


**Addis Ababa University**

**School of Graduate Studies**

**Department of Public Administration and Development Management**

# Assessing Factors Affecting Transitional Development of Small Scale to Medium Scale Enterprise in Sebeta Town: Challenges, Opportunities and Prospects

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**June, 2014**

**Addis Ababa**




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A Thesis Submitted to Addis Ababa University, Department of Public Administration & Development Management, in Partial Fulfillment of the Requirements for the Degree of Masters of Arts in Public Administration

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Approved by Board of Examiners

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# ABBREVIATIONS

| | |
|---|---|
| AAU | Addis Ababa University |
| AEMFI | Association of Ethiopian Microfinance Institutions |
| BDS | Business Development Service |
| BOFED | Bureau of Finance and Economic Development |
| CSA | Central Statistics Authority |
| EC | European Commission |
| ETB | Ethiopian Birr |
| FeMSEDA | Federal Micro and Small Enterprises Development Agency |
| GDP | Gross Domestic Product |
| GTP | Growth and Transformational Plan |
| ILO | International Labor Organization |
| IMF | International Monitory Fund |
| LDCs | less Developed Countries |
| MFI | Micro Finance Institute |
| MOFED | Ministry of Finance and Economic Development |
| MOI | Ministry Industry |
| MOTI | Ministry of Trade and Industry |
| MOUDC | Ministry of Urban Development and Construction |
| MSEDA | Micro and Small Enterprises Development Agency |

| | |
|---|---|
| MSEDS | Micro and Small Enterprises Development Strategy |
| MSEs | Micro and Small Enterprises |
| MSMEs | Micro Small and Medium Enterprises |
| NBSSI | National Board of Small Scale Industries |
| NGOS | Non-Governmental Organizations |
| OFED | Office of Finance and Economic Development |
| PCG | Partial Credit Guarantee |
| SBOs | Small Business Owners |
| SMEs | Small and Medium Scale Enterprise |
| SMIEIS | Small and Medium Industries Enterprises Investment Scheme |
| SPSS | Statistical Package for Social Science |
| SSIs | Small Scale Industries |
| TVET | Technical and Vocational Education Training |
| UK | United Kingdom |
| UNIDO | United Nations Industrial Development Organizations |
| US | United State |
| USD | United States Dollar |

# Abstract

*This research aims to investigate Factors Affecting Transitional Development of Small Scale to Medium Scale Enterprise in Sebeta Town: Challenges, Opportunities and Prospects Hence, the situation whether the objective of these MSEs is met merits special consideration of transitional development of small scale Enterprises. This study tries to answer three important questions: What are the major internal and external challenges, opportunities and prospects in transitional development of Small Scale to medium scale enterprise? What are the key strategies used to develop MSEs and to solve the challenges faced by the SMEs transitional development of Small Scale to medium scale enterprise? Do all MSEs actors in government sectors play their role according the MSEs strategy? With the above objectives in mind, data was gathered through Questionnaire, Interview and Review of both published and unpublished materials. The information gleaned through questionnaire from a sample of 358 operators and face-to-face interviews were conducted with 5 officials of MSEs actors in oromia region and sebata Town. Eventually, using a mix of qualitative and quantitative tools, the study found out major challenges which seem to affect transitional development of small scale Enterprises in Sabete Town which include: implementation problems related to government bodies at each level, inadequate finance. For the above challenges the Oromia regional government bodies should provide affordable alternative sources of finance and should be strength the government institutions at different levels, to play a major role in positively influencing the development of MSEs. Hence, there is a need for strengthening the MSEs growth, based on findings, recommendations to government bodies, to operators of MSEs and suggestions for other researchers are forwarded.*

# CHAPTER ONE

# Introduction

## 1.1 Background of the Study

From global point of view, it has been recognized that Micro and small scale enterprises (MSEs) play a vital role in economic development, as they have been the primary sources of Job/employment creation, output growth and the central focus of the industrial development strategy, not only in less developed countries (LDCs) but also in developed countries.

Studies conducted by Syed and Mohammed (2009) shows that the MSEs play a vital role in the progress of the economy of the developed nation due to the fact that it reduces the unemployment problems by using lower capital per employment, avoid extra costs for development of industrial infrastructure, reducing the risk of the investments, check imbalance between different sections of the economy and maximize the use of locally available resources.

According to the study of Boaten (2012), the dynamic role of micro and small-scale enterprises (MSEs) in developing countries as "necessary engines for achieving national development goals such as economic growth, poverty alleviation, employment and wealth creation, leading to a more equitable distribution of income and increased productivity is widely recognized." In an attempt to accelerate growth rates in low-income countries, particularly in Africa, many development partners and donors have made the promotion and development of MSEs a major concern. This shows that MSEs are seen as essential facilitator for economic growth, job creation, industrial development and poverty alleviation, equitable distribution of income both in developed and developing countries.

In Ethiopia until 1997, there were no organized policy and support systems catering to the development of the MSEs sector, so structural, institutional, and policy barriers were

not being addressed. Premises, markets, finance, supply arrangements, regulatory barriers and legitimization of entrepreneurial activity are among the most urgent. (ILO, 2005)

Recognizing the significance of this sector, the Ethiopian Government issued the National Micro and Small Enterprises Strategy in 1997 and established the Federal Micro and Small Enterprises Development Agency in 1998. The country‟s industrial policy in 2003 and the poverty reduction strategy in 2006 have singled out MSEs as major instruments to create a productive and vibrant private sector and reduce poverty among Rural and urban dwellers. The Micro and Small Enterprises Sectors contribute to the economy of nations‟ by creating employment opportunities, production of goods and services and other value added activities.

The five year Growth and Transformation Plan envisages ensuring faster and sustained development of the industrial sector and enabling the sector to gradually play a key role in the economy. To this end, particular emphasis is given to the promotion of micro and small enterprises as well as supporting the development of medium and large scale industries. Focus is laid on creating favorable conditions to export oriented and import substituting industries so as to accelerate structural changes in the sector. (MOFED, 2012)

In a normal process micro and small scale enterprise have to develop from one level of growth to the next level of growth that means from micro to small, from small to medium, and from medium to large scale enterprise by fulfilling the criteria needed. When it is developed from small scale to medium scale, creates employment opportunity, facilitates industrial development, it becomes independent from government support and leave the place for new micro enterprise. So, if this process is continues, the development of industries will be fast and its contribution for economic growth also increases. But for some different reason this process is not properly applicable especially from small scale to medium.

The transitional development of small scale to medium scale enterprises, changes over time in their employment and output shares, market orientation and location are usually thought to be related to many factors, including the level of economic development, changes in real income per capita, population growth, and progress in technology. Given this thought, the most important question addressed in this paper is the factors affecting transitional development of Small Scale to medium scale enterprise in Sebeta Town. More specifically, challenges, opportunities and prospects.

Sebeta is one of the Oromia towns and located 24 km far from the capital Addis on the Addis Ababa Jimma road. The total population of this town for the year 2003 E.C & 2004 E.C was 131,123 (68,258 males & 62,865 females) and 136,368 (70,988 males & 65,380 females) respectively. (OFED, 2013)

Micro and small enterprise operates in five kebele‟s, when the Town administration developed a business plan on MSEs throughout the Town in 2003. Therefore, this thesis will try to review some empirical studies based on primary and secondary data on the development of small scale enterprises (ibid).

## 1.2. Statement of motivation

Ethiopia has different natural resource potential, out of which human resource is the vital one but it has more than 1.2 million unemployed populations of urban areas (CSA, 2012). Approximately 162,178 micro and small scale enterprises are not working in all their potential. Moreover, 216,237 small scale enterprises have not been transformed to the medium level enterprise or only 0.64 % and 1.2 % of MSEs transformed to medium level of growth in Federal and Oromia regional state respectively (FeMSEDA, 2014). It is also the Oromia MSEs is large in number and accounts for 34.94% of operators from the country‟s total MSEs. For this reasons the researcher motivate to assess the Challenges and opportunities of transitional development of small scale enterprise particularly in Sebeta Town of Oromia Regional state.

## 1.3 Statement of the problem

In Ethiopia, MSEs sector is the second largest employment-generating sector following agriculture (CSA, 2005). A national survey conducted by Ethiopian Central Statistical Authority (CSA) in 2005 in 48 major towns indicates that nearly 585,000 and 3,000 operators engaged in micro and small scale manufacturing industries respectively, which absorb about 740,000 labor forces. Accordingly, the whole labor force engaged in the micro enterprises and small scale manufacturing industries is more than eight folds (740,000 persons) to that of the medium and large scale manufacturing industries (90,000 persons). This is a contribution of 3.4% to GDP, 33% of the industrial sector‟s contribution and 52% of the manufacturing sector‟s contribution to the GDP of the year 2001 (CSA, 2005).

Even though the roles of micro and small enterprises in the Ethiopian economy are better recognized, there is no adequate study on the sub sector. Although significant strides have been made to allow micro and small enterprises to be created, there are formidable obstacles militating against the development of both existing micro and small enterprises and those aspire to start up a new.

Equally, there may be some opportunities that need to be realized. The objective of this study is assessing factors affecting transitional development of small scale to medium scale enterprise in sebeta town: challenges, opportunities and prospects and come up with recommendations that will promote the sector.

Moreover the existence of a strong small business sector is necessary for the boosting of the economy. However, the transition of small scale enterprise to medium enterprise is as crucial to preserve the flow of new small businesses into the economy. In addition, such transition or growth will further reduce the unemployment rate and increase the number of products or services offered to the society.

The Ethiopian government adopted the national Micro and Small Enterprise Development Strategy for the first time in November 1997. The policy identified a

number of constraints hampering the development of MSEs. The policy serves as guideline to all stakeholders to stimulate the establishment of new enterprises and enabling the existing ones to grow and become more competitive. This policy identified un-favorable legal and regulatory frameworks, underdeveloped infrastructure, poor business development services, limited access to finance, ineffective and poorly coordinated institutional support as the key constraints that hinders the development of the sector (MSEs strategy for Ethiopia, 1997). In addition, the reviewed empirical studies with regard to the sector focused on socio-economic determining factors of MSEs success and its major challenges and constraints (Solomon, 2004; Girmay, 2006).

Most studies, in academic and non-academic institution, focus on factors that hinder the growth of MSEs and the outcome of the program in aggregate forms. Regarding the role of micro and small enterprises in the process of industrial development, empirical studies fail to investigate the transitional development of small scale enterprise to medium scale enterprises. .

For instance, the research conducted by Solomon (2004) also tried to analyze growth determinants of MSEs and found that product diversification is a major determinant factor for the growth of small enterprises in Addis Ababa. The finding revealed that business experience is associated with new start-ups calls for the promotion of the culture of apprenticeship and intern experience sharing for the young as a possible area of intervention in employment generation schemes to minimize the extent of unemployment The researcher holdup to see MSEs contribution in the development of medium scale enterprise by solving their challenges and using their opportunities.

Girmay (2006) study on the title of Managerial Performance Measurement in Small Scale Industries, focus more on investigates whether SSIs can operate as successful and surviving firm and to formulate database model of managerial performance measurement. The researcher also tried to identify the challenges faced by MSEs in Addis Ababa. Some of the factors identified are: lack of access to capital and credit, lack of clear and pragmatic national policy to enhance the development of SSIS, lack of premises and land,

lack of entrepreneurial, managerial and other skills, lack of skilled workforce, lack of information about separate supportive organization socio-cultural constraints, lack of sufficient marketing and promotional support. However, the study failed to investigate how small scale enterprise can develop to medium scale enterprise.

From the above mentioned studies, it is possible to learn that factors affecting transitional development of Small Scale to medium scale enterprise are not studied. Therefore, this study tries to assess factors affecting transitional development of Small Scale to medium scale enterprise in Sebeta Town and also tries to identify challenges, opportunities and prospects for the sector and come up with policy recommendations.

## 1.4 Research Questions

On the bases of the above statements of the problem this research attempts to address the following questions.

- What are the major internal and external challenges in transitional development of Small Scale to medium scale enterprise?
- What are the major opportunities and prospects in transitional development of Small Scale to medium scale enterprise?
- What are the key strategies used to develop MSE and to manage the challenges faced by the MSEs transitional development of Small Scale to medium scale enterprise?
- Do all MSEs actors in government sectors play their role according the MSEs strategy?

## 1.5. Objective of the study

### 1.5.1 General Objective

The general objective of the study is assessing factors affecting transitional development of small scale to medium scale enterprise in sebeta town: challenges, opportunities and prospects.

### 1.5.2 Specific Objectives

- ✓ To investigate the external and internal Challenges of transitional development of small scale enterprise to medium scale enterprise particularly in Sebeta Town.
- ✓ To identify the key strategies used to develop MSEs and to solve the challenges faced by the SMEs transitional development of Small Scale to medium scale enterprise.
- ✓ To identify the major Opportunities and prospects of transitional development of small scale enterprise to medium scale enterprise particularly in Sebeta Town.
- ✓ To assess the role to be played by all MSEs actors according to the MSEs strategy
- ✓ Based on the finding of study to provide policy implication as to how to better the transformation process of small-scale to medium scale enterprise in the study area.

## 1.6 Significance of the study

#### 1.6.1 **Future researchers**

The importance of this study is it may serve as springboard for other studies, which may focus on similar topics and issues, related to micro and small business challenges and opportunities.

#### 1.6.2 **Actors of MSEs**

Consequently, the study can be used to show the transitional development of small scale in to medium level growth, their problems in the study area and help the government and other actors to focus on MSEs as one of the intervention for the fight against poverty. The study could also assist the planners and practitioners to give emphasis on MSEs in their development programs and projects and to arrive at appropriate solutions to the problems on MSEs.

1.6.3 **Policy makers**

Accordingly the finding of the study may help policy and strategy makers and practitioners in designing and implementing appropriate policies that would enhance the transitional development of small scale enterprise to medium scale enterprise in Ethiopia.

1.6.4 **Sebeta Town Administration**

It may also be helpful for Sebeta Town Micro and Small Scale Enterprise to take corrective measures so as to overcome the challenges and search opportunities for their transitional development. Furthermore, the outcome of the study will give important insight for further studies.

## 1.7 Scope of the study

In order to address the research objectives, the study is enclosed spatially and operationally. The study is limited to Oromia Regional state, Sebeta Town as a research setting. It is also delimited to those MSEs who have been registered under the MSE development strategy of Ethiopian government and licensed by each *centers of MSEs* service center in the Town. However, there are various private MSEs, the researcher not included, in the study. The reason for excluding private MSEs is that, it is difficult to get their list which would help for sampling.

## 1.8 Limitations of the study

The main problem during the survey period was most of the documents that are concerned with micro enterprises are written in Afan Oromo and Amharic. To translate in to the required instruction language (English) took longer period. Another problem encountered in the study was shortages of data. Therefore, what the researcher did was, try to manage his time properly and instead of concentrating only on the survey data, he cross check the data that is gathered through survey with the interviews, and different reports (published and unpublished concerning the issue under study) so as to make the data representative and the outcome of the research findings credible. Because of the

above effort, It is very important to note that these limitations did not have any significant interference with the outcome of the study

## 1.9 Organization of the thesis

The paper has five chapters. General introduction were offered in the first chapter of this study. The relevant literature in the field was reviewed in the second chapter. Research design and methodology were presented in the third chapter. Following this, Chapter four contained data presentation, analysis, discussion of data and summery. Finally, conclusions and recommendations are presented in the fifth chapter. Following references and appendices were presented.

# CHAPTER TWO

# Review of Related Literature

## 2.1Theoretical Literature Review

### 2.1.1 Introduction

In this chapter, the number of theoretical and empirical works on Micro and Small Scale Enterprises which has received a great deal of attention in development literature, and in the leading programmes of the most development patterns are presented.

Accordingly, numerous development programmes and projects have been launched in many developing countries and emphasis is now shifting towards the development of Micro and Small Enterprises in order to increase the productivity, purchasing power and standard of living of their people so as to achieve economic growth and development. This is because it has been realized that most countries should have programs to develop this sector of the economy since it is the engine of growth for every economy especially in all developing countries like Ethiopia. In addition to this there will be some conceptual work which will be used to support the study.

This chapter comprises of two main sections. These are Theoretical Literature review and Empirical Literature Review on MSEs

### 2.1.2 Definitions and concept of MSE‟s in Global Context

Regarding the definition of the term MSEs universally accepted definition is not yet given. This is because of the heterogeneity of MSEs themselves and the nature of the economy in which they operate. This become the agent for the absence of establishing feasible global definitions that can be used everywhere in the same manners http://www.cgp.org /.

Due to this and the other related factors, different countries use different criteria such as number of employees, assets, employed capital, sales turn over, or combination of the above factors to determine the size of the enterprises. For instance the most common definitions used by regulators are based on the number of employees, sales and/or loan size. Accordingly this study indicated that sixty-eight countries provided information on the SME definition criteria used by the financial regulator. Fifty of them use the number-of-employees criterion and 29 out of these 50 also use the other two criteria. In this form a total of 41 regulators use maximum sales value criteria and 15 of them use maximum loan value criteria to define MSE (ibid).

Meanwhile Bolton Committee (1971) first formulated an "economic" and "statistical" definition of a small firm. Under the "economic" definition, a firm is said to be small if it meets the following three criteria: It has a relatively small share of their market place; It is managed by owners or part owners in a personalized way, and not through the medium of a formalized management structure; and it is independent, in the sense of not forming part of a large enterprise.

The Bolton Committee applied different definitions of the small firm to different sectors. Whereas firms in manufacturing, construction and mining were defined in terms of number of employees (in which case, 200 or less qualified is considered to be a small firm), those in the retail, services, wholesale, etc. were defined in terms of monetary turnover (in which case the range is 50,000-200,000 British Pounds to be classified as small firm). Firms in the road transport industry are classified as small if they have 5 or fewer vehicles. The given definition of Bolton committee for the concept small and micro enterprise is not without criticisms. It is highly criticized on the apparent inconsistencies between defining characteristics based on number of employees and those based on managerial approach.

In addition to this in Nigeria, the Small and Medium Industries Enterprises Investment Scheme (SMIEIS) defines MSEs as any enterprises with a maximum asset based of N200

million excluding land and working capital and with a number of staff employed not less than 10 or more than 300 International Finance corporation publication (2001).

