is very important for the over all success of this study. Thus, you are kindly requested to fill up this questionnaire and return it as soon as you can. Your cooperation in completing the questionnaire is highly appreciated. *Thanks*

#### General Instruction

Make a tick mark of your choice or write your answer on the space provided. You can give more than one answer for each question when necessary. Again thank you in advance for your cooperation

1. The Type of business in which your enterprise is engaged \_\_\_\_\_
  - 1.1 The year that your organization established \_\_\_\_\_
  - 1.2. What is your responsibility in the enterprise? \_\_\_\_\_
2. How many employees are there in your enterprise?

2.1. Male \_\_\_\_\_ Female \_\_\_\_\_ Total \_\_\_\_\_

2.2 Educational level \_\_\_\_\_ Age \_\_\_\_\_

3. Are you the founder of this enterprise?

A/ Yes [  ]

B/ No [  ]

4. What problems existed during the establishment of the enterprise?

A/ Shortage of initial capital [  ]

B/ Absence of premises [  ]

C/ Lack of marketing experience about the business [  ]

D/ Lack of survey / study [  ]

E/ Lack of training before starting the business [  ]

F/ All of above [  ]

G/ Other \_\_\_\_\_

5. The source of your initial capital?

A/ Gift from relatives [  ]

B/ Credit from relatives [  ]

C/ Credit from bank [  ]

D/ Credit from usurers [  ]

E/ From my own saving [  ]

F/ Credit from Institutions [  ]

G/ Others, specify \_\_\_\_\_

6. What was the favorable condition to establish the enterprise?
- A/ Availability of raw materials [   ]
  - B/ Availability of consumer [   ]
  - C/ Experience about the business [   ]
  - D/ All of above [   ]
  - E/ Other \_\_\_\_
7. The instruments / tools that you are using for production / service is: -
- A/ Modern [   ]
  - B/ Cultural/ traditional [   ]
8. How can you obtained the instruments / tools?
- A/ By buying [   ]
  - B/ By manufacturing [   ]
  - C/ Inherit from family [   ]
  - D/ By rent [   ]
  - E/ Other \_\_\_\_
9. Is the demand of your product / service seasonal?
- A/ Yes [   ]
  - B/ No [   ]
10. . How is the degree of profitability of your enterprise?
- A/ Highly Profitable [   ]
  - B/ Slightly Profitable [   ]
  - C/ Not Profitable [   ]
  - D/ Other \_\_\_\_

11. What is the reason If your answer for question # 10 is *Not Profitable*, what is the reason?

A/ Lack of raw materials [   ]

B/ Lack of finance/ working capital [   ]

C/ Lack of training in business management [   ]

D/ Lack of market [   ]

E/ Other \_\_\_\_

12. Do you advertise your product / service

A/ Yes [   ]

B/ No [   ]

13. If your answer is " yes " for question No 12 what kind of advertising mechanism you use?

A/ Placards [   ]

B/ News paper [   ]

C/ Radio [   ]

D/ Television [   ]

E/ Sample of the product [   ]

F/ Exhibition [   ]

G/ Bazaar [   ]

H/ Other \_\_\_\_

14. What is your reason for using such type of advertising mechanism?

A/ Least Price [   ]

B/ Accessibility [   ]

C/ Lack of awareness of other options [  ]

D/ Other \_\_\_\_\_

15. Do you think that information is necessary to develop your business?

A/ Yes [  ] B/ No [  ]

16. If your answer is yes for question No 15, which of the following information is necessary, to your business but not able to obtain?

A/ Information about credit service [  ]

B/ Information about market [  ]

C/ Information about technology [  ]

D/ Information about rules and regulations [  ]

E/ Others \_\_\_\_\_

17. Are you willing to be a member of the cooperative that are in similar lines of business as yours?

A/ Yes [  ]

B/ No [  ]

18. Did you take any marketing training after you start your business?

A/ Yes [  ]

B/ No [  ]

19. If your answer is yes for question No 18, state the type of marketing training you took. \_\_\_\_\_

20. If you took any training, how is the degree of importance of the training?

A/ Very important [  ]

B/ Not important [  ]

C/ Quite important [    ]

D/ Other \_\_\_\_\_

21. Do you have any book of account to your business activities?

A/ Yes [    ]

B/ No [    ]

22. What is your reason if your answer is "No" for the question No 21?

A/ Lack of trained manpower [    ]

B/ Unable to employ an accountant [    ]

C/ believing that it is unnecessary [    ]

D/ Other \_\_\_\_\_

23. Which of the following problems are obstacles for your business?

A/ Shortage of raw materials                      Yes [    ]      NO [    ]

B/ Lack of finance / Working capital      Yes [    ]      NO [    ]

C/ Lack of market                                      Yes [    ]      NO [    ]

D/ Lack of premises                                    Yes [    ]      NO [    ]

E/ Lack of Information & Advice                    Yes [    ]      NO [    ]

F/ Cultural influence                                    yes [    ]      NO [    ]

G/ Lack of sufficient training                      yes [    ]      NO [    ]

H/ Problems relates to Government

    rules and Regulations -----                    yes [    ]      NO [    ]

I/ Lack of Infrastructure                              Yes [    ]      NO [    ]

J/ Others \_\_\_\_\_

## Interview

1. What are your marketing strategies with regard to:
  - A. Promotion
  - B. Training
  - C. Competition
  - D. Pricing
  - E. Shop Location
  - F. Distribution
2. In your opinion, what the government should do to alleviate the problems confronted by MSEs?
3. If you have further opinion or solutions/suggestions, please write them down.

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MBA Graduate

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