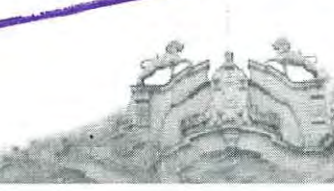


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**ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

**Micro and Small Enterprise as Sources of Income Generation in Badesa
Town, West Hararghe Zone, Oromia Regional State**

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

By: Najib Umer Hussen

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School of Graduate studies



This is to certify that the thesis prepared by Najib Umer Hussen, entitled: Micro and Small enterprises as a source of Income Generation and submitted in partial fulfillment of the requirements for Degree of Master of Arts (Environment and Development) complies with the regulations of the university and meets the accepted standards with respect to originality and quality.

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Abbreviations

AEMFI	Association of Ethiopian Micro finance Institutions
CLED	Commission on Legal Empowerment of the Poor
CSA	Central Statistical Agency
ECA	Economic Commission for Africa
FeMSEA	Federal Micro and Small Enterprises Agency
FGD	Focus Group Discussion
GDP	Gross Domestic Product
GTP	Growth and Transformation Plan
ILO	International Labor Organization
MoFED	Ministry of Finance and Economic Development
MoTI	Ministry of Trade and Industry
MSEs	Micro and Small Enterprises
NEPS	National Employment Policy and Strategy of Ethiopia
NGO	Non Governmental Organization
OCSSC	Oromia Credit and Saving Share Company
PASDEP	Plan for Accelerated and Sustained Development to End Poverty
USAID	United States Agency for International Development

Abstract

Micro and Small Enterprises as Means of Income Generation

Najib Umer Hussen

Addis Ababa University, 2013

Recently Micro and Small Enterprises (MSEs) has got a due attention in because of its contribution in creation of job opportunities, increase income of the poor and hence poverty reduction. Ethiopia is also one of the countries where MSEs has been given due consideration as a safety net for the poor to help them overcome the adversities of poverty. For the development of the sector various support programs have been undertaking.

This study was conducted to assess the contributions of MSEs in generating income of the poor in Badesa town, Oromia regional state. Both primary and secondary sources were considered to generate relevant data. The primary data were collected from sample respondents through interviewing as a major tool and focus group discussion as supportive tool. In addition, secondary sources of data have also been used. The study covers all 103 MSEs in the town. Finally, data generated were analyzed through qualitative and quantitative methods to draw conclusion and recommendations. Generally, findings of the study indicated that MSEs have played positive role in income, creation of employment and improving the quality of life of the participants of the enterprises of the MSEs in the study area. Despite its undeniable contribution in the creating job opportunities and improving the living standard of the poor, the growth of MSEs sectors have been hindering by different problems in the town both at start up and operational level. This research study reveals that process of entry, lack of market, disagreement/lack of trust between members, inadequate supply of goods/ raw materials, lack of credit facilities, lack of skill, shortage of working place, business environment and infrastructural problems are the main challenges for MSEs growth in the town. The degrees of severity of each problem are different in all sectors. Supportive interventions were needed to overcome these and hence achieve vigor MSEs in the area.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Among the issues in development; unemployment, poverty and income inequality are the main ones in developing countries. These issues are severe in countries where there is high population growth rate. Availability of decent work for the people is regarded as remedy for unemployment and hence poverty (Vandenberg, 2006). Recognizing this, many governments and nongovernmental organizations developed different strategies to pull these countries out of their problems. Ethiopia, suffering from those problems, also adopted and formulated different development strategies of which micro and small enterprise strategies were in practice.

During nineteen fifties and sixties it was large enterprises that dominates the economy of many countries and also it was the sector that got an emphasis by the government to scale up the development of one's country. But the experience in many countries shows that the micro and small enterprises (MSEs) had a lion's share in economic development, as they have been the primary sources of job creation and output growth. It was after this time that micro and small enterprises had got recognition by the government of different countries. In Ethiopia also the economic system of the previous regime were discourage the expansions of micro and small enterprise. Following the regime change, drastic measures that intended to transform the command economy to a market-led one, many of which are bound to affect MSEs, were taken. Hence the deliberate effort to promote MSEs was developed recently (Gebrehiwot and Wolday, 2006).

The sector has got a greater emphasis primarily for its contribution in economic growth and job creation. It provides income and employment opportunities for significant proportions of workers particularly for those at the margins of the economy: women, people with disabilities, less educated and other poor people (ephrem, 2010). This holds true particularly for many low income countries where MSEs and the informal sector represent over 90% of businesses, contribute to over 50% of GDP, and account for about 63% of employment (Ahmed, 2012).

The vision of Ethiopian government is *"to see Ethiopia... once extracting itself from poverty and becoming middle-income economy"* (MoFED, 2010). Unemployment rate had been a big challenge for the achievement of those goals. Moreover, there are insufficient opportunities in the formal sector to absorb new entrants into the labor force and coming from rural for seeking jobs. Consequently, many people have been forced into marginal activities in the informal sector like petty traders and tiny handicraft with limited market scope. Given that they comprise the largest share of total enterprises and employment in the non-agricultural sectors, the government paid due attention to the sector and formulated it as development strategies of the country. The federal government of has issued an MSE development strategy in 1997 followed by the proclamation for the establishment of the Federal Agency for Micro and Small Enterprises Development in 1998 (MoFED, 2006). The strategies were included in previous five year plan, Plan for Accelerated and Sustained Development to End Poverty (PASDEP), and as well as in today's development plan, growth and transformation plan (GTP), as a source of creating the employment opportunities and means of rising income of urban poor.

So far several enterprises have transformed into medium industry level and 1.5 million job opportunities were created in the past five years (2005/6-2009/10) of which women shared 50% and the construction sector take the lion share in creating job opportunities. This proves that MSEs have the potential to alleviate poverty and generate employment opportunities for unemployed people (FeMSEDA, 2013).

Now the government of Ethiopia has embarked on a new five year plan (2011-2015), called the Growth and Transformation Plan (GTP). The plan aims to foster broad based development in a sustainable manner to achieve the Millennium Development Goals. It envisages a major transformation of the economic structure by boosting the share of industry to 32% from its current 13%. MSEs Development is the key industrial policy direction contributing to the envisaged structural transformation of the economy. By the end of the plan period, it is expected to create employment opportunities for over 3 million people (Ahmed, 2012).

For the enhancement of MSE policy objectives, the Federal Micro and Small Enterprises Development Agency (FeMSEDA) is carrying out different supportive activities in creating MSEs' competitiveness and expansion in the various towns of the country. In this regard, substantial support was provided including increased supply of credit, training, and provision of production and market facilities, technology support and provision of small enterprise information services (MoTI, 1997).

1.2 Statement of the Problem

Today our world is being affected by enormous problems of poverty and unemployment. The problems were commonly found in different African countries. While GDP growth is increasing from time to time, now the total population living below poverty threshold is higher than the number of population before two decades in some African countries as many people have no secure jobs (ECA, 2005). The economy, given its present production and investment structure, is unable to create formal wage employment for more than a fraction of total labor force. The severities of these problems are being aggravated from time to time.

Similarly, the population growth of Ethiopia is increasing at alarming rate and this rate of population growth is expanding the problem of unemployment especially in urban areas and hence poverty level of the country. Over the last two decades, the total labor force of the country had more than doubled. It has been increased from 14.7 million in 1984 to 26.5 million in 1994 and further to 33 million in 2005. This has placed a high pressure on the labor market even under normal growth situation. Employment creation for such a rapidly increasing labor force has become increasingly challenging (NEPS, 2009). Understanding this unemployment issue, the Ethiopian government has been committed to reduce the unemployment problem in the country particularly in urban areas. To this end, it started identifying programs that can bring about rapid job opportunities along with improving the access of finance, manufacture and market places to unemployed peoples (especially, youth). MSEs were among the programs that government has recognized and paid due attention to address the challenges of unemployment and accelerate economic growth across the country. Today people counted in millions, unemployed youth in various towns and cities, have become beneficiaries of MSEs and in Badesa town also many people are benefiting from the sector as well. So, the sectors have been playing a key role in addressing unemployment and enhancing income generation in the areas.

Notwithstanding the sectors' contributions to the development of the country, these sectors are facing number of constraints that curb their growth. The constraints are like poor infrastructure, lack of capital, limited extension service, less market information and lack of modern technologies are some among others. Consequently, these constraints may account for the reasons why many new MSEs have been failing. Particularly in, study area, Badesa town there are many MSEs that are die out before they graduate to medium and large enterprises.

Yet, the sector has not been studied adequately (Gebrehiwot and Wolday, 2006). To date, limited research has been conducted on contribution of small businesses in Ethiopia in general, and particularly in Oda Bultum Woreda, Badesa town. Even most of the previous studies in the country were conducted in different sub-city of Addis Ababa and with little studies in some other town. Thus, gaps exist with related to understanding the contribution of MSEs sectors in generating income in Badesa town. Therefore, the intention of this study is to identify the contribution of sectors and its constraints in the town.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of the study is to assess the role of micro and small scale enterprises in improving living standard of the beneficiaries in Badesa town, Oda Bultum Woreda, Oromiya regional state.

1.3.2 Specific Objectives

- To assess the job opportunities created for the people in the area by MSEs sectors
- To assess the role of micro and small enterprises in improving living standard of MSE owners (income, house, medical services and school)
- To identify the various incentives provided for the development of micro and small enterprises
- To identify the major constraints that hinders the growth of MSEs in the area

1.4 Research Questions

- What are the contributions of MSEs sectors in creating job opportunities for low income people in the area?
- Do MSEs sectors improve the living standard of the poor?
- What are the incentives provided for the development of micro and small enterprises in the town?
- What are the constraints that MSE owners are facing in operating their business in the town?

1.5 Significance of the Study

The findings of this study are expected to help government and other bodies those are intended to include MSEs in development strategy of the country as a mechanism of income generation for the poor. It also helps all stakeholders (government bodies at all levels and NGOs) involved in designing of policies and programs that will bring equal income distribution and human development as well as those policy makers that support MSEs for reduction of unemployment and poverty alleviation by revealing the constraints that curbs the growth and survival of the enterprises. The other researchers who want to conduct further study in fields related to enterprise development at all levels can take it as the base for their study. The results can also serve as a background for future studies that will be conducted in the area as the woreda is recently separated from other woreda and hence has limited back ground information. Generally, results can add some concepts to the existing knowledge and literature in the area for the public as a whole.

1.6 Scope of the Study

For achievement of the research objectives, the researcher delimited his study both spatially and subject matter. Spatially the study was focused on Badesa town, in west Hararghe zone. And as an object of study, the scope covers only those enterprises which were registered as Micro and Small Enterprises according to the Ethiopian Ministry of Trade and Industry (MoTI) definition and got license by service center in the town. Previously, all enterprises were under the MoTI. But now MSEs are registered under the Federal Micro and Small Enterprise Agency (FeMSEA) and separated from other private enterprises which are under MoTI. So the study was covered only those enterprises under FeMSEA.

1.7 Limitation of the Study

Most of the time MSEs sectors are not known by keeping the previous records of what they transacted. For example it may be difficult to get organized records of financial matters. Such data even if they exist, the respondents were hesitated to give real information because of the reason like fear of high tax rate. Besides this, current capitals of many enterprises were not correctly recorded in financial statements by auditors. In this case, it was taken simply what the respondents stated in the questionnaires which may not be the exact capital of the enterprise.

Additionally, this study was limited only to Badesa town and may not represent other places so that more studies are needed to draw conclusions on different cities or parts of the country.

1.8 Organization of the Research

This research organized in to five parts. The first part includes introductory topics including back ground of the study, statement of the problem, objective of the study and research questions, significance of the study, scope and limitation of the study. The second part includes topics in literature review: definition of terms, roles and constraints of MSEs, MSE development Strategy in Ethiopia, empirical evidence and conceptual framework were discussed. The third part explains the overall research methodology. Detail discussions of the results were dealt in the fourth part and lastly, the fifth part and six parts are conclusion and recommendations, and references respectively.

CHAPTER TWO: LITRATURE REVIEW

2.1 Definitions of Terms

Micro and small enterprise: Definitions of MSE is quite vary from country to country and even within single countries, depending on the business sector concerned. Thus, there are no universal criteria for MSE definition. Some countries use the number of employees as the only criteria for determining whether a business is an MSE or not. Other countries use this same criterion, plus an additional criterion based on either the value of the firm's assets or the size of revenues. Some of the commonly used criteria are the number of employees, total net assets, sales and investment level. However, the most common definitional basis used is employment, and here again, there is variation in defining the upper and lower size limit of a MSE. Ethiopia has also its own definition for MSEs. For the purpose of directing its policy and program support, the Ministry of Trade and Industry (MoTI) adopted definition of micro and small enterprises based on capital they have, and which takes into consideration the high tech consultancy firms and other high tech establishments. The definitions when the strategies of MSEs developed were:

- ❖ **Micro Enterprise:** are those small business enterprises with a paid-up capital of not exceeding birr 20,000, and excluding high tech consultancy firms and other high tech establishments.
- ❖ **Small Enterprises:** are those business enterprises with a paid-up capital of above 20,000 and not exceeding birr 500,000, and excluding high tech. consultancy firms and other high tech. establishments.

Other working definitions that were in use classify firms into different size categories based on number of workers as criteria. For example, according to the CSA, a micro enterprise is one with fewer than 10 workers; those with 10-50 workers constitute small enterprises (Haftu et al., 2009).

According to the new Small & Micro Enterprises Development Strategy of Ethiopia (published 2011) the working definition of MSEs is based on capital and Labor.

1. Micro enterprise
 - A) Under industry sector (Manufacturing, Construction and Mining)
 - An enterprise operates with five people including the owner and/or its total asset is not exceed birr 100,000.

- B) Under service sector (Retailer, Transport, Hotel, Tourism, ICT and Maintenance)
 - An enterprises operates with five person including the owner and/or with a value of its total asset is not exceed birr 50,000 (fifty thousand)
- 2. Small enterprises
 - A) Industrial sectors (Manufacturing, Construction and Mining)
 - An enterprises with 6-30 person and/or with a paid capital of 100, 000 and not exceed birr 1.5 million
 - B) service sector (Retailer, Transport, Hotel, Tourism, ICT and Maintenance)
 - An enterprises with 6-30 person and/or with a paid capital of total asset is birr 50, 000 and not exceed birr 500,000 (fifty thousand) (FeMSEDA, 2013).

Unemployment Rate: proportion of unemployed persons to the total economically active population.

Youth: youth is defined differently in different country. In Ethiopia it comprises those persons aged 15 - 29 years.

