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ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES
COLLEGE OF DEVELOPMENT STUDIES

**ACHIEVEMENT AND CHALLENGES OF MICRO AND SMALL ENTERPRISES IN IMPROVING
THE INCOME OF THE POOR: THE CASE OF TWO SUB CITIES OF ASELLA TOWN**

A Thesis Submitted to the School of Graduate Studies of Addis Ababa University in Partial
fulfilment of the requirements for the Degree of Master of Art in Environment and Development

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Title

Achievement and Challenges of Micro and Small Enterprises in Improving the Income of the Poor: The Case of Two Sub Cities of Asella Town.

By


Yoseph Gebremariam

DEVELOPMENT STUDIES

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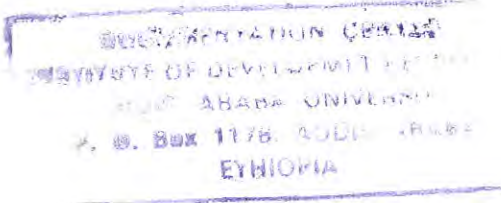
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Acronyms

| | |
|----------|--|
| ADLI | - Agricultural Lead Industrialization |
| CSA | - Central Statistics Agency |
| EPRDF | -Ethiopian People Revolutionary Democratic Front |
| FMSDA | - Federal Micro Small Enterprise Development Agency |
| GDP | - Gross Domestic Product |
| GNP | - Gross National Product |
| HDI | - Human Development Index |
| ILO | - International Labour Organization |
| IMF | - International Monetary Fund |
| MoFED | - Ministry of Finance and Economic Development |
| MFI | -Micro Finance Institution |
| MoTI | - Ministry of Trade Industry |
| MSE | - Micro and small enterprise |
| MSEDA | - Micro and Small Enterprise Development Agency |
| MSME | - Micro, Small and Medium enterprise |
| OCSSco | - Oromia Credit and Saving Share Company |
| ORSMSEDP | - Oromia Regional State Micro and Small Enterprise Development Program |
| PASDEP | - plan for accelerated and sustained Development to End Poverty |
| PRSP | - Poverty Reduction Strategy Paper |
| SED | - Small Enterprise Development |
| TVET | -Technical and Vocational Education Training |
| UNDP | - United Nation Development Program |

Abstract

This paper analyzes the achievements of Micro and small Enterprises in improving the income of urban poor and identifies the challenges they are encountering. The study is conducted in Asella town- Oromia regional state, in two sub cities and on 44 enterprises. The subjects of the study are operators of MSEs in the particular enterprises. Representative samples were selected using both random and non-random sampling methods from which data were gathered, using questionnaires and focus group discussions and then descriptive statistics and before and after approach (paired sample T- test) of data analysis are employed. As a result, it is found that: the program has created employment opportunity particularly to those jobless dwellers, there are significant differences in operators' income, expansion and growth is exhibited in growth oriented enterprises, improvements are realized in; households' fixed assets, access to education and medical services after establishment of the business ventures. The findings of the study revealed that Micro and small enterprises in the study area are playing a vital role in increasing income , creating employment opportunities and generally improving the living conditions of their operators. However, they are facing with various challenges and threats that could affect their sustainable contributions to the proliferation of their overall benefits. These includes: financial constraints, inadequate technical and managerial trainings, inadequate markets and market linkages, high level of dependence on government projects, disagreement among members and the like. Finally, for a better achievement of objectives of the program in the study area, interventions such as: access to finance, appropriate supports to improve outputs (supply) and market demand, and promoting a culture that supports and rewards entrepreneurship, need to be undertaken.

CHAPTER ONE

1. Introduction

1.1 Back Ground of the Study

Poverty is prevalent in the developing world. GDP per capita, life expectancy, educational enrolment and other indicators of well-being are extremely low. Various development strategies were formulated for developing countries to pull them out of poverty.

In the 1950s and 1960s, there was a development strategy to bring Third World Countries out of poverty. To realize the then development in the targeted countries, injection of investments and industrialization through import substitution was believed to bring GNP growth (Thorbecke, 2000).

In 1980s and 1990s, most developing countries implemented decentralization reforms and adapted market economies. Hence, the role of institutions and market took centre place and great attention was given to micro and small enterprises to reduce unemployment, poverty and to increase the per-capita income of individuals (Thorbecke, 2000).

More recently, considerable interest has been shown in the roles that small enterprises have been playing in shaping national economies. This renewed interest is mainly due to the fact that in many countries from the 1980 onwards, small firms have been plying increasingly important roles in economic growth. Thus, since 1980 small firms have been given a central role in sustaining and reviving local economies (Ozcan, 1995:23).

Ethiopia has also carried out several economic reform programs in order to achieve economic stability and renewed growth in the fight against poverty. Though the programs have resulted in improved macro-economic performance, they have had a limited impact on the poverty situation at household level. (A. Enqubahrie, 2004).

The role and the contribution of MSMEs in the industrialization process of developing countries have however been very long neglected and underestimated due to the tendency to favor large-scale import substitution (Assan, Cited by Eva, M., 2008:7). Nowadays, it has been recognized that MSMEs play an important role in the economic growth process of developing countries and it is believed that the success or failure of a transition economy can

be traced in large part to the performance of its entrepreneurs. (McMillan & Woodruff, 2002: p.154).

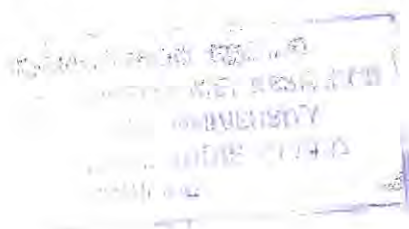
Perceptions of the role played by governments have changed; they are no longer expected to be the principal providers of jobs – jobs are created by successful, well-managed private sector enterprises. However, governments do have a vital role to play in ensuring that the policy environment is ‘enterprise friendly’. The path into enterprise should be smooth, and entrepreneurs should be able to receive relevant advice and support (both financial and non-financial) in a highly effective manner from both government and private sector agencies.

In the recent years, it has been acknowledged that micro, small and medium enterprises (MSME) can positively influence the economic growth of developing countries. The entrepreneurs of these MSMEs do not only create income and employment, but they generate wealth and contribute to welfare in the long run. (Eva M., 2008).

The fact that, Ethiopia is one of the poorest countries in the world, poverty is wide-spread in the country. Poverty is prevalent both in rural and urban areas. According to MoFED, (2008) poverty in rural areas and urban areas constitute 39.3 percent and 35.1 percent respectively. The most important urban issues are unemployment and underemployment, high food prices (following the abolition of food price subsidy), population explosion, homelessness, lack of sanitation, and migration from rural areas as well as from neighboring countries (Andrew M.K,2003).

Since the mid-1990s, Ethiopia had been following a long-term strategy (10 year development strategy) of Agricultural-Development-Led Industrialization (ADLI) which is inherently poverty reducing and is the basis of the current PRSP process. Under PASDEP, a five year (2005/06-2009/10) development program, urban development gets the focus and micro and small enterprises are given great attention for the alleviation of urban poverty and unemployment (MoFED, 2006).

According to the 2002 nationwide survey of CSA, there were 974,676 cottage/ handicraft manufacturing establishments engaging 1,306,865 people in the country. This reveals that Micro and Small Enterprises have a great potential of absorbing a huge amount of labor



force, and satisfy vital needs of a large segment of the population with their products and services.

Despite their undisputable contribution to the overall economic development of the country, they are entangled in varied problems of varied degrees and complexity like those in other developing economies globally. Their problems include:

- Lack of access to start up and operating financial resources,
- Lack of work premises both for production and sales,
- Shortage of skill and managerial expertise,
- Inadequacy of supply of material,
- Marketing problems and others (FMSEDA, 2004).

These problems are highly challenging the contribution of micro and small enterprises in Ethiopia in general and in Asella in particular. Hence, this study will show the major contributions and pin down the major constraints of MSEs in Asella town.

1.2 Statement of the problem

The urban sector in Ethiopia has largely been neglected by researchers and policy analysts, and ignored in debates on poverty. This has resulted in a 'rural bias', which is reflected in development policies and public debate in the country. If one of the goals of development is to reverse the dominance of the rural economy, and to place the urban environment on the centre stage, it is important to shift the balance of the research agenda from the rural to the urban (Daniel.K, M Assefa, 2007).

Poverty is deep rooted problem in many developing countries and particularly in Ethiopia. Rapid increase of the population in relation to the lethargic economic growth aggravated the intensity of poverty for many years, with a considerable difference in different parts of the country. Although urban Ethiopians generally enjoy a higher standard of living when compared to their rural counterparts, poverty remains a problem in urban areas (Tadesse, 1999).

The government of Ethiopia has designed different strategies in order to reduce the mismatch between the large number of population -with high unemployment rate, and level of the

economy to absorb labor. In the poverty reduction strategy micro and small enterprises are a special focus of the government, in view of the fact that, they creates job opportunities for jobless people, reduce disparities of income distribution and hence maintain fair economic growth. To this effect, the focus of this study is to check whether the performance of micro and small enterprises operating in Assella town comply to achieve the intended target.

About 69 percent of the people of Assella lived under poverty line with an average 33 percent short fall to reach poverty line and severity level of the town found to be 18 percent. On the basis of food poverty line, the poverty head count index depth and intensity of poverty in Asella town are 63%,28% and 15% respectively(Sisay D. ,2009). Therefore, to pull out those impoverished people the sector has great potentials of securing job opportunities, improving income and lessening the severity of poverty for many citizens.

According to Asella town Micro and Small Enterprise Development Agency it was planned to establish 1064 MSE with total members of 11,174 since 2005. However, 664 MSE with a total member of 6181 were established and registered since then. Among these MSEs, only 256 (38.55%) with total members of 2,182 are currently functioning while some of the rest are totally dissolved and the others changed their work place out of Asella town.

Despite the fact that, one of the governments' strategies is reducing poverty through expansion of MSE, the progress of enterprises in some parts of the country, is not as fast as it was expected. Micro and small enterprises face critical problems both at the operation and start up level. Some of these problems includes: lack of infrastructure, lack of clear and pragmatic policy environment and institutions, lack of access to capital and credits, lack of premises and land, lack of adequate business development service, lack of sufficient marketing and promotional support, lack of enterprise culture in the country, excessive corruption and the like (Workneh,2007).

Much more is left on the area of micro and small enterprises both at policy level and researches in order to mitigate the poverty of urban dwellers. As discussed above, there is no research based evidence that reveals why Micro and Small Enterprise Development Agency of Assella town has performed below its plan and why much of the already established enterprises liquidate. Besides, unless the constraints are not known and solved the prospects

of the existing MSEs will also be questionable. Moreover, there are no testified evidences that indicate the successes achieved by micro enterprise's operators as a result of implementation of the program. Therefore, conducting this research is essential to fill those gaps, since it assesses the level of successes achieved and examines the extent of challenges and provides pragmatic solutions that could help MSEs achieve their objectives.

1.3 Objectives of the study

General objective: the general objective of the study is to assess the achievements and challenges of micro and small enterprises in improving the income of the poor in Asella town.

Specific Objectives:

- I. To establish the changes in income level of beneficiaries.
- II. To look at the employment opportunities being created.
- III. To analyze the constraints in relation to financial services.
- IV. To analyze the challenges with respect to the provision of institutional supports.

1.4 Research Questions

- ❖ In the light of the above arguments /problem statements, this study will attempt to answer the following questions;
 - What are the contributions of MSEs:
 - In improving the operator's income?
 - In creating employment opportunities?
 - What are the constraints in relation to:
 - Financial services?
 - Infrastructures?
 - Institutional supports?

1.5 Significance of the study

The government has given due consideration to the establishment of Micro and Small Enterprises by budgeting a large amount of disbursement and providing different supports considering that they are short cut in reducing urban poverty and balancing income distribution. However, they are embedded with various inconveniencies like finance, infrastructures, rules and regulations, and lack of; trainings, raw materials. Consequently, the progress they are exhibiting may not urge that urban poverty should be halved in 2015 as described in the millennium development goals. Therefore, the challenges need to be identified and then pragmatic solutions need to be drawn in order to realize the attainment of objectives of the development program.

The significance of this research lies on the absence of clear, organized and recently testified data concerning the direction and magnitude of changes in MSEs in Asella town. Therefore, the research outcomes that are supplied in this paper shall provide sufficient information on what is really going on in relation to the objectives of MSEs in the study area.

Eventually, the result will be used as a reliable source of information for those governmental and non-governmental organizations and institutions who are working in support of micro and small enterprises.

1.6 Scope of the study

This study focuses on the problems micro and small enterprises are facing and the successes they are achieving as a result of engaging in the development program.

There are 256 MSEs with a total number of 2,182 operators in Asella town. These MSEs are categorized in to four different sectors in the three sub cities. This study is confined to some selected enterprises of the four sectors namely: Industry, Trade, Service and Construction found only in the two sub cities; Arada and Chilalo. Enterprises involved in agriculture sector are out of the scope of the study, because they are currently transferred to Tiyo Woreda MSEDAs for easy access of land and technical supports.

1.7 Limitations of the study

While doing this research, there were financial, time and resource limitations to investigate the problems in great detail. Besides, it was not possible to confirm the current capital of many enterprises either through their financial statements obtained from a bank or approved financial records by auditors. It was simply taken from what they stated in the questionnaires.

The research methodology is based on before and after approach of impact analysis with out a control group. To conduct such a research it requires a longitudinal survey. However, the study is conducted using one time survey and nominal in come of the respondents. There were also limitations of getting real income of MSE operators. Attempts were made to show their income indirectly from expenditures on food and non-food items.

CHAPTER TWO

Review of Related Literature

2.1 Theoretical Approaches to the Evolutions of Small Enterprises

Different approaches and theories were forwarded for the evolution of small enterprises at different times. There are two perspectives that are mentioned for the emergence of small enterprises. The first perspective view it as an outcome of improved opportunities for people (including the poor and disadvantaged) to participate in “ways that empower and nourish” them while the other perspective consider it as an indication of failure of an economy to provide jobs, forcing people to “take refuge in activities that provide only minimal subsistence support” (Lidholm & Mead, 1999). Similar to this view, Ozcan (1995) considers small firms as the function or outcome of underdevelopment that exists in developing countries. Moreover, classical and recent views on MSEs have also conflicting outlooks on the emergence and importance of the sector. Hence, the following sections present these different outlooks.

Classical Theories

Classical development theories describe small firms in connection with macro-economic structure and its development (Ozcan, 1995). It also attributes the development of small firms only to the new forms of the economic and technological diffusion brought by the capitalist economy. For instance, modernization theory views development as a process where primitive agriculture is gradually mechanized and small and low productivity is substituted by mechanized industrial enterprises with high productivity (Todaro, 1996). The theory assumes, in the course of rapid economic development, the economic share of MSEs declines while those of large and modern enterprises dominate the economy. Production is concentrated in towns to exploit urban as a result economies of small enterprises are believed to disappear eventually. Similarly, the dependency theory views large scale industries, national and international corporations as the only means for changing the world economy (Pederson, 1989). The assumption in this theory is that corporation headquartered in the capital cities of developed countries, while their production units spread over the countries

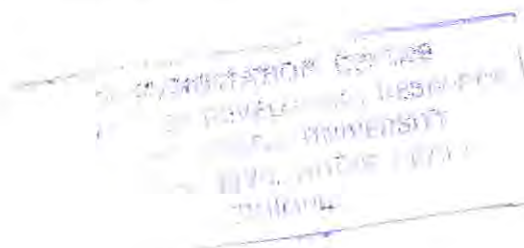
where there is cheap factors of production that enable them to achieve economies of scale as well as to be more profitable than small local firms.

Modern Theories

The modern theory gives attention to the roles of small firms in promoting local, regional and national development. In recent years when the economies of most industrialized countries have shown various sign of stagnation and structural decline, a variety of studies have been undertaken which demonstrate clearly that Small and Medium sized firms may be regarded as generators of new growth, as primary source of technological change and via job creation, as one of the major factors in maintaining socio-economic stability (Rothwell and Zegvel cited by Giaoutzi, N & Storey, 1988). Today SMEs have become essential factors in the revival of production systems in industrial regions. Not only do they create new jobs, but they are also considered as major channels of innovation and technological change. They have certain characteristics which make them suitable for initiating changes in the production system. At the regional level, they contribute by their creativity and, especially, by their local foothold (Giaoutzi, Nijkamp & Storey, 1988).

Due to their small and perceived flexible nature MSMEs are expected to be able to withstand adverse economic conditions and survive where many large businesses would collapse (Aryeetey & Ahene, 2004: p. 3). The flexible structure is also an advantage when it comes to adapting quickly to customers demands (Kayanula & Quartey, 2000: p.10). Flexibility refers to an ability to survive and an artisan capacity to respond to new design requirements and new market signals with fragmented and flexible use of labor in firms.

In flexible theory it is argued that small firms, through network relations can compete and reach economies of scale through flexible specialization (ibid). Flexible specialization and networking, as are widely observed in particular regions of advanced countries have been crucial parts of innovation and survivals of small firms. According to Tambunan (2006), the flexible specialization on MSEs grows faster than large enterprises and is important source of invention, efficiency and innovation. They are also capable of standing the competition with large enterprises. Hence, in the course of development, the economic share of MSEs increase.



2.1.1 Definition of Micro and Small Enterprises

Small business has often been seen as a narrowly defined development activity, with little or no connection to broader development priorities. However, this misrepresents the role this large and dynamic sector can play, and has the effect of limiting the potential contribution of micro and small enterprises to national development objectives (Simon W., 1999). Moreover there is no generally accepted definition for Micro and Small enterprises. The definitions given to MSEs vary from country to country and even within the same country. All use a range of terms to describe MSEs like for example, small businesses, small manufacturing enterprises, small firms, small enterprises, small scale industries, micro enterprises, the informal sector, cottage and handicrafts, tiny businesses, other income generating activities and the like (Wolday, 2002). The lack of consistent definition of MSEs lead to confusion to distinguish between one segment and another; and bring significant implications on the structure of interventions and promotional supports that could be provided to the sector.

In United Kingdom the diversity of the sector is recognized and documented based on three essential characteristics:

- ❖ It is managed by its owner in a personalized way,
- ❖ It has a relatively small share of the market in economic term and
- ❖ It is independent in the sense that it does not form part of a large enterprise and its ownership is relatively free from outside control in its principal decisions. (The Bolton Committee Report, 1971 cited by Andualem 2004:39).

In Thailand a “small enterprise” is defined as one with no more than 50 million Baht invested, and 30 million Baht for retail enterprises consisting of 5 to 19 workers, while a “medium-sized enterprise” shall contain a capital investment of between 50 million Baht (or 30 million for retail enterprises) and 200 million Baht involving 20 to 49 workers (Simon, W., 1999).

According to world Bank, **Micro Enterprises** are defined as; individuals/firms with total assets less than \$100,000 and total sales less than \$100,000 and employees less than 10 persons. **Small Enterprises** are firms with total assets or annual sales between \$100,000 up to

3 million and employee 10 to 15 persons. **Medium Enterprises** are firms with a total assets or annual sales more than \$3 million up to \$15 million and employee more than 50 up to 300 persons.

In Ethiopia, according to the Federal Micro and Small Enterprises Development Agency (FMSEDA, 2009), Micro and Small Enterprises are defined based on paid up capital, number of employees and the level of technology.

Micro enterprise: are those business enterprises with a paid up capital of not exceeding birr 50,000 and employing not more than 10 workers excluding high-tech firms.

Small enterprise: are those business enterprises with a paid up capital of above birr 50,000 up to birr 1,000,000 employing 10 to 50 workers excluding high –tech consultancy firms.

2.2 Approaches to the classifications of Micro and Small Enterprises

Micro-enterprises are highly heterogeneous. Some aspects of this diversity related to size, gender of owner, location and sector of activity. Most micro enterprises, however are single – person, owner- operated enterprises or slightly larger units engaging one or more family members. There are three approaches to the classification of micro-enterprises in developing economies (Harvie, 2005). From a policy formulation point of view, relating specifically to their contribution to poverty alleviation and development, two useful approaches can be identified.

These are: - distinguishing between livelihood (survival) activities and growth oriented (viable) enterprises and based on past growth performance in terms of numbers of workers (Liedholm & Mead, 1995). A third approach emphasizes on the type of micro-enterprise customers and services to be seen from a micro finance perspective.