According to the National Board of Small Scale Industries (NBSSI) in Ghana, both fixed asset and number of employees are applied as criteria in the definitions of micro and small scale enterprise. It defines a Small Scale Enterprise as one with not more than 9 workers, has plant and machinery (excluding land, buildings and vehicles) not exceeding 10 million Cedis (US$ 9506, using 1994 exchange rate) http://www.man ac.Uk /idpm/.

The European Commission (EC) coined the term `Small and Medium Enterprises (SMEs)‟ based on the following three components. According to this commission where Firms with 0 to 9 employees are considered as micro enterprises the one with 10 to 99 employees are categorized under small scale enterprises. Mean while firm with 100 to 499 employees are indicated as medium enterprises (ibid).

In other ways World Bank since 1976 indicated that firms with fixed assets of less than US$ 250,000 in value (excluding land) are Small Scale Enterprises.

As it is indicated above micro and small scale enterprise can be defined based on the economic statuses of the country. For instance according to UNIDO (1983) for developing countries while firms with 100+ workers are considered as large, the one with 20 - 99 workers are categorized under medium firms. Adding to this it categorized firms with 5 - 19 workers under small scale firm and firms with < 5 workers under micro firms.

For Industrialized Countries the source indicated that firms with 500+ workers are large and medium firms are those firms with 100 - 499 workers. According to the same source firms with ≤ 99 workers are categorized under small (ibid). From this, it can be said that there is no unique definition for micro and small scale enterprise.

In general the definition for the concept micro and small scale enterprise is different from country to country based on socio –economic status. This indicated the absence of clear cut and universally accepted definitions for this concept since different criteria are used.

### 2.1.3 Definition of MSE"s in Ethiopian context

In the case of Ethiopia, there is also lack of uniform definition at the national level to have a common understanding of the MSEs Sector. Even though difficulty is there in having clear cut definitions, the country wide used definition of MSEs according to MoTI and CSA is based on level of paid-up capital/fixed asset, size of employment, the technological establishment used and consultancy services. This categorization is important for functional and promotional purposes to achieve the desired levels of development. However, three mostly used definitions of MSEs are the definition by Ministry of trade and industry (MoTI) on the basic criteria of capital investment and on the other hand by central statistical authority (CSA) that uses employment and MSEDS use the capital investment and employment. In addition to the above mentioned definition currently, the revised MSEs Strategy divided MSEs in terms of product and service.

According to the definition of Ministry of Trade and Industry MSEs sector are categorized into micro enterprises and small enterprise for the purpose of a strategy (MoTI, 1997). Accordingly; Micro Enterprises are those small business enterprises with a paid-up capital of not exceeding Birr 20 000, - and excluding high technical consultancy firms and other high technological establishments. Whereas, Small Enterprises are those business enterprises with a paid-up capital of above 20,000 and not exceeding Birr 500 000 and excluding high technical consultancy firms and other high technical establishments (Haftu et al. 2009).

The other definition in Ethiopian context is the definition used by CSA which categorized MSEs in to different scales of operation depending on the above mentioned yardsticks. According to CSA a micro enterprise is one with fewer than 10 workers; those with 10-

50 workers constitute small enterprises while medium and large scale enterprises are those with more than 50 employees.

In addition to the above mentioned definition currently, based on the gathered experience, by identifying the gaps of the existing definition of MSE, ignoring the size of employee and by taking total asset as criteria and by dividing it in to industry and service sector; and considering the coming 5 years inflation and fluctuation/irregularity of currency the improved definition is presented as follows: Micro Enterprises are those enterprises having 5 workers including family members and its total asset not exceeding Birr 100,000 for manufacturing enterprises and Birr 50,000 for service providing enterprises. Small enterprises are those enterprises having 6-30 workers and its total capital not exceeding Birr 1.5 million for manufacturing enterprise and Birr 500,000 for service providing enterprises.

When ambiguity is encountered between manpower and total assets as explained above, total asset is taken as primary yardstick. (MSEDS, 2011)

## 2.1.4 Concepts of Transitional Developments of Small Scale Enterprises.

### 2.1.4.1 Growth stages, constraints and transitions

Micro and small scale enterprises remain the very important agent in the economic developments of one country. They become the bench mark for the transitional development of economy in most developing countries. The study undertaken by Boaten (2012) affirmed this idea. According to this study the dynamic role of micro and small-scale enterprises MSEs in developing countries is indicated as a "necessary engines for achieving national development goals such as economic growth, poverty alleviation, employment and wealth creation, leading to a more equitable distribution of income and increased productivity. That is why an attempt to accelerate growth rates in low-income countries, particularly in Africa gets the attentions of partners and donors of the world . This shows that MSEs are seen as essential facilitator for economic growth, job creation, industrial development and poverty alleviation, equitable distribution of income both in developed and developing countries (ibid).

In light of the foregoing for economic growth and development, it would appear that a reasonably large and vibrant SME sector would be highly desirable, especially for underprivileged economies, which characteristically appear to have smaller and less vibrant SMEs sectors. Size and vibrancy in turn require that start–up, micro and smaller firms (MSEs) are able to „transit" to the next stage that is into SMEs (Galbraith, 1982; Kazanjian, 1988).

The Hanks et al. (1993) propose four stages model and has received a lot of attention in literature. Where the first stage is characterized as startup, young and small enterprises with simple organizational structures, the second stage is expansion stage which is slightly older and larger enterprises with more complex organizational structures. The third is maturity stage. At this stage enterprise become larger than in the previous stage with more complex structures. The last and fourth stage is diversification stage at which the enterprise reached the highest level of entrepreneurship. These stages indicate the evolutionary developments of micro and small scale enterprise.

Essentially, stage models commonly propose that enterprises „transit" gradually from one stage to another such that most, if not all, firms do start small. However, the models also claim that the transitional process can often be highly challenging since firms experiences different problems typical of a particular stage of growth. Those firms that are able to resolve the problems are usually able to transit to the next stage, others may be forced to exit the business environment altogether or remain ever small. This phenomenon appears well articulated by Berger and Udell (1998). This model is frequently referred financial growth model in the literature. The authors propose a three stage firm growth: very small; medium–sized, and large firms.

According to this model, the transition from the very small to the large firm stage is determined largely by access to „confined" sources of finance. For instance, in the case of a very small firm, survival and transit to the medium stage would be determined importantly by the availability, and the firm"s accessibility to insider (founder capital, trade credit, etc.) and angel finance. Thus, in the absence of angels, a very small firm

must rely only on insider finance; the model predicts that at this stage, external debt, such as a bank loan, is highly unlikely due mainly to the firm‟s size, age and operational opacity (ibid).

#### 2.1.4.2 Financial constraints and the MSE–SME transition

In spite of the debate on firm characteristics in comparison with financial constraints, the MSE to SME transition is likely to be importantly constrained by the lack of access to external finance (Beck et al., 2005). In a worldwide survey of 80 countries and 10,000 executives, Schiffer and Weder (2001) show that smaller firms report higher levels of growth obstacles compared to medium or larger firms.

More recently, Beck eta al (2010) note that while domestic credit to the private sector has generally been increasing in most developing countries, anecdotal and statistical evidence suggest that smaller enterprises continue to be largely left out. According to this source the higher financial obstacles reported by smaller firms across developing and developed economies is consistent with both anecdotal evidence as well as theory‟s predictions.

In addition Beck et al. (2005) suggested that smaller firms typically need smaller loans but greater opacity and collateral problems usually translate into higher risk premiums. Consequently, smaller firms grow much more slowly. The survey also shows that the level of access to external finance may differ across countries that mean the share of small firms with no external finance ranged from 19 to 73%.

While these studies confirm that smaller firms may have more difficulties in accessing external finance, they neither do not purse show nor suggest that smaller firms are completely deprived of external finance. In this respect, a large number of studies have also attempted to examine and understand the reasons for the lower degree of access to external finance by smaller firms (ibid).

Accepting its economic significance on one hand and appreciating its generic financing constraints on the other, governments around the world have assumed the responsibility of providing and facilitating financial assistance to the SME sector.

According to Beck et al. (2010).A common strategy has been the partial credit guarantee (PCG) scheme. Designed to expand lending to SMEs, a PCG is essentially a risk transfer and diversification mechanism seeking to lower the risk to the lender by substituting part of the counterparty risk by the issuer, which guarantees repayment of part of the loan in case of a default

To solve this financial problem Multilateral organizations such as the World Bank strongly support government efforts to assist local SMEs sectors. According to the World Bank (2002, 2004) the Bank itself allocates billions of dollars to support SMEs programs worldwide; more than $10b over the 1998–2002 period and $1.3b in 2003 alone has been allocated. The Bank is also actively involved in assisting governments design strategies for alleviating financing constraints of SMEs.

### 2.1.5 The impact of the different phases of the production process in MSEs

The different phases of the production process in MSEs are mention in http://www.ueapme.com as follows:

**Environmentally-friendly raw materials:** Micro and small businesses find it difficult to use this kind of raw materials because, it is generally hard for them to give documented evidence of its origin and its properties and it tends to be more expensive and, therefore, it has an impact on the price of their final products.

**Planning/design of the products:** In this case, the cause of the problem faced by micro and small businesses relies both on the cultural attitude in the necessity to recruit technicians and engineers able to judge the planning and design of products from an ecological and energy efficient perspective.

**Production phase:** Minimizing the negative impact on the environment and increasing energy efficiency of the manufacturing phase often requires the adoption of new, more advanced technologies. This means micro and small businesses are faced with the problem of finding the external financing for that. In this framework, it should be considered the investments in new production facilities have to be calculated very carefully and must be used during the whole amortization period and any investment in eco and/or energy efficiency has to compete against other investments that may be more important for competitiveness or have a higher potential for cost saving. In addition, most SMEs have a very low equity ratio and depend mainly on debt finance, which reduces the possibility to invest and forces SMEs owners to prioritize the most important investments from a business point of view.

**Transport phase:** This phase has important repercussions on the quality of the environment, both for the emissions and the congestion caused by road transport. Also in this case, micro and small businesses tend to choose the best transport option on the basis of its influence on the final price of their product without taking care of environmental aspects. The road transport option is, consequently, the classic solution due to their traditional approach to this issue.

**End of use phase:** Waste is a particularly growing problem and a more sustainable production process should aim at avoiding or reducing its production to the minimum. Moreover, products should be designed in a way to be easily dismountable by customers in their end-of-life phase in order to facilitate reuse and recycling. These concepts are particularly difficult to apply for micro and small businesses because of the already mentioned problems related to the lack of EMS and eco-friendly design.

As a whole, therefore, the implementation of concept such as eco-efficiency, eco-design and energy efficiency in a classic micro and small business corresponds to a revolution in its production process. It should be well prepared in advanced and introduced with care avoiding “overnight” implementation http://www.ueapme.com.

### 2.1.6 MSEs Growth measures

There is a little agreement in the existing literature on how to measure growth thus most previous studies have used a variety of different measures such as total assets, sales, employment size, profit and capital (Davidsson & Wiklund, 2000). Moreover, growth has been measured in absolute or relative terms. Perhaps the most common means of firm growth is through relatively objective and measurable characteristics such as growth in sales turnover, total assets and employment size.

These measures are relatively uncontroversial, the data tend to be easily available and it increases the scope for cross study comparability (Freel & Robson, 2004). But it is difficult to get reliable time series data on growth of fixed assets/sales (better indicator of growth) and MSEs owners would be unable to report their sales or profits even at the present time expecting that their guesses as to sales of ten years ago would be accurate is folly. Hence, the measurement of growth in terms of changes in the numbers of workers is objective. Interestingly, Evans (1987) reports that estimates using employment size is similar to those that use sales besides growth in sales and growth in the number of workers are highly correlated. Therefore, this study measures the growth of MSEs using employment size.

### 2.1.7 The role of micro and small enterprise

The role played by MSEs, through the various socio-economic benefits emanating from the sector was found to be important in the overall development effort and process of nations. In other words, by generating larger volumes of employment as well as higher levels of income, the MSEs will not only have contributed towards poverty reduction, but they will also have enhanced the welfare and standard of living of the many in the society (Mukras, 2003).

Employment creation: To reduce unemployment micro and small enterprises make unquestionably a huge contribution, especially in the developing world. Most studies conclude that small enterprises are more labor intensive than larger ones, and some even

finds that the smaller firms also produce more output (or value added) per unit of capital and thus generate more output as well as employment for a given investment than do larger firms (Haggblade et al., 1990).

When we look at the share of employment in MSEs and large industries for lower and higher income countries, 62%, and 38% of employment opportunity in lower income countries created small scale and large scale enterprise respectively. However, the share of employment in MSEs in higher income countries is still considerable and it accounts for 41% of the total employment and the rest51% by large industries (Workneh, 2007).

Poverty reduction: For micro and small scale enterprise the chance to operate their own business at a very low startup capital, and expand from that point will help them support themselves and their family. This intern will operate to a reduced nationwide poverty (Benyam, 2008).

In addition to the above role of MSEs, according to the study of Liedholm and Mead (1999), the basic contributions of MSEs are also believed to be income generation and employment creation and they identified and summarized the contribution of MSEs as the following: Contribution to household income and welfare; which Providing income maintenance for those with few options; Providing basis for growth in income and welfare through asset accumulation, skill development and access to more rewarding economic opportunities; and Providing employment opportunities; Contribution to self confidence empowerments of the individuals to Recognition of the dignity of individuals; and Spreading the vision, that change is possible. Contribution to social change, political stability and democracy through increasing confidence in local representative community based institutions, through developing of individuals feelings of responsibility and participation in governance; also through creating institutional structure reflect, people‟s needs and objectives. Contribution of distributional or developmental objectives by providing new for the opportunities Poor; and by means of providing new opportunities for the woman Contribution to demographic change, through reduction of birth rate and through reduction in rural-urban migration

### 2.1.8 Theories on Micro and Small Scale Enterprises

Different theories were developed on the development of MSEs at different times. In this session some theories related to micro and small scale enterprises are presented.

For instance, according to Tambunan (2006), two theories were developed in connection with micro and small scale enterprise. These are: classical and the modern theories.

**The Classical theory -** states that poverty and the importance of MSEs development correlate positively. In the course of rapid economic development, the economic share of MSEs declined; while those of large and medium enterprises dominate the economy. In other words, the higher the proportion of people living in poverty, the more will be the contribution of MSEs in reducing poverty. This theory however, is criticized for neglecting the economic growth of MSEs through networking and clustering, agglomeration. It only focused on the relationship between levels of income and the growth of MSEs. Because of these short coming of the theory, the modern view was developed in 1980s.

**The Modern Theory-** postulates that the major reason for the emergence of the notion of flexible specialization was the long debate of how to interpret the new global pattern of production caused by globalization forces and industrial restructuring. Global production had transformed from mass to individual production system and flexible specialization is the result of this debate. Hence, according to Tambunan (2006) the modern theory has three characteristics:

**Flexible and Specialization** -firms in the community form part of a bounded community which outsiders are largely excluded.

**High level of competitive innovation** - there is a continuous pressure on firms in the community to promote innovation in order to keep an edge of their competitors and;

**High level of cooperation** - there is a limited competition among firms in the community over wages and working conditions encouraging greater cooperation among them.

In general, according to Tambunan (2006), the flexible specialization on MSEs states those MSEs grow faster than large enterprises with the process and are important source of invention, efficiency and innovation. They are also capable of standing the competition with large enterprises. Hence, in the courses of development, the economic share of MSEs increases or in other words, MSEs contribute a lot for poverty alleviation; while, it declines in the classical theories. The other theories are the firm growth theory, and the economic theory.

**The firm growth theory-**The firm growth theory asserts that MSEs are more likely to disappear and be replaced by modern large-scale industry. This theory has, however, been shown to be inaccurate in the sense that MSEs do not normally compete directly with large enterprises; rather, they often tend to remain micro and small, co-existing with large multi-national companies, which phenomenon the World Bank, 1989 has identified as the „missing middle" (Ryan, 2005).

The most obvious activity where these niches exist is in distribution to areas or income groups where their costs would be prohibitively high for large enterprises. However, in a literature survey on macro analyses of micro enterprises in developing countries, Liedholm and Mead (1993) came to the conclusion that macro-level empirical evidence indicates that, as aggregate per capita income increases, there is a systematic pattern of evolution of MSEs towards larger firms based in larger localities, producing more modern products.

**The economic theory** of the growth of small firms has been concerned with the relationship between growth and firm size. The conventional wisdom in economic theory has long held that, due to economies of scale and scope, the growth of firms is positively related to their size. Large firms were typically expected to have advantages over small firms and so grow more rapidly. This process was expected to lead to a growing concentration of industry. This partly explains the emphasis on large scale industry in the former centrally planned economies (Scase, 1997).

But to some extent it no doubt also explains the fascination of economists from both east and west with the newly privatized firms in those countries. It was expected by many that all that was needed to release the forces of growth were a transfer of ownership from the state to "outside owners" who would engage in a process of strategic restructuring which would lead inevitably to rapid growth of the privatized firm sector. It was also thought that the small firm sector would play a relatively insignificant role in regeneration and transition growth (ibid).

### 2.1.9 MSE‟S Experience in Ethiopia

Recognizing the significance of this sector, the Ethiopian government issued and established the National Micro and Small Enterprises Strategy and the Federal Micro and Small Enterprises Development Agency in 1997 and 1998 respectively. The country‟s industrial policy in 2003 and the poverty reduction strategy in 2006 have singled out MSEs as major instruments to create a productive and vibrant private sector and reduce poverty among urban dwellers (Mulu, 2009).

The Ethiopian government released the country‟s first MSEs Development strategy in November 1997 E.C. The primary objective of the national strategy framework is to create an enabling environment for MSEs. In addition to this basic objective of the national MSE strategy framework, the MOTI has developed a specific objective which includes, facilitating economic growth and bring about equitable development, creating long-term jobs, strengthening cooperation between MSEs, providing the basis for medium and large scale enterprises, promoting export, and balancing preferential treatment between MSEs and bigger enterprises (MOTI, 1997).

The implementation of the strategy is planned to follow five stages. These are awareness creations, needs identification and implementation planning, resource identification, training of support agency staff and strengthening the business and entrepreneurial culture. The strategy indicated criteria for prioritizing MSEs for support. MSEs which are based on local raw materials and labor intensive having greater inertia and inter-sect oral

linkages (particularly with agriculture), import substitution and export capacity, MSEs engaged in activities that facilitate and promote tourism (ibid).