Economically active person: all persons aged ten years and above who were engaged in productive work or available to be engaged (CSA, 2011).

2.2 Roles of Micro and Small Enterprise (MSEs)

2.2.1 The Importance of MSEs in Development

The Micro and Small Enterprises sectors can be described as the national home of entrepreneurship. It provides the ideal environment enabling entrepreneurs to exercise their full talents and attain their goals. In all successful economies, MSEs are seen as an essential springboard for growth, job creation and social progress at large (MoTI, 1997).

For developing countries, participating into the global economy through free trade, deregulation, and democratization is seen as the route to alleviate poverty and inequality. One important way to participate in this process is through the development of a competitive private sector, in which small businesses play a major role. MSEs are takes 90% of businesses worldwide, and account for between 50 and 60% of employment (Raynard and Forstater, 2002). There are numerous research findings on the contribution of small enterprises on the development of one country. With some controversial areas, there is consensus on the following matter:

- MSEs tend to take more labor force than large enterprises. So, they contribute significantly to the provision of productive employment opportunities, the generation of income and eventually, the reduction of poverty. It is through the support of small enterprises that government and the international organizations can make steps forward in achieving the global target of halving poverty levels by the year 2015.
- There is sufficient empirical evidence that countries with a high share of small industrial enterprises have succeeded in making the income distribution more equitable. This in turn is a key contribution to reducing economic disparities between rich and poor.
- MSEs are keys to the transition of agriculture-led to industrial economies as they provide simple opportunities for processing activities which can generate sustainable livelihoods.

MSEs are a spring board for entrepreneurship development, innovation and risk taking behavior and provide the foundation for sustainable growth and the transition towards larger enterprises (Raynard and Forstater, 2002).

The more MSE's there are in the economic activities, the more revenues that the government could produce through taxes. So, countries' revenue is raised through the taxes generated from the MSEs sectors. In addition it helps to reduce government expenses on human capital development. If more MSE's are there hence more people can be trained and the net effect being the growth of the country's human capital. People will also be able to generate income and thus decrease poverty levels in the country (Agyapong, 2010).

At the time of economic failure in one country small enterprises have the capacity to absorb part of the workforce leave their work place and added into unemployment. In addition some of the small enterprises started today will become pillars of economic growth within the next coming years. They are engine for renewal and innovation, places where people meet their ambitions and utilize their talents and inventiveness. Every economy and generation needs entrepreneurs willing to invest their resources, talents and energy into their business plans. In fact, for many people, working in small businesses is their only possibility for a minimum living standard. But small businesses need a favorable business environment especially access to finance to take full benefit of the opportunities before them. And one way to facilitate access to finance is through the provision of credit guarantees (Deelen and Molenaar, 2004).

Countries with a higher level of GDP per capita have larger MSE sectors in terms of their contribution to total employment and GDP. As income increases, the share of the informal sector decreases and that of the formal MSE sector increases (Ayyagari et al., 2003).

2.2.2 Contribution of MSEs to Employment Creation

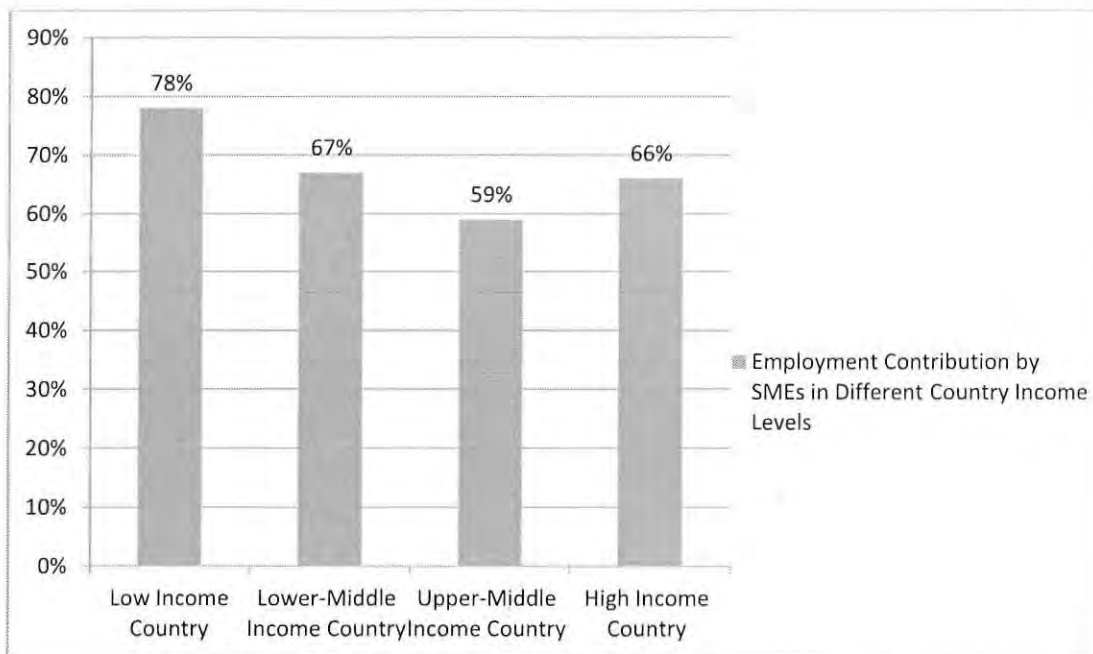
Employment is essential to the achievement of the Millennium Development Goals, without access to productive employment and decent work; poverty will not be halved by 2015. In most developing countries, MSEs by virtue of their size, place, capital investment and their capacity to generate greater employment have proved their powerful propellant effect for rapid economic growth. The sector is also known as an instrument in bringing about economic transition by effectively using the skill and talent of the people without requesting high-level of training, much capital and sophisticated technology. Since small businesses are labor-intensive, they create employment at relatively low levels of investment per job created. The sector is also seen as an important force to generate employment opportunities and more equitable income distribution, to activate competition, exploit niche markets, enhance productivity and technical change, and through all of these it stimulate economic development. While the importance of large industrial and other enterprises for the growth of the Ethiopian economy cannot be denied, there is an ample evidence that the labor absorptive capacity of the small business sector is high, the average capital cost per job created is usually lower than in large business and its role in technical and other innovation activities is vital for many of the challenges facing the country (MoTI, 1997).

MSEs have been proving to be most vibrant at creating opportunities for workers to engage in productive activity, particularly when they have been forced out of other employment. Thus, MSEs have generated more job opportunities than large enterprises, particularly in non-farm employment. Today MSEs often represent a majority of all enterprises and have the potential to employ a significant proportion of the world's workers. MSEs are also especially important as the source of job for large number of women and people with disabilities (Fenwick et.al, 2007).

Micro and small scale enterprises (MSEs) which are considered to be the places where those whom the economy failed to absorb take shelter in are increasingly becoming important economic actors in generating income and employment

throughout Africa and other developing countries. This sector on average contributes about 67% employment to the total labor force in most of the developing countries (Yordanos, 2006).

Micro and Small Enterprises (MSEs) shares largest percentages of employment around the world. Recent research suggests that MSEs contribute to approximately 66% of total, full-time employment and generate 86% of new jobs in the formal sector. In low income countries, the MSE contribution to employment is even higher, at 78.25%, underscoring their importance in the economy. While MSEs are tremendous contributors to employment in developing countries, they are less productive than their larger counterparts, making their contribution to economic growth less evident (ANDE cited in Ayyagari, Demirguc-Kunt & Maksimovic, 2011).



Source: ANDE cited in Ayyagari, Demirguc-Kunt & Maksimovic, 2011

Figure 1: Employment Contribution by MSEs

2.3 Urban Unemployment Rate in Ethiopia

2.3.1 Unemployment in Urban Centers

Ethiopia's urban centers are characterized by a poorly developed economic base, a high level of unemployment and a troublesome incidence of poverty and slum dwelling. In 2006 about 16 percent of the country's total population or 11.7 million people live in urban areas. The urban population of the country is growing at a rate of about 4.3 percent per annum or increasing by more than half a million people per annum. The total urban population of the country will be 17.8 million by 2015 and 22 million by 2020. The combination of urban growth with the steady movement of people into towns is resulting in the over-crowding, the growth of slums, and unemployment. Urban unemployment is estimated to be 26% and up to 40% in the larger urban center. Nearly 40% of the nation's urban dwellers are living below the poverty line (MoFED, 2006). A higher rate of unemployment implies the loss of individual contributions to the growth of Growth Domestic Product (GDP) as well as the national economy, and hence a waste of human resource (CSA, 2012).

2.3.2 Trends of Unemployment Rate in Urban Areas

Unemployment in urban areas of the country shows declining trends in some years back. The overall unemployment rate declined from 22.9 percent in 2004 to 20.4 percent in 2009 and reach to 18.9 percent in 2010, the rate further declined to 18.0 percent in 2011. With regard to sex, the unemployment rate of male and female also shows a downward trend during the four survey periods too even though females are more affected with the incidence of unemployment than males. Moreover, youth unemployment rate was found 31.5 percent in 2004 survey. And the rate declined after five years to 26.0 percent in 2009 and dropped in to 24.5 percent in 2010 and reach 23.7 percent in 2011 (CSA, 2011). The 2012 survey shows the overall unemployment rate in urban is further dropped in to 17.5 percent from 18.0 percent in 2011 (CSA, 2012). But, this declining in unemployment rate couldn't bring the balance of labor market in urban centers because of high rate of population growth and migration of labor force from rural to urban.

2.4 Debates on the Growth of Micro and Small Enterprise (MSE)

Two schools of thought have emerged in the studies of MSEs. They are the *pro-MSEs* and *anti-MSMEs* perspectives. According to *pro-MSEs* argument the MSEs increase competition and entrepreneurship and thus have economy wide benefits in efficiency, innovation and productivity growth. The growth of MSEs enhances employment more than the growth of large firms because MSEs are more labor intensive, and hence the sectors are more productive than large firms but are impeded in their growth by distortion of markets, and both lack of capital and other non financial aid.

However, the *anti-MSEs* argues that small businesses are neither more labor intensive nor better at creating jobs than large enterprises and they have placed the effectiveness of MSEs in bringing growth and alleviating poverty under question. According to this view large enterprises may use economies of scale and more easily undertake the fixed costs associated with growth, increasing productivity. Moreover, they doubt the crucial role of small businesses and instead they emphasize the importance of the business environment facing all firms, large and small (Agyapong, 2010).

In addition to the above views, two theories were developed in relation to MSEs growth and economic development of the country. They are “classical” and “modern” theory. According to “classical” theories the “economic” contribution of MSEs in the course of economic development would decline gradually while those of large and modern enterprises could increased. The reflection of this theory is that poverty and MSEs are proportionally correlated i.e. there are many MSEs in developing countries than in developed ones. This theory however, is criticized for neglecting creation of new roles for MSEs by industries in response to changes of demand in world market. Because of these short coming of the theory, the modern theory was developed.

In 1980s the “modern” theories comes with the concept of “flexible specialization” which came into being as a result of a long debate over how to interpret the new global pattern of production caused by globalization forces and industrial restructuring. During this time individual production is becoming the dominant one instead of the mass in global production in which flexible specialization is seen as one of its most distinctive features. The main idea of the flexible

specialization is that MSEs can grow faster than large enterprises with the process of development and they are important as sources of invention, innovation and efficiency. It states that new technologies support the relative viability of MSEs, and reduce scale economies and lead to the development of smaller enterprises. The need to increase the ability of industry to meet rapid changes in demand in the world market rapidly can also form a new role of MSEs in developed economies. So, according to this theory on MSEs, in line with economic growth, the “economic” share of MSEs would raise (Tambunan, 2006). In both views and theories with some variants; however, one of the important issues common to all is the proposition that of MSEs can contribute to poverty reduction.

2.5 MSE development Strategy in Ethiopia

2.5.1 Overview of the MSE Sector in Ethiopia

The federal Micro and Small Enterprises Development Agency was established as an institute 60 years ago and has passed through different institutional names, accordingly:

- In 1942 it was named as Empress Mennen Handcraft School
- In 1977 it was organized as Handcraft and Small Scale Industries Development Agency
- In 1992 it was re-structured as the Development Agency for Handcraft and Small Scale Industries to provide effective services to handcraft and small scale industries
- In 1998 Federal Micro and Small Enterprises Development Agency was re-established by regulation of the Council of Ministers 33/1998.

One feature of the Ethiopian private sector as a whole is that it is highly dominated by micro and small enterprises, which are geared towards satisfying the needs of low income groups. Micro and small scale enterprise sector, accounting for the bulk of non agricultural economic activities, are highly concentrated in the production and consumption of textiles, food and beverage processing. According to the survey conducted by CSA in 1997, within the MSE sector, micro enterprises (handicraft and informal operators) account for 99.8% of total establishments, 99.6% of employment and 94.7% of gross value of production and 95.1% of the value added. Small scale manufacturing industries (SSMI) are mainly engaged in the manufacturing of food, fabricated metal, furniture and wearing apparels, which constitute more than 85% of the SSMI. Most MSEs are characterized by ease of entry and constitute the bulk of the population. They are

located in rural areas and lack access to basic infrastructure and lack formal technical education. It is well known that MSEs constitute the bulk of the private sector in Ethiopia which is the place for market economic system that can ensure success to the reform programs that the country embarked upon.

2.5.2 National Strategies for the Development of MSEs

The Government recognized the contribution of the small enterprises in the well being of the country. It has paid due attention to the promotion and development of MSEs for they are important vehicles to address the challenges of unemployment, economic growth and equity in the country. To this effect, it has formulated a National MSE Development and Promotion Strategy in 1997, which enlightens a systematic approach to alleviate the problems and promote the growth of MSEs. The overall objective of the strategy is to create an enabling environment for MSEs, with specific objectives to facilitate economic growth; bring equitable development; create long-term jobs; strengthen cooperation between MSEs; provide the basis for medium and large-scale enterprises; promote export; balance preferential treatment between MSEs & bigger enterprises.

The strategy targets support measures and beneficiaries such as small manufacturers in food, textiles, leather, clothing metal works, and crafts; self employment (focus on school leavers, disabled and unemployed youth); start-up and expanding firms (focus on women-owned); small enterprises in nomadic and disaster areas; agro-business and small scale farming and fishing; small builders/contractors; small exporters; as well as small-scale tourism operators.

Among the MSE support framework, the strategy focuses on creating and implementing an enabling legal framework as well as on streamlining regulatory conditions by establishing an user friendly environment for the simplification and standardization of documents such as business registration and licensing; financial and loan application; purchasing and sub-contracting document; export documentation and other commercial documents; registration of contracts with municipalities; and simplified tax declaration forms for small businesses.