The livelihood-Growth Enterprise Approach

The first approach to micro-enterprise classification emphasizes their needs and the constraints they face. A livelihood (survival or subsistence) activity is one in to which an entrepreneur is pushed for want of more profitable alternatives, whereas one is attracted, or

pulled, in to a growth (viable) activity by considerations of profitability and out of choice by the entrepreneur. In the former case the activity is often just one of many part-time or seasonal activities undertaken to support family income, whereas in the latter case, it is usually the main source of family income (Harvie, 2005). In the case of livelihood activities, usually no skills or very rudimentary skills are involved, so there are very low entry barriers to the activities, which are consequently, overcrowded. In the case of growth activities, considerable experience and skills are often involved which restrict entry. In the former case, net earnings tend to be used for survival purposes whereas, in the latter, part of the surplus is reinvested in the expansion and growth of the enterprise. Consequently, the former type of micro-enterprise can play an important role in poverty alleviation, while the latter types have the potential to make an important contribution to sustainable growth and development (ibid). Such a distinction is important for the identification of appropriate policies, and requirements, for these alternative types of micro-enterprise.

Liedholm and Mead (1995) adopted a fourfold classification of micro enterprises using past growth performance as measured in terms of numbers of workers added. Thus, they identified the following classifications:

1. New enterprises in the start-up phase(new starts)
2. Existing enterprises that had survived the perils of start-up but had no growth (no growth firms)
3. Existing enterprises that had shown small growth(small growth firms); and
4. Existing enterprises that had graduated and become 'small' enterprises with ten or more workers (graduates).

Liedholm and Mead's work provides valuable insights in to designing policy interventions that take in to account the different needs of the four types of enterprises identified. For example, they point out that high birth rates (usually over 20 percent), as well as high attrition rates, suggest caution in engendering new starts. They conclude that it would be more useful, from a policy perspective, to ensure a higher proportion of survivals, to restrict new starts to those with prior experience, and to encourage on-the-job and other skill training program for those without the requisite skills.

In the case of non-growing enterprises they suggest that focus should be given to increasing incomes through efforts to reduce costs, increase sales or switch product lines. Financial and non-financial assistance could contribute to each of these objectives. A second goal would be to increase the number of such enterprises that succeed in growing. However, as they point out, the most serious problems non-growing enterprises face, the availability of markets and inputs, are not amenable to credit-based solutions. Effective programs to address these non-credits needs require operating primarily at a systems level (ibid.)

On the other hand, motivational force is another factor that influences entrepreneurs capability in the formation a growing enterprise. Entrepreneurs are motivated by different factor to establish their own business. Two types of motivation factor are usually distinguished: push and pull factors. Push factors (displacement factors) refer to situation where individual are pushed in to business formation because of job insecurity and unemployment, while the pull factors are positive factors such as the desire to be one's boss, profit expectations and the ambition to be fully responsible for one's decisions(Fischer, 1988).

Micro –enterprises from a Micro-finance Perspective

The micro-finance literature distinguishes enterprises by whether they are existing or start up businesses, by their level of business development (unstable, stable or growing); and their area of business activity: production, commercial or service (Harvie, 2005).

The level of business development is important when identifying the different types of micro-enterprise to which a micro-finance institution (MFI) wishes to provide financial services. This is closely linked with the level of poverty existing in a potential target market. There are typically three levels of business development of micro enterprises that benefit from access to financial services: Unstable survivors, stable survivors and growth enterprises (ibid.).

Unstable survivors: These comprise the group most difficult to provide financial services in a sustainable fashion, because loan sizes tend to remain small and the risk of business failure is high.

Stable Survivors: These comprise the group that many MFIs focus on and for which access to a permanent credit supply is vital. This is the group that benefits from access to financial services to meet both production and consumption needs, while not necessarily requiring other inputs from the MFIs. Stable survivors are targeted by micro- finance providers who have as a priority poverty reduction objectives.

Growth enterprises; these are often the focus of MFIs whose objective is job creation and whose desire is to move micro-entrepreneurs from the informal sector to a progressively more formal environment. These MFIs often establish linkages with the formal sector and provide additional products and services.

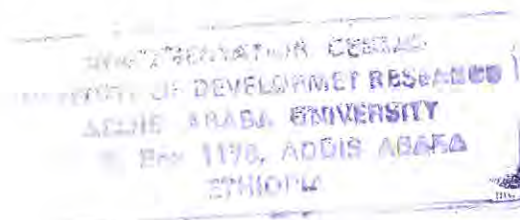
Growth enterprises represent the upper end of the poverty scale. They usually pose the least risk to the MFIs.

2.3 The contribution of MSEs to poverty reduction

For individuals, poverty is a nightmare. It is a vicious circle of poor health, reduced working capacity, low productivity and shortened life expectancy. For families, poverty is a trap. It leads to inadequate schooling, low skills, insecure income, early parenthood, ill health and early death. For societies, poverty is a curse, “It hinders growth, fuels instability, and keeps poor countries from advancing on the path to sustainable development” (ILO, 2003, p. 1).

The OECD’s Development Assistance Committee has defined poverty as comprising multiple “dimensions of deprivation that relate to human capabilities, including consumption and food security, health, education, rights, voice, security, dignity and decent work” (OECD, 2001). It notes that poverty reduction should, in addition, be conducted in the context of environmental sustainability and gender equity.

World Bank, (2001), in *Attacking Poverty*, accepted the view that poverty encompassed “not only material deprivation (measured by an appropriate concept of income or deprivation) but also low achievements in education and health”. It broadened further the



notion of poverty, however, to include “vulnerability and exposure to risk, and voicelessness and powerlessness”. The notion of power and voice has also been accepted by a number of bilateral development agencies. For example, SIDA (2002), in its poverty reduction policy paper, notes that poverty “robs [people] of the opportunity to choose on matters of fundamental importance to themselves [and] the essence of poverty is not only a lack of material resources but also lack of power and choice”.

So far it is shown that there are different definitions of poverty due to different conception by various researchers and scientists. This leads to differences in the methods and indicators used to estimate and differentiate the level and extent of poverty on poor people living at different corners of the world. As a result, it is possible to say that poverty is socially constructed and is a relative concept with power full qualitative and normative components (DFID, 2002).

ILO, (2003), defined poverty in relation to small enterprises as: Poverty is a condition in which people lack satisfactory material resources (food, shelter, clothing, housing), are unable to access basic services (health, education, water, sanitation), and are constrained in their ability to exercise rights, share power and lend their voices to the institutions and processes which affect the social, economic and political environments in which they live and work.

There is an emerging consensus on poverty reduction and small enterprises that is comprised of two central elements. According to Vandenberg, (2006), the **first** is that much of the population in poor countries operates or works for micro and small enterprises (MSE) and that even in richer countries, a substantial portion of the population is employed in small and medium enterprises (SMEs). In poor countries, MSEs are where the poor are working – either out of choice or out of necessity. The **second** element of the consensus is that the general functional areas of how to support private sector development in general and SED in particular, are being established. The general areas include: a policy, regulatory and legal environment that is simple, fast, inexpensive and free from corruption; finance that is accessible at low cost and does not require the poor to provide physical collateral; access to

affordable business development services; workers who are trained in appropriate skills; basic health and education that strengthens human capital; a culture that supports and rewards entrepreneurship; access to domestic and global markets on a fair and equal basis with large enterprises; and solid infrastructure (transport, energy, telecommunications, etc.).

As cited by Eva M., (2008) in many African countries industrialization is seen as a key to development because industrial jobs promise higher family incomes and improved quality of life, especially for the growing numbers of workers who have little land. The role and the contribution of MSMEs in the industrialization process of developing countries have however been very long neglected and underestimated due to the tendency to favor large-scale import substitution (Assan, 1999: p. 12). Only in the recent years, the importance of formal MSMEs in manufacturing, “to spur industrialization” (Sievers & Vandenberg, 2007: p.1344) has been acknowledged.

Nowadays, it has been recognized that MSMEs play an important role in the economic growth process of developing countries and it is believed that the success or failure of a transition economy can be traced in large part to the performance of its entrepreneurs (McMillan & Woodruff, 2002). The entrepreneurs of these MSMEs do not only create income for their households and families, but they generate income and employment for their apprentices and workers leading to a bottom-up transition out of poverty for entrepreneurs and workers (Sievers & Vandenberg, 2007). Compared to large enterprises, MSMEs are more labor intensive employing more labor per unit of capital than large enterprises (Kayanula & Quartey, 2000).

Small enterprise development contributes to poverty reduction when it creates employment either through the start up of new enterprises or the expansion of existing ones. As indicated in ILO, (2006), Job creation provides income to the poor. Poverty, following the broad definition, is also reduced when the conditions of work and representation are improved. There are five types of poor people who can benefit from SED:

- i) the poor owners of micro and small enterprises;
- ii) the working poor who are employed in small enterprises;

- iii) the dependents of such poor workers and owners;
- iv) the unemployed who may obtain employment from small enterprises, and
- v) poor people who purchase goods and services from small enterprises.

In addition to poverty alleviation, MSMEs contribute to the growth of a country by contributing welfare and generating wealth (higher incomes). The role of MSMEs has also been emphasized in the context of achieving the United Nations Millennium Development Goals.

SMEs are particularly important in developing countries, because of the large aggregate number of people that they employ. In many developing countries, they represent almost the only employment opportunity available to a large proportion of the population.

In addition to creating jobs, they play a major role in the evolution of a dynamic private sector and serve as a significant force for economic growth. Their small size, flexibility and proximity to local markets enable them to be responsive to changing market conditions. In addition, they provide possibilities for promoting empowerment, security and opportunity (Harvie & Lee, 2005).

When economic growth occurs, and the number of SMEs, increases, they serve as a major force promoting upward social mobility, by an increasing employment and drawing in people from lower-productivity occupations (IFC cited by Harvie & Lee, 2005). This sector has considerable potential to provide a solid foundation and contribution to the sustained recovery of a region (Harvie & Lee, 2005). This contribution, and type of contribution will vary by country and be dependent up on a number of factors, including country stage of economic development, country institutions, the nature and extent of market opening and competitiveness, access to technology access to finance, development of human resources access to market information, an ability to exploit export opportunities either directly or as part of the supply chain of transnational corporations, and market- friendly and supportive government policies (ibid.)

According to Mkandawire (1999) the most frequently asserted contributions of the sector are the following:

- Efficient utilization of recourses

- Employment creation
- Innovative entrepreneurial development
- Stimulation and democratization of capital accumulation by reducing regional or ethnic imbalance
- Regional development
- National control of the economy
- Poverty alleviation
- Increasing flexibility of the economy
- Ensuring sustainable development through the use of environment friendly small-scale technologies.

The above contributions of the sector imply that it can play a significant role in promoting local, regional and national development.

Besides to MSEs roles to poverty reduction, there are however three major concerns stated by Vandenberg, (2006). *First*, while MSEs are important for employment in poor countries, we have not yet fully grasped the long-term process by which a MSE sector that provides low incomes and poor working conditions is transformed into a vibrant SME sector that provides stable employment, a good income and decent, productive working conditions. *Second*, the impact of SED activities on poverty reduction is not proven. Most often, it is assumed. Our understanding is growing but it is still not clear how to assess impact and even those techniques that are known are often not used. This is a critical problem for donors, NGOs, governments and international agencies – including the ILO – in terms of knowing how best to invest their time and money in the area of SED. And *third*, the appropriate balance between freeing up markets and commercially driven processes, on the one hand, and support and intervention from non-private actors is still not known. For example, the high levels of growth and poverty reduction in East Asia resulted from free markets or the judicious intervention and governing of markets by policymakers. The implementation of strategies for pro-poor SED policies and programs is still in its infancy.

2.4 Empirical Studies in Ethiopia

2.4.1 Poverty Situation and the Role of MSEs in Poverty Reduction

This section deals with the review of empirical studies that have been carried out in Ethiopia in relation to the status of poverty and MSEs' contribution to alleviate poverty.

Poverty is widespread and multi-faceted in Ethiopia. Measured mainly in terms of food consumption, set at a minimum nutrition requirement of 2,200 calories per adult per day, and also including non-food consumption requirements, an estimate of 1995/96 shows that 45.5 percent of the population were below the poverty line. Poverty was prevalent both in rural and urban areas, with coverage of 47 and 33 percent of the respective populations (IMF, 2000). Urban areas account for only 15 percent of the total Ethiopian population, but also have a high rate of incidence of poverty. Unlike the findings elsewhere in the developing world, urban and rural poverty levels in Ethiopia are not dramatically different from each other. Depending on the methodology adopted and the data analyzed, the estimated urban overall poverty and food poverty range from 33 to 50 percent (Abbi M.Kedir & Andrew McKay, 2003).

The poverty experienced by many Ethiopians is reflected in a range of well being measures of the population. For example, the life expectancy at birth in the country is approximately 46 years, which is substantially lower than the average 77 and 67 years recorded for countries with high and medium human development indices respectively. The income inequality is also higher according to the World Bank, (2007) showing inequality index of 0.44 in 2004/05 (where Gini coefficient which equals to 0 shows perfect equality while 1 shows perfect inequality).

Unlike to the report of World Bank, (2007), MoFED, (2008) indicated the overall national Gini coefficient has increased from 0.28 in 1995/96 to 0.304 in 2004/05. However, both reveal the rise in inequality at the national level. According to MoFED, (2006) the per capita income is as low as USD 0.41 per day which is lower than the international standard of poverty line, 1 USD per day.

Growth reduces poverty in Ethiopia while increase in inequality increases poverty. In rural Ethiopia increase in consumption has lead to a reduction in headcount poverty. Growing has

been occurred in urban areas but the rise in inequality in urban areas eliminated poverty reducing effect this growth might have had (MoFED, 2008).

All the above mentioned indicators reveal that poverty is wide-spread in the country. Hence, MSE sector need to be implemented efficiently since, they are crucial interventions to expand employment opportunities, reduce income disparity and generally to improve the living standards of poor people.

Ethiopian Central Statistical Authority (CSA), (2002) nationwide survey on small scale manufacturing shows that there were 31,863 small scale manufacturing industries in Ethiopia of which 19,996 (63 per cent) were located in urban areas. Grain milling establishments account for 85.5 percent of small scale manufacturing industries in the country.

Thus although the survey focused on small scale manufacturing sub sector of MSEs the result indicated that the sub sector is contributing a significant role to create employment opportunities in urban areas of the country.

The national urban informal sector survey conducted by the CSA in 2003 found that about half of the urban workforce is engaged in the informal sector. It has also indicated that 997,380 persons engaged in 799,358 establishments (1.3 persons per establishment), of which 60 per cent were female. About 43.3 per cent were involved in manufacturing while 37.8 per cent of the operators involved in trade, hotels and restaurant. This implies that small scale manufacturing dominates the sector than other sub sectors during the survey year.

The survey also revealed that about 74.7 per cent of the informal sector operators started their operation with initial capital of up to ETB 250. The main sources of capital include own savings, loan from friends/relatives and assistance/ grants from friends/ relatives. According to the survey in the informal sector lack of capital, inadequate skills and lack of premises are the major problems operators faced in starting their business.

Generally, the above findings of the survey show that the informal sector is contributing a lot in creating urban self-employment opportunities despite the problems mentioned. A study conducted on policy impact and regulatory challenges of micro and small enterprises (MSEs) in Ethiopia by Gebrehiwot and Wolday (2006) carried out a systematic analysis of the policy



and regulatory challenges and their impact on the development and the constraints of the sector. The finding indicated that the sole- proprietorship is the single dominant form of ownership among the sample firms accounting for 94 per cent. In terms of gender, male owned MSEs dominate and they account for 74 percent.

In addition, it indicated that more than 87 per cent of the MSEs operators started their business from scratch using relatively small startup capital (median of ETB 2077). Regarding the reform taken by the government (since 2003) to enhance the sector the study showed that investment, competition among MSEs and with imported goods infrastructure access to finance, tax administration, size of output markets product and input prices have increased after the reform process. To this effect the study shows that there is a divergence between policies and directives issued and their actual implementation on the ground. Therefore the researchers forwarded that the government needs to improve the legal regulatory and institutional framework within which MSEs operate for better performance of the sector.

2.5 Challenges of Micro and Small Enterprises

Micro, Small and Medium Enterprises in developing countries are however confronted with several drawbacks and challenges they have to overcome in order to operate successfully. Major obstacles include for example access to finance, competition, market access, appropriate technology and access to raw materials (Mead & Liedholm, by Eva, M., 2008).

Micro and Small scale enterprises account the bulk of economic activities in most developing countries. However, they face many critical problems such as lack of infrastructure, inadequate or lack of training in entrepreneurial management skills, lack of information in business opportunities, social and cultural impacts, different entrepreneurial cultures, lack of development of appropriate regulatory frame works, government reforms and excessive corruption (Workneh, 2007).

As indicated in the Ethiopian urban Socio-economic Survey, the problems of MSEs in Ethiopia both at the existing and the emerging enterprises. Some of these includes: access to financial capital and credit, problems of raising investment capital, lack of sufficient loan

able funds and facilities, (Fasica,D.& Daniel,A. by Wolday,A.1997). In addition, lack of access to premise and land, considerable insecurity on business owners concerning location and acquire lands which are not suitable to get easy access to markets, lack of training on entrepreneurial and management skills, lack of training institutions and centers, lack of infrastructures, lack of sufficient market and promotional supports, lack of business information, lack of specific national policy to enhance the development of the sector and problems on the education system (Andu-Alem T.,1997).

According to CSA, (2002) nationwide survey on Small scale manufacturing it is found that about 41% of the respondents indicated the lack of capital as a major problem of the sub sector followed by absence of adequate skills (6 per cent). Moreover the respondents revealed that absence of market demand, shortage of supply of raw materials and lack of working capital as the main reasons for not fully using their capacity.

The Federal Micro and Small Enterprise Development Agency, (2004) stated that “despite their undisputable contribution to the overall economic development of the country, they are entangled in varied problems of varied degrees and complexity like those in other developing economies globally”. Their problems include:

- Lack of access to start up and operating financial resources,
- Lack of work premises both for production and sales,
- Shortage of skill and managerial expertise,
- Inadequacy of supply of material,
- Marketing problems and others.

In general, micro and small enterprises have great potential to achieve the desired development goal and to reduce poverty and unemployment. They do have the capacity to increase the level of income of individuals and to improve the living standards of the large poor. They are highly applicable in developing countries since they require low start- up capital and have great potential to absorb a huge amount of work force. However they are confronted by many problems like mentioned above. Therefore, they need special attention to make better out of them.

2.6 The Policy Environment

For the establishment and growth of MSEs the intervention of the state is essential. The state can interfere in promoting the sector through a number of programs like provision of credit appropriate technologies technical assistance and intervention on both the demand and supply sides (Tseguereda 2002).

Although MSEs exist for longer periods in Ethiopia, they have got the attention of policy makers recently. In relation to this Andualum (2004) indicated that MSEs in Ethiopia have been neglected for long periods until shift was made to market- led economic system.

In Ethiopia the role of MSEs in employment creation, economic growth and poverty alleviation as opposed to being viewed as marginal and unproductive tax evader and with limited contribution to economic growth has received the recognition it deserves as explicitly stated for example in the poverty reduction strategy, the MSEs development strategy and the federal food security strategy of Ethiopia MoFED 2003 and 2002; Ministry of Trade and industry 1997) and in the MSEs development program of the country. This shows the policy concern given to the sector by the government.

In 2005 an overall MSEs development program was designed for the entire country. Before designing the program an assessment was conducted in 12 cities and towns in four regions (Amhara regional state, Oromia regional state, Tigray regional state & SNNPRS as well as Addis Ababa and Dire-Dawa), (MSE Development Program, 2005) The program is designed as a component of the urban industrial Development package of the country. It is designed to support the development and expansion of the sector and to make urban areas part of the industrial development package and hence to reduce urban poverty and unemployment in a meaningful manner. The program has the following general and specific objectives:

General objective: to design a clear and organized program that can foster the involvement of MSEs in urban development as well as to enhance the role of the sector in reducing urban poverty and unemployment.

Specific objectives:

- ❖ By expanding and developing MSEs to reduce poverty and unemployment

- ❖ To create a wide employment opportunity for TVET graduate youth and females (creation of 80% permanent employment opportunity and 20% temporary employment opportunity).
- ❖ To link MSEs sector with large industries for better industrialization
- ❖ To improve MSEs contribution to rural- urban linkage
- ❖ To make MSEs a seed- bed to industrialization
- ❖ To facilitate conditions for joint involvement of government institutions and
- ❖ NGOs for the betterment of the sector.