In general, according to MoTI (1997) and MoI (2006), governmental bureaus, Micro Financing Institutions, Technical and Vocational Training Centers, productivity empowerment units, different NGOS, MSEs Councils, the project support units etc are made to work for the promotion of MSEs in Ethiopia. As a result, it is possible to understand from the above discussed policies that the current government is giving great attention for the sector to alleviate the abject poverty, unemployment and to achieve better income distributions. But recently in March 2011, a task force headed by the Ministry of Urban Development and Construction (MoUDC) and the Federal Micro and Small Enterprises Development Agency(FeMSEDA) published a new strategy for the development of MSEs. The strategy identified and analyzed key MSE development constraints namely, financial, training/consultancy, market, and infrastructure, and technology transfer, institutional and cross-cutting issues

According to the new strategy (2011), the overall vision of the strategy is to create a "competitive" MSE sector that lays the groundwork for industrial development. To realize this vision, three objectives have been identified, which are: To increase the employment and wealth creation capability of MSEs, to enable the MSE sector to become more competitive and link with agricultural development and to ensure MSE development by creating a large entrepreneurial base in towns and cities throughout the country.

The major output of the new MSE Development Strategy is the creation of support packages that relate to the areas identified as constraints to the sector. The target areas for the new strategy are manufacturing sector (textile, leather and leather products, food processing and beverage, metal works and engineering, wood work including, agro-processing), construction, trade, services and urban agriculture.

According to the strategy there are two forms of development level of MSE. While the first is transition from small to medium, the second is a step to be competent within the level they have. The developmental support of government to MSE is also on the basis of these transition levels of growth. Hence, based on the experiences of other countries developmental stages of MSE in Ethiopia within the level can be divide into three stages that is Start-up, growth and maturity.

**Table: 2.3. Definitions and supports for stages**

| Stages | Definitions | Supports provided |
|---|---|---|
| **Start-up** | Individuals, groups or associations are organized legally, start production and are provided services | Initial capital, legal support, business management, entrepreneurship idea, accounting skill and technical training which increase productivity and quality |
| **Growth** | The enterprise is competent in terms of price, quality and supply in the market. | Financial support, well founded skill and technical support, market, workplace and legalization of the enterprise |
| **Maturity** | The enterprise is competent and profitable in the market; establish new enterprises; fulfill the definition of the sector and promoted to medium or competent and profitable while it is in MSE stage. | Creating competent enterprise (through using KAIZEN, expanding market destination etc); identifying and providing equipments that can help MSE to promote to Medium level enterprise; providing certificate that shows their (MSE) promotion to growing enterprise stage |

**Source:** MSEDS, 2011

The key principles in the strategy are to:

- sustain growth path through accumulating capital in a short period of time;
- create a fertile breeding ground for "developmental investors"
- strengthening the limited capital and technology of MSEs;
- create "developmental investors" and "developmental politics" in cities;
- make industry and city development areas as a direction of government priority;
- develop the capacity of youth skills and their job creation ability,
- improve the saving culture of university and TVET graduates and assign them in the sector;
- Ensure "industrial extension services" in TVETs will provide sustainable human capacity and technology development, based on the specific industry development strategy direction.

Generally according to the Micro and Small Enterprise Development Strategy, 2011, 1.5 million job opportunities were created, more than 4billion loan was given through MFI, about 34million square mater lands was supplied, 8000 sheds and 380 buildings were constructed for production and sales purpose. A lot of job opportunities were created and income of the MSE"s rose in the past 5 years as considerable attention was given to the sector. It also enabled to acquire best experiences in addition to stimulating the development of socio-economic of towns.

In Ethiopia an enterprise to be transformed from small to medium level of growth is when it enabled to be competent in price, quality, and supply using the support given to the level. In addition, if they have greater than 30 workers and its total capital were exceeding Birr 1.5 million for manufacturing enterprise and Birr 500,000 for service providing enterprises.

### 2.1.10 Challenges and problems of MSEs Development

To achieve the desired objectives for MSEs, there are a number of barriers that hinders the attainment of the enterprises. Of special importance here is the set of barriers which

hinder the growth of potentially fast growth enterprise which have the greatest capacity to generate jobs and introduce innovations and new technologies http://www.man.com .

Despite the wide-ranging economic reforms instituted in the sectors, SMEs face a variety of constraints owing to the difficulty of absorbing large fixed costs, the absence of economies of scale and scope in key factors of production, and the higher unit costs of providing services to smaller firms& value added per unit of capital invested (Steel and Webster. 1990).

**A set of constraints identified with the sector shows as follow:**

Fagge, (2004) asserted that the following problems militate against the effective operation of small and medium enterprises:

**Poor Implementation of Policies:** there have been many good policies formulated in the past by the government to improve, but weak implementation has made it impossible to realize the goal.

**Lack of Continuity:** most small scale establishments are sole proprietorship and such establishment often ceases to function as soon as the owner loses interest or dies. This raises the risk of financing such business.

**Poor Capital Outlay:** inadequate capital outlay has often affected small scale business adversely. Financiers often regard the sector has high risk area and therefore feel skeptical about committing their fund to it.

**Poor Management Expertise:** Management has always been a problem in this sector as most small scale businesses do not have the required management expertise to carry them through once the business start growing. The situation gets compounded as training is not usually accorded priority in such establishments.

**Inadequate Information Base:** Small scale business enterprises are usually characterized by poor record keeping and that usually starve of necessary information

required for planning and management purposes. This usually affects the realization of the sector.

**Lack of Raw Materials:** In some small scale business enterprises, raw materials are sourced externally, hence the fate of such enterprises to foreign exchange behavior. The fluctuation of foreign exchange may therefore make it difficult to plan and that may precipitate same stock that may destabilize the setup.

**Poor Accounting System:** the accounting system of most small scale business enterprises lack standard and does not make room for the assessment of their performances. That creates opportunity for mismanagement, which consequently may lead to enterprise failure.

**Unstable Policy Environment:** Government policy instability has not been helpful to small scale businesses. That has been destabilizing and has indeed sent many SMEs to early fold-ups.

According to International Finance corporation publication (2001) the economic development in developing economy as a result of the contribution of SMEs is not really noticeable due to multifarious reasons that will be considered below:

**Inadequacy of infrastructural base**: Infrastructural facilities are very inadequate. The power supply is so epileptic this has contributed to folding up of many SMEs. Others are: Unreliable telecommunication facilities, Poor state of road network, Water supply etc.

**Low entrepreneur technical skill:** Many entrepreneurs rush out to establish SMEs without having good and adequate technical skills. They covet the progress and profit of existing ones without good technical background. No wonder many collapses.

**Lack of database**: They lack good record keeping and so do not have necessary information required for planning and management purposes. This usually affects the realization of the objectiveness of the sector.

**Wrong attitude of Entrepreneur and their workers:** The attitude of some entrepreneur to loans and that of their workers to work is counterproductive. Some entrepreneur when offered credit facilities, believes that this is their share of the "national cake". They therefore mismanage such. Since salaries or wages of those in SMEs are smaller compared to those in large-scale multinationals, some of the workers engage in eye service and are not productive

**Legal:** High start-up costs for firms, including licensing and registration requirements can impose excessive and unnecessary burdens on MSEs. The high cost of settling legal claims and excessive delays in court proceedings adversely affect MSE operations. Prohibitive laws like The Business Licensing Act, The Electricity Act, The Control of Goods Act, and The Export Incentives Act, have severely constrained MSE development 5.3% of proprietors in Malawi mentioned this as a constraint (Daniels & Ngwira, 1993).

The cumbersome procedure for registering and commencing business were key issues often cited. However, Aryeetey et al. (1994) found that this accounted for less than 1% of their sample. Meanwhile, the absence of antitrust legislation favors larger firms, while the lack of protection for property rights limits SME access to foreign technologies.

### 2.1.11 Conceptual framework

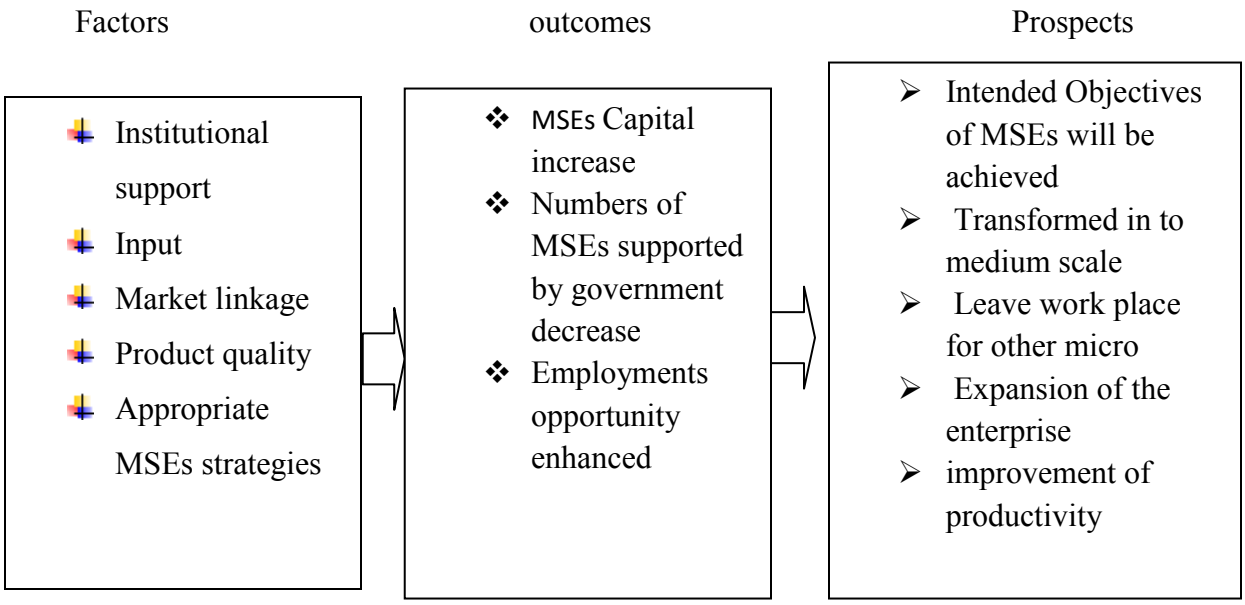
Since transitional development of small scale enterprise to medium scale enterprise is important for job opportunities, economic development and base for industrial development. This transitional development is influenced by both internal and external factors; operators need to understand what influences MSEs to develop to the next stage.

In this section, through reviewing the previous works, the researcher attempted to develop a conceptual framework for this study. The variables that this study focused on are the transitional development of small scale enterprise to medium scale enterprise. Appropriate MSEs Strategies, institutional support, working place, technology, infrastructure, market linkage, finance, management, attitude change, and product quality are among the factors that have an influence for the sustainable development of MSEs in

different sectors so as to reach to the needed outcomes. Further more if the outcomes of MSEs achieved positively, the enterprises under study will expand, diversify their product and may finally transform themselves to medium enterprises.

To align the conceptual framework with the research objectives, MSEs Performance is the dependent variable whereas Government sectors support, working place, technological, infrastructural, marketing, financial, management and entrepreneurial factors are all independent variables. The relationship can be expressed and shown in Figure 2.1.

Figure 2.1 Factors affecting the development Of Small scale enterprise, outcomes and Prospects




Source: Conceptual frameworks (Own Model), 2014

## 2.2 Empirical Literature Review on MSEs

### 2.2.1 Empirical studies of MSE"Sin other countries

Beck et al. (2006) find, in a study spanning 80 countries and 10,000 firms, that there was a 39% probability that a small firm would rate financing as a major obstacle (as opposed to minor, moderate, or no obstacle) compared to 38% for medium and 29% for large firms. Further, compared to large firms, small firms finance, on average, 13 percentage points less of their investments with external finance.

Access to finance remained a dominant constraint to small scale enterprises. According to the study of Aryeetey et al. (1994) reported that 38% of the SMEs surveyed mention credit as a constraint. This stems from the fact that SMEs have limited access to capital markets, locally and internationally, in part because of the perception of higher risk, informational barriers, and the higher costs of intermediation for smaller firms. As a result, SMEs often cannot obtain long-term finance in the form of debt and equity.

According to the study of Aryeetey et al. (1994) found that 7% of their respondents indicated that they had problems finding skilled labor, and 2% had similar problems with unskilled labor. However, only 0.9% of Malawian firms were reported to have had labor problems.

This seems a less important constraint to SMEs considering the widespread unemployment or underemployment. SMEs generally use simple technology which does not require highly skilled workers. However the skilled workers are required, an insufficient supply of skilled workers can limit the specialization opportunities, raise costs, and reduce flexibility in managing operations.

SMEs have difficulties in gaining access to appropriate technologies and information on available techniques. This limits innovation and SME competitiveness. Besides, other constraints on capital, and labor, as well as uncertainty surrounding new technologies, restrict incentives to innovation. 18% of the sampled firms in Aryeetey et al. (1994)

mentioned old equipment as one of the four most significant constraints to 18.2% (Parker et al, 1995).

Access to finance remained a dominant constraint to small scale enterprises in Ghana and Malawi. Credit constraints pertaining to working capital and raw materials were cited by respondents between 24% and 52% (ibid).

SMEs in Ghana and Malawi emphasized the high cost of obtaining local raw materials; this may stem from their poor cash flows (Parker et al, 1995).

Mbroh (2011) in his study of the methods of accounting practices by small business owners within the Cape Coast Metropolitan area of Ghana, concluded that, 34% of his respondents studied did not practice any form of accounting in addition to a seeming problem with the specific types of accounts frequently kept by the SBOs.

Relating to the study conducted by Lawal (2010) to the one conducted by Okpetu (2002) it follows that for SMEs irrespective of the nature of their business ideology, key success factors such as proper planning, good financial control, technology, sustainable improved employee productivity are germane to success of the organizations whether such SMEs are with international presence or only domesticated in Nigeria.

### 2.2.2 Empirical studies of MSEs in Ethiopian

Eshetu and Zeleke (2008) conducted a longitudinal study to assess the impact of influential factors that affect the long-term survival and viability of small 25 enterprises by using a random sample of 500 MSMEs from 5 major cities in Ethiopia. According to this research, that lasted from 1996-2001, the factors that affect the long term survival of MSEs in Ethiopia are found to be adequacy of finance, level of education, level of managerial skills, level of technical skills, and ability to convert part of their profit to investment.

This is so because the findings of the study revealed that businesses that failed, during the study period were characterized by inadequate finance (61%), low level of education

(55%), poor managerial skills (54%), shortage of technical skills (49%), and inability to convert part of their profit to investment (46%).(ibid).

According to the study of Mulugeta (2011) ,the critical problems of MSEs has recognized and classified in to market-related problems, which are caused by poor market linkage and poor promotional efforts; institution-related problems including bureaucratic bottlenecks, weak institutional capacity, lack of awareness, failure to abide policies, regulations, rules, directives, absence of training to executives, and poor monitoring and follow-up; operator-related shortcomings like developing a dependency tradition, extravagant and wasting behavior, and lack of vision and commitment from the side of the operators; MSE-related challenges including lack of selling place, weak accounting and record keeping, lack of experience sharing, and lack of cooperation within and among the MSEs and finally society-related problems such as its distorted attitude about the operators themselves and their products.

In addition to the above study, Workeneh (2007) in his study entitled Constraints of Micro and Small Enterprise in addressing employment opportunity found that MSEs operators in Addis Ababa face lack of adequate training, unfavorable regulatory policy of the government institutions, problem of premise, and inadequate training in the area of marketing and bookkeeping affect the performance and contribution of the sector.

# CHAPTER THREE

# 3. Description of the Study Area and research Methodology

## 3.1 Description of the Study Area

According to the reports of Oromia Finance, Economic and Development Bureau (2013) and Office of Finance Economic and Development of Sebeta Town (2013), the description of the study area shown as follow**:**

### 3.1.1 Study Area

Oromia is one of the 9 national regional states of Ethiopia; its estimated area is about 363,378km$^2$, which is about 34.3% of the country's total area. Also it is the largest National Regional State in Ethiopia in terms of population size and areal coverage. In 2003EC the total population of the region was 31,179,949 both Out of which about 13.2% is dwelling in the urban and the rest large percentage of the people of the region are yet living in the rural. The region is classified into 18 zones, 304 districts (265 rural districts and 39 urban centers under reform) and more than 6412 rural kebeles and Urban Kebeles.

Sebeta is one of the Oromia towns that emerged before the Italian invaded Ethiopia in 1935; it is the capital town of Sebeta Awas District of Oromia special Zone surrounding Finfinne situated at about 24 km south west of Addis Ababa along Jimma road. According to the master plan of the town which was prepared in 1999, Sebeta has 99 km$^2$ or 9900 hectares of a reserved total area. The total population of this town for the year 2003 E.C & 2004 E.C was 131,123 (68,258 males & 62,865 females) and 136,368 (70,988 males & 65,380 females) respectively.

### 3.1.2 Location

Geographically, Oromiya region extends from: 3$^0$24'20" North to 10$^0$23'26" North latitudes (extending for about 7$^o$ north to south and 34$^0$07'37"E to 42$^0$58'51"E longitudes

(extending for about $9^{o}$ west to east). Sebeta Town extends from $^{0}53$”38.50”N_$8^{0}59$“58.17”N latitude and $38^{0}35$“11.91”E_$38^{0}39$“33.75”E longitude.

### 3.1.3 Shape and Position

The longest and shortest axes of Sebeta boundaries measured from topographic map are 16.97 km and 8.64 km respectively. With regard to relative location, it shares common boundaries with Addis Ababa on the North, north east and east, Burayu town on the North and rural villages of Sebeta Hawas district to the south and west.

### 3.1.4 Relief Features

Oromiya is a region of great physiographic diversity, having Mountain ranges and massifs that culminate into Tullu Dimtu (Bale zone), i.e., the highest peak of the Region with 4377masl, Plateaus, gorges and river valleys, Rolling plains-are generally found in the Region, it holds about 49% of the Region's land surface is above 1500mas1 (i.e. Highlands), The lowlands and Rift Valley systems account for the remaining 51% of the Region's total land surface.