Other specific support areas and programs in the strategy include the facilitation of access to finance; incentive schemes; encouraging partnerships, training in entrepreneurship, skills and management; facilitating access to appropriate technology, access to market, access to information and advice, access to physical infrastructure and the institutional strengthening of private sector associations and chambers (MoTI, 1997).

While the strategy clearly stipulates that the provision of meaningful supports require the vigorous and synchronized efforts of the various development actors including government bodies, non-governmental organizations, business associations, private enterprises, foreign agencies and similar others, government has been setting-up Federal and Regional Micro Enterprises Promotion Agencies aiming at providing the above services and coordinating efforts of the various stakeholders. The agency has also established a coordinated working relationship with regional government organs, regional agencies responsible for MSE development, NGOs and the private sector (MoTI, 1997). Even though, it might require substantiating with figures and facts, these efforts are not only inadequate but also fragmentary or uncoordinated. Moreover, the strategy does not address the informal sector and promotional measures do not target it. Mechanisms to link the two sectors did not exist.

2.6 Supports for MSE Development

In recognition of the socioeconomic role of the sector and its potential contribution to the country's economic development, the development of the Micro and Small Enterprise sector is becoming a subject of national importance. Small business is to be designated a priority sector for the government, in terms of policy formulation, direct support from its own resources and in the mobilization of external resources (MoTI, 1997).

The active promotion of the sector depends on the interaction of a wide range of actors in an equally wide range of support areas. It ranges from self-help activities of groups of small enterprises and the abolishing of regulatory obstacles to the better cooperation between small and bigger enterprises with respect to sub-contracting and other forms of inter-linkages and the granting of or tax concession by federal or regional government.

The importance of the micro and small enterprises sector, particularly for the low-income, poor and women groups, is evident from their relatively large presence, share in employment and small capital requirement. These are sufficient reason for governments and other stakeholders in development to be interested in micro and small enterprises. However, in the context of many developing countries, countries in transition in particular including Ethiopia, MSEs are also seen as an emerging private sector, forming the basis for private-sector-led growth. In Ethiopia, at the level of strategy and policy, these roles of MSEs have got recognition. The initiated various support programs include creating legal framework; improving access to finance; introducing different incentive schemes; encouraging partnerships; providing training in entrepreneurship, skills, and management; improving access to appropriate technology, information, advice and markets; and developing infrastructures (Gebrehiwot and Wolday, 2006). The notion is that appropriate business environment is essential for MSEs to become and remain competitive, move to higher return activities, and to grow and graduate to small and medium sized enterprise status, thus, creating new employment opportunities (Mulu, 2009).

2.7 Constraints that Hinder the Growth of MSEs

The growth of small business, in development, can be considered within a broader perspective that includes income diversification, increment of the revenue or profit, increase in number of employees and/or survival strategies. Firms that undergoing rapid growth are tends to be more productive than those with slow-growth. However, their growths are determined by the existing opportunities in the areas and their capacities to exploit that opportunities which again influenced by different factors (Nichter and Goldmark, 2005). So, MSEs' contributions in different dimension of development through employment generation, and hence poverty reduction; raising governments' revenue through taxation and the like (Tegene and Helmsing, 2005), are hindered by many factors.

In most developing countries, small businesses face a wider range of constraints and problems and they are unable to address the problems they face on their own, even in effectively functioning market economies. The constraints can exists both at the operation and start up level. It related to the legal and regulatory environments, access to markets, finance, business information, business premises, the acquisition of skills and managerial expertise, access to

appropriate technology, access to quality business infrastructure, social and cultural facts, and, in some cases discriminatory regulatory practices.

The constraints may differ from place to place, among sectors, or between individual enterprises within a sector. However, there are a number of constraints common to all MSEs. These common constraints faced by MSEs are lack of capital, difficulties in obtaining raw materials, lack of access to relevant business information, difficulties in marketing and distribution; low technological capabilities, high transportation costs; communication problems; bureaucratic procedures, especially in getting the required licenses; and policies and regulations that cause market imperfection (Tambunan, 2009).

In Ethiopia, even though different strategies were developed to support MSEs sectors, there are challenges that yet need to be tackled. Some of these challenges include: unfavorable legal and regulatory environments and, in some cases, discriminatory regulatory practices; lack of access to markets, finance, business information; lack of business premises (at affordable rent); low ability to acquire skills and managerial expertise; low access to appropriate technology; and poor access to quality business infrastructure (MoFED, 2009).

Generally, a range of factors play an important role in shaping the growth performance of a particular MSEs. Broadly the factors can be grouped into four categories: contextual factors related to the business environment, social or relational factors, firm characteristics, and individual entrepreneur characteristics (Nichter and Goldmark, 2005).

The details of some constraints were explained below.

a. Lack of clear and pragmatic national policy to enhance the development of MSEs

Despite the strategies such as the above mentioned and other rules and regulations that are in vigor in theory, most interventionist policies regarding MSEs are inappropriate and impractical. For instance, most government policies have a tendency to over regulate and limit the growth of private sector enterprises and they are over bureaucratized and unfriendly to support small businesses.

b. Lack of access to capital and credit

Lack of adequate investment capital, lack of sufficient loan, and inefficient financial market in terms of facilitating financial resources to entrepreneurs are the major obstacles in doing business, particularly in the informal sector. Most micro and small enterprises are highly risky ventures involving excessive administrative costs and lack the experience in dealing with financial institutions and do not have a track record of credit worthiness with banks. Since most banking institutions are reluctant to provide small enterprises with loan and credit, most MSEs is unable to secure collateral requirements. As a result of absence in financing, the creation of new enterprises and the growth and survival of existing ones will be impeded. Access to finance is a major bottleneck for the rapid growth and development of MSEs mainly due to targeted mechanism put in place to address the financial needs of small scale enterprises. Most micro and small enterprises do not have access to micro finance institutions and most banks are reluctant to avail credit facility to small enterprises unless they have acceptable collateral. The standard of loan appraisal, the long delay the banks takes to sanction loans, unfavorable disposition towards small loans and the limited collateral requirement, which is over 100% of the loan amount, are the major obstacles that small scale enterprises are facing at present. Moreover, the interest rate by most micro finance institutes, which is higher than the lending rate of formal banks, inhibits the effectiveness in addressing the needs of micro enterprises.

c. Lack of premise and land

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

d. Lack of entrepreneurial, managerial and other skills

There is a general lack of knowledge entrepreneurial and managerial capacity and marketing experience. Lack of skilled labor, which in turn leads to problems in production due to the unfamiliarity of workers with rapid changing technology, lack of coordination of production process, and inability to troubleshoot failures on machinery and/or equipments is a critical

problem that MSEs are facing since they cannot afford to employ specialists in the fields of planning, finance and administration, quality control, and those with technical knowledge.

e. Lack of sufficient marketing and promotional support

There are no sufficient institutional facilities that nurture the promotion, growth and development of MSEs. Marketing their products effectively as well as accessing and acquiring information on business opportunities are the major bottlenecks that small and micro entrepreneurs face all over the country.

f. Lack of skilled workforce

The most common form of acquiring skills in the MSEs sector is through apprenticeships. Though the formal education system prepares students for paid employment, there are very few vocational institutions that cater for developing skills. This inevitably leads to low level of innovation in almost all sectors of the economy, severe shortage of training opportunities for potential entrepreneurs.

g. Socio cultural constraints

The following socio cultural problems are considered affecting the development of MSEs in Ethiopia:

- Lack of enterprise culture in the country, which required a drastic change;
- Considerable lack of positive attitude in the country;
- Excessive corruption, which actually constrain private enterprise

h. Arbitrary and subjective tax system

Most MSEs, particularly the small scale operators, are subject to subjective tax system as most of them do not have a proper accounting system. Taxation is based on estimation of earnings and is highly subjective. Moreover, small scale operators face higher water and electricity tariff.

i. Lack of formal or informal linkages or business cooperation among enterprises

The other factor that hinders growth and expansion of MSEs is the effectiveness with which they interact with large or similar firms. In other words, formal and informal linkages or business cooperation through networking are not common. Large public enterprises and the few foreign

affiliates do not outsource some of their operations to local MSEs. The legal and institutional mechanisms to enforce contractual obligations and government policy to design appropriate incentive mechanism to encourage the expansion of business linkages/sub contracting managements is at its infant stage.

The development of MSMEs requires concerted efforts on the parts of all government institutions. In this regard, issues related to tax, information and availability of working premises need to be addressed to facilitate the development of MSEs. While national policies play an important role in the development of MSEs, targeted interventions are much more effective to bring about a rapid change in the growth of MSEs' support services at the firm level. These are important mechanisms to ensure efficient allocation of resources by MSEs for them to grow and expand their operations. The promotion of MSEs needs to aim at creating a robust and dynamic private sector. There should be enhancement of enterprise growth and excellence. MSMEs tend to be driver motives of survival rather than technological upgrading and growth (CLEP, 2006).

2.8 Empirical Evidence

The study conducted in Nigeria shows micro and small enterprises have played key role in increasing family welfare; and socio economic development through employment generation, provision of services, distribution of goods, and production of primary products. Their growth is however hindered by poor managerial skills; absence of proper accounting records; difficulties arising because of government policies; absence of infrastructural facilities, lack of capital and inadequate credit facilities (Aondona, 2012). In addition (Anthony, 2005) identifies top ten problem areas of small business in Nigeria in decreasing order of intensity as: management, access to finance, infrastructure, government policy inconsistencies and bureaucracy, environmental factors, multiple taxes and levies, access to modern technology, unfair competition, marketing problems and non-availability of raw materials locally. Thus managerial problems represent the greatest problem facing MSEs in Nigeria while non availability of raw materials locally is the least problem.

(Abiyu, 2011) identifies the major challenges and constraints which affect the growth and profitability and hence diminish their contribution to development. He puts lack of working premises, lack of working capital and access to credit, lack of market access, inadequate availability of infrastructure, lack of managerial training and experience; and scanty of marketing information as constraints of MSE in Burayu. According to Ephrem 2010, MSEs have positive role in income raising, creation of job opportunities and improving the quality of life of both employer and employees in Gulele sub-city of Addis Ababa. However, shortage of startup capital; high interest rates; lack of skilled personnel; inadequate support from Government/NGOs; high-priced tax and /or rent and lack of production place are among the major constraints for the operation and growth of MSEs in the sub-city.

Generally, MSEs have great potential to achieve the desired development and to alleviate poverty and unemployment. They do have the capacity to increase the level of income of individuals and to improve the living standards of the poor because they need low startup capital and their potential to absorb the huge proportion of the uneducated or the low educated work force, which is the reality in the poor countries. In conclusion, MSEs are important means in poverty alleviation through employment creation and income generation for low-income groups with limited opportunities, which is the focus area of the study that the research will discuss and analyze further in the following chapters.

2.9 Conceptual Framework

By referring the previous research and other studies, the researcher attempts to develop a conceptual framework for this study. The concept of the framework is that viable micro and small enterprises can contribute to creation of the employment opportunities, development of human capital, equal income distribution and as a base for large enterprise which then brings a raise in income level of the poor. This is shown in the following diagram;

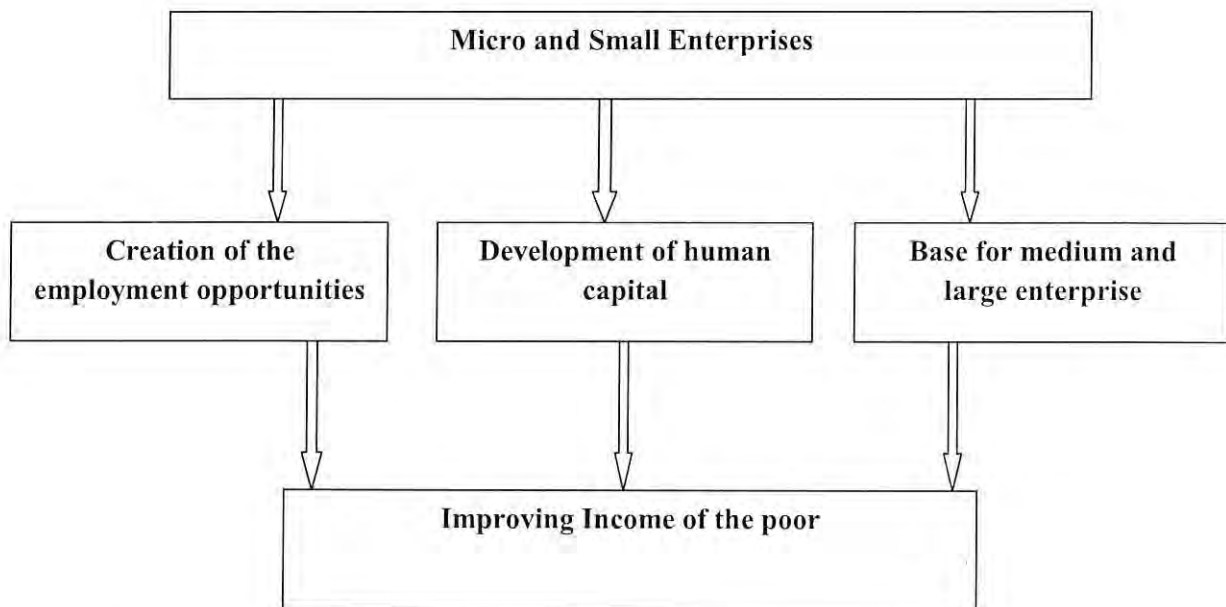
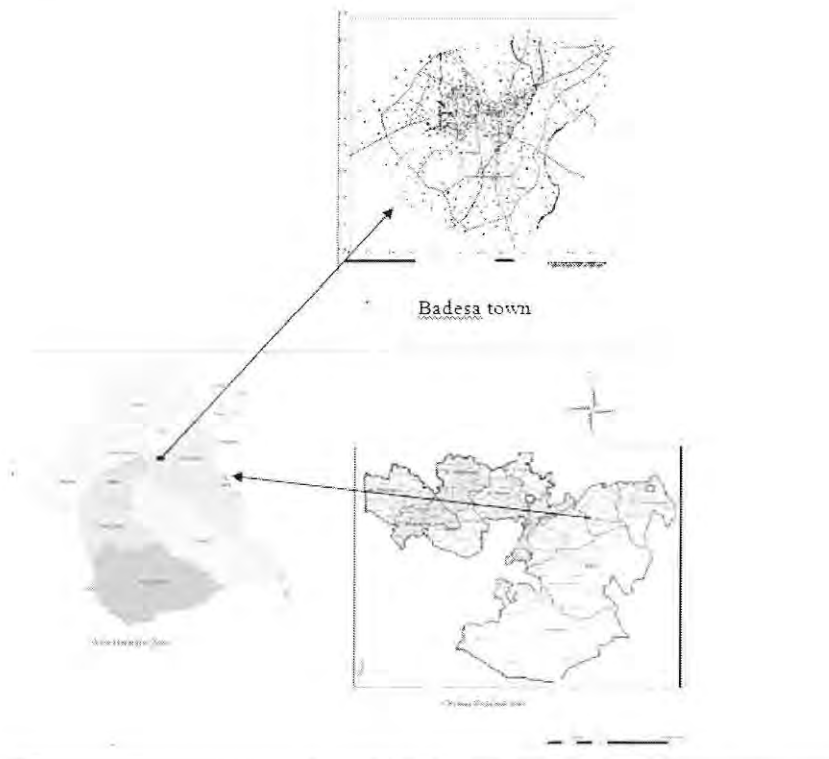


Figure 2: Conceptual frame work

CHAPTER THREE: METHODOLOGY

3.1 The Study Area

Location: Bedessa is the capital town of Oda Bultum Woreda of West Hararghe administrative zone in Oromia Regional state. It is located at distance of 367km East direction from the capital city Addis Ababa. Astronomically the location of the town is between $8^{\circ}, 54'15''$ N latitude and $40^{\circ}, 56'40''$ East longitude. Badessa Town is bounded by two rivers that are Kolu and Jewis, the former one flow throughout the year where as the later is Seasonal in nature. It shares common boundaries with East Harerge Administrative zone, and Boke, Habro, Guba Koricha, Gemmechis and chiro woredas.