In order to attain these objectives the program has devised the following most important strategies:

- Provision of working premises
- Provision of credit facilities
- Provision of business development services
- Creation of market linkage

To accelerate the expansion and growth of the sector as well as to attain the desired goals at a federal level there is Federal Micro and small Enterprises Development Agency(FMSEDA) which is charged with the duty to design polices and to facilitate conditions for the growth of the sector.

In general, even though the policy approaches of the government towards the sector is subject to evaluation it is possible to say that currently the sector became one of the strategic issues of the government to accelerate economic growth both at urban and rural of the country

2.7 Operational Definition

Definitions of Micro and Small Enterprises vary from country to country and also different variables are used to define it. Some countries use number of employees, sales volume and/or capital to define MSEs. However, the operational definition given to the sector in this study is based on the definition given by the Ethiopian government. The government defined MSEs through Ministry of Trade and Industry (MOTI, 1997) in its Federal Micro and Small Enterprises Development Strategy based on size of capital and number of employees. However, the definition is modified in terms of paid up capital and number of employees.

According to (FMSEDA, 2009), Micro and Small Enterprises are defined based on paid up capital, number of employees and the level of technology.

Micro enterprise: are those business enterprises with a paid up capital of not exceeding birr 50,000 and employing not more than 10 workers.

Small enterprise: are those business enterprises with a paid up capital of above birr 50,000 up to birr 1,000,000 employing 10 to 50 workers.

Permanent and Temporary employment opportunity: The operational definitions to these are based on the descriptions given in the Ethiopian Micro and Small Enterprise Development Program (2005).

Permanent Employment Opportunity; includes business activities that require professional skills, place of production, provision of finance, market linkage, special organizations and they have to be permanent in nature. Hence, those individuals who establish and engage in business ventures like: Industry, Trade, Service and Construction are considered as permanent employees. That is, members of MSE are permanent employees in this study.

Temporary Employment Opportunities; are those business activities that can be operated with little skills, small capital, daily labor activities and that can be converted in to permanent business through time. Therefore, individuals who are engaged in daily labor in Industry, Trade, Service and Construction are treated as temporary employees in this study.

2.8 Conceptual Frame Work

So far in the literature, it is attempted to show the major contributions of micro and small enterprises in improving income and generally the living conditions of urban poor. The challenges that impede the growth of MSEs are also clearly discussed. This study is concerned with assessing the achievements of MSEs and the challenges they encounter as a result of the development program in improving income of their operators. Hence, the researcher has applied before and after approach without a control group.

Therefore, based on economic indicators such as employment opportunities, change in income level, improvements: in living standards, access to medical services and primary education are assessed before and after the establishment of MSEs in order to identify the achievements of MSE and their operator's benefits as a result of the intervention of the development program.

Conceptual Frame Work

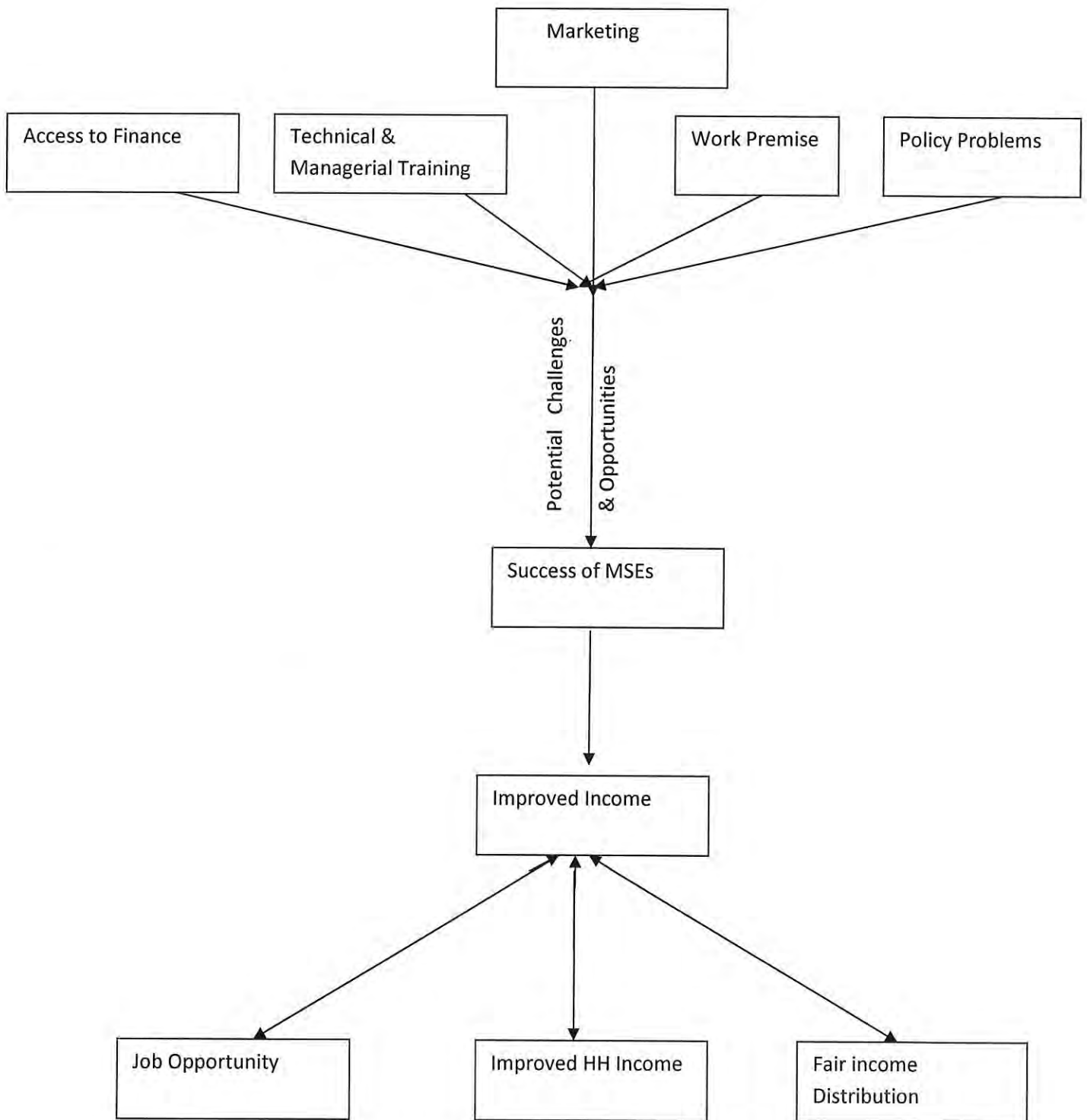


Fig. 2.1 Schematic representation of potential challenges and opportunities to the success of MSEs in improving income.

CHAPTER THREE

Methodology and profile of the study area

This chapter of the study deals with two important issues: the methodology employed, and description of the study area.

3.1 Research Methodology

3.1.1 Research Design

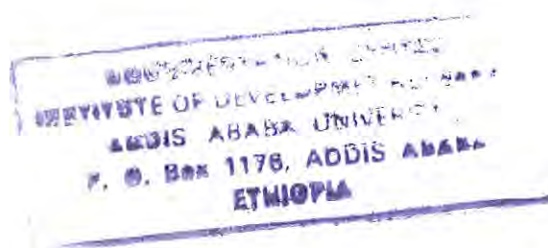
The study is designed based on before and after approach of assessing the achievements of micro and small enterprises without a control group. Based on the approach, changes in income level and living standards of the operators' are examined. On the other hand, different data sources are used to evaluate the extent of challenges micro enterprises are facing.

3.1.2 Sources of Data

The study has used both Primary and Secondary sources. Primary data are collected from Micro and small enterprises' operators found in different Kebeles and officers of MSEs development agency and micro finance officers. Secondary data gathered from reports and statistical data of the two sub cities, earlier empirical studies in related areas, published materials and internet sources.

3.1.3 Method of Data Collection

To obtain relevant data from different sources multiple data gathering techniques have been employed for triangulation purpose. Therefore, questionnaires, focus group discussions and personal observations are employed during data gathering stage. The questionnaires were used to collect data from micro and small enterprise's operators of the four sectors in the two sub cities and MSEs development agency and micro finance officers of the town and the sub cities. In addition, a focus group discussion was held with representatives of micro enterprises and MSEDAs officers.



3.1.4 Sampling Procedures

To get representative samples, the researcher adopted both random and non-random sampling methods. Two sub-cities are selected from the three sub-cities with a lottery method (simple random sampling). Then, stratified sampling method is used for grouping all the existing enterprises, in the two sub-cities by sectors and sub-sectors. Then after, the numbers and type of MSEs from varieties of different sub-sectors are purposively determined in order to get the representatives of each sub-sector, and assess the overall achievement and constraints of micro and small enterprises.

Finally, enterprises are selected with a lottery method from each sub-sector and then respondents from the sampled enterprises are selected with the same method for questionnaire and focus group discussion.

Table 3.1: Sampling procedures

| Population | Stratum | No of Establishment | Sample frame | Sample size (≈ 10% from each stratum) |
|-------------------|-------------------------------|----------------------------|---------------------|--|
| 1040 | Industry sector operators | 13 | 414 | 41 |
| | Trade sector operators | 16 | 355 | 35 |
| | Service sector operators | 11 | 166 | 16 |
| | Construction sector operators | 4 | 105 | 10 |
| Total | | 44 | 1040 | 102 |

Source: Office of MSE of Assella Town

The total number of operators in the four sectors to be studied is 1040 (Table 3.1). The population is divided into four strata based on sector difference. Hence, the four strata with their respective sampling frame are arranged. Finally, approximately 10 percent of the respondents from each stratum, which is 41, 35, 16, and 10, were drawn proportionally as sample size. Hence, the total sample size is found to be 102.

3.1.5 Method of data analysis

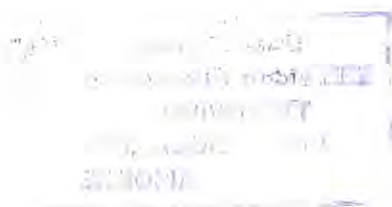
Since the study is concerned with assessing the achievement of micro and small enterprises, it is a form of impact assessment. Hence, the impact of the program on operators' income is analyzed based on certain economic indicators using before and after approach. The process of data analysis is carried out with the help of SPSS (Statistical Package for Social Science) version 16.0. Descriptive statistics such as, frequencies, percentages, descriptive and cross tabulations are used. In order to summarize findings; a paired sample t-test is applied. Moreover, correlation is applied in order to assess whether there is a relationship between operators' income and consumption expenditures before and after the program.

3.2 Profile of the study area

Oromia regional national state is one of the regions of FDRE with the largest size of land and population. The total population of the region is 27,158,471. Despite the region's prosperity in variety of natural resources, large proportion of the population suffers from abject poverty. According to MoFED, (2008) while the prevalence of poverty has declined, population has grown with the result that the number of poor people in Ethiopia increased from 25.6 million in 1995/96 to 27.5 million in 2004/05. The region with the largest number of people which is Oromia, account for one-third of all Ethiopia living in poverty in 2004/05 (MoFED, 2008).

Arsi is one of the twelve zones found in Oromia regional national state. Asella town is the capital of Arsi zone and Tiyo district. It is found at a distance of 75kms from Adama and 175 kms from Addis Abeba (Finfine) along the highway of Addis Ababa-Adama and Robe-Bale Zone of Oromia regional national state.

According to the data obtained from the structural plan of Assella town, Asella occupies an area of 44 square kilometers. The town is situated under the foot of the Chilalo mountain which is 4139 meters above sea level. The elevation of Asella ranges between 2300-2400 meters above sea level and is grouped as a high land area. Its average mean annual rainfall is 1262.4mm and average mean monthly rainfall is 105.2mm. The maximum and minimum annual temperature is 20.6 to 7.7 degree Celsius respectively. The total population of Assella

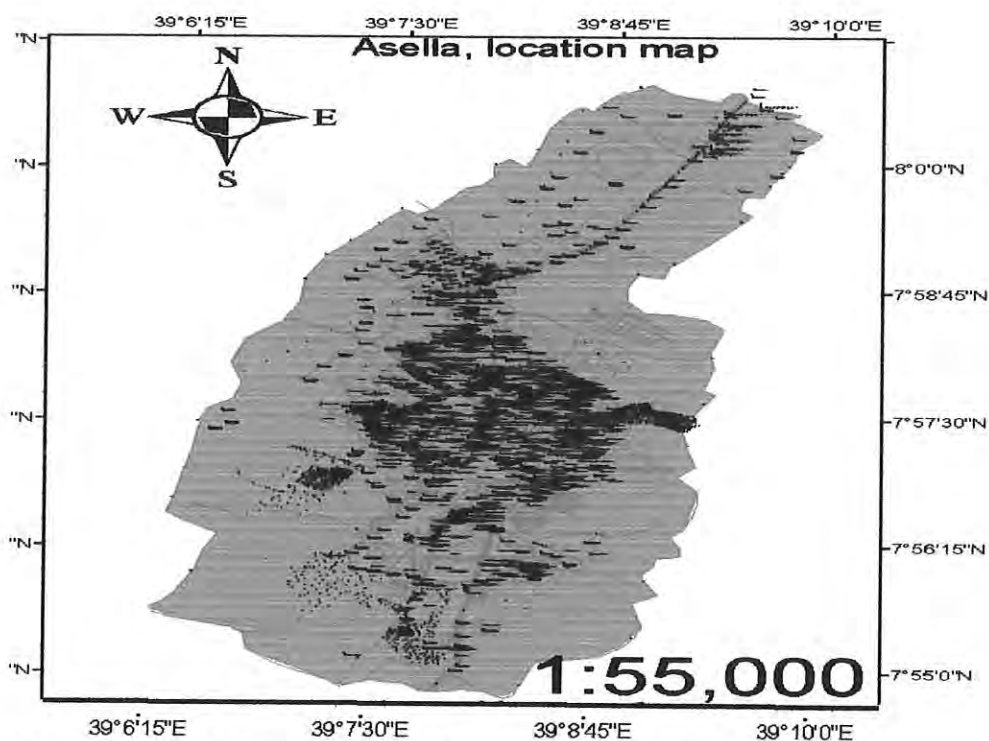


is more than 74,268. The average family size is 3.8 in 2009 which has remarkably declined from 4.6 in 1994.

The town is composed of different ethnic groups. Despite the fact that, Oromifa is the working language in government offices, Amharic is also widely spoken in the town. Concerning education, there are 2 state owned and 3 private banks. There are 14 private Kindergartens and 7 government and 5 privately owned Elementary schools. There are also 2 High schools and 1 Preparatory school. Moreover, there are 2 government and 6 privately owned Colleges and 1 University (which is a branch of Adama University).

In relation to health, there is 1 referral hospital and 1 health center owned by the government and there are 10 private clinics in the town.

Map 3.1 Location map of Assela town



Source: *Topographic map of Assela town November, 2008*

About 69 percent of the people of Assella lived under poverty line with an average 33 percent short fall to reach poverty line and severity level of the town found to be 18 percent. On the basis of food poverty line, the poverty head count index depth and intensity of

poverty in Asella town are 63%,28% and 15% respectively.(Sisay D. ,2009). Therefore, to pull out those impoverished people the sector has great potentials of securing job opportunities, improving income and lessening the severity of poverty for many citizens of the town.

The MSE support package operates under the governance of Oromia regional Trade, Industry and Transport Bureau. In Oromia starting from 2006 -2009, 264,985 MSEs were established and started operating by creating job opportunity for 1,670,362 permanent employees and 503,695 temporary employees and a total of 2,174,021 people living in rural and urban areas of the region (ORSMSEDA, 2009).

This shows that there are 6.3 persons per establishment and when this is compared with the survey conducted by CSA, (2003) on the informal sector (1.3 persons per establishment) micro and small enterprises have a greater potential of absorbing large proportions of unemployed labor force than the informal sector.

According to MSEDAs of Assella town, there are four branch offices in three sub-cities of the town (namely: Arada, Chilallo and Burqitu), which are designed to supervise closely and provide a better service to different enterprises found in the town.

Table3.2 Number of MSEs operating in Assella town (2004-2009)

| No | Sector | Number of establishments | Number of permanent employees | | |
|----|-------------------|--------------------------|-------------------------------|------------|-------------|
| | | | M | F | Total |
| 1 | Urban agriculture | 4 | 38 | 15 | 53 |
| 2 | Industry | 59 | 380 | 141 | 521 |
| 3 | Construction | 43 | 357 | 85 | 442 |
| 4 | Service | 56 | 290 | 94 | 384 |
| 5 | Trade | 94 | 384 | 434 | 782 |
| | Total | 256 | 1413 | 769 | 2182 |

Source: Asella Town MSEDAs, (2010)

Chapter Four

Results and Discussions

This section of the study deals with analysis and discussion of the data collected through various data collection techniques to reveal the real nature of the situation observed in micro and small enterprises of the study area. During the field work, attempts were made to examine practical conditions of micro enterprises vis-à-vis theoretical frame works discussed in the second chapter in order to find out what is really going on in the study area.

4.1 Demographic and general characteristics of respondents

In the development of micro and small enterprises, women are not beneficiaries and are not able to be owners as equally as men. As it is indicated in the literature p:19 in terms of gender male owned MSEs dominate than that of women and account for 74 percent (Gebre hiwot and Wolday, 2006). Similarly, the result of the study (table 4.1) indicates that, 65(63.7%) of the respondents are males, while 37(36.3%) are females. Even in terms of narrow aims of increasing beneficiary incomes, micro and small enterprise development is unlikely to succeed for the vast majority of poor women (other than a small number of better-off women) in the study area.

This indicates that the program needs to provide a better attention to female workers in order to increase the outdoor employment opportunity they lack so far.

As shown in table 4.1 the age characteristics of the respondents which fall in the age categories of 18-25, 26-35, 36-45, and above 45 are 35.3%, 50%, 10.8% and 3.9% respectively. This indicates that all working groups are involved and more importantly youths are enjoying from the benefits of the program.

The marital status of respondents indicates which group of the society are benefiting from micro and small enterprises. As shown in table 4.1, 50(49%) of the respondents are found to be single, 46(45.1%) married, 5(4.9%) divorced and 1(1.0%) widowed. The figure shows that the program has absorbed mainly single and married men and women. On the other hand, single and married women constitute 16(15.68%) and 18(17.64%) respectively. This indicates that being married does not affect the involvement of women in micro and small enterprises.

Table: 4.1 Marital statuses, Age category and Sex of respondents

| Marital Status (No. of MSEs=44) | Age | Sex | | Total |
|------------------------------------|-------|-----------|-----------|------------|
| | | Male | Female | |
| <i>Single</i> | 18-25 | 19 | 11 | 30 |
| | 26-34 | 14 | 5 | 19 |
| | 36-45 | 1 | - | 1 |
| | >46 | - | - | - |
| <i>Married</i> | 18-25 | 4 | 2 | 6 |
| | 26-34 | 16 | 14 | 30 |
| | 36-45 | 4 | 2 | 6 |
| | >46 | 4 | 0 | 4 |
| <i>Divorced</i> | 18-25 | - | - | - |
| | 26-34 | 2 | - | 2 |
| | 36-45 | - | 3 | 3 |
| | >46 | - | - | - |
| <i>Widowed</i> | 18-25 | - | - | - |
| | 26-34 | - | - | - |
| | 36-45 | - | - | 1 |
| | >46 | 1 | - | - |
| Total | | 65 | 37 | 102 |

Source: own survey (2010)



Educational status of business operators is one of the factors that could contribute to their success in their business performance. With regard to this, an effort was made to identify the educational status of respondents. The educational level of micro and small enterprise operators ranges from illiterate to bachelor degree. Table 4.3 shows that 2(2%) of them are illiterate, 2(2%) can read and write and 17(16.7%) are below grade nine. Likewise, those who are from grade 9-10, 11-12 and TVET are 22(21%), 33(32.4%) and 24(23.5%) respectively. Those who collected their bachelor degree are only 2(2%). Hence, from the educational level of the operators of the enterprises, it is possible to conclude that large proportions of the participants could not continue above grade 12. These groups are benefited from joining the program since they are not professionals to be employed in governmental and nongovernmental offices.

As it is clearly indicated in the Micro and Small Enterprises development program, TVET graduates are one of the beneficiaries of the program, so it is possible to say that this objective is being realized in the town particularly, in the industry sub sectors. Competing in these days business environment requires understanding consumers buying behaviors, producing innovative and quality products, which in turn demands having a better education status and skills both in production and managerial areas. As a result, the concerned stakeholders need to address this critical issue based on the need of the operators.