Sebeta area has an altitudinal range of 2060 and 2670 meters above sea level. The northern part of the town is characterized by mountains ranges land form having an altitude lying between 2600_2670 M.A.S.L. However, the southern part of the town lies between 2060_2120 M.A.S.L. showing that it is the lowest elevated part, as a result of this vast area of Sebeta (Dima,Roge,Atebla .etc) are considered as flat and intermediate plateau that are highly recommended for Expansion.

### 3.1.5 Climatic Condition

Oromiya National Regional State has diverse climatic condition, determined mainly by two important climatic elements via latitude and longitude. Average annual rainfall of the Region varies from: 400mm in parts of Borena in Southern Oromiya to over 2400mm in parts of Ilubabor Zone or over its Western Highlands. The Region has characterized by four season“s such as; summer, autumn, winter and spring.

The temperature of the Region varies in the Highlands $7.5^0$c to over $22^0$c and, in the lowlands from $22^0$c to over $30^0$c. It experiences overhead sun twice a year. In general, average annual temperature ranges from less than $7.5^oC$ to greater than $27.5^oC$ in the Region. The Sebeta Town area lay in the temperate climatic zone with a temperature range of $12.7^0$c to $24.4^0$c.

## 3.2 Research Methodology

This study used both quantitative and qualitative approaches of research design. The study mainly used descriptive researches to describe the existing situation and as well used survey method so as to accurately and precisely describe the research population which commonly utilized under descriptive type of research.

### 3.2.1 Data Sources

To undertake this research, the researcher used both primary and secondary sources of data. In order to realize the target, the study used well-designed questionnaire as best instrument. This was completed by the owner managers/or operators of the enterprises. Besides, face-to-face interviews with the members of management and director of Oromia MSE Agency and with the actors of the Sebeta Town MSE officials. The interview method of data collection is preferred due to its high response rate. Through interviews, clarification of issues is easily achievable leading to accuracy of data. Secondary data were collected from published and unpublished reports were referred to.

### 3.2.2 Data Collection Techniques

In this study, primary data were collected from operators/management of MSEs, management member and director of Oromia MSE Agency and with the actors of the Sebeta Town MSE officials. The researcher has collected the primary data at the time of field survey.

To collect necessary information from the sample population, sampling was carried out using questionnaire. One set of questionnaire containing both open-ended and close-

ended types were designed and administered to a total of 379 managements/members of the enterprises. Initially the questionnaires prepared in English but it was translated into Amharic, to make more understandable for respondents. The survey was also conducted through face to face interview between the 5 respondents and interviewer. Of course, the comment of experienced people was conducted prior to the survey. This has helped the researcher to see whether or not there were any difficulties in relation to questionnaire and to modify based on the feedback of the comment to check the validity of the data that the researcher collected.

The secondary sources of data were gathered from files, pamphlets, office manuals, circulars and policy papers were used to provide additional information where appropriate. In addition, variety of books, journals, published and/or unpublished government documents, websites and reports were reviewed to make the study fruitful.

### 3.2.3. Sampling Techniques

#### 3.2.3.1. Sampling Frame

Both probability and non-probability sampling design were used to get information about the larger study of population. From non- probability, purposive sampling was used to conduct interview with members of management and director of Oromia MSE agency and with the actors of the Sebeta Town MSE officials; because they have information about the sector.

In the case of probability sampling, simple random sampling and systematic sampling were employed. Simple random sampling particularly purposive sampling was used to select Sebeta Town from the 12 towns of Oromia regional state. These Town was selected with the consultation of the regional officials and data obtained from the organizational profile of different enterprises operating in the Region. The officials of region told the researcher and the researcher analyzed from the data that these Town has ample experience on micro and small enterprise activities and there is also problem of transitional development from small scale to medium scale enterprise when we compare with the rest town.

There are six MSEs centers in Sebeta Town, three centers were selected purposely. The researcher decided to select the three centers i.e. first center, second center and third center,- for the reason that these centers consist of more than 66.65% ( 1525) of the total MSEs of the Town, which are 2288. Hence, these centers could be a good representative for analyzing the transitional development of MSEs in the town.

Within each selected center, there are five sectors of MSEs. These are: manufacturing; Service; Construction; Urban Agriculture and Trade. Within these five sectors, there are a number of MSEs in each center. The researcher in this regard tries to take proportional number of MSEs

**3.2.3.2 Sample Size**

The study population was composed of MSEs operators in the sixty enterprises working in manufacturing, construction, Service, Urban Agriculture, and Trade operating in the three MSEs centers. Probability sampling technique of systematic sampling method was applied for selection of operators for data gathering through questionnaire.

**Table: 3.1 sample size**

| MSEs centers | No. of Enterprises | Population | Sample population | sample population of the field | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Manufacturing | Construction | Service | Urban agriculture | Trade |
| 1st | 456 | 3380 | 149 | 25 | 23 | 42 | 19 | 40 |
| 2nd | 641 | 3481 | 153 | 26 | 23 | 44 | 19 | 41 |
| 3rd | 428 | 1762 | 77 | 13 | 12 | 22 | 10 | 20 |
| Total | 1525 | 8623 | 379 | 64 | 58 | 108 | 48 | 101 |

Source: - Own field survey, 2014

The total number of the respondent for questionnaire selected in the following ways:
The total population of the study is 1525 enterprises which include manufacturing (178), construction (40) Service (119), Urban Agriculture (58) and trade (118). The sample size selected here is considered as representative of manufacturing, construction, Service,

Urban Agriculture, Trade and also large enough to allow for precision, and confidence of the research findings. The following formula was used for the calculation of the sample size since it was relevant to studies where a probability sampling method was used (Watson, 2001).

$$n = \frac{\left( \frac{P\,[1-P]}{\frac{A^2}{Z^2} + \frac{P\,[1-P]}{N}} \right)}{R}$$

Where, n = sample size required = 379

N = number of population = 8623

P = estimated variance in the population = 50%

A = margin of error = 0.05

Z = confidence level = 1.96 for 95% confidence

R = estimated response rate = 97%

Accordingly, 379 respondents were selected from the total of 1525 MSEs. These 379 respondents were selected from manufacturing, construction, Service, Urban Agriculture and Trade on proportional basis. Therefore, [(178/1525) x 379] = 44 manufacturing out of 178, [(162/1525) x 379] = 40 construction out of 162, [(479/1525) x 379] = 119 Service out of 479, [(233/1525) x 379] =58 Urban agriculture out of 233 and [(473/1525) x 379] =118 trade out of 473 were selected

### 3.2.4 Data Analysis and Presentation

For analysis of the data both quantitative and qualitative methods were employed. Quantitative data generated from the survey questionnaire were analyzed using SPSS. Descriptive statistics like frequencies, percentage, and average were applied to facilitate meaningful analysis and interpretation of research findings. The results of processed data

were presented in tables, charts and pie charts. Qualitative data obtained through questionnaire and interviews were analyzed through descriptive method of analysis.

### 3.2.5 Instrument Development

Basically, the instruments were developed based on the objectives of the study and research questions. The principles of questionnaires such as, use simple and clear languages, statements should not be too long and use of appropriate punctuations is also considered when developing the instrument. In addition, interviews can be used.

#### 3.2.5.1 Design of the Instruments

The instruments were designed in such ways that can help for viability of the study. The questionnaires were designed both in English and Amharic languages. The purpose of translating from English in Amharic language is to utilize those who cannot clearly understand English language so that respond easily. The interview questions were designed in English language only, because the discussion was in Afan Oromo while making interviews with officials.

#### 3.2.5.2 Instrument Validity

Remark by different people, was conducted to refine the methodology and test instrument such as a questionnaire before administering the final phase. Questionnaires was commented with experienced people to make the data collecting instruments objective, relevant, suitable to the problem and reliable as recommended. Comments raised by people were corrected and questionnaires were refined. Besides, proper detection by an advisor was also taken to ensure validity of the instruments. Finally, the improved version of the questionnaires were printed, duplicated and dispatched.

The instruments selected can help to show factors that affect transitional development of small scale Enterprise to medium Enterprises. It can clearly address how these factors affect the transitional development of small scale Enterprise in Sebeta Town. The relevant data were collected on the factors of the transitional development of small scale Enterprise.

### 3.3 Ethical Considerations

All the research participants included in this study were appropriately informed about the purpose of the research and their willingness and assent was secured before the commencement of distributing questionnaire and asking interview questions. Concerning the right to privacy of the respondents, the study maintained the secrecy of the identity of each participant. In all cases, names are kept secret thus collective names like „respondents" were used.

# CHAPTER FOUR

# 4. Data Presentation, Interpretation and Analysis

## 4.1 Introduction

Under this chapter, the data collected through different data collection methods and tools are discussed and analyzed carefully in order to show and assess the transitional development of MSEs from small scale to medium enterprise in the study area.

### 4.2 Response Rate

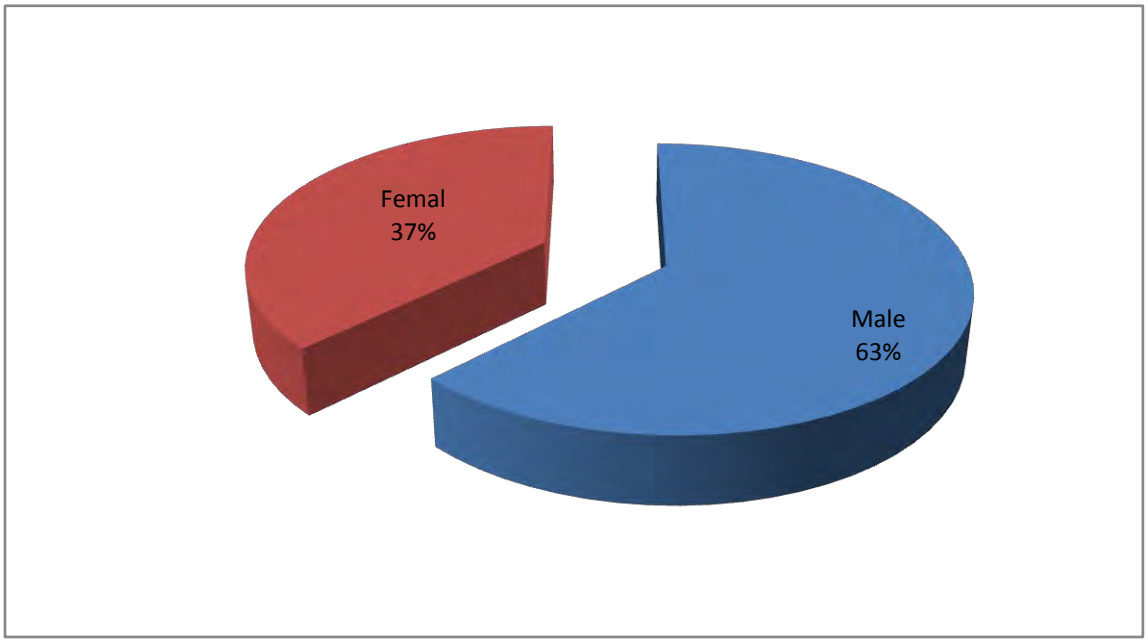
Three hundred seventy nine questionnaires were distributed across the five sectors in three MSEs centers, out of which 358 were completed and retrieved successfully, representing 94.45% response rate. Out of the 379 questionnaires administered 64, 58, 108, 48 and 101 were distributed to Manufacturing, Construction, Service, urban Agriculture and Trade respectively. The numbers of questionnaires retrieved from Manufacturing, Construction, Service, urban Agriculture and Trade are 61, 58, 98, 48 and 93 respectively. This represents a response rate of 95.3 Percent, 100 Percent, 90.7 Percent, 100 Percent and 92 Percent for Manufacturing, Construction, Service, urban Agriculture and Trade respectively. Generally, this section is organized in the following manner: First, the general information about MSEs was presented. Second, data collected through questionnaires and interviews were analyzed concurrently.

## 4.3 General information of the respondents

In this section, the study provides details of the gender, age, marital and educational status, of Managers/Operators are discussed and presented which is relevant for the respondents.

### 4.3.1 Sex of respondents

Figure: 4.1 Gender of the respondents



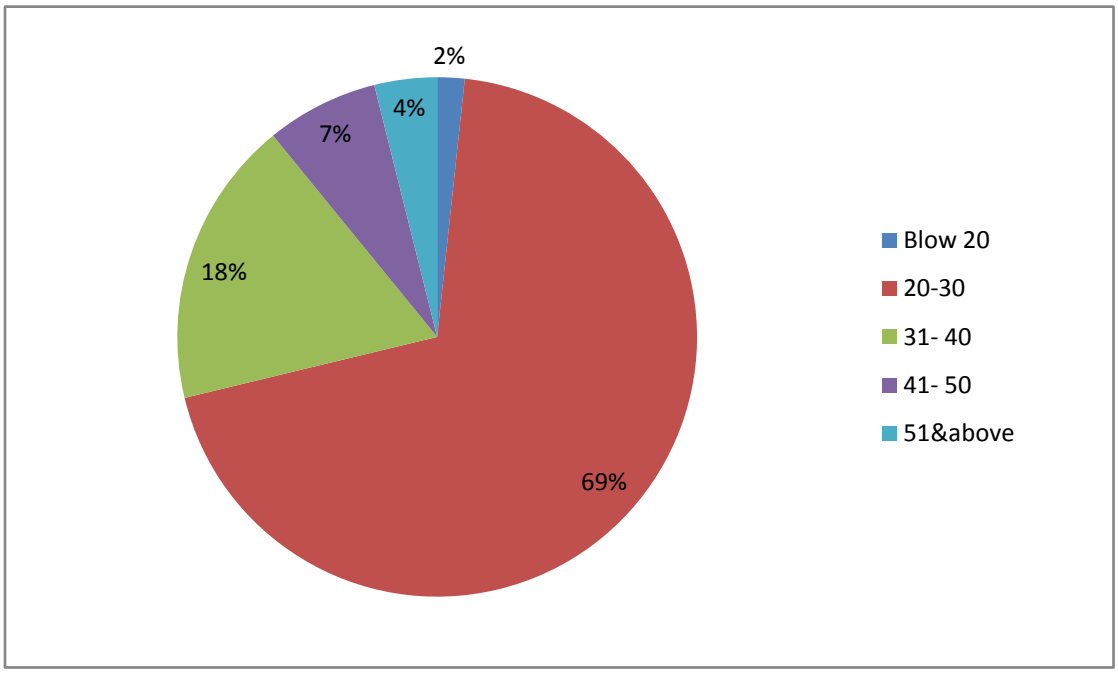

Source: - Own field survey, 2014

As far as sex of the respondents is concerned, a result indicates that there is low proportion of women compared to men in the MSEs. In the Town the proportion of men in MSEs covers 224

(62.6%) and women constitute only 134 (37.4%), demonstrating that there is a clearly observable gender gap (Pie chart 4.1). There are some constraints for this variation such as cultural norms regarding „appropriate" works of men and women. However, that proportion is adequate to capture the interests of females.

### 4.3.2 Age of Respondents

Figure: 4. 2 Age of the respondents




Source: - Own field survey, 2014

Regarding the age structure, 6(1.7 %) of respondents were found blow 20 age categories while 249 (69.6%) of the respondents were found in the range of 20-30 years age group. Age groups 31- 40, 41- 50 and 51 and above years constituted 64(17.9%), 25 (7 %) and 14 (3.9 %) of respondents, respectively. The majority of the respondents i.e. 96 Percent were found in the age range of blow20-50 years and the remaining 3.9 Percent of respondents were found in the age range of 51 and above years. This result shows that the most included sample respondents are the active sections of the societies, that are expected most to benefit from the MSEs and urban development strategies (MOTI, 1997). In other words, the finding of this research indicates that the MSEs accommodate the most active and productive age group of people as shown in Pie chart 4.2 above.

### 4.3.3 Educational Status

Table: 4.1 Educational levels of the respondents

| Educational level | Frequency | Percent |
|---|---|---|
| Read and write | 27 | 7.5 |
| Elementary | 54 | 15.1 |
| secondary | 91 | 25.4 |
| Certificate | 43 | 12 |
| Diploma or TVET | 112 | 31.3 |
| Above Diploma or TVET | 31 | 8.7 |
| Total | 358 | 100 |

Source: - Own field survey, 2014

For enhancing the productivity and transitional development of MSEs, education and skills are important. As indicated in Table 4.1, Managers/Operators of the enterprises are found in different levels of education status. Of the 358 respondents, 7.5 Percent of respondents can only read and write. Furthermore; about 15.1 Percent of sample respondents were elementary. As can be seen from the figure, 25.4 Percent and 12 Percent of sample respondents have completed secondary and Certificate level of education, respectively, where as 31.3 Percent of respondents got Diploma or TVET and 8.7 Percent has Above Diploma or TVET level education. This implies that most of the respondents 68.7 Percent attended from secondary up to Diploma or TVET level education. While the remaining 7.5 Percent, 15.1 Percent and 8.7 Percent of respondents attended Read and write, Elementary and Above Diploma or TVET respectively.

Hence, from the educational levels of the managers/ Operators of the enterprises, it is possible to generalize that large proportions of the participants in MSEs are those who completed their secondary school education and above. The other benefiting groups are below secondary schools and those who can only read and write. Those who have secondary and above level education can have adequate record keeping and financial control system and proper planning system, while, the other group who attended lower

than secondary level educations have lack of record keeping and financial control system and proper planning system.

### 4.3.4 Marital Status of Respondents

Table: 4.2 Marital Statuses of the Respondents

| Marital status | Frequency | Percent |
|---|---|---|
| Single | 159 | 44.4 |
| Married | 193 | 53.9 |
| Divorced | 6 | 1.7 |
| Widowed | 0 | 0 |
| Total | 358 | 100 |

Source: Own Field survey 2014

With respect to marital status, out of the 358 respondents in the selected enterprises, 53.9 Percent of the respondents are married while 44.4 Percent of respondents are single. The divorced sample respondents accounted for about 1.7 Percent. Hence, these figure shows that most proportions of married and single are able to participate in MSEs, and the sector is capable of absorbing both single and married individuals indiscriminately and is increasing their income. The proportion of divorced is also not that large and widowed individual not seen at all in the demography of the Town.