Source: Urban Development bureau of Badesa town

Figure 3: Map of the study area

Climate: The climatic condition of the town is sub tropical. The mean annual temperature of the town is around 21°C and the annual rainfall is ranges between 1000mm-1200mm.

Population: According to (CSA, 2007), the town was inhabited by a total of 18,187 populations of which 9,592 are male and the rest ones are females. The total numbers of households were 4220.

Socio - Economic Condition

Trade and commerce is the basic economic activities in the town. 85% of the population mainly engaged in trade and commerce. And the rest 15% is either employed in governmental and non-governmental organizations or agriculture. From agricultural products, chat is the major source of revenue for the town. Most of the urban poor led their life by trading chat, and more than 85% of the municipality revenue source is from tax levied on chat, that daily export to the other area of the country. It was playing the pivotal role in the overall socio-economic activities of the town. The secondary and tertiary goods are highly imported from Harer, Jijiga, Addis Ababa and from other nearby towns by the private trade enterprises and finally retail to the residents.

Source: Badesa town Administration

Employment

Table 1: Employment status and enrollment rate in education of Badesa town population

Age category (percentage)		Literacy and enrollment rate (percentage)		Employment Status (percentage)	
< 9	24.89	Literacy status	70.88	Employed by Government	13.29
10-19	28.31	GERPS	92.09	Privately employed and employers	6.96
20-29	20.06	NERPS	58.61	Employed in domestic work	1.74
30-39	13.38	GERHS	90.30	Self employed people	51.50
40-49	6.44	NERHS	25.87	Farmers	4.84
>49	6.92			Others	21.67

Source: CSA, 2007

GERPS = Gross enrollment rate in primary school

NERPS = Net enrollment rate in primary school

GERHS = Gross enrollment rate in high school

NERHS = Net enrollment rate in high school

3.2 Research Design

In this study the before and after research design was used. To measure changes as per objective of the study, the respondents were asked to compare the conditions before starting the business with that of current/after joining the sector. In this way the employment opportunities, change in income level, improvement in their houses, capacity to pay for medical services and school fee were compared before and after the establishment of MSEs to see it's the contributions.

3.3 Types and Sources of Data

Both primary and secondary sources of data were employed to generate reliable information. Primary data are collected from Micro and small enterprises' operators found in the town and officers of MSEs development agency. On the other hand, the secondary data was collected from different published and unpublished documents, books, magazines and related literatures.

3.4 Sampling Procedure

To draw sample respondents for the study, stratified random sampling were employed. There are 470 MSEs owners operating in 103 enterprises in the town. All these individuals were taken as the population of the study. They were stratified according to the enterprises they were engaged in and from each stratum (enterprise) one individual was selected randomly. The rationale for the selection of one individual from each stratum is that each individual knows the problems or constraints of their enterprise as well as its contributions on their living standard. The profit derived from the enterprise also shared among them equally. Hence, the objectives of this study were to assess the contribution and constraints of the MSEs in the area, one individual can give the required information about their enterprise. So the researcher was decided to take one respondent from every enterprise. Accordingly a total of 103 respondents were selected for the study.

3.5 Data Collection Techniques

In order to collect both quantitative and qualitative data, the researcher was employed both questionnaire and focus group discussion for primary data. Moreover, secondary data were generated by referring the sources of data.

I) Questionnaire

To collect data from the selected respondents the questionnaires which include both open and closed ended questions were used. The questions were filled by the enumerators by asking the respondents each question one by one. In addition, interview was held with the key informants (government officials) to know the general information about the sectors with some guide line questions prepared for this.

I) Focus group discussion (FGD)

The FGD was conducted with some individuals to generate qualitative data. This data was triangulated with those from other respondents to check the validity of the data. Two FGD were held for the purpose of this study. One with the government officials in MSEs bureau and the other was with the members of the enterprises. While selecting the participants of the FGD with members of the enterprises, an effort was made to ensure diversity and representation in terms of the sectors they were involved in and group members of the enterprises.

3.6 Method of Data Analysis

The data gathered through different tools were analyzed using descriptive methods. To process the data, the researcher were used all the necessary data, and data were organized on the basis of common characteristics. The analysis was carried out with the help of SPSS. Finally, the results were presented by graphs, charts and tables.

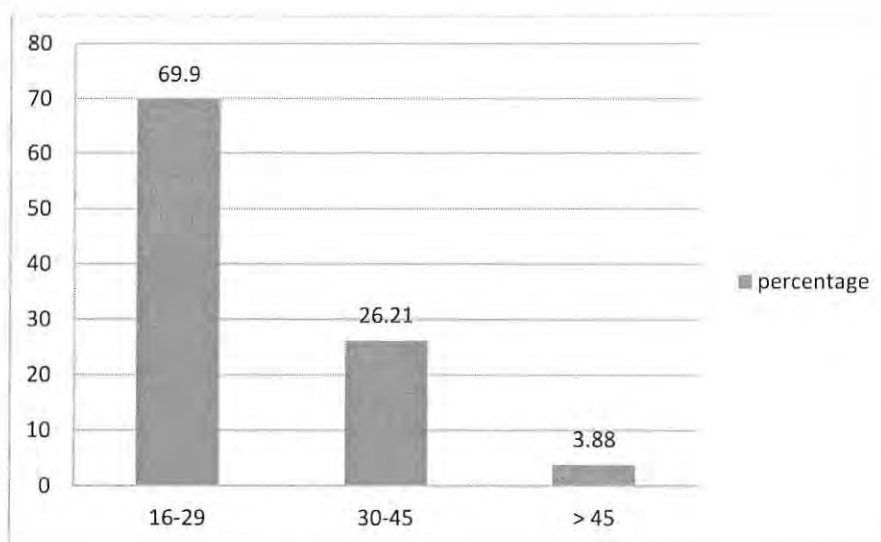
CHAPTER FOUR: RESULT AND DISCUSSION

This chapter deals with presentations, discussions and interpretations of the data collected from micro and small enterprises in Badesa town. It presents the role of MSE sectors in income generation, creation of jobs for those who do not have work and the problems that hinders their growth in the area.

4.1 Demographic Characteristics of the Respondents

4.1.1 Age of Respondents

The strategies of MSEs in our country were focused on reduction of unemployment problem as a main objective especially among the youth. Accordingly many people in youth stage and some people in other stage of age category have been benefitting from these sectors in the town. The figure below shows the age category of the respondents:



Source: own survey (2013)

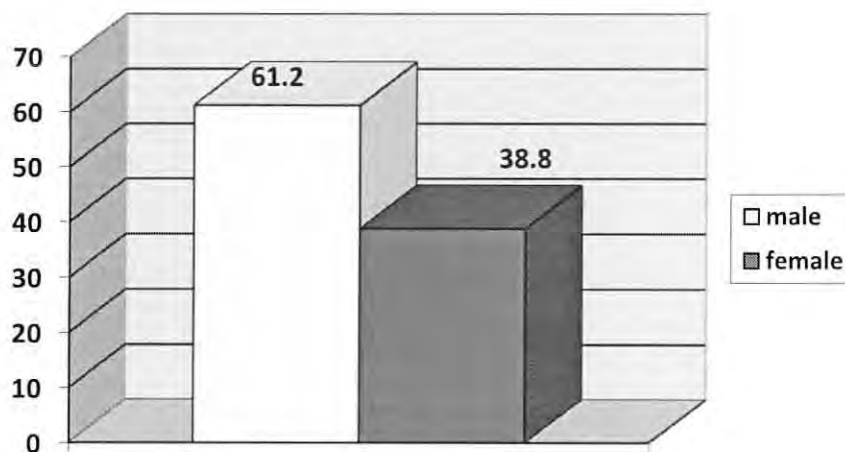
Figure 4: Age of Respondents

The above figure shows that 69.9% of the respondents were in the 16-29 years (youth stage), 26.21% in 30-45 years and the rest 3.88% were above 45 years. This shows that most of the beneficiaries of the MSEs in the town are youth and hence the sectors are reducing the expansion of unemployment in the towns especially among youths. The sector was serving the productive

sections of the societies since its main objective of the sector (MOTI, 1997, GTP, 2010). Still the participation of the youths in the sector is not enough to reduce the unemployment problem in the town. In the study area, the work habit of generating one's own income before marriage were not known especially among females and hence they dependent on their parents until they gets married. The other thing what one can observe when he/she come across the area is that many people in productive age group were expends their time on chewing chat. These accounts for the reason why MSEs were not widely expanded among youth though there is unemployment problem in the study area in addition to other constraints for the performances of the sector.

4.1.2 Sex of the Respondents

In our society, during previous time women were expected to perform household shores and hence neglected from economic activities expecting their income only through their husband. In contrast, today women were got the chance to participate in productive role other than household works that were perceived as women work. For example, they were given priority in micro and small enterprises strategies that were developing in recent time. So, MSEs are empowering women in addition to job creation and diversifying of income of household. In this study the attempt was made to identify the proportion of both sexes in the sector. In the figure below the percentage shares of both sexes in the total respondents were shown.



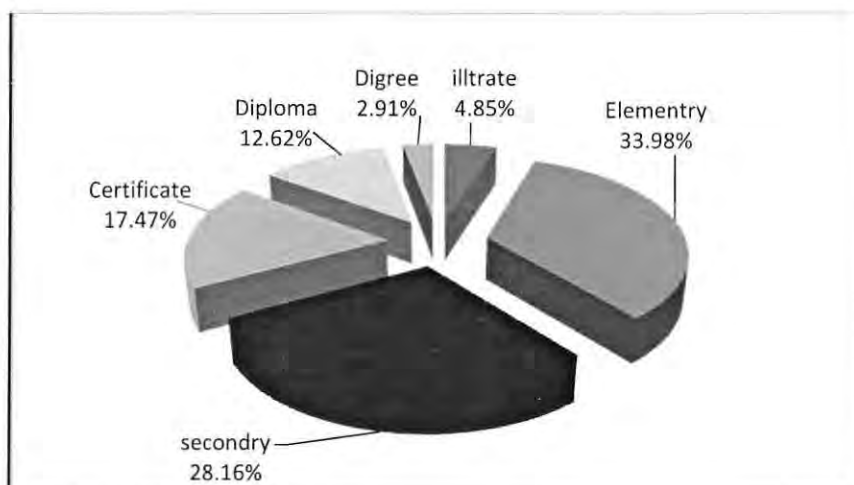
Source: own survey (2013)

Figure 5: Sex of the respondents

The study shows that both sexes are engaged in the operation of microenterprises in the study area though the proportion of the females out of the total beneficiaries of micro and small enterprises is lower than that of males. It indicates that compositions of male in the total owners of MSEs are 61.2% while that of females are 38.8%.

4.1.3 Educational Level of the Respondents

Up to date MSE sectors are known as the work of the uneducated person. Having this idea in their mind, the parents does not allow their children (those graduated from different institutions) to join the sector rather they initiate them to find out the work in public organization. This negative attitude toward the sector does not exist among parents only but also among the graduates of different universities, college and TVET organizations. Many of them were leaving the country and searching for jobs (especially to Arab countries) instead of joining the MSEs sector. Though there are many training about the sectors, still this misconception widely exists in the community. In this study the respondents were asked about their educational qualification and the results were summarized in the following pie chart:



Source: own survey (2013)

Figure 6: Educational level of the respondents

According to the above figure 6, about 4.85% of the beneficiaries are illiterate (not joined the formal education). Among those joined the formal educations 33.98% and 28.16% were leaved their education at elementary and high school level respectively before entering college and university.

And from the rest 17.47%, 12.62% and 2.91% have certificate, diploma and degree respectively in the area of their study. These percentages shows that micro and small enterprises are creating a job and hence generating income for many individuals who were dropped out of school because of either financial problems or other reasons. In other words, both governmental and nongovernmental offices require higher educational status and experience as the criteria to hire the employee in their organization. Hence, the possibilities of finding a job for those who are illiterate and unable to graduate from higher institution are very rare. But as one can observe from the above pie chart MSE sectors are the home places for all categories of people including the illiterate one.

4.2 Business Information

4.2.1 Sources of Business Skill

Skills in specific enterprises activities are very useful and ingredients helping the businesses to win the game of competition through smoothly working to achieve their objectives to be mutually benefited with customers. Individuals can get these skills from different places either through education and/or training or from the society in which they are dwelling and working with. They can also develop the skill after they enter to the business.

Table 2: Sources of Business Skill

How did you get the business skill?	Frequency	Percent
Previous experience	17	16.50
Developed after starting	61	59.22
Education	10	9.71
Training	15	14.56

Source: own survey (2013)

The above table indicates the sources of business skills for participants in MSEs. As indicated in the table majority of the respondents (59.22%) were developed their business skills after they start the enterprises. About 16.50% of the respondents told that as they were working by the skills they already have. They grouped together on the similar activities they were working before starting enterprises. Those working in their field of study (education) share 9.71% of the total respondents. The training on the business activities were also a base for some of the respondents (14.56%). Training on technical skills, business management and book keepings

which are very important for MSE entrepreneurs were given to the beneficiaries as part of sector's promotion program.