Table: 4.2 Educational levels of respondents and their respective sector

| | | Name of the sector | | | | Total |
|--|-----------------|--------------------|-------|---------|--------------|--------|
| | | Industry | Trade | Service | Construction | |
| Educational level of respondents (N=102) | Illiterate | 2.0% | .0% | .0% | .0% | 2.0% |
| | Read and write | .0% | 2.0% | .0% | .0% | 2.0% |
| | Primary School | 4.9% | 8.8% | 2.0% | 1.0% | 16.7% |
| | Grade 9 to 10 | 8.8% | 9.8% | 2.0% | 1.0% | 21.6% |
| | Grade 11 to 12 | 10.8% | 10.8% | 4.9% | 2.0% | 28.5% |
| | TVET | 13.7% | 2.9% | 4.9% | 5.9% | 27.4% |
| | Bachelor Degree | .0% | .0% | 2.0% | .0% | 2.0% |
| Total | | 40.2% | 34.3% | 15.7% | 9.8% | 100.0% |

Source: Own survey (2010)

Identifying past experience of business operators is also important in order to make different types of analysis such as its impact on current level of productivity and income of operators. In relation to this, (table 4.3) shows 44.1% of the respondents had been unemployed after leaving school. Out of these 17.6% & 12.7 % of them are working in industry and trade sectors respectively. This finding can be related to the previous educational data that show the majority of industry operators are TVET graduates. 18.6% and 15.7% of the respondents were daily laborers and learning in school respectively.

Hence, it is possible to say that most of the operators working in all sub sectors had no previous work experience. Based on this figure, it can be concluded that most operators of the micro enterprises lack experience of the businesses they are engaged in. Therefore, this urges the need for successive trainings and mentoring by the concerned bodies that need to be provided during the start up and while the operation is going on. However, most importantly, the figures indicate that microenterprises are essential instruments to absorb unemployed working labor forces, students who are unable to continue their education either in high schools or universities.

This implies that micro and small enterprises primarily benefit the poor who are unemployed and can bring development through improving their income and adjusting income distribution in the economy.

Table: 4.3 previous jobs

| | | Name of the sector | | | | Total |
|--|---|--------------------|--------------|--------------|--------------|---------------|
| | | Industry | Trade | Service | Construction | |
| Job before the business (N=102) | Unemployed(after school) | 17.6% | 12.7% | 6.9% | 6.9% | 44.1% |
| | Working on unpaid business | 2.0% | 2.9% | .0% | .0% | 4.9% |
| | Housewife | .0% | 2.0% | 1.0% | .0% | 2.9% |
| | Unemployed(retrenched soldier) | .0% | 1.0% | .0% | .0% | 1.0% |
| | Unemployed(retrenched from public sector) | 1.0% | .0% | .0% | .0% | 1.0% |
| | Daily laborers | 8.8% | 4.9% | 3.9% | 1.0% | 18.6% |
| | In school(learning) | 6.9% | 4.9% | 2.0% | 2.0% | 15.7% |
| | Employed in similar business | 2.0% | 2.0% | 1.0% | .0% | 4.9% |
| | Working in unrelated business | 1.0% | .0% | .0% | .0% | 1.0% |
| | running unrelated business | 1.0% | 3.9% | 1.0% | .0% | 5.9% |
| Total | | 40.2% | 34.3% | 15.7% | 9.8% | 100.0% |

Source: Own survey (2010)

Motivation is the force that influences an entrepreneur to achieve his or her objectives. Entrepreneurs are motivated by different factor to establish their own business. In line with this, effort was made to identify the motivational factors that induced respondents to formulate business in the form of venture. To this effect (Table 4.4), shows 35.3% of them stated that the major motivational factor that initiated them to establish business is their internal desire to be self employed which provide them an opportunity to gain control over their destiny.

Owning a business provides entrepreneurs with independency and the opportunity to achieve what is important to them- which is a pulling factor. Mainly, respondents from industry and trade sub sectors, (12.7% and 13.7% respectively) convinced that they can command over their own destiny by making use of their effort and creativity that could bring the desired level of growth. On the other hand, 31.4% of business operators indicated that they

established the business due to the fact that they were unemployed (necessity driven entrepreneurs – which go in to business to create self-employment and to win a living) induced by favorable environmental factors created by government specifically, by kebele administration, in the provision of premise and access to credit. Thus, the finding reveals that pulling factors are the major factors that motivated operators to establish business in the form of venture. The finding is similar with the finding of Fischer (1988) discussed in the literature that indicates pulling factors play a significant role in business formation stage and on the later stages of business development.

Table 4.4 Motivational Factors

| | Name of the sector | | | | Total |
|---|--------------------|--------------|--------------|--------------|---------------|
| | Industry | Trade | Service | Construction | |
| Lack of employment opportunity to be employed | 8.8% | 10.8% | 10.8% | 1.0% | 31.4% |
| Disagreement with previous employer | 0.0% | 1.0% | 2.0% | 0.0% | 2.9% |
| Disappointing work environment in previous work place | 12.7% | 7.8% | 4.9% | 2.0% | 27.5% |
| Conflict with family | 0.0% | 1.0% | 0.0% | 0.0% | 1.0% |
| By looking others as a role | 5.9% | 3.9% | 2.0% | 2.9% | 14.7% |
| Internal desire to be self employed | 12.7% | 13.7% | 4.9% | 3.9% | 35.3% |
| Favorable factors such as support provided by kebele administration | 7.8% | 3.9% | 2.0% | 2.9% | 16.7% |
| Others | 2.9% | 1.0% | 0.0% | 0.0% | 3.9% |
| Total (N=136) | 50.8% | 42.3% | 26.6% | 12.7% | 132.4% |

Source: Own survey (2010)

It is important to find out the current position of the operators in order to look at the distribution of responsibilities. Table 4.5 shows the current position of operators in the enterprises. To this effect, 46.1% of them are members of the enterprises and are in charge of certain managerial responsibilities to manage the enterprises, while 53.9% of them are members of the enterprise without any managerial responsibilities. These shows the presence of normal organizational structure up on which line authorities and responsibilities are

discharged. Even though, this fact holds true in the three sectors, microenterprises in the trade sector are not organized as per the principles of enterprise formulation.

In this sector, though they are registered as an enterprise, members of the enterprises especially those found in Arada sub city, have nothing in common. As observed during focus group discussion, even after taking credit from microfinance institutions by the name of a particular enterprise, the money is shared among the members equally for their own individual activities. In relation to this, the respondents indicated that, their separate effort and weak financial power made them unable to compete in the market place, which resulted in lethargic progress of their business. The presence of the problem was also confirmed by the officers of MSEs of the town and the sub-city through questionnaire. In order to solve the problem, both groups suggested, the need of all stakeholders involvement and mainly the commitment of operators themselves to reorganize all their resources, compete and move forward at a faster rate.

Consequently, the finding implies so long as micro and small enterprises are concerned they require collective efforts, finance and entrepreneur skill of the operators in order to be in the right track of progress. However, the reorganization requires the involvement of all concerned stakeholders.

Table 4.5 Operators' position

| | | Frequency | Percent |
|--------------------|---|------------------|----------------|
| Operators position | Member of enterprise and management | 47 | 46.1 |
| | member of enterprise and permanent employee | 55 | 53.9 |
| Total | | 102 | 100.0 |

Source: Own survey (2010)

Concerning the income sources, the operators were asked to indicate the different sources of income which are important in improving the livelihood of their families. To this effect, 19.6% of them indicated that they generate revenue by taking part in additional activities beside their formal business (Table 4.6). On the other hand, 22.5% of the respondents replied they have one or more household member who has a job, while only 6.9% of all the respondents have obtained income from other sources (like remittance) for the last two years.

However, the income obtained through one or another source is not as such significant when compared with 80% of the respondents who rely merely on income which is generated from the formal business.

Table: 4.6 Income Sources

| | | Frequency | Percent |
|---|-----|------------|---------------|
| Additional work other than this business | Yes | 20 | 19.6% |
| | No | 82 | 80.4% |
| HH member who has a job | yes | 23 | 22.5% |
| | No | 79 | 77.5% |
| Income obtained from any other sources for the last 2 years | yes | 7 | 6.9% |
| | No | 95 | 93.1% |
| Total | | 102 | 100.0% |

Source: Own survey (2010)

4.2 General characteristics of the business

As it is already discussed in the third chapter, the study has attempted to cover all the sectors of micro enterprises found in Assella town. Under this section, the general characteristics of the business are discussed.

Understanding the overall characteristics of the business such as the sector they are involved in, year of foundation and sources of seed capital is crucial to draw analysis about them. Regarding the types of enterprises 40.2%, 34.3%, 15.7% and 9.8% of them are engaged in the industry, trade, service and construction sectors respectively. On the other hand (Table4.7) indicates 8 of the enterprises were established by the year 2004/05 with the

absence of construction sub sectors. In 2005/06, 2 and 2 enterprises were established in industry and trade sectors respectively with the absence of service and construction sub sectors. Similarly, a total of 12 enterprises were founded in the year 2006/07 having the larger proportion of all years and 10 enterprises are established in each year in 2007/08 and 2008/09.

Table: 4.7 Types of Enterprises and year of Establishment

| | Name of the sector | | | | Total |
|-------------------------------|--------------------|-----------|-----------|--------------|-----------|
| | Industry | Trade | Service | Construction | |
| Year of establishment 2004/05 | 2 | 2 | 1 | 0 | 8 |
| 2005/06 | 2 | 2 | 0 | 0 | 4 |
| 2006/07 | 3 | 4 | 3 | 2 | 12 |
| 2007/08 | 2 | 1 | 5 | 2 | 10 |
| 2008/09 | 4 | 4 | 2 | 0 | 10 |
| Total | 13 | 14 | 11 | 4 | 44 |

Source: Own survey (2010)

Concerning the number of members during the establishment and their current number, respondents were asked to show whether the number has increased or decreased. As indicated in Table 4.8, the total number of those operators (506) who established the enterprises has declined to (377) which is the total number of current operators.

The result obtained from focus group discussion held with MSEs development officers also reveals withdrawal of substantial number of operators from enterprises, though establishment of new ventures entering to a business continues. Both sources witness the declining number of operators of micro and small enterprises as a result of either joining a better job, perception of no growth, disagreement or death of members. Particularly, operators of microenterprises found in the construction sector have shown greatest withdrawal of 50%. As shown in Table 4.3, most of the operators in construction sector are graduates of TVET so that, they are leaving looking for a better job when the business is not profitable or the future are not promising.

Generally, the finding implies the withdrawal of considerable proportion of operators from micro and small enterprises amplifies the existence of either inherent or external challenges that prohibited the ventures to retain their operators. This in turn affects the success of micro enterprise development program insisting not to play its vital role in poverty reduction. Therefore, for an enterprise to be attractive to its operators the internal and external environments need to be revised, and this requires the concern of all stakeholders.

Table: 4.8 Comparison of the former and current number of operators and number of employees hired

| Sector | Number of establishment | Number of members when established | Current number of members | Difference | Number of employees hired |
|--------------|-------------------------|------------------------------------|---------------------------|---------------|---------------------------|
| Industry | 13 | 153.00 | 109.00 | 44.00 | 46.00 |
| Trade | 16 | 169.00 | 150.00 | 19.00 | 15.00 |
| Service | 11 | 122.00 | 86.00 | 36.00 | 81.00 |
| Construction | 4 | 62.00 | 32.00 | 30.00 | 28.00 |
| Total | 44 | 506.00 | 377.00 | 129.00 | 170.00 |

Source: Own survey (2010)

Table 4.9 shows the initial and current capital of the respondents of MSEs. The total initial capital of 38 micro and small enterprises (out of 44) were found to be Birr 976,283.00. Then, after the business the figure increased to Birr 2,035,012.00, that is a net sum total increase of Birr 1,062,710.00. The same way, the mean or average income of the enterprises is increased from Birr 25,639.03 at initial stage to Birr 56,216.00. A better growth is observed mainly in the industry sector. Generally, this shows the potential of micro and small enterprises to increase income of the poor though the progress is slow.

Table 4.9 shows the initial and current capital of the respondents of MSEs

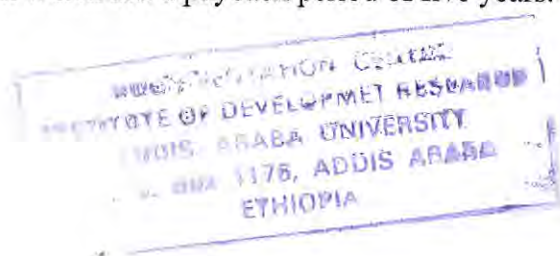
| Name of the Sector | Number of establishments | Current capital | Initial capital | Difference |
|--------------------|--------------------------|---------------------|-------------------|---------------------|
| Industry | 13 | 1,264,578.00 | 70,3978.00 | 560,600.00 |
| Trade | 16 | 297,684.00 | 86,410.00 | 215,024.00 |
| Service | 11 | 320,750.00 | 168,895.19 | 152,086.00 |
| Construction | 4 | 152,000.00 | 17,000.00 | 135,000.00 |
| Total | 44 | 2,035,012.00 | 976,283.19 | 1,062,710.00 |
| Mean | | 56,216.00 | 25,639.00 | |

Source: Own survey (2010)

4.3 Information on the supports provided by Micro Finance Institutions (MFIs)

Micro and small enterprises obtain seed capital from different sources. The most important sources are loan from micro financing institutions, loan from families/relatives and own saving. According to Gebrehiwot Ageba & Wolday Ameha (2006), friends/relatives, suppliers credit, and *Iqub* (rotating saving and credit associations) are the most important sources of finance in that order, with moneylenders used very rarely. The respondents were asked so as to identify the sources of seed capital and hence, (Table 4.10), 15 enterprises (36.3%) of the respondents replied that their starting capital was generated from both sources- loans from microfinance institutions and members' contribution. Similarly, 15 MSEs(28.4%) of the operators and 11 MSEs (19.6%) of the respondents showed that their seed capital was generated from members' contribution alone and loan from microfinance institutions respectively. Large proportions of micro and small enterprises in industry sector have taken loan from microfinance to purchase machineries and many of enterprises in trade sector started their business from members' contribution alone.

In addition to these the majority of micro and small enterprises 25(52.9% of the respondents) who have taken loan are sourced the startup capital from micro finance institution namely Oromia Credit and Saving Share Company (OCSSCo). Similarly, enterprises which are found in industry sector (Coble stone production sub-sector) acquired startup capital of non-interest bearing from United Nations Development Program (UNDP) through the co-ordination of Assella town administration which has a payback period of five years.



Although finance is not everything, enterprises need finance to invest in new equipment and machinery, reach out to new markets and products, and cope with temporary cash flow shortages as well as to innovate and expand (Fafchamps 1997). Some argue that, capital, being scarce in developing countries, should essentially be deployed in a way that maximizes the creation of new jobs and production of new goods and services rather than being used to convert a very small number of businesses into modern capital-intensive ones. In a similar way the above finding supports the argument that micro finance institutions and non-governmental organizations are playing a vital role in providing seed capital for those poor to start their own business, though not sufficient.

Table: 4 .10 Source of startup capital and Name of MFIs

| Source of initial Capital | Industry | Trade | Service | construction | Total |
|---------------------------------------|-----------|-----------|-----------|--------------|-----------|
| Loan from microfinance | 4 | 4 | 3 | 0 | 11 |
| Microfinance and members contribution | 5 | 7 | 1 | 2 | 15 |
| Members contribution alone | 1 | 5 | 7 | 2 | 15 |
| Others | 3 | 0 | 0 | 0 | 3 |
| Total | 13 | 16 | 11 | 4 | 44 |
| Name of MFI | | | | | |
| Busa gonofa | 0 | 1 | 0 | 0 | 1 |
| OCSSco | 9 | 10 | 4 | 2 | 25 |
| UNDP | 3 | 0 | 0 | 0 | 3 |
| NA | 1 | 5 | 7 | 2 | 15 |
| Total | 13 | 16 | 11 | 4 | 44 |

Source: Own survey (2010)

As shown in the above table 28.4% of the respondents did not received loan from MFIs which could be due to various reasons.

Many of these are what may be considered as *discouraged* potential borrowers (i.e. firms that need credit but are discouraged from applying by the, *perceived* or *real*, high collateral

requirement, high cost of borrowing, difficulty of processes involved, ineligibility, or concern about their repayment ability) while some are what may be considered as *uninformed* (i.e. not aware of the facility, or where and how to apply, etc.), (G.H.Ageba & W. Amha)

Respondents were asked concerning, whether getting loan from microfinance institutions is relatively easy or a difficult task. As shown in (Table 4.11) 32 enterprises replied that the process of obtaining loan is not easy due to various reasons. Efforts were made by the researcher in order to find out the difficulties in facilitating the process of loan in microfinance institutions and micro and small enterprises themselves. As a result, (see table 4.12) it is observed that, out of 32 MSEs who replied getting loan is not an easy task, 13 of them indicated the process is relatively not easy and took long bureaucratic processes. Similarly, 10 MSEs replied the presence of high collateral requirements, while 12 of them stated micro finance institutions do not release money as quickly as it is required by the business. 7 MSEs indicated the difficulty of repaying due to high interest rate. 2 MSEs indicated they are not confident enough to repay the loan and one enterprise in the service sector has revealed the presence of disagreement among members in taking loan.

Table: 4.11 Ease of getting loan from Micro finance institutions

| | | Industry | Trade | Service | Construction | Total |
|----------------------|-------|----------|-------|---------|--------------|-------|
| Ease of getting loan | Yes | 5 | 0 | 2 | 0 | 7 |
| | No | 8 | 14 | 7 | 3 | 32 |
| | Total | 13 | 14 | 9 | 3 | 39 |

Source: Own survey (2010)

Gebregzabher Gebressilasie (2009) argued that, banks tend to respond to risk by adopting a capital-gearing rather than an income-gearing approach to lending. Thus, rather than focusing their attention on evaluating income streams flowing from an investment project they may focus more on the value of collateral available in the event of financial distress. This creates a problem for small firms in that they often do not have significant fixed assets to secure on in their early years of establishment.

The above finding indicates that, MFIs require complex and time taking lending process. However, according to the information obtained through questionnaire from micro finance officers, recently micro finance institutions (OCSSco) started releasing loan without direct requirement of collateral but, by signing agreement with Assella town administration to repay the loan with in a stated terms and conditions if a micro enterprise fails to do so.

As it is attempted to investigate from the focus group discussion held with representatives of micro enterprises and officials of MFIs at different levels, the government is trying to improve the lending system of financial institutions so as to outreach the poor, generate income and promote the expansion and development of micro and small enterprises.

Table: 4.12 Ease of getting loan from MFIs (N= 74)

| Ease of getting loan from lending institutions | Industry | Trade | Service | Construction | Total |
|--|-----------------|--------------|----------------|---------------------|--------------|
| Microfinance institutions do not release money quickly | 2 | 5 | 4 | 1 | 12 |
| High interest rate | 1 | 3 | 2 | 1 | 7 |
| Collateral requirements | 3 | 3 | 3 | 1 | 10 |
| Difficulty of borrowing Process | 2 | 9 | 2 | 0 | 13 |
| the Conflict among members | 0 | 0 | 1 | 0 | 1 |
| Lack of confidence of repaying the loan | 2 | 0 | 0 | 0 | 2 |
| Others | 0 | 2 | 0 | 0 | 2 |
| Total | 10 | 22 | 12 | 3 | 47 |

Source: Own survey (2010)

Considering the above known constraints of lenders in the provision of loan, how do micro and small enterprises manage their financial system, whether the loan is secured or not, while they started their business operation? In relation to this, the operators were asked, whether they are given trainings on financial records or not by micro finance institution. As the results in table 4.13 shows, 34 micro and small enterprises replied positively. This indicates that, micro finance institutions provide trainings that can improve the operators' skill on financial related matters.