## 4.4. General Characteristics of the Enterprises

### 4.4.1 The Stage of Business Enterprise

Table: 4.3 Stage of business enterprise

| Stage | Frequency | Percent |
|---|---|---|
| Small scale | 351 | 98 |
| Medium scale | 7 | 2 |
| Total | 358 | 100 |

Source: - Field survey 2014

Also from Table 4.3 above, one can easily identify the stage of the business that the enterprises engaging in, from the total respondents, Majority of the enterprises i.e. 98 Percent involved in a small scale enterprise stage. While the rest of the enterprises in the sample 2 Percent are found in Medium scale enterprise stage. These help the researcher to get appropriate information from appropriate enterprise. Because to get Factors Affecting Transitional Development of Small Scale to Medium Scale Enterprise the proper information is found from small scale level and from medium level the experience and challenge they face after they developed to medium scale Enterprise.

### 4.4.2 Plan in enterprise future operation

Table: 4.4 Plan in enterprise future operation

| plan | frequency | percent |
|---|---|---|
| Yes | 351 | 98 |
| No | 7 | 2 |
| Total | 358 | 100 |
| Duration of the plan | | |
| Blow 1 year | 149 | 41.6 |
| 1 -2 years | 101 | 28.2 |
| 3-5 years | 44 | 12.2 |
| Above 5 years | 57 | 15.9 |
| Total | 351 | 100 |

Source: - Field survey, 2014

The other variable of this study which is expected to have relation to the transitional development of small scale enterprise is the internal practice of planning in advance for different activities to be executed in the day to day operation of the enterprises for attaining pre established goals.

As it is indicated in Table 4.4, from the total sample enterprises in this study, 98 Percent of respondents in the sample taken have planning practice in their day to day business operation, even if the duration of the plan is different. The possible justification to the importance of using plan is that, planning in advance what needs to be done helps enterprises to act strategically to realize established development goals rather than moving in a random and unsystematic way to the opportunities as well as unfavorable situation that will happen in their business operations. This proactive move of the enterprises increases their chance of success in the dynamic environment.

### 4.4.3 Record Keeping and Financial Control Practice of the Enterprises

Use of formal record keeping and financial control mechanism in the enterprises day to day business operation is considered as another variable that would result difference in transitional development between those use the system and those do not use.

Table: 4.5 Record Keeping and Financial Control Practice of the Enterprises

| Record keeping | frequency | Percent |
|---|---|---|
| Yes | 346 | 96.6 |
| No | 12 | 3.4 |
| Total | 358 | 100 |
| Kind of record keeping and financial control system | | |
| Daily transaction | 261 | 75.4 |
| Balance sheet | 38 | 11 |
| Income statement | 20 | 5.8 |
| More than one | 27 | 7.8 |
| Total | 346 | 100 |

Source: - Field survey, 2014

As it is depicted in Table 4.5 above from the total sample respondents considered in this study,. 96.6 Percent respondents use record keeping and financial control system to facilitate their day to day business activities by applying different Kind of record keeping and financial control system

### 4.4.4 Management Experience of Principal Owners

The other variable in this study is the management experience of the principal owners of the business which is expected to create variations on the transitional development of MSEs.

Table: 4.6 Management Experiences of Principal Owners

| Experiences | frequency | Percent |
|---|---|---|
| Yes | 158 | 44.1 |
| No | 200 | 55.9 |
| Total | 358 | 100 |

Source: - Field survey, 2014

From Table 4.6, 55.9 Percent respondents in this study respond that have no any prior management experience acquired either being employed in other organizations and working in a management position or managing their own independent enterprises before the current one.

Generally from the results in Table 4.6, the performance of those enterprises owned and managed by those individuals having management experience is better than the others. This is because, management experience may provide entrepreneurs with prior knowledge of markets, ways to serve markets, and of customer problems and this kind of exposures in turn increases the chance of the enterprises‟ success in their business environment.

### 4.4.5 Marketing Skill of Business Owners

Last variable considered in this study is the marketing skill of the business owners‟ which is expected to create variations in the MSEs transitional development.

Table: 4.7 the Marketing Skill of Business Owners

| Marketing Skill | Frequency | Percent |
|---|---|---|
| Yes | 180 | 50.3 |
| No | 178 | 49.7 |
| Total | 358 | 100 |
| Specific advantage gained | | |
| Knowledge of products price | 8 | 4 |
| Knowledge of customers handling | 60 | 33 |
| Knowledge of product sale | 28 | 16 |
| Knowledge of market linkage | 57 | 32 |
| More than one advantages | 27 | 15 |
| Total | 180 | 100 |

Source: - Field survey, 2014

As indicated from Table 4.7, from the total sample 50.3 Percent respondents respond in this study as MSEs owned and run by individuals with marketing skill acquired from their formal education or informal ways like training.

From this we can say that better performance of those enterprises owned by owners without any marketing skill is an exceptional to the common wisdom that marketing skill and knowhow helps businesses to a better performance in their operation.

## 4.5. Factors Affecting Transitional Development of Small Scale to Growth Medium Scale Enterprises

Respondents were asked different questions regarding the factors affecting transitional development of small scale to growth medium scale enterprises. Their responses are organized one by one in the following approach.

### 4.5.1. Legal Factors

Table 4.8: Legal Factors

| Factors | Strongly agree | | agree | | undecided | | Disagree | | Strongly disagree | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | f | % | f | % | f | % | f | % | f | % | f | % |
| Bureaucracy in company registration and licensing | 108 | 30.2 | 109 | 30.5 | 37 | 10.3 | 61 | 17 | 43 | 12 | 358 | 100 |
| Lack of government support | 95 | 26.6 | 154 | 43 | 32 | 8.9 | 45 | 12.6 | 32 | 8.9 | 358 | 100 |
| Lack of accessible information on government regulations that are relevant to my business | 87 | 24 | 121 | 33.9 | 52 | 14.2 | 61 | 17 | 37 | 10.9 | 358 | 100 |
| Lack of appropriate policy | 86 | 24 | 90 | 25.1 | 65 | 18.2 | 73 | 20.4 | 44 | 12.3 | 358 | 100 |
| Total average | 94 | 26.2 | 118.5 | 33.1 | 46.5 | 12.9 | 60 | 16.8 | 39 | 11 | 358 | 100 |

Source: - Own field survey, 2014

As Table 4.8 shows that the respondents were asked whether they had faced Bureaucracy in enterprises registration and licensing. As a result, out of the total respondents, 30.2 Percent and 30.5 Percent strongly agreed and agreed, about the problem of Bureaucracy in company registration and licensing respectively. From this result we see that, the majority of the respondents i.e. 60.7 Percent agreed on the problem. Therefore, it may be concluded that bureaucracy in Enterprises registration is the factor that affects the transitional development of small scale Enterprise to medium scale Enterprise in the study area.

The second question asked the respondents in legal factors were lack of government support, out of the total respondents in the selected enterprises 26.6 Percent strongly agreed and 43 percent agreed on the problem. While the rest of the respondents in the sample undecided, and Disagree. From this we can say that the majority of respondents agree as there is a gap in government support. The third question is about lack of accessible information on government regulations that are relevant to their business. In this question 24 Percent, 33.9 Percent respondents, strongly agreed and agreed, respectively. The fourth and the last questions in legal factors were lack of appropriate policy. In this question, 49.1 Percent respondents were agreed i.e. (24 Percent strongly agreed and 25.1 Percent agreed). When we see this respond about half of respondents not agree on lack of appropriate policy.

In general this implies that legal factors are affecting the transitional development of small scale Enterprise but not strong in policy case.

When the above responses compared with the interview conducted with management and director of Oromia MSE agency and with the actors of the Sebeta Town MSE officials, it was confirmed that there are problems related to government bodies at each levels. The interviewees are pointed out the implementation problems widely observed in the side of the heads and lower level experts and employees of government sector offices such as lack of knowledge, lack of attitudinal changes, and lack of responsiveness to the demands of the operators. This arises either from the given priority for their office work and see

the MSEs work as secondary or their lack of awareness about the peculiar procedures, policies and proclamations that favor MSEs. The other possible explaining factor for this non-responsiveness to the operators can be the fact that the concerned government offices are overburdened with other routine activities of their respective offices, which resulted in abandoning or being irresponsive to the issues of the MSE operators.

According to interviewees, even when opportunities have been created, MSEs have not been able to draw the full advantage due to lack of coordination between actors and lack of facility for growth medium enterprise according the strategies. For the reason that lack of coordination between actors, week supports and follows up, make difficult to know MSES weakness; and strength entirely.

In addition the strategy clearly show that, support can given in related to the level of growth MSEs arrived but officials/experts not define and identify the types of supports according to the enterprise level arrived. Also there is lack of support for the medium level growth enterprise. For example, as interviewee explanation from the total of 352 medium enterprises in the town only two gets full package input. By seeing these problems the rest enterprises not want develop to growth medium enterprises. They not tell the amount of their capital and human resource, which is the measurement of transitional development.

When we see the legal issue, high start-up costs for firms, including licensing and registration requirements can impose excessive and unnecessary burdens on MSEs. The high cost of settling legal claims and excessive delays in court proceedings adversely affect MSE operations. Prohibitive laws like The Business Licensing Act, The Electricity Act, The Control of Goods Act, and The Export Incentives Act, have severely constrained MSE development 5.3% of proprietors in Malawi mentioned this as a constraint (Daniels & Ngwira, 1993).

### 4.5.2 Financial Factors

Table 4.9: Financial Factors

| Factors | Strongly agree | | agree | | undecided | | disagree | | Strongly disagree | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | f | % | f | % | f | % | f | % | f | % | f | % |
| Inadequacy of credit institutions | 176 | 49.2 | 81 | 22.6 | 13 | 3.6 | 51 | 14.3 | 37 | 10.3 | 358 | 100 |
| Lack of cash management skills | 114 | 31.8 | 132 | 36.9 | --- | --- | 78 | 21.8 | 34 | 9.5 | 358 | 100 |
| Shortage of working capital | 123 | 34.4 | 148 | 41.3 | 22 | 6.2 | 32 | 8.9 | 33 | 9.2 | 358 | 100 |
| Fear of High collateral requirement from banks and other lending institutions on medium scale Enterprises | 147 | 41.1 | 95 | 26.5 | 39 | 10.9 | 18 | 5 | 59 | 16.5 | 358 | 100 |
| Fear of High interest rate charged by banks and other lending institutions on medium scale enterprises | 142 | 39.7 | 82 | 22.9 | 32 | 8.9 | 45 | 12.6 | 57 | 15.9 | 358 | 100 |
| Loan application procedures of banks and other lending institutions are too complicated on medium scale Enterprise | 144 | 40.2 | 121 | 33.8 | 19 | 5.3 | 29 | 8.1 | 45 | 12.6 | 358 | 100 |
| Total average | 141 | 39.4 | 109.8 | 30.7 | 20.8 | 5.8 | 42.2 | 11.8 | 44.2 | 12.3 | 358 | 100 |

Source: - Own field survey, 2014

As it shown in Table 4.9, the majority of respondents 71.8 Percent reported that they have the problem related to inadequacy of credit institutions i.e. 49.2 Percent strongly agreed, and 22.6 Percent agreed on the problem. Similarly most of respondents 31.8 Percent and 36.9 Percent are strongly agreed and agreed on the lack of cash management skills respectively. With regard to shortage of working capital out of the total respondents 34.4 Percent and 41.3 Percent of the respondents strongly agreed and agreed on the problem respectively.

Regarding Fear of high collateral requirement from banks and other lending institutions 41.1 percent and 26.5 Percent of respondents strongly agree and agree on the problem respectively. By the same token 40.2 Percent of respondents strongly agreed, and 33.8 Percent of respondents agreed with the complexity of loan application procedures of banks and other lending institutions. Moreover, Fear of High interest rate charged by banks and other lending institutions are a serious problem of MSEs as the table below shows very well. The respondents strongly agreed with 39.7 Percent and agreed with 22.9 Percent.

In general, the results of Financial Factors indicated that there are Inadequacy of credit institutions, lack of cash management skills, Shortage of working capital, Fear of High collateral requirement from banks and other lending institutions, loan application procedures of banks and other lending institutions Fear of High interest rate charged by banks and other lending institutions, which hinder the transitional development of small scale Enterprises in the study area.

In addition, during the interview of management and director of Oromia MSE agency and with the actors of the Sebeta Town MSE officials, they all agreed the existence of the problems and explained the measures that the government is undertaking to lessen them such as lack of finance for credit, .and gap to address all MSEs cash management skill.; however, they all agrees the measurements taken to alleviate these problems are not sufficient and so that a lot has to be done in the future.

Related to this result, Beck et al. (2010) noted that while domestic credit to the private sector has generally been increasing in most developing countries, anecdotal and statistical evidence suggest that smaller enterprises continue to be largely left out.

### 4.5.3. Management Factors

Table 4.10: Management Factors

| | Strongly agree | | agree | | undecided | | Disagree | | Strongly disagree | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| factors | f | % | f | % | f | % | f | % | f | % | f | % |
| Lack of clear division of duties and responsibility among employees | 137 | 38.2 | 94 | 26.3 | 32 | 8.9 | 64 | 17.9 | 31 | 8.7 | 358 | 100 |
| Poor organization and ineffective communication | 97 | 27.1 | 116 | 32.4 | 20 | 5.6 | 62 | 17.3 | 63 | 17.6 | 358 | 100 |
| Poor selection of associates in business | 117 | 32.7 | 80 | 22.3 | 31 | 8.7 | 85 | 23.7 | 45 | 12.6 | 358 | 100 |
| Lack of well trained and experienced employees | 111 | 31 | 119 | 33.2 | 17 | 4.8 | 74 | 20.7 | 37 | 10.3 | 358 | 100 |
| Lack of low cost and accessible training facilities | 111 | 31 | 108 | 30.2 | 38 | 10.6 | 64 | 17.9 | 37 | 10.3 | 358 | 100 |
| Total average | 114.2 | 31.9 | 105.2 | 29.4 | 32 | 8.9 | 65.1 | 18.2 | 41.5 | 11.6 | 358 | 100 |

Source: - Own field survey, 2014

As shown in table 4.10, lack of clear division of duties and responsibility among employees is the problems that hinder the transitional development of small scale enterprise to medium scale enterprise. It shows that 38.2 Percent, and 26.3 percent of respondents strongly agreed, and agreed respectively. With regard to Poor organization and ineffective communication, of the total respondents (27.1 Percent strongly agreed and 32.4 Percent agreed) i.e. 59.5 Percent of respondents reported as they agreed on the problem mentioned above. Likewise to Poor selection of associates in business, the majority of respondents 32.7 Percent strongly agreed and 22.3 Percent agreed as there is poor selection of business field.

Regarding to lack of well trained and experienced employees, of the total respondents, 31 Percent strongly agreed and 33.2 Percent agreed as there are a problem. In relation to costly and inaccessible training facilities, the table below shows that, 31 Percent of respondents strongly agree and 30.2 Percent of respondents agree as there is a problem. In general 61.2 Percent of respondents reported the problem.

In general, it was investigated that most of them were responding that Management Factors are hinders the transitional development of small scale Enterprises. The agreement on this factor is justified by the total average 70.1 Percent of respondents were consented, on the problem.

In this regard in an interview conducted with management and director of Oromia MSE agency and with the actors of the Sebeta Town MSE officials, it was confirmed that they had lack of coordination between actors; attitude and capacity problem in the officials, and experts to support operators. Because of this, many management problems face enterprises such as Poor selection of associates in business, Poor organization and ineffective communication.

According to Fagge, (2004) the Management problems militate against the effective operation of small and medium enterprises. Management has always been a problem in this sector as most small scale businesses do not have the required management expertise

to carry them through once the business start growing. The situation gets compounded as training is not usually accorded priority in such establishments.

### 4.5.4. Marketing Factors

Table 4.11: Marketing Factors

| Factors | Strongly agree | | Agree | | Undecided | | Disagree | | Strongly disagree | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | f | % | f | % | f | % | f | % | f | % | f | % |
| Inadequate market for products | 192 | 53.6 | 80 | 22.3 | 44 | 12.3 | 6 | 1.7 | 36 | 10.1 | 358 | 100 |
| Lack of knowledge Searching new market | 128 | 35.8 | 139 | 38.8 | 54 | 15.1 | 13 | 3.6 | 24 | 6.7 | 358 | 100 |
| Lack of demand forecasting | 128 | 35.8 | 138 | 38.6 | 37 | 10.3 | 38 | 10.6 | 17 | 4.7 | 358 | 100 |
| Absence of relationship with an organization that conduct marketing research | 138 | 38.5 | 136 | 38 | 36 | 10.1 | 26 | 7.3 | 22 | 6.1 | 358 | 100 |
| Lack of promotion to attract potential users | 96 | 26.8 | 121 | 33.8 | 52 | 14.5 | 51 | 14.3 | 38 | 10.6 | 358 | 100 |
| Poor customer relationship and handling | 120 | 33.5 | 122 | 34.1 | 19 | 5.3 | 59 | 16.5 | 38 | 10.6 | 358 | 100 |
| Poor product quality to attract market | 130 | 36.3 | 136 | 38 | 21 | 5.9 | 39 | 10.9 | 32 | 8.9 | 358 | 100 |
| Lack of society understanding about small scale enterprise | 140 | 39.1 | 113 | 31.6 | 28 | 7.8 | 39 | 10.9 | 38 | 10.6 | 358 | 100 |
| Total average | 134 | 37.4 | 123.1 | 34.4 | 36.4 | 10.2 | 33.9 | 9.5 | 30.6 | 8.5 | 358 | 100 |

Source: - Own field survey, 2014

As indicated in the Table 4.11, eight questions were designed to gather information about Marketing Factors. According to the responses for Inadequate market for their product, Out of the total respondents 53.6 strongly agreed and 22.3 Percent agreed on the problem. Regarding to demand forecasting the majority of respondents 35.8 Percent strongly agreed and 38.6 Percent agreed as there is Lack of demand forecasting.

In Table 4.11 above, it can be seen that, lack of knowledge Searching new market is another marketing factor that affect the transitional development of MSEs. AS a result shows 35.8 Percent and 38.8 Percent of respondents strongly agreed and agreed on the problem respectively.