4.2.2 Reason for Starting the Enterprises

Business operators have different factors behind their motive to start their businesses. The reason for some were being unemployed or to generate other sources of income. The table below shows the reason why the respondents were the MSEs sectors.

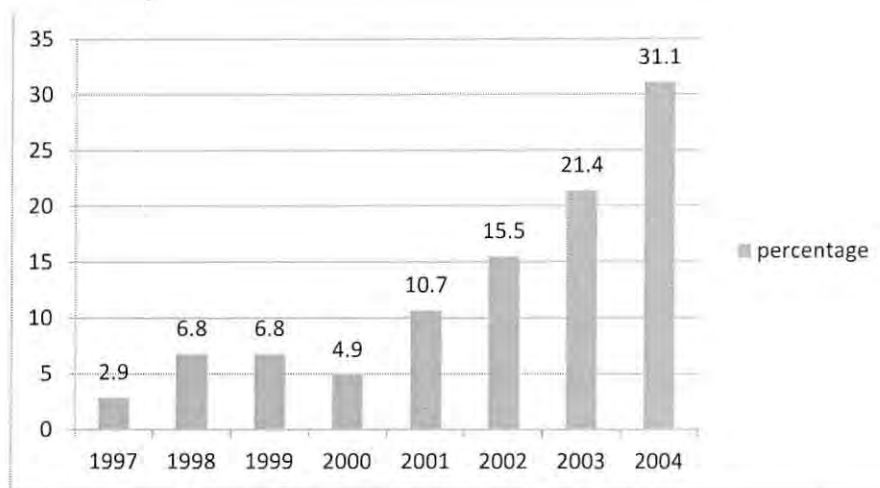
Table 3: Reason for Starting the Enterprises

What initiates you?	Frequency	Percent
Lacking jobs	31	30.1
Government motivated	15	14.56
To generate my own income	41	39.81
Motivated by peers	7	6.8
Thinking that working in group is better than alone	9	8.74

As shown in the above table 30.1% of the respondents were joined the sector because they were not employed in any work. The governments were also playing a role in motivating people to come to this sector as 14.56% of the respondents were forwarded the government intervention as the reason for their joining the sector. About 39.81% joined the sector to generate their own income (to become independent). The rest 6.8% and 8.74% were motivated by peer group and thinking that working in group is better than doing alone respectively.

4.2.3 Establishment Year of the Enterprises

In our country, MSEs as a strategy to create a job and poverty alleviation were started in 1997 (MoTI, 1997) and it is being practiced till now. At the first time only small number of people entered to this sector. However, currently large numbers of people are entering to the sector as compared to the time when the strategies come in to practice. In the study area also the sectors have been expanding gradually. The establishment year of the enterprises were depicted in the figure below.



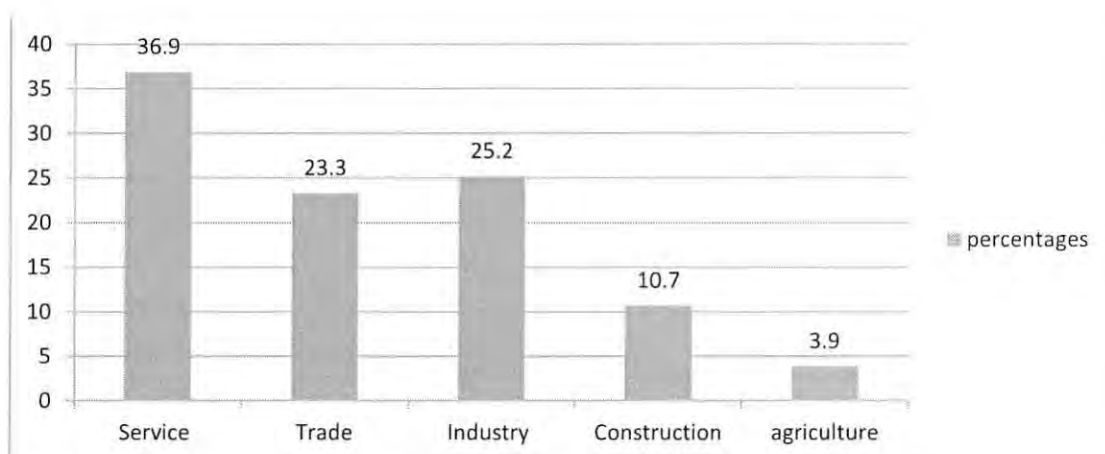
Source: own survey (2013)

Figure 7: Establishment year of the enterprises

As indicated in the above figure, the expansion of the MSEs in the town was slow until 2000 E.C year. Starting from 2001 E.C the trends in the expansion of the sector is higher than the trend existing before this year. Out of the total enterprises in the area only 21.4% were established until 2000 E.C (the summation of percentages of enterprise from 1997 to 2000). During the first year, only 2.9% of the enterprises were developed and in each two successive years 6.8% of the total enterprises were established while 4.9% of the totals were in 2000. From the rest percentage of the enterprise 10.7%, 15.5%, 21.4% and 31.1% were established in each year starting from 2001 to 2004 E.C respectively. So the result shows that the recent expansion rate of the enterprises are high as compared to trends in the early time and the participations of the communities in the sectors are now increasing from time to time.

4.2.4 Types of enterprises

The types of the sectors found in the town are services, trades, industry, constructions and agriculture. The types of enterprises that can be established by individuals are influenced by many factors. At firm level the skill of the members and capitals they have are among the factors that directs the individuals to the types of enterprise they have to establish. Figure below shows the types and percentage share of enterprises in each sector.



Source: own survey (2013)

Figure 8: Types of Enterprises

In study area the service sector shares the highest percentage from the total number of the MSEs sectors while the agriculture takes lowest percent. According to above graph, 36.9%, 23.3%, 25.2%, 10.7% and 3.9% of total enterprise are service, trade, industry, construction and agriculture sector respectively. The services, trades and industry are the top three sectors that are widely expanded in the town.

4.2.5 Current Employees of the Sector

Table 4: Total employees in each sector

Sectors	Numbers of enterprises	Total employee in each sector
Service	38	162
Trade	24	105
Industry	26	132
Construction	11	54
Agriculture	4	17
Total	103	470

Source: own survey (2013)

Though many individuals were withdrawn from the enterprises they were joined at first time, currently 470 individuals were operating in MSEs as the owner of the enterprises. From the table: 2 above, it was service sector (162) that holds large numbers of the operators (owners)

followed by industry sector (132). Trade, Construction and Agriculture holds 105, 54 and 17 individuals respectively as the owner of the enterprises.

4.2.6 Sources of Micro and Small Enterprises' Financing

The access of finance at starting time is paramount important to establish the competitive enterprise in the market. During operational level also it used to acquire and utilize modern technology, purchase critical raw materials and makes the business vigor. The sources of capital can be raised from multiple sources. A business owner uses different sources of funds to start and operate their enterprise. Some of them start their business by taking a loan from financial institutions. Others got either from personal saving, family and relatives, or other private person. The Oromia Credit and Saving Share Company is one of the institutions playing a great role in providing the credit services to MSEs sector in the study area. Though it was terminated, there was also nongovernmental organization raised a fund for some enterprises in the area. But these institutions are inadequate to provide money for all enterprises. In case when financial institutions are unable to provide money, it is hardship for many people to start up the enterprise as they basically poor. In this study the majority of the respondents said that as they got their initial start-up capital from their own personal saving, and family and relatives. The table below shows the financial sources of start-up capital of the enterprises in the study area:

Table 5: Financial sources of start-up capitals of MSEs

Sources of finance	Frequency	Percent
Personal saving	31	30.09
Family and relatives	38	36.89
From private person	11	10.67
NGOs	8	7.77
Oromia Credit and Saving Sharing Company (OCSSC)	15	14.56

Source: own survey (2013)

As indicated in the above table, 30.09% of MSEs were started their business from their own personal saving. It is not to mean that their own capital is enough rather due to their failure to get access to finance at the right time from other sources though there were some people who do not want to take a loan. There are also those started their enterprise by taking the money from their family and relatives. They constitute 36.89% of the respondents out of the total samples. 10.67% of the beneficiaries started their enterprises by the loan they got from private individuals. Out of the total 7.77% and 14.56% of the respondents got their funds from NGOs and Oromia Credit and Saving Sharing Company (OCSSC) respectively. The percentage share of those got the funds or credits are small relative to the whole enterprise in the town. This indicates that as there were some gaps in access of finance/credits to enterprises from the financial institutions in study area.

4.3 Role of MSEs in Creation of Job Opportunities

The intention for the promotion and development of MSEs is that considering it as important vehicles to address the challenges of unemployment, enhance economic growth and equity in the country. The growth and expansion of large scale enterprise are often inadequate to create job opportunities for large segments of the labor force in a country like ours where there is high population growth and hence there is problem of unemployment. Instead the MSEs has got due attention as it labor intensive than the large enterprise.

Basically the sector was intended to create job opportunities for those unemployed in other work. But people may want to join the sector because of some opportunities they will get after they come under the MSEs bureau. The opportunities are like not paying the tax in the first three years, providing working house (sheds) at low cost, access to credit from financial institutions and other services. To know their previous work occupation, the respondents were asked about their work or employment situation before entering to this business and summarized in the table below.

Table 6: Previous work status of the respondents

Previous work of the respondents	Frequency	Percent
No work	18	17.5
Have work	42	40.8
Student	43	41.7

Source: own survey (2013)

According to the survey conducted, 17.5% of the respondents did not have their own work and they depend on others for their sources of income before starting the enterprises. 40.8% has their own work and hence generates their income though they were not satisfied with that work. The rest 41.7% of them were in school immediately before joining the enterprise. This shows that the sector was creating a job opportunities for unemployed people though there was also some people joining the sector by leaving their previous work or starting it as additional sources of income.

Table 7 : Job Created by each Sector after Establishment

Sector	Number of people employed	Percent (%)	Number of jobs created per enterprises (ratio)
Industry	45	52.94	1.73
Construction	5	5.88	0.45
Services	21	24.70	0.55
Trade	12	14.11	0.5
Agriculture	2	2.35	0.5
Total	85	100	

Source: own survey (2013)

The MSE sector is characterized by highly diversified activities which can create job opportunities for a substantial segment of the population. Once the enterprise was established it further hires additional people to carry out their activities. The role one enterprise has in job creation depends on its success. The success or the performance of one enterprises results further expansion of its activities or opening up of new branch which needs additional employee. So, the

sector has the power to create a job not only for those starts the enterprises but further it hires additional people to conduct the activities. This indicates that the sector is a quick remedy for unemployment problem. However, some sectors are better than the other in absorbing large number of employees. So, it is needed to focus on the sector which can create a job for large segment of unemployed people. In this study, though the number of group members are decreased in many enterprises, the MSEs sectors creates a job opportunities for many job seekers who do not have capital (collateral to take credit) to start up their own business. The attempts were made to see the number of people got the chance to be employed in existing enterprises and the sector in which they employed. The survey result in the above table shows that 85 people got the chance to be employed in the enterprise in addition to those employed as the owners of the enterprises during starting time. This indicates that MSEs are playing an important role in reducing unemployment problem in the area. According to the data in table 7 above, it was industry sector that creates job opportunities for many people (1.73) per enterprise. On the other hand, it was the construction sectors that absorb small number of individuals (0.45) per enterprise comparing to other. Out of those got the chance to be employed in the existing enterprise, 52.94% were included in the industry sector and the other 5.88%, 24.70%, 14.11% and 2.35% are employed in construction, services, trade and agriculture sectors respectively.

The result obtained from focus group discussion held with MSEs development officers also reveals that as the existing enterprises were creating job opportunities for many individuals in the area. Generally, both sources witness as micro and small enterprises can absorb substantial number of unemployed people either permanently and temporarily.

4.3.1 Trends of employment in the enterprises

A change in employments of an enterprise is one way in which the performances of the enterprises are measured. So the trends in numbers of employment can show the performance of the enterprises overtime. The respondents (owner of the enterprise) were asked about the trends in the number of group members if any and the reasons for the any changes in group members until the survey time.



Table 8: Trends of employments in the enterprises

Trends in Employment	Frequency	Percent (%)
Decreased	50	48.54
Constant	42	40.78
Increased	11	10.68
Total	103	100
Reason of change in employment		
Conflict between members and not obeying code of conduct	24	39.34
Want to have private business or getting the chance of joining other work	13	21.31
Death and health problems	3	4.92
Thinking that the business were not profitable in the future	10	16.39
For strengthening the existing enterprises	7	11.48
Shortage of employee for the required activity	4	6.56

Source: own survey (2013)

The trends of employment in enterprises can be increased, decreased or remain constant. In study area the change in employee were exist in many enterprises. Some of the enterprises are expanding and absorbing large numbers of people. According to the table above, out of the total enterprises the initial numbers of employees were not changed in 42 (40.78%) enterprises. In some other, the employee was either increased or decreased. Those enterprises in which their numbers of employees decreased were 48.54% and that of increased in their employee were 10.68% out of the total enterprises.

The change in employee may occur due to different reasons. In some enterprises the individuals were added to it while they are still working but unable to carry out their activities effectively, for example, like in case of enterprises collecting solid west and protecting the sanitation of the town. In others the individuals were added to them when the initial employees were reduced. This is important for strengthening of those enterprises rather than waiting until they failed and dispersed apart hence reforming it is easier than establishing the new enterprises. Adding individuals to the existing enterprises in which their employees were decreased is important than

forming new enterprise since establishing new enterprise require some initial process and takes long time.

The respondents were asked about the reason of why the numbers of employees are changing in their respective enterprise. Among the enterprises in which the employments were increased, 11.48% were said that the employee were added to strengthen their enterprise and 6.56% were said that the addition of employee were due the requirement of human resource to carry out the activities. For those which their employees were decreased, 39.34% the respondents point out as the conflict between members and not obeying the code of conduct of the micro and small enterprise are the reason why members are drop out from the group. During the focus group discussion with the members of micro and small enterprise office of the town, they also forwarded this issue as the main reason for the reduction of the employee in some enterprise. The other 21.31%, 4.92% and 16.39% of the respondents said that the reason for the reduction of employee in enterprises are wanting to have private business or getting the chance of joining other work, death and health problems, and thinking that the business were not profitable in the future respectively.