Table: 4.13 Provision of training from MFIs

| | | Name of the sector | | | | Total |
|--|-----|--------------------|-------|---------|--------------|-------|
| | | Industry | Trade | Service | Construction | |
| Provisions of trainings on financial records | Yes | 11 | 12 | 7 | 4 | 34 |
| | No | 2 | 4 | 4 | 0 | 10 |
| Total | | 13 | 16 | 11 | 4 | 44 |

Source: Own survey (2010)

Respondents were asked about the adequacy of loan given from micro finance institutions to run their business, the duration of time (loan period) to repay the loan and reasonableness of the interest rate. Accordingly, respondents those who took loan replied as shown in Table 4.15 As a result it was found that, 21MSEs of the respondents answered the amount of loan provided by micro finance institutions is not sufficient to run their business in the context of competitive market place. According to Association of Ethiopian Microfinance institutions (2008), the loan size of micro and small enterprise activities has increased significantly in the last three years, which varied from 500 Birr to 500,000 Birr and the loan period varied from six month to five years. In addition, from the data obtained through focus group discussion with MFI officers, it is known that the loan size which is given to a micro and small enterprise depends on the business plan which is prepared for an intended business. However, unlike to the literature the actual amount of loan provided so far for most enterprise could not make them operate at their full capacity and become competitive in the current market. Consequently, the existence of shortage of finance hinders micro and small enterprises from expanding their business and promoting to their ultimate goals, rather causes weakness, withdrawal of operators and finally liquidation of the venture.

In addition, micro and small enterprise operators replied on the question about the duration of time to pay back the loan and reasonableness of the interest rate. Hence, most 17 (51.5%) of MSEs stated that the time provided to repay the loan is sufficient. While, 14(43.75%) indicated that interest of the loan which is 10%, is not reasonable for such emerging

enterprises and most are young which are not economically strong and invest large proportion of money they borrow on infrastructures.

Table: 4.14 Adequacy of amount of loan, Period to repay and Reasonableness of interest rate by sectors

| | | Industry | Trade | Service | Construction | Total |
|-------------------------------------|-----|-----------|-----------|----------|--------------|-----------|
| Adequacy of amount of loan | Yes | 6 | 2 | 1 | 1 | 10 |
| | No | 4 | 12 | 4 | 1 | 21 |
| Total | | 10 | 14 | 5 | 2 | 31 |
| Adequacy of loan period to | Yes | 6 | 9 | 1 | 1 | 17 |
| | No | 5 | 6 | 4 | 1 | 16 |
| Total | | 11 | 17 | 5 | 2 | 33 |
| Reasonableness of the Interest rate | Yes | 6 | 8 | 4 | 0 | 18 |
| | No | 5 | 6 | 1 | 2 | 14 |
| Total | | 11 | 14 | 5 | 2 | 32 |

Source: Own survey (2010)

4.4 Impact of the Program on Employment Generation

One of the significant contributions of MSEs to national development goals is promoting employment, particularly in creating new jobs (S. White, 1999). Attempts were made by the researcher to assess the contributions made so far by micro and small enterprises in reducing unemployment. According to Assela town MSE development agency, 2182 permanent employment opportunity is created from the year 2004/05_ 2008/09 in the five sectors. But, agriculture sector is transferred to Tiyo woreda (the administrative office of adjacent rural kebeles) for the sake of easy access of land for micro and small enterprises. Therefore, it is not included in this study that means it is out of the scope of this research.

On the other hand, it was difficult to get the number of temporary employees hired by micro and small enterprises found throughout the town. However, the number of temporary employees hired in micro and small enterprises of the two sub-cities under investigation

were found from respondents. In this study, employment opportunity generated to members of micro and small enterprises (here after, referred to as permanent employment) and employment opportunity generated to non members (here after, referred to as temporary employment). Concerning the issue of permanent employment opportunities in the two sub-cities, the member's number at the time of establishment when compared to their current number has significantly reduced.

Regarding temporary employment opportunity respondents were asked whether employment opportunities were created to others on temporary basis or not. Accordingly, as it is indicated in table 4.16, out of 19 Micro enterprises 14 of them replied that their business has created temporary employment opportunity, while 5 Micro enterprises stated that their business has never created employment opportunity to non members. Out of the 5 enterprises that did not created temporary employment opportunity 3 of them are found in Trade sector. These enterprises are characterized as family businesses with an average of 2.2 persons in an enterprise. In the development of micro and small enterprises those who were organized legally to work together by making use of their collective resources, work individually for themselves splitting their resources and efforts. They use their enterprises' legality to take loan from micro finance institutions and/or for acquisition of working place from the municipality. As officials of enterprises indicated during focus group discussion, awareness of the society in working together especially in commodity trading does not developed yet. As a result, the existence and expansion of the business will be difficult for it leave alone to hire temporary employee. Therefore, the awareness of the operators need to be improved and mechanisms should be investigated to work together and this requires the commitment of all the concerned bodies. On the other hand, 11 Small enterprises have created employment opportunity to non-members and 9 of these are found in industry sector. In relation to temporary employment opportunity, as indicated in table 4.9 micro and small enterprises in the four sectors were able to hire a total of 170 workers since their genesis. Enterprises in service and industry sectors took a greater share of hiring 127 temporary employees and trade sector least. This also confirms the above stated fact.

Table: 4.15 Temporary Employment opportunities created since the start of the business and the trend in employment generation to non members

| | | Name of the sector | | | | Total |
|---|---------------|--------------------|-----------|-----------|--------------|-----------|
| | | Industry | Trade | Service | Construction | |
| Micro Enterprises | Yes | 1 | 6 | 4 | 3 | 14 |
| | No | 0 | 3 | 1 | 1 | 5 |
| Total | | 1 | 9 | 5 | 4 | 19 |
| Small Enterprises | Yes | 9 | 0 | 2 | 0 | 11 |
| | No | 3 | 2 | 0 | 0 | 5 |
| Total | | 12 | 2 | 2 | 0 | 16 |
| The trend in employment opportunity generation to non members | Increasing | 3 | 2 | 1 | 0 | 6 |
| | Decreasing | 4 | 6 | 3 | 4 | 17 |
| | The same | 4 | 7 | 7 | 0 | 18 |
| | I do not know | 2 | 1 | 0 | 0 | 3 |
| Total | | 13 | 16 | 11 | 4 | 44 |

Source: own Survey (2010)

Respondents were also asked about the trend of temporary employment opportunity which is being created by their business. As shown in table 4.16, 6 of them (out of which 3 are engaged in industry sector) replied that the trend of their business in creating job opportunity to non members is increasing. However, 17 and 18 of them indicated the trend is decreasing and the same respectively. By relating this result with the objectives of micro and small enterprises development program, it is possible to state that the objectives of the program with respect to creating temporary employment opportunity, in the two sub cities, especially in the trade sector, is minimal.

Generally, the above findings in relation to permanent and temporary employment opportunity could be summarized as follows. First, even though the program has generated permanent employment opportunity to the members, withdrawal of a significant number of operators is observed. Second, the temporary employment opportunity being created by micro and small enterprises so far is declining or remains the same. However, to assess the extent of achievement of objectives of the program with respect to employment opportunities in the two sub cities, there was lack of data about unemployed people, so that the issue calls for further empirical study.

4.5 Impact of the MSEs development program on the growth of Enterprises

In this section, the situation of micro and small enterprises in terms of growth and competitiveness is attempted to be analyzed. Operators of micro and small enterprises were asked how they acquired production or marketing sites. As indicated in table 4.17 large proportion of the respondents (21 MSEs) replied that production or marketing places were acquired from kebele or Assella town administration. Whereas, 8 of them, indicated that they are working in places rented from individuals. In this aspect, including the information obtained during focus group discussion held with micro enterprise officials, the government bodies are playing role to their level best, despite the fact that there are still micro and small enterprises having a problem of working place. Generally, supports of such type plays an important role in promoting the expansion and development of micro and small enterprises.

Table: 4.16 The nature of acquisition of work place

| | Industry | Trade | Service | Construction | Total |
|-----------------------------|----------|-------|---------|--------------|-------|
| Owned by one of the members | 1 | 1 | 1 | 0 | 3 |
| Rented from individuals | 2 | 5 | 1 | 0 | 8 |
| Rented from kebele | 2 | 1 | 2 | 1 | 6 |
| Provided by the kebele | 7 | 4 | 7 | 3 | 21 |
| Other | 1 | 5 | 0 | 0 | 6 |
| Total | 13 | 16 | 11 | 4 | 44 |

Source: Own survey (2010)

To measure the impact of MSEs development program on expansion and growth of the business of the enterprises, respondents were asked about their current capital. As a result, 35 enterprises (out of 44) stated their capital. Consequently, 19(54.3%) and 16(45.7%) enterprises replied that they have a capital amount of Birr ranging from 1,000_ 50,000 and 51,000_1,000,000 respectively. According to FMSEDA, (2009), business ventures with a capital amount up to Birr 50,000 are categorized under micro enterprises, while those that have a capital amount of Birr 51,000 _ 1,000,000 are categorized in to small enterprises. Based on the standard set above, most business ventures (54.3%) are grouped under micro enterprise. Similar to the literature (Liedholm and Mead, 1995), these enterprises are considered as no growth firms. The remaining enterprises need to be transformed and treated accordingly in to small enterprise. These enterprises have shown small growth and they are seen as small growth firms. Among the small enterprises greater proportion 12(75%) are found in industry sector and there are no enterprises from construction sector. On the other hand, there are no firms with more than one million birr, even the maximum registered amount is found to be 220,000 Birr. As the information obtained from micro and small enterprise development officials, business ventures throughout the town are not classified as micro or small enterprises. This condition could create a problem in providing all the necessary supports depending up on their interest and in order to facilitate the growth and development of enterprises, clear and updated statistical data is required. In this regard, MSEDA of the town does not perform to its level best.

According to the finding it is possible to generalize that, enterprises in industry sector are exhibiting better capital growth which can be attributed partly, to the increase in the demand of metal and wood work products in the town, and partly to the existence of condominium houses project. On the other side, most of trade and construction sectors are at the micro level which shows the low level of development taking place in the sectors.



Table: 4. 17.- Classifications of Enterprises in to Micro and Small by Sector and Capital

| | | N | Minimum | Maximum | Mean |
|------------------------|----------|----|----------|-----------|-------------|
| Micro Enterprise | industry | 1 | 8000.00 | 8000.00 | 8000.0000 |
| Birr 1,000- 50,000 | trade | 9 | 1800.00 | 26000.00 | 10342.6667 |
| | service | 5 | 9500.00 | 90000.00 | 31750.0000 |
| | const | 4 | 10000.00 | 50000.00 | 23000.0000 |
| Total | | 19 | | | |
| Small Enterprise | Industry | 12 | 55000.00 | 272000.00 | 126631.5000 |
| Birr 50,000- 1,000,000 | trade | 2 | 52000.00 | 63000.00 | 57500.0000 |
| | service | 2 | 64000.00 | 124000.00 | 94000.0000 |
| Total | | 16 | | | |

Generally, one of the objectives of micro and small enterprises development program is to transform MSEs in to large industries. However, the progress of most sectors, especially those in trade and construction, is to slow to attain the desired goal. Therefore, to achieve the required target it needs the design of appropriate policies and strategies which in turn requires the commitment of all stakeholders

Respondents were asked regarding the impact of the program on growth/expansion on the business of the enterprises. Accordingly, 17 MSEs replied positively and from this a large proportion is from industry sector, while 27 MSEs showed that their businesses do not exhibited any expansion. This is mainly observed in trade, construction and services sectors. Taking this in to consideration it is possible to say that, industry sector is showing a relative expansion when compared with the other sectors, which means it is growth oriented business. On the other hand, most construction enterprises were initially established in connection to government's house development projects. However, when the project comes to its termination the enterprises are obliged to cease their work. This is the result of strong dependency on government projects. Concerning the impact of business growth 21 of the

respondents indicated that the growth increased their income, while 17 of them replied the growth has increased their income and resulted in hiring additional employees.

Table: 4.18 Growth/expansion and type of growth

| | | Industry | Trade | Service | Construction | total |
|--|--|-----------|-----------|-----------|--------------|-----------|
| Growth/expansion in your business operation (N=44) | Yes | 8 | 5 | 4 | 0 | 17 |
| | No | 5 | 11 | 7 | 4 | 27 |
| Total | | 13 | 16 | 11 | 4 | 44 |
| The expansion is exhibited through: (N=17) | opening new production/operation site | 0 | 0 | 2 | 0 | 2 |
| | Improving operation capacity of an existing system | 3 | 0 | 2 | 0 | 5 |
| | Sales volume of existing product/operation | 2 | 1 | 0 | 0 | 3 |
| | Diversification to related business activities | | 2 | 0 | 0 | 2 |
| | Diversification to un related business activities | 2 | 0 | 0 | 0 | 2 |
| | other | 1 | 0 | 0 | 0 | 1 |
| Total | | 8 | 5 | 4 | 0 | 17 |
| Growth impact (N=38) | Increasing in income | 9 | 4 | 8 | 0 | 21 |
| | Hiring of employees & increasing income | 9 | 4 | 4 | 0 | 17 |
| Total | | 18 | 8 | 12 | 0 | 38 |

Source: Own survey (2010)

4.6 Information on Sales volume of MSEs

Expansion and growth of a business could also be manifested in the amount of revenue generated each time.

Respondents were asked how they measure the sales volume of their business since their beginning. Accordingly, as shown in Table 4.18, 2 and 7 of Micro enterprise replied their business's sales volume is increasing at an increasing rate and increasing at decreasing rate respectively. Out of these, the overall increasing trend is observed in industry, trade and

service sectors. On the other hand, 4 and 6 of the respondents confess that their sales volume remains the same and declining respectively. Among the micro enterprises who replied the trend of their business in generating revenue is the same as before, are from trade, service and construction sectors. This implies the difficulty of growth in the sectors. In a similar way, but more negatively, out of 4 constructions micro enterprises 3 of them indicated their sales volume is declining there by reducing income.

75% of the respondents in this sector replied the decrement in the revenue generated from their operation. This implies decrease in sales volume declines profitability which in turn causes reduction in the income of operators. Consequently, withdrawal of the operators will be augmented resulting dissolution of the venture.

Small enterprises also indicated the trend of their sales volume. In relation to this, 3 and 7 small enterprises showed that their business is increasing at an increasing rate and increasing at decreasing rate respectively. From the overall increasing rate responses' of the 10 small enterprises 8 are from industry sector. . Similar to the above finding, here also, the sector is taking a lead in growth and consequently in improving income of its operators.

Concerning the underlying causes of increasing sales volume at an increasing rate in small enterprises is mainly due to be prevalence of high market demand and strong marketing efforts made by the enterprises themselves.

Table: 4.19 Performance on the rate of sales volume and reason for increasing rate by establishment

| | | Name of the sector | | | | |
|---|-----------------------------------|--------------------|----------|----------|--------------|-----------|
| | | Industry | Trade | Service | Construction | Total |
| Performance on the rate of sales volume of Micro Enterprises | Increasing at increasing rate | 1 | 0 | 1 | 0 | 2 |
| | Increasing at decreasing rate | 0 | 5 | 2 | 0 | 7 |
| | Continues on the same rate | 0 | 2 | 1 | 1 | 4 |
| | Declining | 0 | 2 | 1 | 3 | 6 |
| | Total | 1 | 9 | 5 | 4 | 19 |
| Reason for increasing at increasing rate | Absence of competition | 0 | 0 | 1 | 0 | 1 |
| | Selling products at a lower price | 1 | 0 | 0 | 0 | 1 |
| | Total | 1 | 0 | 1 | 0 | 2 |
| Performance on the rate of sales volume of Small Enterprises | Increasing at increasing rate | 2 | 0 | 1 | 0 | 3 |
| | Increasing at decreasing rate | 6 | 1 | 0 | 0 | 7 |
| | Continues on the same rate | 3 | 1 | 1 | 0 | 5 |
| | Declining | 1 | 0 | 0 | 0 | 1 |
| | Total | 12 | 2 | 2 | 0 | 16 |
| Reason for increasing at increasing rate | Prevalence of high market(1) | 1 | 0 | 0 | 0 | 1 |
| | Strong marketing efforts(2) | 1 | 0 | 0 | 0 | 1 |
| | 1 & 2 | 0 | 0 | 1 | 0 | 1 |
| | Total | 2 | 0 | 1 | 0 | 3 |

Source: Own survey (2010)

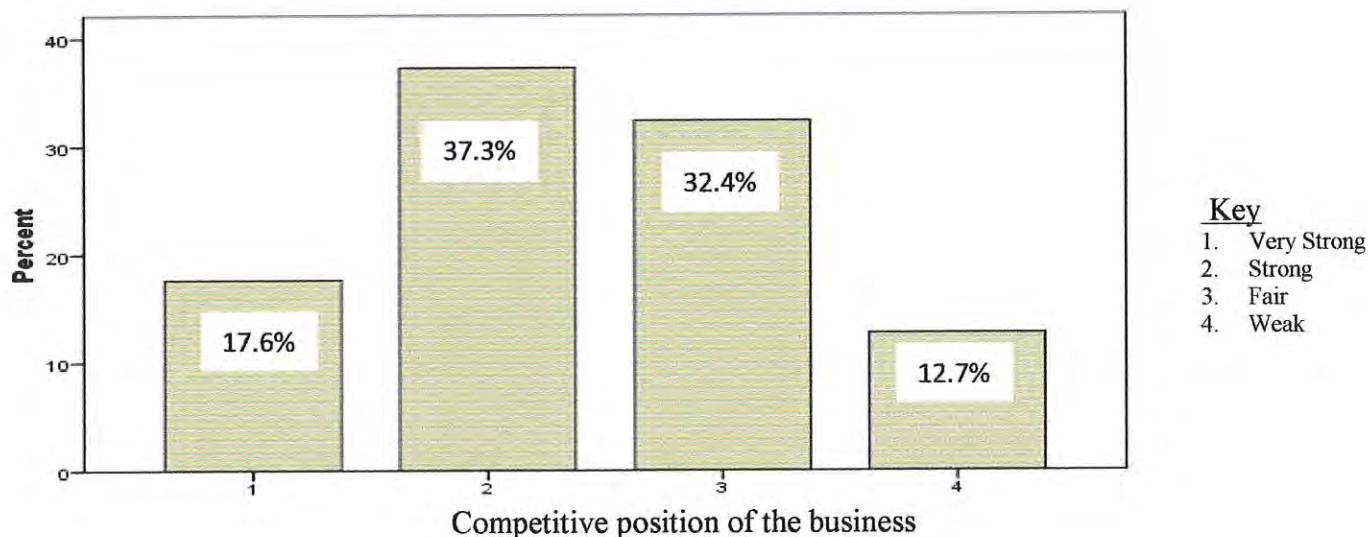
4.7 Information on the competitiveness of Enterprises

In order to understand the competitive strength of micro and small enterprises in the market place, respondents were asked how they perceive their business venture in relation to other enterprises with similar business. Accordingly, 17.6% & 37.3% of them replied their business is very strongly competitive and strongly competitive. On the other hand, 32.4% of them indicated that they are fairly competitive, while the remaining 12.7% they are unable to compete (see table 4.19). Out of 17.6% which are competitive 55.6% are from industry sector which took a lead in all the above parameters. Only one enterprise is found to be weak to

compete with in the existing market. In order to have an insight understanding about the distribution of strength of competition the mean average is computed. As a result, it is found to be 2.40 which signify, it is very close to the average value that is 2.50.

Generally the finding indicates that, in order to sustain their existence in the market, promote growth and improve income, micro and small enterprises should be strengthened with the necessary supports such as, finance, technical trainings and the like.

Figure 4.1 Competitive positions of enterprises



4.8 Impact of MSEs development program on operators' income

One of the objectives of this study is to assess the achievement of micro and small enterprise development program on improving the income of their operators. In this section of the study, the contribution of the program with respect to income generated in micro and small enterprises in which the operators get benefited to the betterment of their living standards are assessed based on the actual data collected. Concerning these, respondents were asked whether they had means of obtaining regular income or not. As a result, 54(52.9%) of them replied that they had source of income before establishing their business, while the remaining 48(47.1%) indicated that they had no means of obtaining regular income (see Table 4.21). In a similar way, they were asked to indicate the source of income before establishing their business enterprise. Consequently, 26(48.1%), 9(16.7%) and 7(13.0%) of them had means of income from daily labor, family help and salary respectively. Since, one of the objectives of

MSEs development program is to maximize employment of unemployed citizens, this is similar with the previous finding that revealed most operators of micro enterprises were unemployed.