Moreover, the table shows that Absence of relationship with an organization that conducts marketing research hinders transitional development of MSEs. This is warranted by the 38.5 Percent respondents strongly agreed and 38 Percent agreed on the problem. Similarly, majority of respondents agreed with they have lack of promotion to attract potential users. This agreement is justified by the 26.8 Percent strongly agreed and 33.8 Percent agreed.

On the other hand, of the total respondents 33.5 Percent strongly agreed and 34.1 Percent agreed with poor customer relationship and handling problem.

Regarding to Poor product quality to attract market, of the total respondents 36.3 Percent strongly agree and 38 Percent agree. Likewise, in relation to lack of society understanding about small scale enterprise, the majority of the respondents 39.1 Percent strongly agree and 31.6 Percent agree as there is a problem on society understanding about small scale enterprise.

As we show from the table, it is possible to conclude that the total average 71 Percent are agreed on the Marketing Factors are problem on the transitional development of small scale Enterprises in the study area.

### 4.5.5. Working Place Factors

Table 4.12: Working Place Factors

| | Strongly agree | | ` | | Undecided | | Disagree | | Strongly disagree | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Factors 1 | f | % | f | % | f | % | f | % | f | % | f | % |
| Absence of own premises | 105 | 29.3 | 129 | 36 | 23 | 6.4 | 63 | 17.6 | 38 | 10.7 | 358 | 100 |
| Current working place is not convenient | 53 | 14.8 | 90 | 25.1 | 58 | 16.2 | 107 | 29.9 | 50 | 14 | 358 | 100 |
| Facilitation of governm ent | 71 | 19.8 | 153 | 42.7 | 6 | 1.7 | 77 | 21.5 | 51 | 14.2 | 358 | 100 |
| Total average | 76.3 | 21.3 | 124 | 34.6 | 29 | 8.1 | 82.3 | 23 | 46.3 | 13 | 358 | 100 |

Source: -Own field survey, 2014

The result of respondents in table 4.12 above shows, the premises factors that hinders their transactional development are absence of their own premises, the current working place is not convenient for their business. As the score of absence of own premises indicate 29.3 Percent and 36 Percent of respondents strongly agreed and agreed on the problem respectively.

As opposed to this, the table shows that convenient of Current working place is not a serious problem of operators. From the result, of the total respondents only 14.8 Percent strongly agreed and 25.1 Percent are agreed with their current working place is not convenient. In relation to Facilitation of government, of the total respondents 19.8 Percent strongly agreed and 42.7 Percent agreed on Facilitation of government is not sufficient.

Generally, it is possible to conclude that the highest proportion of the total average 55.9 Percent of respondents agreed as Working Place Factors are the hinder of transitional development of small scale Enterprises in the study area.

In an interview conducted with management and director of Oromia MSE agency and with the actors of the Sebeta Town MSE officials, it was confirmed that according to the strategy, industrial zone should be established in all Town for the growth medium enterprise, but there is no industrial zone established for medium enterprises. Because of this, the medium enterprise can‟t get service and it creates fear for the new move toward medium enterprises.

### 4.5.6 Entrepreneurial Factors

Table 4.13: Entrepreneurial Factors

| Factors | Strongly agree | | Agree | | Undecided | | Disagree | | Strongly disagree | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | f | % | f | % | f | % | f | % | f | % | f | % |
| Lack of motivation and drive | 111 | 31 | 94 | 26.2 | 20 | 5.6 | 70 | 19.6 | 63 | 17.6 | 358 | 100 |
| Lack of tolerance to work hard | 111 | 31 | 130 | 36.3 | 32 | 8.9 | 49 | 13.7 | 36 | 10.1 | 358 | 100 |
| Lack of persistence and courage to take responsibility for ones failure | 124 | 34.6 | 126 | 35.3 | 33 | 9.2 | 37 | 10.3 | 38 | 10.6 | 358 | 100 |
| Absence of initiative to assess ones strengths and weakness | 105 | 29.3 | 125 | 35 | 32 | 8.9 | 71 | 19.8 | 25 | 7 | 358 | 100 |
| Lack of entrepreneurs hip training | 136 | 38 | 101 | 28.2 | 35 | 9.8 | 61 | 17 | 25 | 7 | 358 | 100 |
| Lack of information to exploit business opportunities | 148 | 41.3 | 95 | 26.5 | 52 | 14.5 | 16 | 4.5 | 47 | 13.2 | 358 | 100 |
| Lack of choice in business type according our interest | 121 | 33.8 | 125 | 34.9 | 39 | 10.9 | 44 | 12.3 | 29 | 8.1 | 358 | 100 |
| Total average | 122.3 | 34.1 | 113.7 | 31.8 | 34.7 | 9.7 | 49.7 | 13.9 | 37.6 | 10.5 | 358 | 100 |

Source: - Own field survey, 2014

Among the entrepreneurial factors, lack of motivation and drive is one. This factors had got the result from the total respondents 31 Percent and 26.2 Percent are strongly agreed and agreed respectively. The second most important factor that affects the transitional development of small scale enterprise is lack of tolerance to work hard. This factor score 31 percent strongly agree 36.3 percent agreed on lack of tolerance to work hard. This shows that more than 67 Percent of respondents agreed with that they have the problem of tolerance to work hard.

Furthermore, the result of respondents indicates that lack of persistence and courage to take responsibility for ones failure is the third entrepreneurial factors that hinder the transitional development of small scale enterprises. As indicated in the table 34.6 Percent of respondents strongly agreed and 35.3 Percent of them agreed on the problem.

Regarding Absence of initiative to assess ones strengths and weakness, the result of respondents shows that 29.3 Percent and 35 percent strongly agree and agree respectively. Thus, it may be concluded that Absence of initiative to assess ones strengths and weakness is the main factor that hinder the transitional development of small scale enterprise. With similar to this, the table shows that Lack of entrepreneurship training is a problem of small scale development. The agreement on this factor is justified by the 38 percent strongly agreed and 28.2 Percent of agreed.

Similarly, the table indicates that Lack of information to exploit business opportunities hinders the transitional development of small scale enterprises. This is justified by 41.3 Percent of strongly agreed and 26.5 Percent of agreed respondents.

Regarding lack of choice in business type according their interest, of the total respondents 33.8 Percent strongly agreed and 34.9 Percent are agreed on the problem.

When we see from the table, the total average 65.9 Percent of the respondents‟ .agree as Entrepreneurial Factors affect the transitional development of small scale Enterprises. From this result, it is possible to say that Entrepreneurial Factors contributed for hindering transitional development of small scale Enterprises in the study area.

According to interview conducted with management and director of Oromia MSE agency and with the actors of the Sebeta Town MSE officials, it was confirmed that the main problem is dependency syndrome, lack of attitudinal change. They don‟t want to lose government supports i.e. audit service, credit, working place and market linkage, which became lease and asked to pay after transition. For the reason that they do not show interest to develop in to growth medium enterprise, instead they hidden their capital, and human resource, they lose motivation, lock of initiative.

According to (Fagge, 2004), lack of entrepreneur technical skill is one of the most often cited reasons for effective operation of small and medium enterprises. The author stated that low entrepreneur technical skills are problems militate against the effective operation of small and medium enterprises. Many entrepreneurs rush out to establish SMEs without having good and adequate technical skills.

## 4.5.7. Infrastructural Factors

Table 4.14: Infrastructural Factors

| factors | Strongly agree | | Agree | | Undecided | | disagree | | Strongly disagree | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | f | % | f | % | f | % | f | % | f | % | f | % |
| Power interruptions | 220 | 61.4 | 69 | 19.3 | 19 | 5.3 | 6 | 1.7 | 44 | 12.3 | 358 | 100 |
| inadequate and irregular water supply | 175 | 48.9 | 89 | 24.9 | 31 | 8.7 | 18 | 5 | 45 | 12.5 | 358 | 100 |
| Lack of business development services | 159 | 44.4 | 74 | 20.7 | 40 | 11.2 | 46 | 12.8 | 39 | 10.9 | 358 | 100 |
| Total average | 184.7 | 51.6 | 77.3 | 21.6 | 30 | 8.4 | 23.3 | 6.5 | 42.7 | 11.9 | 358 | 100 |

Source: Own field survey, 2014

Concerning Infrastructural Factors, as table 4.14 indicated, 61.4 Percent and 19.3 Percent of respondents reported that they strongly agreed, and agreed on the problem of Power interruptions respectively. On the question inadequate and irregular water supply, 48.9 Percent strongly agreed and 24.9 Percent respondents agreed on the problem. The respondents were also asked about lack of business development services. Accordingly, 44.4 Percent and 20.7 Percent of the respondents replied that they strongly agree, and agreed on the problem respectively.

As indicated in the table, the total average of respondents 73.2 agreed as Infrastructural Factors is the problem of transitional development of small scale Enterprise. Hence, from this fact it is possible to say that the Infrastructural Factors is the main problem for the transitional development of small scale enterprise.

Fagge,(2004) asserted that Inadequacy of infrastructural base such as epileptic power supply, Unreliable telecommunication facilities, Poor state of road network, Water supply etc are problems militate against the effective operation of small and medium enterprises.

### 4.5.8 Technological Factors

Table 4.15: Technological Factors

| | Strongly agree | | Agree | | Undecided | | Disagree | | Strongly disagree | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Factors | f | % | f | % | f | % | f | % | f | % | f | % |
| Lack of appropriate machinery and equipment | 143 | 39.9 | 81 | 22.6 | 26 | 7.3 | 68 | 19 | 40 | 11.2 | 358 | 100 |
| Lack of skills to handle new technology | 99 | 27.7 | 126 | 35.2 | 39 | 10.9 | 69 | 19.2 | 25 | 7 | 358 | 100 |
| Lack of capital to acquire new technology | 150 | 41.9 | 113 | 31.6 | 43 | 12 | 19 | 5.3 | 33 | 9.2 | 358 | 100 |
| Unable to select proper technology | 102 | 28.5 | 95 | 26.5 | 33 | 9.2 | 97 | 27.1 | 31 | 8.7 | 358 | 100 |
| Total average | 123.5 | 34.5 | 103.7 | 29 | 35.2 | 9.8 | 63.3 | 17.7 | 32.3 | 9 | 358 | 100 |

Source: - Own field survey, 2014

As it can be seen in table 4.15 above, lack of appropriate machinery and equipment is the problem of transitional development of Small scale Enterprise. The result of respondents shows that 39.9 percent and 22.6 Percent are strongly agreed and agreed, on the problem respectively. With regard to Lack of skills to handle new technology, the scores of respondents‟ shows that 27.7 Percent are strongly agreed and 35.2 Percent are agreed.

According to table 4.15 lack of capital to acquire new technology is affects transactional development of Small Scale Enterprises. The result of respondents shows that 41.9 Percent are strongly agreed and 31.6 percent are agreed as there is a problem of capital to obtain new technology, On the other hand, the result for Unable to select proper technology, 28.5 Percent are strongly agreed and 26.5 percent are agreed, these result describes that 55 Percent of the respondents said there is a problem to select proper technology for their work.

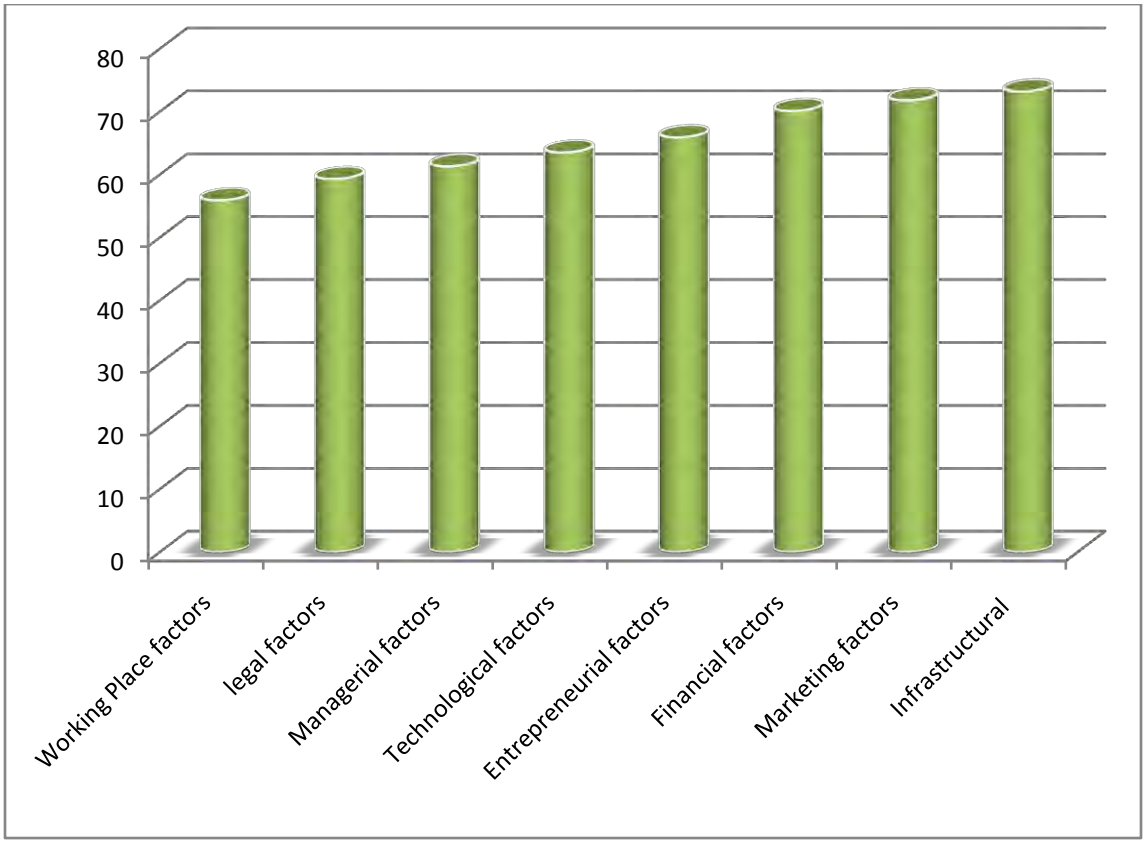
To conclude, all these: Technological Factors were confirmed by the respondents in this survey who indicated that their businesses were constrained by Lack of skills to handle new technology, Lack of capital to acquire new technology, Unable to select proper technology, Lack of appropriate machinery and equipment.

It was also indicated during the interview with the officials offices of MSEs are indicated that there is a problem of capital to buy the proper technology (equipment, machinery, tools, etc). Because of shortage of money from saving and credit institution and the matured credit not collected on time.

### 4.5.9. Degree of Influence of Main Factors in Transitional Development of Small Scale Enterprise

Even if, all the legal, financial, management, marketing, working place, entrepreneurial, infrastructure, and technology, factors affect the transitional development of small scale enterprise, this does not necessarily mean that all factors have equal impact. The following table clearly compares the overall impact of all key factors discussed in detail as the following.

**Figure 4.3: Degree of Influence of Main Factors**




Source: - Own field survey, 2014

It can now be seen that Infrastructural, Marketing and financial factors has the biggest potential to contribute to hinder the transitional development of small scale, followed by entrepreneurial, technological, management, legal and Working Place factors. In other words, the result shows that Infrastructural, Marketing and financial factors are the three topmost factors that affect the transitional development of small scale Enterprise in the selected area.

The closer analysis of the result leads to the conclusion that the above main factors affect the transitional development of small scale enterprise. According to ILO (2005) premises, markets, finance, supply arrangements, regulatory barriers and legitimization of entrepreneurial activity are among the most urgent.

## 4.6. Opportunities, and Threats,

According to result of respondents and interview conducted with management and director of Oromia MSE agency and with the actors of the Sebeta Town MSE officials were confirmed that the main Opportunities is suitable government policy and strategy for the development of MSEs. There is also wide market and work opportunities for MSEs. The other opportunities mentioned by interviewees are supports from government i.e. working place, market linkage, training and credit facility.

It was also indicated during the interview with the management and director of Oromia MSE agency and with the actors of the Sebeta Town MSE officials are shows that the main thereat for small scale Enterprise transitional development are lack of credit, attitudinal problem, corruption in the area my hinder the development of MSEs.

## 4.7. Possible Solutions for the Problems

Respondents were asked to propose possible solutions to cope up with the mentioned problems in MSEs. Accordingly, they provided the solutions that the government should arrange easy access for capital with appropriate interest rates. There should also have provision of enough production and selling place for the growing enterprises. The problem of market should be solved not only by the participants in the enterprises but also primarily by the government through market linkages with governmental organizations. Provision of assistances in market research and should have support in relation to promotion of MSEs from the government and other stakeholders; also mentioned by the respondents as a solution for achieving the intended goal, i.e. MSEs to be base for industries. They also strictly suggested that the government, is also responsible to strong support, follow-up.the other proposed solution is the government body have to help the enterprises in the area of planning, to develop saving culture and proper finance handling, strong coordination and trust among members of the Enterprises.

It was also indicated during the interview with the management and director of Oromia MSE agency and with the actors of the Sebeta Town MSE officials are indicated that solving the problem of dependency syndrome in operators, and lack of attitudinal change in all level. Government has give attention for institutional capacity building.

## 4.8. Prospects for the transitional development of small scale in the study area

In strengthening the contribution of MSEs for industrial development in the form of technologies development, employment opportunity, income generation and technical assistance from government have been facilitated. The incumbent government due attention for the growth and development of micro and small enterprises through different mechanisms and develop workable strategy for the sector, is playing a positive role. Among different mechanisms from the strategy, in providing necessary supports for entrepreneurs, facilitating market linkage, training, provision of working premises and different kinds of business development services might be considered as some of the working strategic mechanisms.

The five-year Growth and Transformation Plan also gives particular attention to the growth, expansion and strengthening of micro and small-scale enterprises. The sector is believed to be the base for industrial development, major sources of employment and income generation for a wider group of the society.

According to the Ministry of Finance and Economic Development Annual Progress Report for F.Y. 2010/11 around 542,000 jobs were created at the end of 2010/11. It shows that micro and small enterprises is given due attention in growth and development plan and it's also considered as one of the opportunities the sector gets from the government. Through time the micro and small enterprises changes into small industrial level and hence government from federal to local administration should attempt to supports the growth of the sector.