4.4 Role of the MSEs in the Living Standard of the Beneficiaries: Income, House, Medical services and Schooling

4.4.1 Roles of the MSEs in income generation

As described in literature review, micro and small enterprises has been generating income for large number of people both in developing and developed countries though it was in state of informal sectors. It is the home in which poor people live to change their living standard. It uses local resources, small amount of start-up capital, and hence it is accessible to the poor people. It also creates job opportunities for marginalized group of people like women and those with disabilities. It is the means of diversifying income of household.

In study area, the sectors were generating income and hence reducing dependency of many individuals from others or their parents. Thinking MSE as the last option to generate one's own income is being reduced. Now, people joining the sector are not only those do not have source of income or dependent on others but they also entering the sector by leaving their previous sources of income or changing the existing enterprise to this sector thinking that the sector is fruitful for

generation of income. The respondents were solicited about their sources of income before and after starting this enterprise and it were summarized in table below:

Table 9: Income sources of the respondents before starting the enterprises

Previous sources of income	Frequency	Percent
Parents/relatives	35	33.98
Salary in government bureau	5	4.85
Other own business	28	27.18
Agriculture	6	5.83
Spouse income	15	14.56
Daily labor	14	13.59

Source: own survey (2013)

In the study area some of the people joined the sector were working in government bureau, private business, agriculture, as daily laborer or depend on others as their sources of income before joining the sector. According to the table above, among the total beneficiaries of the MSEs 33.98% were got their previous income from their family/relatives. 4.85% were generating their income from salary in government bureau. The percentage of the respondents those were generating their income from other own business are 27.18% of the total respondents and those depend on agriculture as their sources of income before starting the enterprises were 5.83% out of the total beneficiaries. The rest 14.56% and 13.59% were got their income through their spouse and daily labor respectively. This shows that about half of the respondents were dependent (family/relatives and spouse) on other's income.

Table 10: Current Sources of Income Other than this Enterprise

Current sources of income other than this enterprise	Frequency	Percent
No other income	59	57.28
Parents/relatives	15	15.56
Husband or wife income	13	12.62
Other business	16	15.53

Source: own survey (2013)

Currently some beneficiaries have other sources of income in addition to the enterprise they were engaged in but the majorities were dependent only on the enterprise as the sources of income. As shown in the table above, 57.28% of them were generating their income only from the enterprise. Those depend on family or relatives were 15.56% out of the total respondents. The other 12.62% has additional income from the work of their spouse. Still 15.53% has additional sources from other business. The table 9 indicates that previously the majority of the respondents were depends on their parents for their income generation. But now the majorities were getting their income from the enterprises only (see table 10). This shows that MSEs sectors were contributing in generating incomes for the people and hence reducing dependency of individuals on others.

4.4.1.1 Current Income Level of the Respondents Comparing to the Previous

Generating income for individual is not means that the enterprise is profitable and the owners are satisfied with their enterprises. The income they got may not enough to improve their living standard though they are trying their best because of inappropriate working place or other reason. As a result they may want or forced to change the current enterprise place, and types of enterprise they involved in or totally shutting down the enterprise. The respondents were asked to judge their current income with previous one, and their future plan relating to the enterprise. They supposed to choose from terms in the table below to describe their current level income with the previous one.

Table 11: Current Income Level of the of the Respondents

What is your current income comparing to the previous one?	Frequency	Percent
Decreased	4	3.9
Constant	5	4.9
Increased	71	68.9
Highly increased	23	22.3

Source: own survey (2013)

From the table above, 3.9% of the respondents said that their current levels of income were decreased after they joined the enterprise. And 4.9% of total respondents replied that as their

income level were remain constant. This shows that the involvement of these beneficiaries in this sector was not bring an improvement in their living standard. Moreover, out of the total respondents 68.9% were said that their income were increased and hence improved their living standard. While 22.3% were said their incomes were highly increased after they joined this enterprise. From the total respondents, those their income were not improved were only small percent. This means the sectors were playing a vital role in increasing the income level of the beneficiaries.

Table 12: Future Plan of the Business Owner

Future plan of the owner	Frequency	Percent
Further expanding	81	78.6
Shutting down	5	4.9
Change to other enterprise	17	16.5

Source: own survey (2013)

The enterprise owners could have different future plan related to their businesses. Those do not benefitting from it may want to shut down totally or find other option to become profitable in their activities. Further expanding of the enterprises occurs when the owners are achieving the success and growth in the existing enterprise. According to this study, 78.6% of the total owners of the MSEs in the town have future plan of further expanding of their enterprises. 4.9% of the respondents want to shut down the enterprises. They want to leave the work conducted in group as they were not benefiting from it. The other 16.5% of the total owners want to change the existing enterprise to the other type. This shows that the majority of the respondents were happy with the activities they were in engaged in.

4.4.1.2 Capital Levels of the Enterprises

Change in capital levels of the enterprises is the other important dimension in which the growths of enterprises were measured. The summary of the total capital of the whole were presented in the table below.

Table 13: Change in total capitals of the enterprises

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
initial capital	103	1000.00	59000.00	1940000.00	18812.00	17121.67985
current capital	103	7000.00	500000.00	8160000.00	79205.00	89294.72547

Source: *Bedesa Town Administration, Micro and Small Enterprise Office*

In the above table 13, the current mean of capital of total enterprises were increased more than four (4) times than the mean of initial capital of the total enterprises. This indicates that the sector has an undeniable contribution in increasing the capital and hence the income of the participants.

As described in literature reviews, the enterprises were categorized into micro and small enterprises by the capitals they paid up and their employees. The definitions were:

❖ Micro

- ♣ Service, Trade and Agriculture (< 50,000)
- ♣ Industry and Construction (<100,000)

❖ Small

- ♣ Service, Trade and Agriculture (<500,000)
- ♣ Industry and Construction (<1.5million) (FeMSEDA, 2013)

Based on the capital they currently have the enterprises were classified into micro and small level. According to this survey some of the enterprises were achieved a growth which made them to transform from one level to the other while some were still in their initial level (micro or small) though their capital were increased.

Table 14: Changes in Levels of the Enterprises

Initial level of enterprises	Services	Trade	Industry	Construction	Agriculture	Total
Micro	37	21	26	11	3	98
Small	1	3	-	-	1	5
Current levels of the enterprises						
Micro	27	15	14	10	2	68
Small	11	9	12	1	2	35

Source: own survey (2013)

The table shows that the initial and current levels of the enterprises which expressed by either micro or small. At initial time all enterprises were started as micro except five which were small. The transition of enterprises from micro to small shows the capital growth of the enterprises. So far thirty (30) enterprises were graduated from micro to small stage. Though the figure was small relative to total enterprises in the town, it shows that the sector was achieving one of its objectives which are providing a basis for medium and large enterprises.

4.4.1.3 Saving

The other contribution of the MSEs in income of the respondents can be expressed in the saving situation. It is known that saving is the most important parts of any business activity. It enables the participants to invest in the future. It also solves the problems occurred in one's business or to avert individual problems. Hence, respondents were asked whether they are saving or not.

Table 15: Saving

		Frequency	Percent
Do you save?	yes	88	85.4
	no	15	14.6
When did you start saving?	Before starting the enterprises	9	10.23
	After starting the enterprises	79	89.77

Source: own survey (2013)

According to the above table 15, from total respondents, 85.4% of them were saving some part of their income and 14.6% were said as they were not saving. In the same table above, 89.77% of them were started saving after they join the enterprises and 10.23% were already saving some part of their income. This issue was discussed in FGDs with members of the enterprises in different sectors of MSEs. The majority were said as they were saving part of their income both individually and in groups according to their capacity after joining the enterprises. In addition, they were also bought the government bonds which can be repaid after constructing of great renaissance dam of our country is completed. This all shows the contributions of the MSEs in building the capacity of individuals to earn their income.

Table 16: Purpose of saving

Why do you save?	Frequency	Percent
Loan payment	17	19.32
To expand the enterprises	43	48.86
For safety	19	21.59
To open my own business	9	10.23

The respondents have different reason for why they save their income. As shown in above table 16, 19.32% of the respondents have been saving to pay the loan. Almost half of the respondents (48.86%) are saving to further expand their enterprises. Those saving their income for safety and to open their own business are 21.59% and 10.23% respectively.

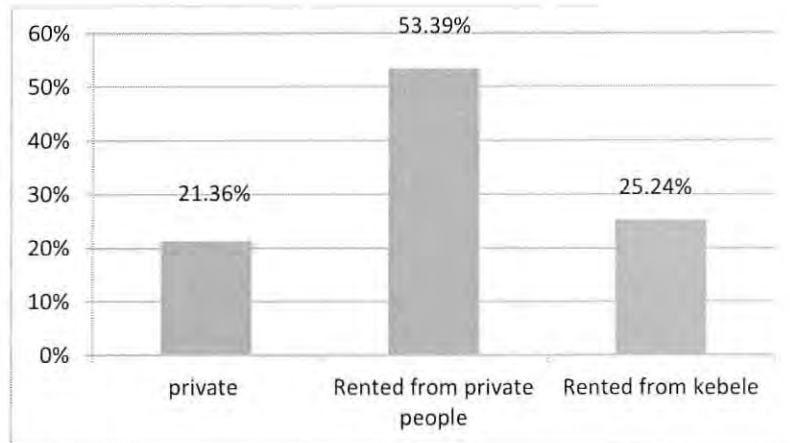
Table 17: Amount of money monthly saved by the respondents

How much do you save monthly?	Frequency	Percent
<150	42	47.73
151-300	24	27.27
301-450	13	14.77
451-600	9	10.23

As indicated in the table above, out of the respondents saving some parts of their income, 47.73% were saving up-to 150 birr per month and 27.27% were saving 151to 300 birr monthly. The other 14.77% and 10.23% were saving 301 to 450 birr and 451 to 600 birr per month respectively.

4.4.2 Contributions of MSEs in Improving the Houses of the Respondents

In this study the respondents were also asked about the types of the house they were living in. Their answers for the question were summarized in the figure below.



Source: own survey (2013)

Figure 9: Types of the houses respondents were living in

According to the investigation of this study, the majority of them live in the house rented from private person. As shown in the above figure, more than half (53.39%) were living in the house rented from private individuals. The other 25.24% were in the houses rented from the kebele. Only 21.36% of the respondents are living in their own houses. This percent includes those individuals living in the houses inherited from and with their parents. This shows that most of individuals benefiting from the MSEs in the town do not have their own house and hence the sectors were absorbing and benefiting low income populations with having no houses.

As their incomes grow up the respondents improve their house items like chairs, television, bed and others facilities after they join the enterprise. Some of them were constructed their own house. To draw statistical data, respondents were also asked about the improvements of their houses and about the change in ownership of the house they were living in after joining the enterprises.

Table 18: Improvements in the house

House facilities		Frequency	Percent
Owning house	yes	8	7.77
	no	95	92.23
Items in house	yes	81	78.64
	no	22	21.36
kitchen	yes	33	32.04
	no	70	67.96
Toilet and bath room	yes	45	43.69
	no	58	56.31
Sources of income for an improvement in the house		Frequency	Percent
Income from enterprise		67	65.05
Income from enterprise and other business		36	34.95

Source: own survey (2013)

As indicated in the table above 7.77% of the respondents were owned the living house after they joined the enterprises. But for the majority of the respondents (92.23%) there was no change in the owner of the house they were living in. There is an improvement of items in houses of 78.64% of the total respondents where as 21.36% of the respondents did not achieved an improvement of the items in the houses. There is an improvement in kitchen facilities for 32.04% of the respondents. Out of the total, 43.69% of the respondents had indicated an improvement in their toilet and bath room while 56.31% did not. Though there was no significant change in the items like kitchen, toilet and bath room, and/ or the ownership of the house they were living in, there are improvements in items of the houses for majority of the respondents. The members of FGD were said that many of the enterprises are at infant stage and cannot supply sufficient income for the owners to bring changes in these big items. The reason for improvement in the houses of 65.05% of the respondents is due to an increase of an income from the enterprise as shown in the above table 18. Generally, there is an improvement in the house facilities of many respondents and their capacity to pay the cost of renting houses has been increasing which shows the contributions of the enterprises.

4.4.3 Contributions in Increasing the Capacity of Getting Medical Service

Table 19: Capacity to get medical services at the time needed

Today's capacity to get medical services comparing to that before starting the enterprise	Frequency	Percent
Increased	83	80.58
decreased	6	5.83
No change at all	14	13.59
Reason for the increasing of the capacity to get medical services		
Increase of income from the enterprise	66	79.52
Income from other sources	6	7.23
Availability of the health center nearby house	8	9.64
NGOs support	3	3.61

Source: own survey (2013)

Getting medical treatment is one important dimension of the improvement in living standard of the people. As one aspects of their living standard the respondents were asked about their capacity to get medical treatment. They requested to compare today's capacity with their capacity before starting the enterprises to get medical services. The survey results were shown in the above table. Accordingly, for 80.58% of the respondents, their capacities to get medical services were increased. For 5.83% their capacity was decreased and for 13.59% of the respondents their capacities to get medication were not shown any change at all.

In the same table above, the reason for the increasing of the capacity to get medical services of the respondents were also shown. The data in the table shows that, for 79.52% of the respondents the reason was due to an increase of income from the enterprise. While for 7.23%, 9.64% and 3.61% the reason were due to an income from other sources, availability of health center nearby house and supports from NGOs respectively. The reason for the majority were due to an increase of income from the enterprise and hence the role of MSEs. As the capacity for medical treatment

of the majority was increased, the MSEs have contributions in improving the living standard of the people.

4.4.4 Contributions in Increasing the Capacity to Pay School Fee

Table 20: Capacity to pay school fee

Your capacity to pay schooling fee?	Frequency	Percentage
Increased	76	73.79
Decreased	3	2.91
No change	24	23.30
Reason for increasing for increasing?		
Due to income from the enterprise increased	64	84.21
Due to additional sources of income	12	15.79

Source: own survey (2013)

As shown in the above table, out of the total respondents, 73.79% were said that their capacity to pay school fee was increased after joining the sector. Those their capacities decreased were only 2.91% out of the total respondents. For the other 23.30% there is no change in their capacity to pay school fees. For those their capacities were increased, 84.21% were forwarded an increment of an income from the enterprises as reason for change of their capacity. The other 15.79% were said due to additional sources of income. This indicates that, as the majorities were said that their capacities were increased due to their income from the enterprises and hence the contributions of MSEs for improving the living conditions of the poor.