Table: 4.20 Source of income before the business

| | | Name of the sector | | | | |
|---|----------------------------|--------------------|-----------|-----------|--------------|------------|
| | | Industry | Trade | Service | Construction | Total |
| Source of income before establishing this business | Yes | 16 | 21 | 10 | 7 | 54 |
| | No | 25 | 14 | 6 | 3 | 48 |
| Total | | 41 | 35 | 16 | 10 | 102 |
| Your income before this business was obtained from; | Salary(1) | 2 | 2 | 0 | 3 | 7 |
| | Family(2) | 3 | 4 | 0 | 2 | 9 |
| | Daily labor(3) | 6 | 10 | 8 | 2 | 26 |
| | From abroad(remittance)(4) | 0 | 1 | 0 | 0 | 1 |
| | 2;3 | 1 | 1 | 0 | 0 | 2 |
| | 3;5 | 1 | 0 | 0 | 0 | 1 |
| | Other(5) | 3 | 3 | 2 | 0 | 8 |
| Total | | 16 | 21 | 10 | 7 | 54 |

Source: Own survey (2010)

On the other hand, the likely sources of operator's income after the establishment of the enterprises were assessed. As a result, 86.3% of the respondents found in all sectors showed that their income is generated out of the current business. Besides, 35.3% of the respondents generate income from additional work (see Table 4.22).

Table: 4.21 Sources of income after the establishment of enterprises

| | | Name of the Sector | | | | Total |
|-------------------------------------|----------------------------|--------------------|-------|---------|--------------|---------------|
| | | Industry | Trade | Service | Construction | |
| Source of income after the business | From this business | 38.2% | 30.4% | 13.7% | 3.9% | 86.3% |
| | From abroad (remittance) | 2.0% | 2.0% | .0% | 2.0% | 5.9% |
| | From additional work | 9.8% | 14.7% | 5.9% | 4.9% | 35.3% |
| | From pension | 1.0% | 1.0% | .0% | 1.0% | 2.9% |
| | From relative help | 2.9% | 5.9% | 3.9% | 5.9% | 18.6% |
| | From rent of part of house | .0% | 1.0% | .0% | 2.0% | 2.9% |
| Total (N=145) | | | | | | 150.1% |

Source: Own survey (2010)

The trend of household income of the last year has been investigated. As a result, 49.1%, 25.5%, 21.5% and 3.6% of the respondents in industry, trade, service and construction sectors respectively indicated that, the trend in their income since last year is increasing. 76.4% of them also stated that the source of increasing income is their existing business. Therefore, these finding can be related with the previous findings that show a relatively better growth and sales trend in industry and service sectors.

However, a total of 33.3% and 11.8% of them indicated that their business doesn't show any progress and is declining respectively. As indicated during the focus group discussion, the main underlying cause of the status quo and decrease in income is because the financial institutions (like Oromia credit and saving Share Company) suspend their provision of loan since last year. Officers from OCSSco indicated that, the reason for suspending provision of loan is due to the fact that, 65% of the enterprises that took loan in Assella town quit to repay the loan and scarcity of capital the company face.

Generally, shortage of working capital for the business ventures is a great problem that makes them uncompetitive at the market place and reduces sales and income and hence weakens their growth. Therefore, this crucial problem that hampers the development of micro enterprises needs to be revised and this requires the commitment of all stakeholders.

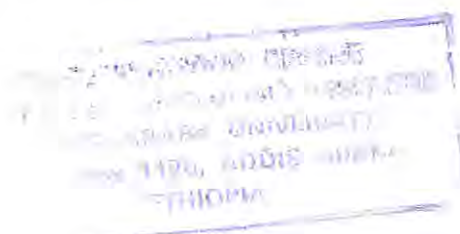


Table: 4.22 Trend of household income since last year

| | | Industry | Trade | Service | Construction | Total |
|---------------------------------------|--|--------------|--------------|--------------|--------------|---------------|
| Trend in HH income since last (N=102) | Increased | 49.1% | 25.5% | 21.8% | 3.6% | 53.9% |
| | The same | 41.2% | 38.2% | 8.8% | 11.8% | 33.3% |
| | Decreased | .0% | 58.3% | 8.3% | 33.3% | 11.8% |
| | I do not know | .0% | 100.0% | .0% | .0% | 1.0% |
| Total | | 40.2% | 34.3% | 15.7% | 9.8% | 100.0% |
| If increased the reason is: (N=55) | Increase in income from this business | 52.4% | 28.6% | 16.7% | 2.4% | 76.4% |
| | Generation of additional income from other sources | 45.5% | 18.2% | 27.3% | 9.1% | 20.0% |
| | Other | .0% | .0% | 100.0% | .0% | 3.6% |
| Total | | 49.1% | 25.5% | 21.8% | 3.6% | 100.0% |

Source: Own survey (2010)

The study also attempted to compare the average current income of the operators with their previous income. As a result, the average mean income of the operators' was found to be, Birr 572.64 and 1012.25 before and after the establishment of the enterprises respectively. Similar to the above findings, this result indicates the presence of an improvement on operator's income as a result of the involvement in micro and small enterprises. Although there is an improvement in operator's income, the deviation of income after exceeds the deviation of income before the establishment of the enterprises. That is to say, a result of the standard deviation of the mean income after the foundation of MSEs is found to be greater than the mean income before, showing the disparity of income distribution (see Table 4.24).

Table: 4.23 Average monthly income (Before and After)

| | Mean | N | Std. Deviation | Std. Error Mean |
|------------------------------|---------|-----|----------------|-----------------|
| Income before this business: | 572.64 | 100 | 437.569 | 43.756 |
| Income after this business | 1012.25 | 100 | 571.408 | 57.140 |

Source: Own survey (2010)

To test the statistical significances of changes in operators' income before and after the establishment of enterprises, the paired samples T-test is used to compare the means of variables. As indicated in Table 4.25 the correlation of the variables show significant increase in the income of operators' after establishing their businesses. Similarly, the calculated *t*- value at 95% confidence interval and .000 significance levels paired sample of income indicates there is difference in income before and after the establishment of the enterprises.

Table 4:24 Paired Samples T- Test resume

| | Paired Differences | | | | | t | df | Sig. (2-tailed) |
|---------------------------------|--------------------|-------------------|--------------------|--|----------|--------|----|--------------------|
| | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | | | |
| | | | | Lower | Upper | | | |
| Mean income before And after | -439.610 | 572.936 | 57.293 | -535.293 | -325.926 | -7.673 | 99 | .000 |

Source: Own survey (2010)

4.9 Success of MSEs in improving operators' Household Expenditures

The capacity of a household to expend on different items is related to their income level. Hence, it is attempted to determine the relationship between households' expenditures and their income levels, and thus respondents were asked to show their trend of expenditures. As a result, (Table 4.26) 93.1% of the respondents indicated that the trend of their expenditure is increasing which is resulted from the business they are running currently. On the other hand, 3.9% and 2.0% of them indicated the absence of change in their expenditure and I don't know respectively. Only one of the respondents replied decrease in his households' expenditures. Generally, increase in households' expenditure is observed, which in turn, is the result of increase in income of the operators from the business.

Table: 4.25 Households Expenditure After the business

| | | Frequency | Percent |
|---|--------------|------------------|----------------|
| Household expenditure after this business | Increased | 95 | 93.1 |
| | Decreased | 1 | 1.0 |
| | no change | 4 | 3.9 |
| | I don't know | 2 | 2.0 |
| Total | | 102 | 100.0 |

Source: Own survey (2010)

In order to know whether there is a difference in households' food and non-food consumption expenditures of operators' of MSEs or not they were asked to indicate their expenditures both before and after the establishment of the business. Even though, it was difficult for the respondents to accurately figure out their expense before the business they tried to roughly estimate in relation to their current expenditures. Descriptive statistics is employed to find out the difference in the expenditures before and after the enterprises establishment. To this effect, households' food consumption expenditures before and after the establishment of enterprises, were found to be Birr 357.38 and Birr 522.21 per month respectively. This shows, the average households' food expenditure has increased after the establishment of the business ventures. Similarly, it is found that the average households' non food expenditures before and after the business to be Birr263.74 and 367.26 respectively. The same way to the above, this finding shows that the average households' non food expenditure has increased after the establishment of the enterprises. Therefore, the finding implies that the operators' food and non food expenditures have increased after the establishment of micro enterprises which in turn rest on increasing income of operators after the business

Table: 4.26 Food and non-food expenditures (Before &after)

| | Food consumption expenditure before this business | Food consumption expenditure after this business | Non food expenditure before this business | Non food expenditure after this business |
|----------------|---|--|---|--|
| N | 102 | 102 | 102 | 102 |
| Mean | 357.389 | 522.215 | 263.745 | 367.269 |
| Median | 332.000 | 480.000 | 214.500 | 342.500 |
| Mode | 150.00 | 450.00 | 210.00 | 250.00 ^a |
| Std. Deviation | 172.7613 | 184.4373 | 134.2860 | 148.9496 |
| Minimum | 120.00 | 215.00 | 75.00 | 100.00 |
| Maximum | 902.00 | 1050.00 | 769.00 | 950.00 |

Source: Own survey (2010)

To test the statistical significance of change in food and expenditures of the operators before and after the establishment of the enterprises a paired sample T- test is employed based on the following hypothesis:

$$H_0: X_1 = X_2$$

$$H_1: X_1 \neq X_2$$

Where, X_1 = Expenditure before the establishment of the enterprise

X_2 = Expenditure after the establishment of the enterprise

The finding of a paired sample T-test at 95% confidence interval resulted in the rejection of the null hypothesis. This indicates that there is a significant difference in food consumption expenditures after the establishment of the enterprises.

Generally, this result confirms the previous finding (table 4.26) that indicates the increasing pattern of operators' food consumption after foundation of the business.

Similarly, to determine the significance of change in operators' non food expenditure before and after establishment of the business ventures a paired sample T-test is utilized on the same basis.

$$H_0: X_1 = X_2$$

$$H_1: X_1 \neq X_2$$

Where, X_1 = Expenditure before the establishment of the enterprise

X_2 = Expenditure after the establishment of the enterprise

The finding of a paired sample T-test at 95% confidence interval resulted in the rejection of the null hypothesis. This indicates that there is a significant difference in non food consumption expenditures after the establishment of the enterprises.

Therefore, the above two findings indicate that there is a significant difference in the operators' food and non food expenditures after the establishment of micro and small enterprises, which again reveals the improvement in operators' income.

Table: 4.27 Paired Samples T-Test

| | Paired Differences | | | | | t | df | Sig. (2-tailed) |
|--|--------------------|-------------------|-----------------------|---|----------|---------|-----|--------------------|
| | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | | | |
| | | | | Lower | Upper | | | |
| Pair 1 Food consumption expenditure before and after | -164.8262 | 157.296 | 15.57466 | -195.722 | -133.930 | -10.583 | 101 | .000 |
| Pair 2 Non food expenditure before and after | -103.5245 | 111.977 | 11.08740 | -125.519 | -815.300 | -9.337 | 101 | .000 |

Source: Own survey (2010)

In order to strengthen the evidences that indicate the improvement of operators' income after the establishment of the enterprises, correlation analysis of current income with the current food and non food consumption expenditures is employed. As a result, the correlation of monthly income and food consumption after the business is found to be 0.544 which implies that the variance in food consumption is associated with differences in operators' income. However, the correlation between the variables (54.4%) is not strong. According to MoFED, (2006) consumption is better measured than income. In most developing countries, income report of a household is likely to be understated compared to consumption expenditure.

Similarly, the relationship between monthly income of operators' and non food disbursement after the foundation of the enterprises is established. Accordingly, the correlation is found to

be 0.538 (see Table 4.29). This indicates the existence of relationship between incomes of the operators' with their respective non food expenditures.

Generally, based on all of these findings it is possible to conclude that the operators' income is improved after the establishment of the enterprises which in turn implies the rise in households' spending.

Table: 4.28 Correlation of Current Income with Households' Expenditures

| | | Monthly income after the business | Food consumption expenditure after the business | Non food expenditure after the business |
|---|---------------------|-----------------------------------|---|---|
| Monthly income after the business | Pearson Correlation | 1 | .544** | .538** |
| | Sig. (2-tailed) | | .000 | .000 |
| | N | 100 | 100 | 100 |
| Food consumption expenditure after the business | Pearson Correlation | .544** | 1 | .431** |
| | Sig. (2-tailed) | .000 | | .000 |
| | N | 100 | 102 | 102 |
| Non food expenditure after the business | Pearson Correlation | .538** | .431** | 1 |
| | Sig. (2-tailed) | .000 | .000 | |
| | N | 100 | 102 | 102 |

Source: Own survey (2010)

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

On the other hand, with the objective to assess the achievement of the program in improving the status of household' assets and there by their standards of living, respondents were asked about the improvement and/or the existence of different facilities like kitchen, toilet and bath room. As shown in Table 4.30, 57(55.9%) of the respondents indicated that their households' facilities have shown improvement after the establishment of enterprises, while 45(44.1%) of them indicated that there is no improvement of facilities even after starting their business.

Table: 4.29 Success of the business on households' Facilities

| | | Name of the sector | | | | Total |
|--|-----|---------------------------|---------------------------|---------------------------|--------------------------|-----------------------------|
| | | Industry | Trade | Service | Construction | |
| Improvement of facilities like kitchen, bathroom and toilet after the business | Yes | 30 29.4% | 13 12.7% | 10 9.8% | 4 3.9% | 57 55.9% |
| | no | 11 10.8% | 22 21.6% | 6 5.9% | 6 5.9% | 45 44.1% |
| Total | | 41 40.2% | 35 34.3% | 16 15.7% | 10 9.8% | 102 100.0% |

Source: Own survey (2010)

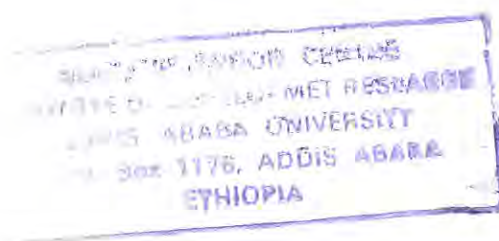
Similarly, respondents were asked about households' fixed assets they bought after the establishment of the enterprises. Accordingly, they indicated the assets they bought as a result of income obtained from their business. As shown in table 4.31, the mean average of money they spent is Birr 4483.31. The minimum being Birr 450.00 who has bought mobile phone and the maximum Birr 18,200 who bought refrigerator, electric stove, jewelers, cell phone and cupboard.

Generally, the finding implies that unlike to food and non food expenditures of the operators' that significantly improved after the establishment of the enterprises, the status of household facilities and fixed assets do not indicate significant improvement. This reveals that, besides the improvement in basic food and non food consumptions, the program has to do much more in up grading the status of household facilities and fixed assets.

Table: 4.30 Average Expenditures on Households' Assets

| | N | Minimum | Maximum | Mean | Std. Deviation |
|--|----|---------|---------|---------|----------------|
| Total HH fixed asset bought after the business | 99 | 450 | 18200 | 4483.31 | 3410.556 |

Source: Own survey (2010)



4.10 Achievement of the operators with respect to saving

It is known that saving plays an important role in the growth and expansion of every business organization in general and micro and small enterprises in particular. To assess this fact, operators were asked whether they save or not. As a result indicated in Table 4.32, 69.6% of them replied that they are saving and out of this industry and trade take the larger proportion constituting 54.9%. On the other hand, 30.4% of the respondents indicate that they do not save at all. As it is indicated during the focus group discussion, saving habit is developed more in those operators who took loan from microfinance institutions, mainly Oromia credit and saving service. This is because, while taking loan, micro enterprises are informed and forced to save certain amount of money beside the loan they are going to repay. On the other hands, out of those respondents who started saving, most operators (80.3%) began to save after the establishment of their business enterprises.

Similarly, the operators were asked to show the reason why they started saving after the business they are currently engaged. Accordingly, 31.4% of them indicated that they save as a result of increased income from their current businesses, while 19.6% of them stated that even though there is no as such change in their income they are saving by decreasing consumption.

Therefore, according to the finding it is possible to conclude that most respondents started saving after the establishment of their business and they save due to improved income from the business.

Table: 4.31 Achievements of MSEs on Saving

| | | Industry | Trade | Service | Constr uction | Total |
|---|--|--------------|--------------|--------------|------------------|---------------|
| Do you save? (N=102) | Yes | 29.4% | 25.5% | 10.8% | 3.9% | 69.6% |
| | No | 10.8% | 8.8% | 4.9% | 5.9% | 30.4% |
| | Total | 40.2% | 34.3% | 15.7% | 9.8% | 100.0% |
| When did you start? (N=71) | before this business | 8.5% | 11.3% | .0% | .0% | 19.7% |
| | After this business | 33.8% | 25.4% | 15.5% | 5.6% | 80.3% |
| | Total | 42.3% | 36.6% | 15.5% | 5.6% | 100.0% |
| The reason for your saving after this business (N=57) | Increased income from this business(1) | 10.8% | 8.8% | 7.8% | 3.9% | 31.4% |
| | 1&4 | 1.0% | .0% | .0% | .0% | 1.0% |
| | Decrease in consumption without change in income(3) | 9.8% | 7.8% | 2.0% | .0% | 19.6% |
| | Increased income obtained from abroad(4) | .0% | 1.0% | .0% | .0% | 1.0% |
| | Other | 2.0% | 1.0% | 1.0% | .0% | 3.9% |
| | NA | 16.7% | 15.7% | | | 43.1% |
| Total | | 40.2% | 34.3% | 15.7% | 9.8% | 100.0% |

Source: Own survey (2010)

Respondents were also asked about the trend of their savings and accordingly, 45.8% of them replied that the pattern of their saving is increasing as a result of the current business, while 35.6% indicated that their saving condition does not changed since they started saving. On the other hand, 18.6% of the respondents showed that the pattern of their saving is decreasing. This is mainly observed in construction sector, which could be accounted to the termination of most government housing projects in the town in which they were heavily rely on. According to 75% of the respondents, the underlying causes to decrease in the pattern of their savings are found to be high living expenses and decrease in sales due to declined market demand (see Table 4.33).

Therefore, based on this finding it is possible to show that the tendency of saving is increasing, particularly in the case of industry sector. Hence, under this circumstance, it is

possible to infer that operators in industry sector are saving in an increasing trend relative to the other sectors which could also be linked with earlier findings that show improvement in income of operators and growth of enterprises in the sector.

Table: 4.32 Trend of saving and causes of saving to decrease

| | | Name of the sector | | | | Total |
|--|--|--------------------|--------------|--------------|--------------|---------------|
| | | Industry | Trade | Service | Construction | |
| Trend of your saving since this business | Increasing | 23.7% | 15.3% | 5.1% | 1.7% | 45.8% |
| | The same | 11.9% | 15.3% | 8.5% | .0% | 35.6% |
| | Decreasing | 3.4% | 5.1% | 5.1% | 5.1% | 18.6% |
| Total | | 39.0% | 35.6% | 18.6% | 6.8% | 100.0% |
| The causes to decrease in saving (N=12) | Decreased in sales due to declined market demand | 16.7% | .0% | .0% | 16.7% | 33.3% |
| | Termination of additional work | .0% | .0% | 8.3% | .0% | 8.3% |
| | Termination of support from abroad | .0% | 8.3% | .0% | .0% | 8.3% |
| | High living expense | .0% | 25.0% | 8.3% | 8.3% | 41.7% |
| | Other | .0% | .0% | 8.3% | .0% | 8.3% |
| Total | | 16.7% | 33.3% | 25.0% | 25.0% | 100.0% |

Source: Own survey (2010)

4.11 Achievement of MSE operators' in relation to Education and Medical Services

The success of micro and small enterprises development program is also evaluated in terms of improvement in access to education that enables individuals to utilize their potentials, so as to play roles and contribute to the improvement in the living standard and poverty reduction as well. To this effect, it is attempted to investigate the impact of the program in improving households' access to education. As a result, it is found that at an average there are two school age children in every 43 households' and all are attending their education. Besides, respondents were asked to indicate the number of children who were learning in a relatively better quality of schools before and after the establishment of the enterprises. Consequently, as indicated in Table 4.34, 13 households were teaching their children paying

in private schools before they start the business. However, after the establishment of the business enterprises 28 households started a teaching a total of 44 children paying in private schools. These results indicate that the operators of micro enterprises are found in a better situation to access even more quality education to their children. Moreover, respondents were asked to indicate whether the trend in the number of family members attending school, including themselves, is increasing or not. Accordingly, 36.3% of them replied that the access and tendency towards education of their household is increasing.

Generally, the finding implies that a significant number of operators of micro enterprises are improving their access towards education to their family and for themselves which in turn is the result of the development program.