According to an interview made with officials from the Sebeta Town and region MSEs Agency, the officials said, the government is providing the necessary support for the growth of MSEs in urban areas. Since unemployment is the major obstacle for the urban societies, as official said, appropriate MSEs strategies has been developed to satisfy the urban dwellers to support economy development through, employment creation, income generation, changes into small industrial level and enhancing entrepreneurship. The local governments, especially Town, provides working premises for the entrepreneur because having working land was one major obstacle for the growth and development of the sector.

Providing working premises, as officials said, improve the problem of capital of the entrepreneurs. From the result of respondents we can assume that most of the operators want to develop their business, because the working environment made them to do more. In the future MSEs can play its role successfully by solving its problem.

Ethiopian federal democratic republic government has paid due attention to the development of micro and small enterprises because they are important vehicles to the industrial development, economic growth and equity within the country. Considering the well importance of MSEs in base for industrial development, job creation, increasing income of households, reducing level of poverty, all stakeholders should make their own efforts in order to remove the constraints that have encountered in the MSE operators.

# CHAPTER FIVE

## 5. Summary, Conclusions and Recommendations

### 5.1 Introduction

This chapter deals with the summary, conclusions and recommendations. For transparency purpose, the summary from Major Findings and the conclusions are based on the research objectives of the study. Recommendations are made to government bodies, to operators of MSEs and suggestion for other researchers.

### 5.2. Summary

- The study revealed that the internal practice of planning in advance for different activities executed in the day to day operation of the enterprises for attaining pre established goals.
- It is understood from the study that MSEs strongly Use formal record keeping and financial control mechanism in the enterprises day to day business operation.
- The Principal Owners have lack of Management Experience for different activities performed in the enterprises.
- More than half of MSEs involved in this study are owned and run by individuals with marketing skill, but still the need for training and development remains a high priority
- There are problems related to government bodies at each level. The implementation problems widely observed in the side of the heads and lower level experts and employees of government sector offices It was found that factors like lack of coordination between actors, lack of knowledge, need of attitudinal changes, lack of support, problem of bureaucracy in Enterprises registration, lack responsiveness to the demands of the operators and lack of accessible information

on government regulations that are relevant to their business are identified as focus areas of MSEs in study area..

- Regarding to the MSEs in the position of growth development stage, there is no clear policy which sector can follow up. For the reason that and lack of coordination between actors Week supports and follows up, make difficult to know their weakness and strength entirely. In addition Officials/experts not define and identify the types of supports according to the enterprises level arrived.
- As it is confirmed by the interview held with key informants management and director of Oromia MSE agency and with the actors of the Sebeta Town MSE officials, according to the strategy, industrial zone should be established in all Town for the growth medium enterprise, but there is no industrial zone established for growth medium enterprises. Because of this, it makes difficult to fulfill input for medium enterprise and it also creates threat on the new MSEs developing to medium enterprises.
- in relation to the financial factors there are inadequacy of credit institutions, lack of cash management skills, shortage of working capital, fear of high collateral requirement, loan application procedures and interest rate charged by banks and other lending institutions, are recognized as strategic focus part for government bodies in the study area. Since, it hinders the transitional development of small scale enterprises.
- It was found that factors like Poor organization, and selection of associates in business, ineffective communication, lack of inaccessible training facilities, and strategic business planning, lack of clear division of duties and responsibility among employees, Lack of well trained and experienced employees is the main problem for hindering the transitional development of small scale Enterprise in study area.
- In relation to the Marketing Factors it is found that there is lack of demand forecasting, Inadequate market for their product, lack of knowledge searching new market, absence of relationship with an organization that conducts marketing research, lack of promotion to attract potential users, with poor customer

relationship and handling, poor product quality to attract market, and lack of society understanding about small scale enterprise are a visible support and training gape from government sectors in market area,.

- According to the result of the study there is a visible working place problem in MSEs in the study area. These are justified by absence of own premises, inconvenient of Current working place and lack of facilitation of government
- Entrepreneurial is very important for the growth of business Enterprises but It was found that factors like lack of motivation and drive, absence of initiative to assess ones strengths and weakness, lack of tolerance to work hard, lack of persistence and courage to take responsibility for ones failure, lack of entrepreneurship training, lack of information to exploit business opportunities, lack of choice in business type according their interest is the main problem in the operators of the Enterprises in the study area..
- As it is confirmed by the interview held with key informants management and director of Oromia MSE agency and with the actors of the Sebeta Town MSEs officials, the most operators in MSEs do not show interest to develop in to medium enterprise, they hidden their capital, and human resource which is a criterion for transitional development. Because they don‟t want to lose government supports i.e. audit service, credit, working place and market linkage, which became lease and asked to pay after transition. According to the interviewees the main problem is dependency syndrome, and lack of attitudinal change on which they have worked hard.
- It was found that factors like problem of power interruptions, lack of business development services, inadequate and irregular water supply are the main infrastructural factors in the study area which need government attention
- Technological Factors were confirmed by the respondents in this survey indicated that their businesses were constrained by lack of skills to handle new technology, lack of capital to acquire new technology, unable to select proper technology, lack of appropriate machinery and equipment for their business.

- The main Opportunities are suitable government policy and strategy for the development of MSEs. There is also wide market and work opportunities for MSEs. The other opportunities mentioned by interviewees are supports from government i.e. working place, market linkage, training and credit facility by using these support properly MSEs can meet their objective.

## 5.3 Conclusions

Taking the data analysis and the findings in to account the following conclusions could be reached.

Since the transition of small scale enterprise to medium enterprise is as crucial to preserve the flow of new small businesses into the economy and it will further reduce the unemployment rate and increase the number of products or services offered to the society. This research was conducted in Sebeta Town of Oromia Regional state with the main objective of critically assessing the factors affecting the Transitional Development of Small Scale to Medium Scale Enterprise: Challenges, Opportunities and Prospects. Specifically, the study attempted to investigate contextual factors, to assess the internal and external factors. The study used both quantitative and qualitative approaches of research design; mainly used descriptive researches and recommend possible solution to alleviate the problem of MSEs. Based on the objectives and findings of the study, the following conclusions are worth drawn.

According to the findings, it is possible to conclude that, the Principal Owners have lack of Management Experience and about half of MSEs involved in this study are owned and run by individuals with, need for marketing skill training and development for different activities performed in the enterprises.

There are problems related to government bodies at each level. The implementation problems widely observed in the side of the heads and lower level experts and employees of government sector offices. It was found that factors such as lack of coordination between actors, need of attitudinal changes, lack of knowledge, problem of bureaucracy

in Enterprises registration, lack of support, lack responsiveness to the demands of the operators and accessible information on government regulations that are relevant to their business are the main problem which hinders the transitional development of small scale Enterprise in the study area.

There is no clear policy to the MSEs in the position of growth development stage, which sector can follow up. For the reason that and lack of coordination between actors Weak supports and follows up, make difficult to know their weakness and strength entirely. In addition officials/experts not define and identify the types of supports according to the enterprises level arrived in the study area. Because of no industrial zone established for growth medium enterprises according to the strategy in all towns, it makes difficult to fulfill necessary input and it also creates threat on the new small scale Enterprises developing to medium enterprises.

The statistical result indicates that, there is the problem of dependency syndrome, and lack of attitudinal change in most operators in MSEs. They do not show interest to develop in to growth medium enterprise and hidden their capital, and human resource which is a criteria for transitional development. Also this study indicates that, factors like problem of power interruptions, lack of business development services, inadequate and irregular water supply are the main infrastructural factors in the study area which need government attention. According to the findings of the research MSEs businesses were constrained by lack of skills to handle new technology, lack of capital to acquire new technology, unable to select proper technology, lack of appropriate machinery and equipment for their business.

The most important appropriate factors identified are financial, Marketing, working place, Entrepreneurial, technological, infrastructures, managerial factors and choice in business type according their interest is the main problem for hindering the transitional development of small scale Enterprise in study area. The main cause for this problems are lack of coordination between actors, lack of attitudinal changes and knowledge, lack of support and responsiveness to the demands of the operators, in the side of government

structure and problem of dependency syndrome, and lack of attitudinal change in most operators in MSEs.

In general, the findings of this research show that the MSEs have great roles in industrial development by playing a base position. There are different constraints which hinder the transitional development of MSEs in the study area which can be solved in government body and operators themselves. Therefore, it is important to draw some recommendations that can help to reduce the problems on MSEs and to encourage the development and expansion of the sectors.

## 5.4. Recommendations

The main interest of this paper was assessing factors affecting transitional development of small scale enterprise to medium scale enterprise. On the basis of the major findings of the study, the following recommendations have been drawn with the view to improve the contributions of MSEs in Oromia in general and in the study area in particular.

- It is better if Oromia regional government bodies provide affordable alternative sources of finance for MSEs. This can be done by communicating with the credit institutions to lessen their requirements.
- The regional government should strengthen the government institutions capacity at different levels, to play a major role in positively influencing the development of MSEs.
- The types of supports need for the MSEs in each level of growth should be identified and define to help according to their stage.
- Responsible bodies should act to tackle the lack of attitudinal change and knowledge or any motivational mechanism of officers by providing training and motivational mechanism.
- To avoid problems of appropriate selection of business type according to their interest, the officials working in MSEs should allow the operators to select type of business based on their preference and interest.

- To solve marketing problems the government body is better to, provide selling and display places, linking the MSEs with other market, developing market research to predict about the future market trends and changing the perception of the general public through extensive awareness creation mechanisms are very important.
- To make MSEs competitive and profitable, increasing the capacity, knowledge, and skill or attitude that enables operators to prepare for production activities, through continuous trainings, experience sharing from successful enterprises, and provision of advice and consultancy should be crucial.
- To play MSEs their roles properly, the government body should strength coordination between actors in all level and Improve provision of necessary infrastructure.

Finally, investigating different factors based on the right information are vital for the good performance of any business venture. This can be achieved by conducting more researches in related areas. The focus for this study was on the transitional development of Small scale to medium level of growth. It is the researcher‟s view that future research could therefore investigate the other stage development like from Micro to small, from medium to large and come up with specific findings which will potentially contribute a lot in the development of the country in general. This study dealt with internal and external factors that affect the transitional development of MSEs. Further research could target the medium and larger firms that have dominated the markets having graduated from the MSEs. The field of MSEs is large and very diverse. It is an interesting area with many unresolved issues. It would be encouraging to get more solutions to many issues arising.

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# Appendix 1: Questionnaire used in the Research

**QUESTIONNAIRE**

**ADDIS ABABA UNIVERSITY**

**COLLEGE OF BUSINESS AND PUBLIC ADMINISTRATION**

**DEPARTMENT OF PUBLIC ADMINISTRATION**

**Research questionnaire**

Dear respondent,

My name is Mekonnen Lenjisa and I am a graduate student in Addis Ababa University. Currently, I am undertaking a research entitled **'Assessing Factors Affecting Transitional Development of Small Scale to Medium Scale Enterprise in Sebeta Town: Challenges, Opportunities and Prospects'**. You are one of the respondents selected to participate on this study. Please assist me in giving correct and complete information to present representative finding. Your participation is entirely voluntary.

Finally, I confirm you that the information that you share me will be kept confidential and only used for the academic purpose. No individual"s responses will be identified as such and the identity of persons responding will not be published or released to anyone. Thank you in advance for your kind cooperation and dedicating your time.

At last, if you have any questions or comments on this research work, please participate via the following addresses

Mekonnen Lenjisa

E Mail: burkamoke2005@gmail.com

Phone No: +251-911407482

Sincerely,

Mekonnen Lenjisa

**Instructions**

- No need of writing your name
- For scale type statements and multiple choice questions indicate your answers with a check mark (√) in the appropriate block.

**To be filled by the small scale enterprises Operators and principal**

**SECTION I -General information of the respondents**

**1.** Gender:

A. Male ☐ B. Female ☐

2. Age:

A. Blow 20 ☐ B. 20-30 ☐ C. 31- 40 ☐ D. 41- 50 ☐ E. 51 & above ☐

3. Education levels

A. Illiterate ☐ B. Read and write ☐ C. Elementary ☐

D. Secondary ☐ E. Certificate ☐ F. Diploma or TVET ☐

If your education level is not included in the above levels, please write the highest grade level you have completed……..

4. Marital Status?

A. Single ☐

B. Married ☐

C. Divorced ☐

D. widowed ☐

**SECTION 2: GENERAL INFORMATION ON BUSINESS ENTERPRISES**

5. In which stage of business you are involved in?

A. micro scale ☐ B. small scale ☐ C. medium scale ☐ D. large scale ☐

6. Do you prepare a plan for your future operations of the enterprise?

A. Yes ☐ B. No ☐

7. If your response for question 11 is yes, what is the time span your plan covers?

A. below 1 year ☐ B. 1 to 2 years ☐ C. 3 to 5 years ☐ D. above 5 ☐ years

8. Do you have a record keeping and financial control system?

A. Yes ☐ B. No ☐

9. If your response for question 21 is yes, what kind of record keeping and financial control system you are using?

A. Recording the daily transaction ☐ B. Balance sheet ☐

C. Income statemen☐ D. more than one ☐

10. Do (es) the principal owner manager(s) of the enterprise have/has any management experience before establishing this business?

A. Yes ☐ B. No ☐

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 ☐

12. If your response for question 18 is yes, what is the specific advantage you gained?

A. Know how to price your products ☐ B. know how to handle customers ☐

C. Know how to sale your products ☐ D. Know how to create market linkages☐

E. More than one ☐

**SECTION 3: FACTORS AFFECTING TRANSITIONAL DEVELOPMENT OF SMALL SCALE TO MEDIUM SCALE ENTERPRISES**

The major factors that affect transitional development of small scale enterprise are listed below. Please indicate the degree to which these factors are affecting the transitional development of your business enterprise. After you read each of the factors, evaluate them in relation to your business and then put a tick mark (√) under the choices below. Where, **5** = strongly agree, **4** = agree, **3** = undecided, **2** = disagree and **1**= strongly disagree.

13. Please show the degree to which you consent with the following statements about legal factors.

| S. No. | **Legal Factors** | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|---|
| 13.1 | Bureaucracy in company registration and licensing | | | | | |
| 13.2 | Lack of government support | | | | | |
| 13.3 | Lack of accessible information on government regulations that are relevant to my business | | | | | |
| 13.4 | Lack of appropriate policy | | | | | |

14. Please point to the degree to which you agree with the statements of financial factors.

| S. No. | **Financial Factors** | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|---|
| 14.1 | Inadequacy of credit institutions | | | | | |
| 14.2 | Lack of cash management skills | | | | | |
| 14.3 | Shortage of working capital | | | | | |
| 14.4 | Fear of High collateral requirement from banks and other lending institutions on medium scale Enterprises | | | | | |
| 14.5 | Fear of High interest rate charged by banks and other lending institutions on medium scale enterprises | | | | | |
| 14.6 | Loan application procedures of banks and other lending institutions are too complicated on medium scale Enterprise stage | | | | | |

15. Please indicate the degree to which you agree with the statements concerning management factors

| S. No. | **Management Factors** | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|---|
| 15.1 | Lack of clear division of duties and responsibility among employees | | | | | |
| 15.2 | Poor organization and ineffective communication | | | | | |
| 15.3 | Poor selection of associates in business | | | | | |
| 15.4 | Lack of well trained and experienced employees | | | | | |
| 15.5 | Lack of low cost and accessible training facilities | | | | | |

16. Please indicate the degree to which you agree with the statements relating to marketing factors.

| S. No. | **Marketing Factors** | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|---|
| 16.1 | Inadequate market for our product | | | | | |
| 16.2 | Lack of knowledge Searching new market | | | | | |
| 16.3 | Lack of demand forecasting | | | | | |
| 16.4 | Absence of relationship with an organization that conduct marketing research | | | | | |
| 16.5 | Lack of promotion to attract potential users | | | | | |
| 16.6 | Poor customer relationship and handling | | | | | |
| 16.7 | Poor product quality to attract market | | | | | |
| 16.8 | Lack of society understanding about small scale enterprise | | | | | |

17. Please indicate the degree to which you agree with the statements relating to working place factors

| S. No. | **Working Place Factors** | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|---|
| 17.1 | Absence of own premises | | | | | |
| 17.2 | Current working place is not convenient | | | | | |
| 17.4 | Facilitation of government | | | | | |

18. Please indicate the degree to which you agree with the statements concerning entrepreneurship factors

| S. No. | **Entrepreneurial Factors** | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|---|
| 18.1 | Lack of motivation and drive | | | | | |
| 18.2 | Lack of tolerance to work hard | | | | | |
| 18.3 | Lack of persistence and courage to take responsibility for ones failure | | | | | |
| 18.4 | Absence of initiative to assess ones strengths and weakness | | | | | |
| 18.5 | Lack of entrepreneurship training | | | | | |
| 18.6 | Lack of information to exploit business opportunities | | | | | |
| 18.7 | Lack of choice in business type according our interest | | | | | |

19. Please indicate the degree to which you agree with the statements relating to infrastructural factors.

| S. No. | **Infrastructural factors** | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|---|
| 19.1 | Power interruptions | | | | | |
| 19.2 | inadequate and irregular water supply | | | | | |
| 19.3 | Lack of business development services | | | | | |

20. Please indicate the degree to which you agree with the statements of technology factors.

| S. No. | **Technological Factors** | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|---|
| 20.1 | Lack of appropriate machinery and equipment | | | | | |
| 20.2 | Lack of skills to handle new technology | | | | | |
| 20.3 | Lack of capital to acquire new technology | | | | | |
| 20.4 | Unable to select proper technology | | | | | |

21. Please indicate the degree to which you agree with the factors that have a direct influence on the performance of your business?

| S. No. | **General Factors** | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|---|
| 21.1 | legal factors | | | | | |
| 21.2 | Working space factors | | | | | |
| 21.3 | Technological factors | | | | | |
| 21.4 | Infrastructural factors | | | | | |
| 21.5 | Marketing factors | | | | | |
| 21.6 | Financial factors | | | | | |
| 21.7 | Managerial factors | | | | | |
| 21.8 | Entrepreneurial factors | | | | | |

22. What are the Opportunities and threats for the transitional development of small scale Enterprise ----------.

----------.

23. Please explain some Possible Solutions for the above Problems?

----------.