4.5 Major Problems and Constraints of Micro and Small Enterprises

Under this topic the study was attempts to explain the problems and constraints of the MSEs sector in the study area. In most developing countries, small businesses face a wider range of constraints and problems and they are unable to address the problems they face on their own, even in effectively functioning market economies. The constraints relate, among others, to the legal and regulatory environments, access to markets, finance, business information, business premises, the acquisition of skills and managerial expertise, access to appropriate technology, access to quality business infrastructure, and, in some cases discriminatory regulatory practices

(MOTI, 1997). To identify the constraints of the sector in the study area, the respondents were asked for the problems they have been facing.

Table 21: the problems and constraints of MSEs in the area

	Constraints of MSEs	Frequency	Percentage
1.	Process of entry	67	65.05
2.	Lack of market	33	32.04
3.	Disagreement/Lack of Trust Between Members	63	61.17
4.	Inadequate supply of goods/ raw materials	20	19.42
5.	Lack of credit facilities	61	59.22
6.	Lack of skill	26	25.24
7.	Shortage of working place	65	63.12
8.	Business environment	11	10.68
9.	Infrastructural problems	89	86.41

Source: own survey (2013)

In similar to other places, several factors could explain the declining growth of small enterprises operating in the study area. The challenges could be different in different sectors and even the degree of influence of one constraint may differ from one enterprise to the other as well. The situations in which the problems of MSEs were found in study area are listed with its clarification as follows:

1. Process of entry

At starting time the pull and push factors are the determinant for the initiation of any type of enterprises. The existence of the push factors at early time of enterprise development affects the interest individual has to start the enterprise. There are some initial processes for any enterprise before entering to the activities. Similarly, for the development of micro and small enterprises, it requires getting a license and unique name for the enterprises which require the approval of Federal Micro and small Enterprises Agency before entering to the work. The business plan they developed is also needed to be checked by the sector in which their enterprise categorized. So,

these and some other initial process may take up about 5-6 months before establishment of the enterprise. But, this is the critical stage at which the initiation of individual is needed. The delay of at this time is not required as individual may be discouraged for the interest he/she has to the work. Of the total respondents 65.05% were replied as there was long delay and bureaucratic procedures in the MSEs office during starting up of the enterprise. The members of focus group discussion were also said that as they stayed for some months after they registered to start up the enterprise.

2. Lack of market

Any enterprise requires an appropriate market place to be competitive and stable in their growth over time. Most of the enterprises were die out at their early stage because of the incompatibility of the place where they are and need of the community which they intended to serve. About 32.04% of the beneficiaries said as they were not at an appropriate place for the market. Because of this they were unable to achieve the stable growth in their enterprise.

The figure below shows the enterprise which is not at an appropriate place for the market. Because of the absence of market, they open the business only some hours within a day. Moreover some of them were going to shut down the enterprises totally.



Figure 10: Enterprises found at inappropriate place for the market

So, availability of market is one of the decisive for the sustainability of MSEs. If there is no market access, the enterprises cannot have opportunity to sell their products and they are unable to get the benefit from the product. Accordingly, if the customers' demand for the product and

supply of MSEs mismatched or the market cannot be easily accessible for the products, then the capital is remain without bringing any income to enterprise owners rather increasing fixed cost of the enterprise. This implies when there is lack of market access for the product, the circulation of the produced product in the market come slow in which the possibility to get working capital for further expansion is contracted and make the business stagnant rather than actively contributing to growth.

3. Disagreement/Lack of Trust Between Members

Synergy is one important dimensions of working in groups though success depends on the trust between members. Every member of the group should have the sense of ownership for their activities otherwise their performance were impossible. In the study area the problems of not trusting one another between members in the group are widely exist in some enterprises. They do not respect the code of conduct of their enterprises. The government officials in the MSEs bureau also said that there is problem of not following the code of conduct of MSEs as well as not respecting one another in some enterprises. They pointed out this problem as the main reason for stopping of some previously dispersed enterprises. The respondents were solicited as if there were a problem of not understanding others idea and respecting one another or breaking the code of conduct in their enterprise. As shown in the table above, in 61.17% of the total enterprises there is a conflict and not trusting one another in group members.

This is the area which needs the congregation efforts of many individuals to reduce the problem. Individuals with the same interest and skills were needed to be grouped in one enterprise. Even though the conflict is not totally removed from the group, it can be reduced by trusting one another and developing the sense of ownership for their activities.

4. Inadequate supply goods/ raw materials

The performance of the any enterprises depends on the availability of raw materials for their markets. The amount of supplied material should be balanced with demand of the customers. Absence or shortage of the supplied material from where the enterprise owner's are bring it results in pausing of the activities and hence diversion of their customer to other places. Those involved in the trade sector were majorly suffering from this problem. As the study shows, 19.42% of the total owners of enterprises were facing the problem of inadequate supply of goods

from their sources/markets. The problem may not exist at one specific place rather it may country wide problems. Like the shortage of sugar and oils in our country. For those have the license in this trade only the option they have at the time of shortage is simply closing the enterprises. Generally, the total sell of those enterprises involved in selling of such goods or items depends on the availability of the material from its source at the time it was required by the community.

5. Lack of credit

Lack of finance MSEs is the main problems to the growth and development, both at starting and operational level. The availability of working capital is the leading factor for the development of any business. The financial needs of different types of micro and small enterprises vary widely, with access problems severely affects their growth at the time of establishment.

There are some credit and saving institutions that provide the loan for Micro and small enterprise owners. This financial institution needs the collateral and guarantee to give money for these people. There is also pre-saving requirement which is about 15-20% of money that MSEs owners need to take. Many constraints can hinder the local community from accessing the credit services from financial institutions. The standards of operation, the long waiting time they take to permit loans, unfavorable disposition towards small loans due to high administrative costs involved in financing them and the rigidity and limited collateral requirements are some of the problems that are found to be discouraging micro and small enterprises from approaching the financial institutions. Hence, one of the areas of intervention to ease the problem of MSEs in this regard is to facilitate accessibility to capital (CLEP, 2006).

According to the above table, 59.22% of the respondents replied as there are credit access problems in the study area. According to the responses of the beneficiaries approached during the survey, the main constraint that hinders small enterprise operators' access to credit has been collateral and guarantee requirements of bank, and credit and saving institutions. They also said that as they prefer to take money from relatives or other private people than from financial institutions because of the long process needed to take the money from these organizations. The constraints do not only exist in organizations delivering the credit service to the beneficiaries. Some religious are prohibits taking money with an interest rate. So, needing the credit free of interest is the other reason which makes them reluctant to take money from those organizations.

6. Lack of skill

Lack of skilled labor, which in turn leads to problems in production due to the unfamiliarity of workers with technology, and lack of experiences in the activities of the enterprise, is a critical problem that MSEs are facing. Mostly this is results from allowing individuals to start the business they need without considering the skill they have. This problem was found in 25.24% of the total enterprises. During FGD the participants were said as many individuals were joined to the group without having the specific skill required for their enterprises. This makes them hiring the skilled personnel from outside to carry out their activities, which is not the effective ways of using human resources in the enterprises.

7. Business Environment

The growths of MSEs are limited by the business environment in which they are. One aspect of the business environment which affects the growth of the enterprise is the expansion of the informal businesses (contraband) in the town. The informal sector brings the goods without paying the tax to government and hence they sell the material below the price in the market. This situation brings the diversion of the market towards them because the prices of their service are lower than that of formal business (MSEs). From total sectors, those in trade sectors were being affected by this problem. 10.68% of total enterprises were facing the problem as shown in the table above. During focus group discussion the issue were raised and explained as this problem was affecting the growth of enterprise in trade sector. Working with bureau of trade and industry to reduce these informal businesses is the suggestion they forwarded as the solution for the problem.

Case: Yehya kasim is one of the business owners in the town. He is 30 years old. He stopped his education after completing tenth grade because of not getting the passing mark to join the preparatory school. His family was unable to pay him educational fee to continue his education in private college. He said the only option he had at that time was informally starting the business to generate income. He was worked for some years as a broker in the market. The income he had got at time was only hand to mouth. While he was doing this, the MSEs comes as a development strategy and he joined the sector with his friends by forming a group which holds five members. First they started selling cosmetics in shedding house prepared by the

municipality of the town. In the mid day the shedding becomes hot and hence affects the quality of the goods they were selling. Because of this they forced to change their enterprise to other activities. Now they are doing the boutique by bringing the cloth from Addis Ababa. In the town, there are a lot of informal boutiques doing the same thing with that of Ato Yehya. But those informal businesses bring the goods through contraband from Dire Dawa and Harar at a lower cost and hence sell at low price. In such market, formal business cannot be competitive in the market. Because of this, Ato Yehya said that their business does not bring any growth over some time. He added that the only option they have is to start doing the business informally if the existing condition continued in the future.

8. Shortage of working place

MSE operators require space to operate, and physical facilities to conduct their businesses whether they providing a service, producing a product or trading. Enough working place is required for the storage of materials and preparation of some goods. Shortage of working place mostly found among those undertaking their enterprise in the sheds prepared for MSEs sector. Because of the shortage of the place, some of them are doing their activities in front of their working place and along the side of the road. Working in such place, especially for those doing a restaurant, exposes the food material to dusts and hence affects the quality of the food. In this study, 63.12% of respondents said that they were facing this problem. The figure below shows what the shade prepared for the MSEs look like.



Figure 11: Shed prepared for micro and small enterprises in Badesa town

9. Infrastructural problems

The existence of proper infrastructure like electricity, water, telecommunication, road and others are important for the growth of small enterprise. Despite the progresses achieved, the town's infrastructures still remain a major challenge. Out of the total respondents 86.41% were said as they facing infrastructural problems.

4.5.1 The problems or constraints of each sectors

Table 22: Problems and constraints of MSEs and the sector in which it widely exist

	Constraints	Industry		Service		Trade		Construction		Agriculture	
		Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
1.	Process of entry	18	69.23	26	68.42	12	50	9	81.82	2	50
2.	Lack of market	5	19.23	13	34.21	6	25	9	81.82	--	--
3.	Disagreement between members	19	73.08	17	44.74	16	66.67	10	90.09	1	25
4.	Inadequate supply of goods	1	3.85	-	--	14	58.33	5	45.45	--	--
5.	Lack of credit facilities	23	88.46	18	47.37	13	54.17	6	54.55	1	25
6.	Lack of skill	16	61.54	3	7.89	--	--	7	63.64	-	--
7.	Shortage of working place	24	92.31	19	50	16	66.67	3	27.27	3	75
8.	Business environment	-	-	-	-	11	45.83	-	-	-	-
9.	Infrastructural problems	26	100	33	86.84	18	75	9	81.82	3	75

Source: own survey (2013)

As shown in above table, in industry sector; infrastructural problems, shortage of working place and lack of credit facilities are the top three widely seen in many enterprises, and the percentage share of the respondents listed these as their problems were 100%, 92.31% and 88.46% respectively. The

least widely seen problems in the sector were inadequate supply of goods (3.85%) and lack of market (19.23%). Shortage of infrastructures like electric, water and telecommunications are highly critical for the sector as all respondents forwarded as their problem. Business environment does not have a significant effect on all enterprises.

Similarly, out of the total respondents (38) in service sector 86.84%, 68.42% and 50% were reported that the major problem in this sector were infrastructural problems, process of entry and shortages of working place respectively. In addition to the three major problems in the sector, lack of credit access, disagreement between members, lack of market and lack of skill were found among 44.74%, 39.47%, 34.21% and 7.89% of the total respondents in the sector respectively. Anyone of the respondents did not report inadequate supply of goods and business environment as their problems at all.

In the trade sector; infrastructural problems, shortage of working place and disagreement between members are the top major problems widely seen among 75%, 66.67% and 66.67% of the respondents respectively. Inadequate supply of goods, lack of credit facilities, process of entry, business environment and lack of market were also found to some degree of severity as shown in the above table in the trade sectors. Lack of skill was the problem that was not reported by the owners in this sector.

Again as indicated in table above, in the construction sector the foremost problems are process of entry (90.09%), lack of market (81.82%), disagreement between members (81.82%) and infrastructural problems (81.82%). And lack of credit facilities, lack of skill, in adequate supply of goods and shortage of working place were found among 63.64%, 54.55%, 45.45% and 27.27% of the total respondents in the town respectively.

Lastly, as shown in the table above, in agriculture sector the most pressing problems are infrastructural problems (75%), shortage of working place (75%) and process of entry (50%). Lack of credit facilities, disagreement between members and business environment were the three problems not affecting any out of the total (4) enterprises in the town as reported by the respondents.

Generally, the data shows that the types and degree of the severity of constraints in each sector was different. So, the possible solution is needed to each sector according to their respective problems.

4.6 Incentives of Government in Supporting MSEs

In many countries, micro and small enterprises were found in state of informal economy. In this form its growth and contributions to the whole economy is limited as the policy environment disfavors them. Hence without support from the governments micro and small enterprises remain as the means of survival since it cannot compete with large enterprises in the market and their contributions to the whole economy is limited. Considering the role of MSEs in the development, the government give due attention to the sector and providing it with many incentives.

Table 23: Training related to the enterprise

		Frequency	Percentage
Is there training before starting the enterprise?	Yes	103	100
	No	-	-
Is there training now?	Yes	103	100
	No	-	-
Relevancy of the training	Very important	35	33.98
	Important	56	54.37
	Not as such	12	11.65

Source: own survey (2013)

In the table above, all the respondents replied that as training were provided to them both at starting time and operation time. But the rate they give to the relevancy of the training was different. Accordingly, 33.98% of the total respondents rated it as very important, 54.37% as important and 11.65% rated the training delivered to them as not important as such.

Table 24: Place where the enterprise exist

Types of house you were working in	Frequency	Percent
Rented from private	52	50.49
Rented from municipality of the town (sheds)	42	40.78
No constant house/place	9	8.74

Source: own survey (2013)

The table shows that 50.49% of the total enterprises were found in the houses rented from private individuals while 40.78% of the enterprises were in the sheds prepared by the municipality of the

town for MSEs sector purposively. The other 8.74% of the total enterprise do not have a constant working place or house. For those without constant place, their activity does not require the constant place. The table shows that some of the enterprises were working in the shed prepared by the municipality of the town though majority did not get. The renting costs of these shades were much lower than the other houses rented from the private. This is important for MSEs as they cannot cover the cost of houses rented from private because of their enterprise size. The municipality of the town had also the plan to construct many sheds to reduce the shortage of working house in the town.

The other important areas that need the support of the government were the follow up of the enterprises activity. Follow up is very essential in order to ensure the targeted goals of the MSE. If there is an effective follow up and supervision towards how to perform their task, the already established goal could be achieved. During FGD the participants were said that as there was no enough supervision on their activity.