Table: 4.33 Households' access to and trend of Education

| Children attending better School | N | Sum | Mean | Std. Deviation |
|---|------------|------------|-------------|-----------------------|
| Before the enterprise | 13 | 17.00 | 1.3077 | .63043 |
| After starting the business | 28 | 44.00 | 1.5714 | .63413 |
| | | | Frequency | Percent |
| The number of family members attending school | Increasing | | 37 | 36.3% |
| | The same | | 22 | 21.6% |
| | Decreasing | | 0 | 0.0% |
| Total | | | 59 | 57.9% |

Source: Own survey (2010)

The other indicator of improvement in operators' income is their access to medication at the time of households' health problems. In relation to this, respondents were asked to indicate from where they access medical services before establishing their businesses. As a result, 64(62.7%) of the operators indicated that they go to government health institutions when they encounter health problems, whereas, 14.7% of them were using private health institutions before the establishment of the business. Similarly, 11.8%, 4.9% and 5.9% of the respondents were using traditional health centers, government & private health

institutions and government health institutions & traditional health centers respectively before beginning their business.

However, after the establishment of the enterprises 59(57.8%) and 31(30.4%) of the respondents started getting access from government and private health institutions respectively. Similarly, 4.9% and 6.9% of the respondents showed that they are using traditional health centers and government & private health institutions respectively.

Therefore, based on the above finding the number of operators that access medical treatment in private health institutions, that requires greater spending than others, is increasing, and the number of those who were seeking traditional treatment is decreasing. These indicates that the spending power of the operators after the establishment of the enterprises is increasing which in turn show improvement in their living conditions as a result of the program.

Table: 4.34 Sources of Medical Services

| | | Frequency | Percent |
|---|--|------------|---------------|
| Source of medical treatment before the business | From government health institution (1) | 64 | 62.7% |
| | From private health institutions (2) | 15 | 14.7% |
| | From traditional health centre (3) | 12 | 11.8% |
| | 1;2 | 5 | 4.9% |
| | 1;3 | 6 | 5.9% |
| Total | | 102 | 100.0% |
| Source of medical treatment after the business | From government health institutions(1) | 59 | 57.8% |
| | From private health institutions(2) | 31 | 30.4% |
| | From traditional health centre(3) | 5 | 4.9% |
| | 1;2 | 7 | 6.9% |
| Total | | 102 | 100.0% |

Source: Own survey (2010)

4.12 Information on institutional supports provided to MSEs

This section of the study has attempted to investigate institutional supports provided to micro and small enterprises so far in building the capacity of the members to enhance their productivity through various activities. Hence, as shown in Table 4.36, 38.2% and 36.4% of the respondents indicated that there was high licensing bureaucracy at the time of establishing their business and high interest rate of loan respectively. In addition to this, 31.4% and 29.2% of the respondents replied the presence of bureaucratic regulatory requirements during the start up and weakness in legal enforcement of contracts respectively. During the focus group discussion participants of precast beam and Coble stone producers from industry sector were also indicated that they are obliged not to sale their products to other users except government projects. Similarly, participants from construction and service sectors working in government house development projects complain the presence of bureaucratic regulatory requirements. They also forwarded the improvement made by Asella town MSEs Development agency in opening offices in three sub cities to deliver its services to customers in a better way, though they are not strengthened with sufficient workers and equipments.

Table: 4.35 Institutional challenges (N=102)

| | Frequency | Percent |
|--|------------------|----------------|
| Regulations during start up | 32 | 31.4 |
| High licensing bureaucracy | 39 | 38.2 |
| Weakness in legal enforcement of contracts | 30 | 29.2 |
| High interest rate of loan | 37 | 36.4 |
| Total | 140 | 100.0 |

Source: Own survey (2010)

To enhance the productivity and thereby to accelerate growth of micro and small enterprises provision of successive technical trainings, workshops, counseling and monitoring services are crucial based on the need of the operators. With this regard, respondents were asked whether these services are being delivered or not. Accordingly, 33 and 26 micro and small enterprise operators indicated that they are provided with technical and theoretical trainings and advisory & counseling services respectively. Similarly 19 and 17 enterprises indicated

they are being supported by regular workshops and monitoring services respectively. This implies that the remaining respondents lack the provision of the stated supports. This finding is similar with what is stated in the literature (Workineh, 2007), MSEs face critical problems such as lack of training in entrepreneurial in management skills and lack of information in business opportunities.

By the same token, respondents were also asked the areas of support they have been provided. As a result, 25, 24 and 24 MSEs replied they are given trainings on accounting & book keeping, business management and entrepreneurship respectively, while 20 and 15 of the respondents showed that they were provided trainings on marketing management and technical activities.

Generally, the finding indicates that there are efforts being carried to provide support to operators of micro and small enterprises, however, based on the conclusion arrived in this study and as indicated during FGD, the supports being provided, to enable operators produce and deliver quality products/services to their customers to maximize their profit and consequently to improve their income, by the concerned bodies, is minimal.

Table: 4.36 Provision and areas of support delivered to Micro and Small enterprises by Government institutions

| Supports provided | Industry | Trade | Service | Construction | Total |
|---|-----------------|--------------|----------------|---------------------|--------------|
| Provision of workshop | 10 | 8 | 0 | 1 | 19 |
| Provision of training | 12 | 11 | 7 | 3 | 33 |
| Advisory & counseling services | 13 | 8 | 4 | 1 | 26 |
| Regular monitoring services | 10 | 5 | 1 | 1 | 17 |
| Total | 45 | 32 | 12 | 6 | 95 |
| Areas of the support | | | | | |
| Training on Marketing management | 9 | 6 | 4 | 1 | 20 |
| Training on business management | 10 | 8 | 4 | 2 | 24 |
| Training on entrepreneurship | 10 | 8 | 5 | 1 | 24 |
| Training on accounting and book keeping | 9 | 10 | 6 | 0 | 25 |
| Technical trainings | 9 | 3 | 3 | 0 | 15 |
| Total | 37 | 35 | 22 | 4 | 108 |

Source: Own survey (2010)

It is known that, institutional support is required to improve the output (supply) produced by micro enterprises and create market (demand) for their products, since they are beginners and less competitive. In order to understand this situation respondents were asked to indicate, whether they have been given priorities in government projects or not, and what has been done in creating market linkage. As a result, (Table 4.38) 46.1% of the total respondents replied that they are given priorities to deliver their products/services to government projects or offices. This is mainly observed in industry and construction sectors, because most of them are involved in government projects. Around 70% of the operators working in the Industry sector have a link with government projects and 90% of the operators in Construction sector are fully operating in government projects, mainly in house development agency. Similarly, 43.75% of the operators in Service giving sector are delivering their services to detention centre and house development projects, while 17.2% of operators in Trade sector are allowed to deliver materials to government offices.

Therefore, it could be said that in addition to the provision of priorities in government projects, operators of micro enterprises require extensive supports in building up their capacities of producing more quality products/services and become competitive in the whole market.

Similarly respondents were asked whether the market linkage created so far is fair or not. Accordingly, 61.8% of them replied negatively. This indicates the existence of unfair treatment of enterprises in creating market linkage by government organizations.

On the other hand, concerning the creation of market demands to the products/services of micro enterprises through promotions like 'bazaars', 87.3% of the operators replied the absence of promotion. During FGD held with operators and MSEs development agency officers at different levels, it is indicated that there are no efforts made to promote their products/services especially through preparing 'bazaars' and 'trade fairs'.

This indicates that, what so ever good quality products/services micro enterprises supply to the market, unless demand for their products is created, their expansion and growth will

be questionable. To avert this condition, strong commitment of all stakeholders is required.

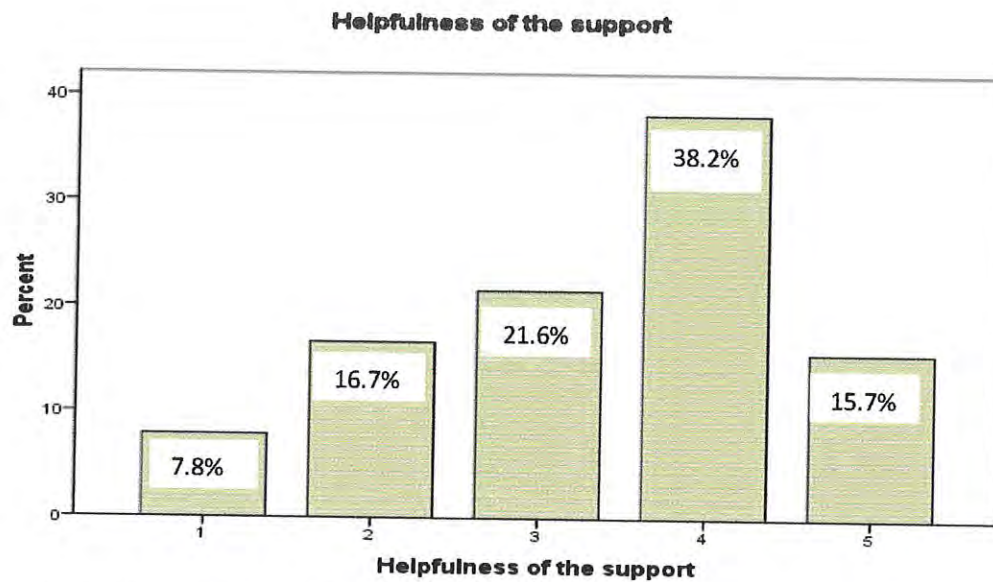
Table: 4.37 Supports provided; in giving Priorities in Government Projects and Creation of Market Linkage

| | | Name of the sector | | | | | | | | | |
|---|-----|--------------------|--------------|-----------|--------------|-----------|--------------|--------------|-------------|------------|---------------|
| | | Industry | | Trade | | Service | | Construction | | Total | |
| Priorities are given in government projects | Yes | 25 | 53.2% | 6 | 12.8% | 7 | 14.9% | 9 | 19.1% | 47 | 46.1% |
| | No | 16 | 29.1% | 29 | 52.7% | 9 | 16.4% | 1 | 1.8% | 55 | 53.9% |
| Total | | 41 | 40.2% | 35 | 34.3% | 16 | 15.7% | 10 | 9.8% | 102 | 100.0% |
| Creating market demand through promotions like "bazaars" | Yes | 6 | 46.2% | 2 | 15.4% | 3 | 23.1% | 2 | 15.4% | 13 | 12.7% |
| | No | 35 | 39.3% | 33 | 37.1% | 13 | 14.6% | 8 | 9.0% | 89 | 87.3% |
| Total | | 41 | 40.2% | 35 | 34.3% | 16 | 15.7% | 10 | 9.8% | 102 | 100.0% |
| Creating a fair market linkage for your products/services | Yes | 20 | 51.3% | 8 | 20.5% | 7 | 17.9% | 4 | 10.3% | 39 | 38.2% |
| | No | 21 | 33.3% | 27 | 42.9% | 9 | 13.3% | 6 | 9.5% | 76 | 61.8% |
| Total | | 41 | 40.2% | 35 | 34.3% | 16 | 15.7% | 10 | 9.8% | 102 | 100.0% |

Source: Own survey (2010)

To sum up, operators of micro enterprises were asked to evaluate the general supports provided by government institutions. As indicated in Fig. 4.2, 39 (38.2%) and 22 (21.6%) of the respondents showed that the supports provided were fair and good respectively. Similarly, 17(16.7%) and 16 (15.7%) of the respondents indicated that the supports they received from government institutions were very good and poor respectively. Only 8 (7.8%) of them evaluated the support as excellent. In order to have a better perception of provision of support, average mean of the values were calculated and accordingly it was found to be 3.37. This implies that, most respondents evaluated the support provided so far to be below the average.

Fig.4.2 Institutional support



Source: Owen survey (2010)

Key

- 1. Excellent
- 2. V. good
- 3. Good
- 4. Fair

4.13 Challenges and Threats of Micro and small enterprises

There are a number of variables influencing the performance and business success of Micro enterprises. The variables are interdependent and very often relate to each other. Under this section of the study, prominent challenges and threats of micro enterprises in the study area is examined.

Respondents were asked to indicate whether there are challenges that affect the sustainability of their businesses or not. Accordingly, (Table 4.39) a total 76 (74.5%) of the operators indicated the existence of threats that can affect the continuity of their business. Out of these 28.4%, 25.5%, 11.8% and 8.8% are engaged in industry, trade, service and construction sector.

Table: 4.38 Threats of the business

| | | Name of the sector | | | | Total |
|--|-----|--------------------|--------------------|--------------------|-------------------|----------------------|
| | | Industry | Trade | Service | Construction | |
| Threats that can affect the sustainability of the business | Yes | 29 28.4% | 26 25.5% | 12 11.8% | 9 8.8% | 76 74.5% |
| | No | 12 11.8% | 9 8.8% | 4 3.9% | 1 1.0% | 26 25.5% |
| Total | | 41 40.2% | 35 34.3% | 16 15.7% | 10 9.8% | 102 100.0% |

Source: Own survey (2010)

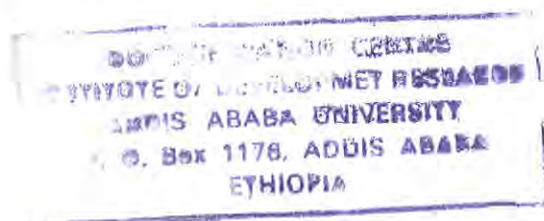
In order to operate successfully, micro enterprises have to overcome a number of obstacles which influence negatively the business performance. The following major constraints and threats were forwarded by the operators during focus group discussion.

1. Financial constraints: To set up a start-up enterprise, the entrepreneurs need to be able to get access to finance.

Finance plays a critical role in all stages of the business life cycle and limits the ability of existing micro enterprises to expand and create jobs. However, as indicated by the operators, those enterprises at the start up and those who were seeking for working capital were totally unable to access finance from credit and saving associations of the study area for more than a year. As stated by Aryeetey & Ahene, (2004) MSMEs very often 'begin small and eventually die small, without ever having seen any expansion in terms of employment numbers and output'. Many enterprises, due to their limited financial resources, are unable to compete with previously established private businesses and this ultimately may lead to cease operation. There is a problem of getting sufficient and timely credit. Therefore, improving the accessibility of finance to micro enterprises the government intervention is crucial.

In addition to financial constraints, enterprises who had received loan before a year complain high interest rate of loan which is 10%.

2. Poor Market Linkage; Another problem, micro enterprises encounter is the access to markets. Very often MSMEs face serious difficulties when it comes to finding suppliers for the needed inputs and buyers for their products. The lack of information about market opportunities and standards and regulations is one of the underlying factors. (Liedholm &



Mead (1998) Participants of FGD indicated that they are facing problems in getting raw materials at a reasonable price. Limited resources and separate actions of enterprises, mainly those in industry, force them to buy resources from retailers at exorbitant price. At the same time they indicated that they are facing problems in creating demand for their products as a result of government regulation which seems to be burden rather than being supportive. For instance, brick and precast beam producers in industry sector are prohibited to sale their products to users other than government projects. This restricts the production capacity, sales and growth of enterprises and moreover they develop dependency to government projects. On the other hand most enterprises claim the need to create demand for their products/services through promotions like trade fairs.

Therefore, the need for market linkage to improve supply and demand, a lot must be done by all stakeholders.

3. Lack of sufficient Trainings: Most operators indicated that trainings, counseling services and continuous monitoring are not provided adequately to develop more scientific ways of performing their activities. Technical trainings that can help operators' improve their productivity, entrepreneurship to improve their business creativity and book keeping to record their financial in and out flow are not sufficiently provided.

4. Late Payment: The participants in industry and construction sectors also indicated the presence of unnecessary bureaucratic chains in some government institutions to receive cash after accomplishing their duties.

5. Disagreement among members: One of the challenges raised by the participants of FGD is disagreement among members of micro enterprises themselves, that is, mainly caused by differences in their perceptions of how a business expands and achieves the desired level. These differences could emerge from two facts. First: grouping together members of different interest and second: grouping together members of different educational background and interest. There are also problems like lack of the culture of working together, running for ones' own benefit and corruption among the members. This is also confirmed by micro and small enterprise development officials. However, the operators complain that officials of MSEs are not active to discuss and resolve disagreements that arise among operators. Generally, the existence of such unresolved differences among members of micro enterprises can blur their vision to the ultimate progresses and weakens their productivity.

Therefore, operators back ground and interest should be taken in to consideration at the time of establishment, and continuous follow up and discussions at the time of emergency with the existing enterprises is mandatory to MSEs development agency.

The **threats** raised by the participants are:

1. Competition: Large number of similar small businesses in a specific area where the demand is limited makes the competition intense. According to Morar, (2006), competition is another factor which influences the business performance of MSMEs. One phenomenon that can be observed is "a high concentration of enterprises in certain trades, with the effect of self destructive competition" and highly localized markets. As indicated by the operators and observed while conducting this research, large number of small businesses in trade sector with similar items of commodities are found. This phenomenon minimizes the market share and sales volume of enterprises and weakens their growth. Therefore, different mechanisms need to be searched to improve the entrepreneur skill of the operators and this requires the involvement of all stakeholders.

2. Termination of Government projects: During the FGD, mainly operators of construction and partly industry sectors indicated the prevalence of a threat in terms of being absolutely dependent on government construction projects. As stated by the respondents if there are no government projects the likely existence of the enterprises will be questionable.

Generally, threats by their very nature are the results of macro factors such as economic, political, policy and the like. Therefore, they are out of the reach of micro enterprises as a result, mitigating the indicated threats entail the commitment of all stakeholders in looking for possible avenues.

4.14 Achievement of MSEs in relation to Poverty Reduction

As it is indicated in the previous sections, income, food and non food consumption expenditures of majority of the operators has improved after the establishment of micro enterprises. Under this part, the success of the program in relation to poverty reduction is assessed. To assess the achievement of the program, respondents were asked the impact of the program in improving their living standard. As indicated in table 4.40, 66.7% of the operators replied that the program has improved their living standards. The rest 33.3% of the respondents replied, even if they are engaged in the business and show somehow improved

income, due to the presence of a number of obstacles, their standards of living are not improved yet.

On the other hand, the operators were asked, whether they believe running their businesses in the form of micro and small enterprises development program, is a solution to get out of poverty or not. Almost all (97.1%) of them indicated that it is the right way to get out of poverty. However, they forwarded that to make enterprises competent in the business environment and to ensure their sustainability, it necessitates appropriate policy instruments in improving institutional frame works that could enhance productivity and competitiveness of enterprises and that could reduce dependency in government projects. Therefore, micro and small enterprises development program plays a paramount role in reducing urban poverty, but when it comes to practice it requires proper policy frame works, strategies and the commitment of all stakeholders to make the sectors growth oriented, competitive and sustainable.

Table: 4. 39 Do you think involving in MEs improved your standard of living and it is a panacea to get out of poverty

| | | Name of the sector | | | | | | | | | |
|---|-------|--------------------|--------|-------|-------|---------|-------|--------------|--------|-------|--------|
| | | Industry | | Trade | | Service | | Construction | | Total | |
| The business has improved standard of living | Yes | 35 | 85.4% | 14 | 40.0% | 11 | 68.8% | 8 | 80.0% | 68 | 66.7% |
| | No | 6 | 14.6% | 21 | 60.0% | 5 | 31.2% | 2 | 20.0% | 34 | 33.3% |
| | Total | 41 | 40.2% | 35 | 34.3% | 16 | 15.7% | 10 | 9.8% | 102 | 100.0% |
| Running micro enterprise is a panacea to get out of poverty | Yes | 41 | 100.0% | 33 | 94.3% | 15 | 93.8% | 10 | 100.0% | 99 | 97.1% |
| | No | 0 | .0% | 2 | 5.7% | 1 | 6.2% | 0 | .0% | 3 | 2.9% |
| | Total | 41 | 40.2% | 35 | 34.3% | 16 | 15.7% | 10 | 9.8% | 102 | 100.0% |

Source: Own survey (2010)

CHAPTER FIVE

Conclusions and Recommendations

5.1 Conclusions

Micro and small enterprises in developing countries play an important role for the industrialization and development process of a country. They are a source of employment and income and contribute to the growth in developing countries. MSEs in Ethiopia are also playing an important role in improving employment opportunity for unemployed, income distribution, economic growth and poverty alleviation. The government has designed MSEs development program under the urban industrial development package with the objective of reducing urban poverty and unemployment. This study is mainly concerned with the achievement and challenges of the program being implemented in Assella town in the four sectors namely: industry, trade, service, and construction. As a result, the following concluding remarks are drawn from the major findings of the study.

- ✓ Since one of the objectives of the program is to create permanent and temporary employment opportunity, the result of study shows that 1,040 operators established enterprises since 2004/05 and has created temporary employment opportunity for around 510 citizens in the two sub cities. With regard to temporary employment it is found that industry and service sectors have a better multiplier effect than other sectors. Most importantly, around 83% of the operators had no previous permanent job. Most were unemployed youths who were searching for a job in governmental and nongovernmental offices. This indicates that micro enterprises in the study area are absorbing unemployed labor forces. However, a significant number of the operators have withdrawn from the enterprises particularly, from construction sector, due to lack of growth and termination of government projects.
- ✓ Concerning the expansion and growth of the enterprises, the change in the number of workers and change in capital is frequently used as an indicator. In both measures enterprises in industry sector are growth oriented and could be transformed to small enterprises, while most of the others are found at micro level, so they are considered as survival businesses. MSED A has clearly stated the categories in which micro and

small enterprises are distinguished. However, micro and small enterprises in the study area not differentiated according to their level. This condition creates problem in providing all the necessary supports depending up on their level and interest, therefore, in order to facilitate the growth and development of enterprises, clear and updated statistical data of their progress is required. Thus the issue calls the attention of MSEDAs officers of the two sub cities in particular, and the town in general.

- ✓ In relation to change in operators' income, the result obtained from a paired sample T-test indicates that there is a significant difference in the income of the operators after establishment of the enterprises. In addition to this, the result of descriptive statistics indicates the difference in operators' average income after the establishment of the enterprises. Similarly, the correlation result indicates the existence of positive relationship between operators' income and their households' food and non food consumption expenditure after the establishment of the business ventures. In addition to these a significant number of operators started saving as a result of improved income after the business. Generally, based on these results it is possible to conclude that the operators' income after the businesses have improved even though, it varies widely among the operators and the four sectors. The major objective in poverty reduction interventions is to enhance or supplement the household income. Therefore, this indicates the contribution of micro and small enterprises in reducing poverty through improving income of the operators.
- ✓ Concerning the successes of the program in relation to improving operators' living standard, in many operators, but not all, there is an improvement in the households' kitchen, bath room and toilet. Their basic households' fixed assets have improved. Moreover, their accesses to education and medical services have improved after the establishment of the enterprises. Generally, most respondents agree that their living standard after the establishment of the business is showing improvement.
- ✓ Despite the fact that, MSEs development program is believed to be a panacea to get out of poverty, micro enterprises are however confronted with a number of obstacles and bottle necks which complicate their business endeavors. On one hand, they are internally challenged by lack of sufficient skill, scarcity of finance, disagreement among members. On the other hand, externally they are challenged by competition,

absence of market and market linkages, high interest rate, bureaucracies in licensing; loan processing and payment of project works according to terms and conditions, fluctuating access and inflated price to raw materials, termination of government projects, lack of working place and the like.

In another way, micro enterprises have either/both a difficulty of producing sufficient output (supply) and available market access (demand). The other challenge of micro and small enterprise particularly in construction and industry is that, they are mainly engaged in government projects some of which are already terminated. Therefore, the sustainability of these enterprises is questionable due to high level of dependence on government projects.

5.1 Recommendations

To inspire the expansion and growth of micro and small enterprises, the creation of a policy framework providing: motivation, direction and strategies play an important role. Such policies are vital in supporting and promoting micro and small enterprises, however the support needs to be selective with respect to the type and size of enterprises.

The provision of comprehensive support and business development services that contain properly integrated financial and non-financial business development interventions result in the formation of competitive, growth oriented and sustainable micro and small enterprises. Financial services include the provision of micro-credit and loans; while non-financial services refer to a range of business development services that boost the competitiveness of micro enterprises through higher productivity, improved service delivery and enhanced market access. Hence, based up on the major findings of the study, the following specific areas of interventions are suggested for a better achievement of the objectives of the program in the study area.

- Finance that is accessible at a low cost, and access to affordable business development services that can aid the growth of micro and small enterprises, which are insufficiently provided so far, urge the commitment of all stakeholders.
- Institutional commitment is required in developing market research and preparing feasible business plan during the establishment of enterprises which is important to

predict about the future market trends. Similarly, to improve the output (supply) promotion of entrepreneurship through cluster formation, provision of demand driven training both on the technical and managerial aspects as well as transformation of technologies have to be undertaken. To improve market demand, proper institutional frameworks such as appropriate market structure that can boost the competitiveness of the enterprises and creation of demand through promotions like trade fairs, bazaars is crucial.

- ❖ Provision of regular awareness raising workshops and counseling are necessary to develop a culture that support and reward entrepreneurship and to get rid of corruption from enterprises. Similarly, operators' educational back ground and interest should be taken in to consideration at the time of establishment, and continuous follow up and discussions at the time of emergency with the existing enterprises require institutional commitment.
- ❖ Therefore, the proper implementation of the forwarded areas of intervention in the study area requires the real commitment of different stakeholders such as local government, entrepreneurs, financing institutions, educational institutions, researchers and NGOs is highly indispensable.
- ❖ Finally, the researcher believes that the expected development of MSEs cannot be achieved in the study area, unless the integrated development program is duly implemented.

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7. What factor(s) motivated you to start your own business in the form of enterprise? (Multiple answer possible)

1. Lack of employment opportunity to be employed
2. Disagreement with the previous employer
3. Disappointing work environment in the previous work place
4. conflict with family
5. By looking others as a role model
6. Internal desire to be self employed
7. Favorable environmental factors such as support provided by the kebele administration
8. Others(specify)-----

8. What is your position in the business currently?

1. Member of the enterprise and member of the management team
2. Member of the enterprise and permanent employee

9. Do you have any other job other than this business currently? 1. Yes 2. No

9.1. If your answer to Qn#9 is “yes”, specify _____

9.2 How much birr do you obtain from the additional job per day/week or month?

-----Per day -----per week ----- per month

10. How much Birr income do you obtain from this business per day/week / month currently?

----- Per day -----per month -----per month

11. Is there any household member who has a job? A. Yes 2. No

11.1 If your answer to Qn#11 is “yes” how much birr he /she /they obtain?

----- per day ----- per week ----- per month

12. Have you obtained any other income from other sources for the last 2 years? 1. Yes 2.No

12.1 If your answer to Qn#12 is “yes” from where did you obtain the income?

Source _____ amount _____ in Birr

Source _____ amount _____ in Birr

B. General Characteristics of the Business

| Enterprise's name | Sector | Sub sector | Year of establishment | # of members | Current # of members | Temporary employees | Initial capital | Current capital |
|-------------------|--------|------------|-----------------------|--------------|----------------------|---------------------|-----------------|-----------------|
| | | | | | | | | |

Key

10. The start-up capital of the business was generated from:

1. Micro finance institution in the form of loan
2. Micro finance and member's contribution
3. Members' contribution alone
4. Others(specify)_____

10.1. If your answer to Qn#10 is "1" would you please give the name of the institution?

10.2. If your answer to Qn#10 is "2 or 3" would you please indicate your initial financial Contribution? _____ Birr

11. Was it easy to get loan from lending institutions? 1. Yes 2.No

11.1 If "No", what have been the major constraints to obtain start-up capital?

1. Micro finance institutions did not release money quickly
2. High interest rate 3. Collateral requirements and insurance to get the money
4. Difficult borrowing process 5.Problem among members
6. Lack of confidence of repaying the loan 7. Others (specify) _____ .

12. Have you attended any training on financial records from the lending institutions? 1. Yes 2. No

13. If your business took a loan from micro finance institutions:

13. 1 how long did it take to pay back the major loan? _____ months.

13.2 What was the amount of major loan/principal? _____ birr. Interest _____ (%)

13.3 What was the duration of the loan? _____ Years.

14. If you have borrowed loan from MFIs (code, 1= yes, 2= No)

14.1 Was the loan amount adequate? _____

14.2 Was the payment period adequate? _____

14.3 Was the interest rate reasonable? _____

15. Does the business created employment opportunity to non-members since it is established?

1. Yes 2. No

15.1 The trend in employment opportunity generation to non members of the enterprise is?

1. Increasing 2. Decreasing
3. The same 4. I don't know

16. How did you acquire the building/ premise on which you started this business?

1. Owned by one of the member(s)
2. Bought
3. Leased
4. Rented it from individual
5. Rented it from Kebele
6. Given by the Kebele
7. Other (specify) _____

17. How do you rate the performance of your business in terms of sales volume since it is established?

1. Increasing at increasing rate 2. Increasing at a decreasing rate
3. Continues on the same rate 4. Declining 5. I don't know

17.1. If your answer to Qn#17 is "1" what could be the deriving factor (s)?

1. Prevalence of high market demand
2. Absence of competition
3. Provision of Products/ Services at a lower price than competitors
4. strong marketing effort
5. Others (specify)-----

17.2. If your answer to Qn#17 is "4" what could be the reason to it?

1. Presence of strong competitors
2. Lack of market demand to your offers
3. Poor marketing linkage
4. Quality related problems of products/services
5. Inappropriate sales location
6. Others (specify) -----

18. Is there growth /expansion in your business operation? 1. Yes 2. No

18.1 If your answer to Qn#18 is “yes” the growth is exhibited in terms of:

1. Opening new production/ operation site
2. Operation capacity of an existing system
3. Sales volume of existing product/ operation system
4. Diversification to related business activity (sector)
5. Diversification to unrelated business activity (sector)
6. Market share expansion 7. Others (specify)-----

18.2 What sort of impact resulted due to the growth of your business?

1. Increase in the income of operators
2. Additional temporary employees are hired
3. Others (specify)-----

18.3 If your answer to Qn#18 is “No” what do you think is the reason?(multiple answer possible)

1. Labour 2.Capital 3.Working space 4. Market 5. Competition
6. Lack of equipments 7. Lack of managerial skill 8. Poor technology
9. High interest rate of loan 10. Inadequate Business support/Training
11. Others (specify) _____

19. How do you measure the competitive position of your business?

1. Very strong 2. strong
3. Fair 4. Weak

20. Are there any threats that can affect the sustainability of your business? 1. Yes 2. No

20.1. If your answer to Qn#11 is “Yes “ please list the most important threats in their order of sensitivity:

1st -----

2nd -----

3rd -----

21. How much is the gross income of the enterprise per year _____ birr.

22. How much is the net profit of the enterprise per month? _____ Br, and per year _____ Br.

23. Is your monthly income sufficient to support the basic needs of your family expense? 1. Yes 2.No

24. Do you believe that the job has improved your standard of living? 1. Yes 2. No

C. Household income Sources (before & after)

| Before the business | After the business |
|--|---|
| <p>1. Did you have a financial income source before establishing the business? 1. Yes 2. No</p> <p>1.1 If your answer to Qn#C1 is “yes” from where did you obtain the income?</p> <ol style="list-style-type: none"> 1. From salary 2. From family help 3. From daily labour 4. from government support 5. from abroad (remittance) 6. Others(specify)----- <p>1.2 What was the amount of your income on average per week or month?</p> <p>_____ birr/day</p> <p>_____ birr/week</p> <p>_____ birr/Month</p> | <p>2. currently your households’ income is generated: (Multiple answer possible)</p> <ol style="list-style-type: none"> 1. From this business 2. From abroad (remittance) 3. From other additional work 4. from pension 5. From relative help 6. From rent of part of house 7. Other (specify)----- <p>2.1 your household income during the last 12 months have:</p> <ol style="list-style-type: none"> 1. Increased 2. Decreased 3. The same 4. I don’t know <p>2.2 If your answer to Qn#2.1 is “1” what could be the reason:</p> <ol style="list-style-type: none"> 1. Increase in income from this business 2. Generation of additional income from other sources 3. Others(specify)----- <p>2.3 If your answer to Qn#2.1 is “2” what could be the cause:</p> <ol style="list-style-type: none"> 1. Decline in income from this business 2. Suspension of income from other sources 3. Others (specify)----- |

D. Household Food-Expenditures (before & After)

1. How much kilogram or litres of the following food items you have been consuming before and after this business?

| Ser No | Food/drink | Amount in kg/litre Before the business | Expenditure per month in Birr | Amount in Kg/litre After the business | Expenditure per month in Birr |
|--------|-----------------|--|-------------------------------|---------------------------------------|-------------------------------|
| 1 | Wheat (kg) | | | | |
| 2 | Teff (Kg) | | | | |
| 3 | Sorghum(Kg) | | | | |
| 4 | Maize(kg) | | | | |
| 5 | Barley (Kg) | | | | |
| 6 | Onion (Kg) | | | | |
| 7 | Potato (Kg) | | | | |
| 8 | Beans &Peas(Kg) | | | | |
| 9 | Lentil (Kg) | | | | |
| 10 | Vegetable (Kg) | | | | |
| 11 | Dry pepper (Kg) | | | | |
| 12 | Edible oil (Kg) | | | | |
| 13 | Milk (lit) | | | | |
| 14 | Butter (Kg) | | | | |
| 15 | Meat(Kg) | | | | |
| 16 | Sugar(Kg) | | | | |
| 17 | Salt (Kg) | | | | |
| 18 | Coffee (Kg) | | | | |

E. NON- FOOD EXPENDITURE

1. Estimate the amount of money spent per month or year for the following non – food items before and after starting this business.

| Ser.No | Non-food Item | Average expenditure per month before this business | Average expenditure per month after this business |
|--------|--|--|---|
| 1 | Rent for house | | |
| 2 | Water bill | | |
| 3 | Electric bill | | |
| 4 | Telephone bill | | |
| 5 | Fuel wood, charcoal & kerosene | | |
| 6 | Loan repayment (principal & interest) | | |
| 7 | Tuition fee | | |
| 8 | Transport expense | | |
| 9 | Domestic service (guard, servant salary) | | |
| 10 | Personal care expenditure | | |
| 11 | Ceremonial expense | | |
| 12 | Entertainment | | |
| 13 | Tax& contribution | | |
| 14 | Saving (iqub, idir, bank) | | |
| 15 | Others (specify) | | |
| 16 | Clothes | Birr per year | Birr per year |
| 17 | Shoes | Birr per year | Birr per year |
| 18 | Health | Birr per year | Birr per year |
| 19 | Education | | |

2. Since you begun this business the overall household expenditure has

1.Increased

2. Decreased

3. The same

4. I don't know

F. HOUSEHOLD ASSETS

| S.No | Type of assets | 1 How many of these items do the household own? | 2. Were the assets acquired after the business? | | 3. What is the market value in Birr? |
|------|--|---|---|-------|--------------------------------------|
| | | | 1. Yes | 2. No | |
| 1 | Tables/chairs | | | | |
| 2 | Radio/Tape | | | | |
| 3 | TV | | | | |
| 4 | VCD | | | | |
| 5 | DVD | | | | |
| 6 | Beds | | | | |
| 7 | Refrigerators | | | | |
| 8 | Electric stove | | | | |
| 9 | Jeweler | | | | |
| 10 | Water Pump | | | | |
| 11 | Cub board | | | | |
| 12 | Home phone | | | | |
| 13 | Mobile Phone | | | | |
| 14 | Pc or lap top | | | | |
| 15 | Other assets can be mentioned, if any. | | | | |

4. Do facilities like kitchen, toilet, and bathroom show improvement after joining this business?

1. Yes 2. No

G. ACCESS TO EDUCATION AND MEDICAL SERVICES

1. How many school age children (5-18 years) are there in the house hold? _____

2. How many of these children are currently attending school? -----

3. The number of your family members attending school is being:

1. Increasing 2. Decreasing 3. At the same level

3.1 If your answer to Qn#3 is '1' what could be the cause to it?

3.2 If your answer to Qn#3 is '2' what could be the cause?.....

3.3 How many of your children are attending better quality schools after joining this enterprise?

4. From where did you get medical treatment before starting this business?

1. From government health institutions
3. From traditional health centres
2. From Private health institutions
4. Others (Specify) -----

5. From where do you get medical service currently?

1. From government health institution
2. From private health institutions
3. From traditional health centers
4. Others (specify) -----

H. Saving

1. Do you save? 1. Yes 2. No

1.1. If your answer to Qn#1 is "yes" when do you begun saving?

1. Before this business
2. After this business

1.2 If your answer to Qn#1.1 is "2" what would be the cause to it?

1. Increase in income obtained from this business
2. Increase in income due to additional work in other business
3. Decrease in consumption without change in income
4. Increase in income due to help from abroad
5. Others(specify)-----

1.3 If your answer to Qn#1.1 is "2" how do you describes the pattern of your saving since you begun this business?

1. Increasing
2. Decreasing
3. The same level

1.4 If your answer to Qn#1.3 is "2" what would be the cause to it?

1. Decrease in sales volume of this business due to declined market demand
2. Termination of additional work
3. Termination of support from abroad
4. High living expense
5. Increase in family members
6. Other (specify) _____

I. Institutional Support

1. Were there problems on one or more of the following? (code, 1= yes, 2=No)
 - Regulations on business startup _____ High licensing bureaucracy _____
 - Bureaucratic regulatory requirements _____
 - Weakness in legal enforcement of contracts _____
 - High collateral requirements _____ High interest rate _____

2. Have you ever enjoyed business support activities before or after the startup?

| | Work shop | Training | Business counselling | Mentoring |
|-------|-----------|----------|----------------------|-----------|
| 1-Yes | | | | |
| 2-No | | | | |

2.1 If yes on which particular subject(s) (code, 1= yes, 2= No)

- Marketing management _____ Business management _____
- Entrepreneurship _____ Accounting and book keeping _____
- Technical training _____

2.2 For how many times?

3. The support was provided by: 1. Government 2.NGOs 3.Both

4. Do government offices facilitate agreement to use your products/services for government projects? 1. Yes 2. No

5. Do government organizations create demand for your product/services through promotions like facilitating “bazaars”? 1. Yes 2. No

6. Do government organizations create a faire market linkage for your products/services? 1. Yes 2.No

6.1 For the above question if your answer is 2, what do you think is reason?

7. How do you rate the helpfulness of the support provided?

| | 1 Excellent | 2 V. good | 3 Good | 4 Fair | 5 Poor |
|----------------------------|----------------|--------------|-----------|-----------|-----------|
| Helpfulness of the support | | | | | |

8. Finally, by considering changes that are being occurring in your life and that of your household, do you think that running micro enterprises is a panacea to get out of poverty?

1. Yes 2. No

9. If you have additional comments, would you please mention _____.

Thank you ones again for devoting your precious time.

QUESTIONNAIRES FOR KEY RESPONDENTS

1. How do you explain the contribution of Micro enterprises in terms of:
 - 1.1 Income generation
 - 1.2 Enhancing wealth distribution
 - 1.3 Creating job opportunities
2. What sort of supports need to be provided to Micro enterprises to proliferate their growth?
3. What do you think are the major challenges hindering the progress of MEs?
4. In actual sense, do you think that MEs are achieving the expected progress and improving the livelihood of the operators? How do you explain it?
5. Do you think that your institutional settings are suitable for a smooth flow of the working process?
6. What are the problems of Micro enterprises you are not capable of solving in relation to rules, regulations and policies that need modification?
7. How do you explain your staff quality to avoid unnecessary bureaucratic chains that hinder the service you provide to your customers?
8. Do you think MEs are getting supports they require?
9. Do government organizations create trainings, technical supports, mentoring and demand for your product/services through promotions like facilitating “bazaars”?
10. Do you think MFIs are providing regular supervision to MEs on financial related matters?
11. What efforts have been made so far by government bodies for the provision of work premise and search for market linkage to MEs?
12. How many MEs are established since 2005/06 and how many are functioning currently?
 - 12.1 If there is a significant difference what do you think is the reason?
13. Most enterprises which are involved in trade sector, rather than using their collective effort, are working individually. How do you justify in relation to the principles of Micro enterprise?
14. What do you think is a better way for the sustainable growth/development of micro enterprises with respect to:
 - Microenterprises?.....
 - Government rules, regulations and policies?

Thank you for your cooperation!

Focus group discussion Guide Questions

1. How do you describe the role of the MSEs development program in improving the livelihood of its operators?
2. How do you explain the employment opportunity being created by micro enterprises to reduce unemployment?
3. How do you explain the support provided by financial institutions?
4. Are there members who withdraw from the enterprises? If yes, what are the most important causes for this?
5. What sort of institutional supports are being provided by the town administration and Assella town MSEDAs to Micro enterprises?
6. Do you think that the MSEDAs have created strong market linkages to the construction, trade & service sectors?
7. What are the most important threats and challenges of the sectors?

Declaration



I, the undersigned, declare that the thesis is my original work, has not been presented for a degree in any other university and that all sources of material used for the thesis have been duly acknowledged.

Declared by:

YOSEPH GIMARIAM

Candidate

Confirmed by:

Getnet Alemu



Advisor