During FGD, the officials in MSEs bureau were said that those individuals in MSEs were got special support than those outside the sectors. Owners of MSEs do not pay any tax for the first three years and they have an access to credit than other business. In addition the priorities were given for micro and small enterprises for doing any government projects in the form of bidding. Moreover, incase when the project were above the capacity of MSEs, 30% of the project were given to MSEs and the left were given for other private businesses. It is an affirmative action given for this sector since it was at initial stage in our country. The problem with this is that the other government organizations do not want to give their project directly to MSEs sector. They open their project activity to the market to find out the least cost for the project. As the government officials said, this is due to thinking that bringing an achievement in the sector is only the role of officials in MSEs bureau. This shows the absence of linkage between organizations to bring the development that the country was intended to bring through the sector.

The other supportive measures were preparation of Exhibitions and *Bazaars* for the products of micro and small enterprise. This is important for experience sharing between enterprises of different area and sectors. There is also rewarding system for those outstanding or model enterprises in their activities. This is done at the place where the local community comes together

like at the time of holidays, workshops and others. This can motivates other community members and even it is the means of advertisement for MSEs sector as a whole.

Generally, there are different government organizations that supporting this sector. The office like Gender Issue, College of Technical and Vocational Educational Training (TVET), Municipality of the town, Oromia Credit and Saving Share Company, youth and sport commission, and others were playing a great role in supporting the MSEs sector in their respective activities.

CHAPTER FIVE: CONCLUSION AND RECOMMENDATION

5.1 Conclusion

In developing countries like Ethiopia, governments are currently interested in contributions of micro and small enterprises in overall development of the country. The sectors has a great role in creating job opportunities for large numbers of people since it was labor intensive than large enterprises. As stated in the literature part, they have the basic instruments to create employment opportunity, increase income of individuals and to minimize the income inequality among individuals.

Accordingly the study was focused on contributions of micro and small enterprises in generating income of the poor in Bades town, West Hararghe Zone. It examines relevant literatures, national micro and small enterprise development strategy, data in MSEs development offices of the town and includes the survey of all MSEs through interviewing the owners of the enterprise to draw the analysis and the conclusion of the study.

The study covers all MSEs (103) in the town. The types of the sectors found in the town are services, trades, industry, constructions and agriculture. Both sexes were benefiting from the sector though the proportions of females were low relative to that of male. The sectors were also absorbing the people in different age group and educational status.

Moreover the findings shows that 103 enterprises were exist out of the enterprises established in the town until 2004 and being operated by 470 individuals grouped together. Previously, 17.5% of the beneficiaries do not have their own work and 41.7% of them were in school immediately before joining the enterprise and hence they depend on others for their sources of income before starting the enterprises. Additionally the sectors were created job opportunities for 85 people who do not have the capacity to start their own enterprises. This shows sector was creating a job opportunities for unemployed people.

Concerning the contributions of MSEs in relation to improving living standard, the majority of the respondents were replied as their income was increased after they joined the enterprises and they do have future plan of further expanding their businesses. Only small percent were said their

income was decreased. Additionally, there is an improvement of items in houses of 78.64% of the total respondents though there was no significant change in the items like kitchen, toilet and bath room, and/ or the ownership of the house they were living in. This shows that many of the enterprises are at the infant stage and cannot supply an efficient income for the owners to buy big items. They also said that their capacity to get medical services as well as capacity to pay the school fee were increased due to the increment of the income their generate from the enterprises.

Despite its undeniable contribution in the creating job opportunities and improving the living standard of the poor, the growth of MSEs sectors have been hindering by different problems in the town both at start up and operational level. This research study reveals that process of entry, lack of market, disagreement/lack of trust between members, inadequate supply of goods/ raw materials, lack of credit facilities, lack of skill, shortage of working place, business environment and infrastructural problems are the main challenges for MSEs growth in the town. However, the degree of severity (effects) of each problem is different in all sectors.

In recognition of the socioeconomic role of the sector and its potential contribution to the country's economic development, the development of the Micro and Small Enterprise sector is becoming a subject of national importance. Currently numerous initiatives and interventions have been underway by government to support the MSE sectors. The supports being delivered includes providing credit; training in entrepreneurship, skills, and management; improving access to appropriate technology, information, and markets (bidding); constructing sheds; and preparing bazaars and exhibitions.

5.2 Recommendation

To encourage the expansion and growth of micro and small enterprises, the development of policy framework which creates an appropriate business environment is important. However, the support given to the sector needs to be selective with respect to the type and size of enterprises.

On the basis of the major findings of the study, the following policy recommendations have been drawn with the view to improve the contributions of MSEs in generating income for the poor.

- ❖ For the achievement of the objectives of MSEs, it needs commitment of many stakeholders in different sectors. Seeing it as the only role of government officials in MSEs bureau is not important. So, aggregate efforts of government as well as non government organizations are needed for the success of the sector.
- ❖ Integrating MSEs programs in vocational schools and colleges to create linkage between educational institutes and industry so as to give young people the chance to explore the opportunities of self-employment through the practical and direct involvement of local businesses. In addition, Expansion of technical and vocational training centers for the owners and employees is needed to make them capable in operation; and to increase productivity which results in reduction of additional costs.
- ❖ One of the critical problems for majorities of the enterprises was the disagreement between group members. It results from grouping together of individuals of different interest. So, to reduce the problem it is needed initially to identify individuals with same interest and skill to include them in one enterprise.

- ❖ Controlling the expansions or importing of material through contraband, to create favorable business environment to MSEs, as they can provide goods and services at relatively low prices, thereby destabilize prices fixed by formal business establishments that would have overhead costs that the informal enterprises do not have. Therefore, in order to promote development of formal trade activity on the principle of free market policy, gradual formalization of the informal business is essential homework to the concerned body.
- ❖ Availability of credits for MSEs both at the start up levels and during operations is very important for achieving the objectives of enterprises in poverty alleviations. Hence, the government and nongovernmental bodies should support MSEs both at the start up levels and during their operations by simplifying access to credit facilities.
- ❖ The intervention which comes from above without considering the situation or problems of enterprises may not be compatible with the needs of the owners. Development programs targeted at small enterprises should be based on the critical analysis of the needs and challenges of each sector as the problems of different sector were different as well.
- ❖ Regular evaluations of the supportive measures and programs should be carried out to ensure their continued relevance and effectiveness so that the supports could be provided in line with the needs of the target enterprises.
- ❖ Cluster development is important to create market linkage as well as information sharing between the enterprises. However, in the study area the MSEs are operating in fragmented market (found in different location). In this case it is difficult to deliver infrastructural facilities for such fragmented enterprises. Therefore the local government should create clusters. This can help to overcome the electric, water and toilet problems found in the town with low cost.

- ❖ The one-stop-shop service center that is aimed to register and support MSE should be found in each kebele with adequate skilled man power, facilities and budget. This can help the MSEs to obtain good service delivery and governance. It also important to take appropriate measures to the encountered problem on time.

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 as mentioned in result and discussion part of this study. Therefore, special attention should be given by all stakeholders for each specified problems to make better out of them.

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APPENDICES

Questionnaire

1. Name _____ Age _____ sex _____
2. Marital status A) single B) married C) Divorced D) widowed
3. Do you have children? If any, how many _____
4. Educational level _____
5. Type of your enterprise _____ found in kebele _____
6. When was the enterprise established? _____
7. What was the amount of total capital invested in Birr to start this business? _____
8. Current capital of the business _____
9. Where does the business operate?
 - a) Home
 - b) Rented building from private
 - c) Rented building from government
 - d) Other, specify _____
10. What you were doing before starting this business?
 - a) Unemployed
 - b) Learning
 - c) Public sector
 - d) Daily wedge labor
 - e) Working in similar business
 - f) In unrelated business
 - g) Other (specify) _____
11. Do you have any marketing related skill that you obtain either through your formal education or any kind of informal education and marketing training? a) Yes b) No
If "yes" from where did you get? _____
12. Main Source of your business skill:
 - a) I develop it after I start the enterprise
 - b) Family and friends
 - c) Training
 - d) Experience
 - e) Education
13. Is there is any training given to you by the MSEs officials? A) yes B) No
If 'yes' what do you say about the relevancy of the training?
 - a) Very important

- b) Important
 - c) Not as such
14. What was initiated you to start this business?
- a) believing that I can generate enough income from the business
 - b) I have no other option to generate my income
 - c) Other reason, specify_____
15. How many employees did the enterprise have when first established? _____
16. How many employees are working currently in the enterprise? _____
17. Is there change in the employment number of the enterprise? a) Yes b) no
- If 'yes' what were the reasons for the decrease/increase in the number of employees? _____
- _____
18. Currently, do you have a family member employed in the enterprise?
- a) Not at all
 - b) Yes, but without payment/salary
 - c) Yes, with payment/salary
 - d) Yes, but some are paid and some others are not
19. If family members are employed, how many are they?
20. Is there growth or expansion in your business operation? A) yes B) no
- If your answer is "yes", in what ways the growth were achieved?
- a) Changing the operation system to the modern one
 - b) Sales volume
 - c) Opening other business
 - d) Increasing in number of employee
 - e) Other, specify_____
21. How can you express the trends of the business in employment generation?
- a) Increasing
 - b) Decreasing
 - c) The same
 - d) Not known
22. What is your future plan about the enterprise?
- a) Further expanding it
 - b) Continuing it as it is
 - c) Stopping it and/or start other business
 - d) Other, specify_____
- _____
- _____

If you planned to stop and/or start other business, what is your reason? _____

23. Before starting this business from where did you get your income? Multiple answers are possible.

- a) Family and relatives
- b) Government support
- c) Salary
- f) Other specify _____
- d) Abroad
- e) Agriculture

24. Are you involved in any other activity apart from this enterprise now? a) yes b) no

If yes, what type of activity are you engaged in?

- a) Informal sector activity,
- b) Other private business activities,
- c) government employee
- d) Others, specify _____

25. From where you are getting income currently? Multiple answers are possible.

- a) Enterprise
- b) Other business
- c) From family
- f) Other sources, specify _____
- d) Abroad (remittance)
- e) Renting other things

26. What is current situation of your monthly income comparing to your income before starting the business?

- a) Increased
- b) Decreased
- c) Remain the same
- d) I don't know

27. If your answer for Q.26 is 'a' what could be the reason?

- a) Increase in income from this enterprise
- b) Gained from other business/sources
- c) Other, specify _____

28. If your answer for Q.26 is 'b' what could be the reason?

- a) Decreases of income from the enterprise
- b) Stopping of income from other business/sources
- c) Other, specify _____

29. Do you save? Yes No

30. When did you start saving? a) before starting the enterprise b) after starting the enterprise

31. Your current level of saving comparing to that of before starting the business is?

- a) Highly increased
- b) Increased
- c) Remain the same
- d) Decreased

32. What is the source of money for saving? (Multiple answers possible)

- a) Income from this enterprise
- b) Income from relatives
- c) Borrowing from lenders
- d) Income from previous business
- e) Others, (specify) _____

33. For what purpose you have been saving? (Multiple answers possible)

- a) Loan repayment
- b) To open or expand the existing business
- c) For safety purpose
- d) For ceremonial services
- e) To buy machinery or basic household items
- f) Others (specify) _____

34. How many birr did you save monthly? _____

35. In what types of houses you were living? Put a mark in front of the house types you were living in before and after starting the business. Multiple marking is possible. If you are living in one house before starting enterprise and currently, make mark in both columns.

Types of house	Before	After
a) Private		
b) Rented from kebele		
c) Rented from private house owners		
Others (specify).....		

36. Is there improvement in any item of the following after starting the business? Multiple answers are possible.

- a) Toilet and bath room
- b) Kitchen
- c) House furniture
- d) Ownership of the house you are living in

37. If there is an improvement in any item in Q.36 what do you think the sources of your income for improving it?

- a) From my enterprise
- b) From family and relatives
- c) Loan
- d) Remittance

e) Other, specify _____

38. Your capacity for paying for better quality of schooling after you this enterprise:

- a) Increased b) Decreased c) Remain the same.

39. Was there any time when you can't able to pay for schooling fee before starting the enterprise?

- a) yes b) no

What about after starting business? _____

40. Where did you get the money to pay for medical costs before starting the business?

- a) From my family/relatives
b) From my own business
c) Borrowing from friends
d) Others (specify) _____

What about now? _____

41. Before you starting the enterprise, was there a moment when you and your family seeking medical treatment but couldn't get due to shortage of money? A) Yes b) No.

If 'yes' what is the measure that you were taken at that time? _____

42. How do you compare the capacity of you and your family in getting medical treatment before and after you starting the enterprise?

- a) Increased after joining this enterprise
b) Decreased after joining this enterprise
c) Remain the same

43. If your answer for Q. 42 is "increased" why?

- a) Due to the increase income/profit from the enterprise
b) Due to other source of money, like relatives and selling of house hold durables
c) Due to aid from NGOs
d) Due to locally built health center

44. Among the following constraints and problems which one you were faced both during starting and operating of your enterprises? (Multiple answers will possible). (Make a tick mark parallel to the problem)

	Problems	Yes	No	Rank
1	Process of entry			
2	Shortage of startup capital			
3	Lack of market			
4	Lack of experience			
5	inadequate supply of inputs			
6	Lack of working capital or lack of credit facilities			
7	Lack of machineries /equipments			
8	Lack of skilled personnel			
9	Lack of access for training			
10	Inadequate support from Government/ NGO			
11	High material costs			
14	Unaffordable tax and rents			
15	Government rules and regulation			
16	Lack of working place			
17	In availability of Infrastructures like Water, Elec Telecommunication, Sanitation facilities and Road			
19	Others, specify			

What are the possible solutions for the problems? _____

Finally, what is your general opinion related to MSEs _____

Questions for Key Interviews

1. How do you explain the contribution of Micro enterprises in terms of:
 - a. Income generation
 - b. Creating job opportunities
2. What sort of supports need to be provided to enterprises to bring their growth?
3. What do you think are the major challenges hindering the progress of MSEs?
4. Do you think MEs are getting supports they require?
5. Is there any government offices supporting the MSE sector?
6. Is there any supervision on the activities of MSEs?
7. What do you think is a better way for the effective development of micro enterprises?

Focus group Discussion Check Lists

1. How do you describe the role of the MSEs development program in generating income for the poor?
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. What could be the major reasons for employment reduction in the established enterprises?
5. What sort supports are being provided for MSEs?
6. What are the problems or challenges of the sectors?