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**አዲስ አበባ ዩኒቨርሲቲ**

**የቢዝነስና ህዝብ አስተዳደር ት/ቤት**

**የህዝብ አስተደደር ት/ክፍል**

**የህዝብ አስተደደር ድህረ ምረቃ ት/ቤት**

***መግቢያ***

ስሜ መኮንን ሌንጅሳ ስሆን፣ በአዲስ አበባ ዩኒቨርስቲ የህዝብ አስተደደር ትምህርት ክፍል የህዝብ አስተደደር ድህረ ምረቃ ተመራቂ ተማሪ ነኝ፤ በአሁን ሰዓት የመመረቂያ ፅሑፌን በማዘጋጀት ላይ እገኛለሁ፡፡ የጥናቴ ርዕስም ,ያበሰበታ ከተማ የሚገኙ አነስተኛ የንግድ ተቋማት ወደ መካከለኛ የንግድ ተቋማት እንዳያድጉ ተፅእኖ የሚያሳድሩ ተግዳሮቶች እና ሚቹ ሁኔታ‘‘ ይመለከታል፡፡ እርስዎም በዚህ ጥናት እንዲሳተፉ ተመርጠዋል፡፡ እርስዎ የሚሰጡትን ትክክለኛውን መረጃ ለጥናቱ ውጤታማነት በጣም አስፈላጊ መሆኑን በመገንዘብ መጠይቁን በጥንቃቄ እንዲሞሉ እጠይቃለሁ፡፡ ተሳትፎዎ በእርስዎ በጎ ፈቃደኝነት ላይ የተመሰረተ ነው፡፡ በመጨረሻም ማንነቶ በማንኛውም መልኩ የማይታተምና የማይሰራጭ ይሆናል፡፡ሁሉም መረጃዎች ለትምህርታዊ ዓላማ ብቻ ይውላሉ፡፡ ጊዜዎን ሰውተው ስለሚያደርጉልኝ ትብብር በቅድሚያ አመሰግናለሁ፡፡

በመጠይቁ ላይ አስያየት ወይም ጥያቄ ካሎት በሚቀጥለዉ አድራሻ ይሳተፉ

ከምስጋና ጋር !

*መኮንን ሌንጅሳ*

**ማሳሰቢያ** - በመጠይቁ ላይ ስም መፃፍ አያስፈልግም፡፡

- መልስዎትን በሳጥኑ ውስጥ (√ ) ምልክት ያስቀምጡ፡፡

ክፍል አንድ፡ ስለመላሾች አጠቃላይ መረጃ

1 . ጾታ ፡- ሀ. ወንድ ☐ ለ. ሴት

2. እድሜ ፡- ሀ. ከ20 በታች ☐ ለ. ከ20-30 ☐ ሐ. ከ31-40 ☐ መ. ከ41-50 ☐ ሠ. 51 እና ☐ ላይ

3. የትምህርት ደረጃ ፡- ሀ. ያልተማረ ☐ ለ. ማንበብና መጻፍ ☐ ሐ. አንደኛ ደረጃ ☐

መ. ሁለተኛ ደረጃ ☐ ሠ. ሰርተፍኬት ☐ ረ. ዲፕሎማ ☐

የትምህርት ደረጃዎት ከላይ ከተጠቀሰዉ ዉጪ ከሆነ ይጥቀሱ ----------

4. የጋብቻ ሁኔታ ፡- ሀ. ያላገባ(ች) ☐ ለ. ያገባ (ች) ☐ ሐ. የፈታ (ች) ☐

መ. በሞት የተለየ (ች) ☐

**ክፍል ሁለት፡ ስለቢዝነስ ተቋማት አጠቃላይ መረጃ**

5. በየትኛዉ ደረጃ ላይ ትገኛላችሁ ? ሀ. በጥቃቅን ለ. በአነስተኛ ☐ ☐

ሐ. መካከለኛ መ. በከፍተኛ ☐ ☐

18. የተቋሙ የወደፊት ዕቅድ ይዘጋጀል ? ሀ) አ ዎ ለ) አይደለም ☐ ☐

19. ለተራ ቁጥር 18 ጥያቄ መልስ አ ዎ ከሆነ ለምን ያህል ጊዜ ነዉ ?

ሀ. ከ ነ አመት በታች ☐ ለ. ነ-2 አመት ☐

ሐ. 3-5 አመት ☐ መ. ከ5 አመት በላይ ☐

20. የመረጃ አያየዝ እና የገንዘብ ቁጥጥር ስርዓት አላችሁ? ሀ. አ ዎ ☐ ለ. አይደለም ☐

21. ለተረ ቁጥር 20 ጥያቄ መልስ አ ዎ ከሆነ ምን አይነት የመረጀ አያያዝ እና የገንዘብ ቁጥጥር ሥርዓት ትጠቀማላችዉ ?

ሀ የእለት እለት ሂሳብ ምዝገባ ☐ ለ የሀብት ና እዳ ምዝገበ ☐

ሐ የሀብት ገቢና እዳ ምዝገበ ☐

ሌላ ካለ ይጥቀሱ ----------

22 የተቋሙ አመራር እና ባለቤቶች ተቋሙን ከመምሰረታቸዉ በፊት የአመራር ልምድ ነበራቸዉ ?

ሀ. አዎ ☐ ለ.አይደለም ☐

25. በመደበኛ ትምህርት ; መደበኛ ባልሆነ ትምህርት ወይም በስልጠና ያገኙት የገበያ እውቀት አሎዎት?

ሀ. አዎ ☐ ለ. አይደለም ☐

26. ለተራ ቁጥር 25 ጥያቄ መልስዎ አዎ ከሆነ ያገኙት ጥቅም ምንድነው ?

ሀ. የምርት ዋጋ እውቀት ☐ ለ. የደምበኛ አያያዝ እውቀት ☐

ሐ. የምርት ሽያጭ እውቀት ☐ መ. የገበያ ትስስር እውቀት ☐

ሌላ ካለ ይጥቀሱ ----------

## ክፍል ሶስት፡ ለአነስተኛ ተቋማት ወደ መካካለኛ ተቋማት እንዳያድጉ ተፅእኖ የሚያሳድሩ ጉዳዮች

ከዚህ በታች ለአነስተኛ ተቋማት ሽግግር ችግር ሊሆኑ የሚችሉ ነገሮች ተዘርዝረዋል፡፡ ከተዘረዘሩት ችግሮች በድርጅቱ ስራ ይበልጥ ተፅእኖ የሚያሳድሩትን በደረጃ ያመላክቱ፡፡ ለእያንዳንዱ ጥያቄ ከአማራጮቹ አንድ ጊዜ ብቻ የ (√ ) ምልክት በማድረግ ምላሽ ይስጡ፡፡

5 = በጣም እስማማለሁ 4 = እስማማለሁ 3 = ለመወሰን እቸገራለሁ 2 = አልስማማም 1 = በጣም አልስማማም

27. እበኮን ህጋዊ ጉዳዮችን በተመለከተ በሚስማሙበት ቦታ ምልክት ያድርጉ

| ተ.ቁ | **ህጋዊ ጉዳዮች** | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|---|
| 27.2 | በቢሮክራሲያዊ ማነቆ የተተበተበ የምዝገባና የንግድ ፈቃድ አሰጣጥ ሂደት፡፡ | | | | | |
| 27.3 | የመንግስት ማበረታቻ አነስተኛ መሆን፡፡ | | | | | |
| 27.5 | ከስራዉ ጋር ተዛማጅ የሆኑ ህጎች፣ ደንቦችና አዋጆች ተደራሽ አለመሆን፡፡ | | | | | |
| 27.6 | ለስራዉ ተገቢ የሆነ ፓሊሲ ችግር | | | | | |

28. እበኮን የስራ ቦታና ተዛማጅ ችግሮች በተመለከተ በሚስማሙበት ቦታ ምልክት ያድርጉ

| ተ.ቁ | **የስራ ቦታ ችግሮች** | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|---|
| 28.1 | ስራዉን የሚያካሂድበት የግል ቦታ አለመኖር፡፡ | | | | | |
| 28.2 | አሁን ያሉበት ቦታ ለስራ አመቺ አለመሆን፡፡ | | | | | |
| 28.4 | የመንግስት ድጋፍ አነሳ መሆን | | | | | |

29 እበኮን ቴክኖሎጂ በተመለከተ በሚስማሙበት ቦታ ምልክት ያድርጉ

| ተ.ቁ | **ቴክኖሎጂ ችግሮች** | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|---|
| 29.1 | ለስራው ተገቢ የሆነ ቴክኖሎጂ ግብዓት አለመኖር፡፡ | | | | | |
| 29.2 | በቂ የሆነ የቴክኒክ ክህሎት አለመኖር፡፡ | | | | | |
| 29.3 | በገንዘብ እጥረት ምክንያት አዳዲስ የቴክኖሎጂ ውጤቶችን አለማግኘት፡፡ | | | | | |
| 29.4 | ለስራው ተገቢ የሆነ የቴክኖሎጂ ውጤት መምረጥ አለመቻል፡፡ | | | | | |

30 እበኮዎን ከመሰረተ ልማት ጋር የተያያዙ ችግሮች በተመለከተ በሚስማሙበት ቦታ ምልክት ያድርጉ

| ተ.ቁ | **ከመሰረተ ልማት ጋር የተያያዙ ችግሮች** | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|---|
| 30.1 | የኤሌክትሪክ ሀይል መቆራረጥ | | | | | |
| 30.2 | የተቆራረጠና በቂ ያልሆነ የውሃ አቅርቦት | | | | | |
| 30.3 | የቢዝነስ ልማት አገልግሎት እጥረት | | | | | |

31 እበኮዎን ግብይት ችግሮችን በተመለከተ በሚስማሙበት ቦታ ምልክት ያድርጉ

| ተ.ቁ | **ግብይት ችግሮች** | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|---|
| 31.1 | በቂ የሆነ የገበያ እድል አለመኖር፡ | | | | | |
| 31.2 | አዲስ የገበያ አማራጭን የመፈለግ አዳጋችነት፡ | | | | | |
| 31.3 | የወደፊት የገበያ ፍላጎትን መተንበይ አለመቻል፡ | | | | | |
| 31.4 | የምርት ጥራት ማነስ | | | | | |
| 31.5 | ግብይትን በተመለከተ ጥናትና ምርምር ከሚያካሂዱ ተቋማት ጋር ግንኙነት አለመፍጠር፡ | | | | | |
| 31.6 | ምርቶችን በአግባቡ አለማስተዋወቅ፡ | | | | | |
| 31.7 | ደካማ የሆነ የደንበኛ አያያዝ፡ | | | | | |
| 31.8 | ለጥቃቅን ና አነስተኛ ተቋመት የህብረተሰቡ ግንዛቤ አናሳ መሆን | | | | | |

32 እበኮን ከገንዘብ ጋር የተያያዙ ችግሮችን በተመለከተ በሚስማሙበት ቦታ ምልክት ያድርጉ

| ተ.ቁ | **ከገንዘብ ጋር የተያያዙ ችግሮች** | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|---|
| 32.1 | በቂ የሆኑ የብድር ተቋማት አለመኖር፡፡ | | | | | |
| 32.2 | የብር አያያዝ ክህሎት ችግር፡፡ | | | | | |
| 32.3 | የስራ ማንቀሳቀሻ ብር እጥረት፡፡ | | | | | |
| 32.4 | ባንኮችና ሌሎች አበዳሪ ተቋማት ለማበደር የሚጠይቁት ከፍተኛ የማስያዣ መጠን፡፡ | | | | | |
| 32.5 | ባንኮች እና ሌሎች አበዳሪ ተቋማት የሚጥሉት ከፍተኛ የብድር ወለድ መጠን፡፡ | | | | | |
| 32.6 | ባንኮች እና ሌሎች አበዳሪ ተቋማት ለማበደር የሚከተሉት ውስብስብና አሰልቺ ሂደት፡፡ | | | | | |

33 እበኮን የስራ አመራር ክህሎት ጋር የተያያዙ ችግሮችን በተመለከተ በሚስማሙበት ቦታ ምልክት ያድርጉ

| ተ.ቁ | **የስራ አመራር ክህሎት ጋር የተያያዙ ችግሮች** | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|---|
| 33.1 | በሰራተኞች መካከል ግልፅ የሆነ የስራና ሀላፊነት ክፍፍል አለመኖር፡፡ | | | | | |
| 33.2 | ደካማ አደረጃጀትና ውጤታማ ያልሆነ የግንኙነት አሰራር፡፡ | | | | | |
| 33.3 | ደካማ የሆነ የስራ ባልደረቦችን መምረጥ፡፡ | | | | | |
| 33.4 | የሰለጠኑ እና ልምድ ያላቸው ሰራተኞች አለመኖር፡፡ | | | | | |
| 33.5 | በዋጋቸው ተመጣጣኝና ተደራሽ የሆኑ የስልጠና እጥረት፡፡ | | | | | |
| 33.6 | የረዥም ጊዜ የቢዝነስ እቅድ አለመኖር፡፡ | | | | | |

34 እበኮን የስራ ፈጠራ ክህሎት ችግሮችን በተመለከተ በሚስማሙበት ቦታ ምልክት ያድርጉ

| ተ.ቁ | **የስራ ፈጠራ ክህሎ ችግሮች** | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|---|
| 34.1 | ለስራ ፈጣሪነት አለመነሳሳት፡፡ | | | | | |
| 34.2 | ጠንክሮ አለመስራት፡፡ | | | | | |
| 34.3 | ለሚፈጠሩ ጊዜያዊ ውድቀቶች ፀንቶ ሀላፊነትን አለመውሰድ፡፡ | | | | | |
| 34.4 | የራስን ጠንካራና ደካማ ጎን አለመፈተሽ፡፡ | | | | | |
| 34.5 | በቂ የሆነ የስራ ፈጠራ ስልጠና አለማግኘት፡፡ | | | | | |
| 34.6 | በተመሳሳይ ዘርፍ በስራ ፈጣሪነታቸው ውጤታማ ከሆኑ ተቋማት ልምድ አለመቅሰም፡፡ | | | | | |
| 34.7 | የምንፈልገዉንና የምንወደዉን የስራ አይነት ያለመምረጥ ችግር | | | | | |

35 እባክዎትን ከዚህ በታች ከተዘረዘሩት አጠቃላይ ጉዳዮች በቀጥታ የተቋሙን ስራ ተፅዕኖ የሚያሳድሩት አፈፃፀም ያመላክቱ፡፡

| ተ.ቁ | ከመንግስት ህጎች፣ ፖሊሲዎችና ደንቦች ጋር የተያያዙ ጉዳዮች፡፡ | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|---|
| 35.1 | የስራ ቦታ እና መሰል ጉዳዮች፡፡ | | | | | |
| 35.2 | ቴክኖሎጂ እና መሰል ጉዳዮች፡፡ | | | | | |
| 35.3 | የመሰረተ ልማት አቅርቦት፡፡ | | | | | |
| 35.4 | ገበያ እና መሰል ጉዳዮች፡፡ | | | | | |
| 35.5 | ፋይናንስ እና ብድር ጉዳዮች፡፡ | | | | | |
| 35.6 | የአመራር ክህሎት እና መሰል ጉዳዮች፡፡ | | | | | |
| 35.7 | የስራ ፈጠራ ክህሎት እና መሰል ጉዳዮች፡፡ | | | | | |
| 35.8 | ህጋዊ ጉዳዮች | | | | | |

36. በጥቃቅንና አነስተኛ ሽግግር ላይ ያለውን መልካም አጋጣሚና ስህተት ምን እንደሆነ ቢገልፁ?_____

_____

_____

37. ከላይ ለተጠቀሱት ችግሮች መፍትሄው ምንድን ነው ይላሉ?_____

_____

# Appendix 2: Interview used for Government officials

**Interview questions with MSE leaders and actors in different level**

Thank you for your cooperation to the interview

Date of interview _____

Name of the Organization _____

Name of interviewee _____

Position in the institution _____

Time of interview: Started at _____

Ended at _____

1. What problems did/are you face/facing in your office in the process of developing small scale to growth medium scale enterprise?
2. What are the opportunities and threats in the process of developing small scale Enterprises to growth medium scale Enterprises?
3. How you see the coordination of different sectors works on small scale enterprise?
4. How do you describe the general situation of MSEs in view of the goal set by the government in developing small scale to growth medium scale enterprise?
5. According the strategies of small scale enterprise all sectors work on small scale enterprise play their role properly? If not, what is the problem?
6. From which government bodies do growth medium Enterprises get support?
7. How do you monitor the activities of MSEs in your sub-city?
8. What are the solutions for the problem?

## Appendix 3A: list of micro and small enterprises of the six centers

**SEBATA TOWN ADMINISTRATION**

**MICRO AND SMALL ENTERPRISE DEVELOPMENT AGENCY**

**LIST OF MICRO AND SMALL ENTERPRISES OF THE SIX CENTERS IN THE FIVE SECTORS UPTO MARCH**

| NO. | CENTERS | MSEs SECTORS | | | | | Total |
|---|---|---|---|---|---|---|---|
| | | TRADE | Urban agriculture | service | CONSTRUCTION | manufacturing | |
| 1 | First center | 34 | 50 | 29 | 2 | 19 | 134 |
| 2 | Second center | 124 | 63 | 132 | 79 | 58 | 456 |
| 3 | Third center | 245 | 33 | 254 | 54 | 55 | 641 |
| 4 | Fourth center | 104 | 137 | 93 | 29 | 65 | 428 |
| 5 | Fifth center | 146 | 27 | 150 | 35 | 35 | 393 |
| 6 | Sixth center | 48 | 48 | 64 | 22 | 54 | 236 |
| | Total | 701 | 358 | 722 | 221 | 286 | 2288 |

# DECLARATION

I, the undersigned, declare that this study entitled **"Factors Affecting Transitional Development of Small Scale to Medium Scale Enterprise in Sebeta Town"** is my original work. I have undertaken the research work independently with the guidance and support of the research advisor. This study has not been presented for a degree in any other University, and that all the sources of materials used for the thesis have been duly acknowledged.

**Declared by:**

Name: Mekonnen Lenjisa Birate

Date: _____

Signature: _____

Advisor: Ato Tefer Regessa

Signature: _____

Date: _____

Place and Date of Submission: Department Of Public Administration and Development Management, Master of Public Administration (Development management) June, 2014

## Appendix 3B: list of members of micro and small enterprises of the six centers

**SEBATA TOWN ADMINISTRATION**

**MICRO AND SMALL ENTERPRISE DEVELOPMENT AGENCY**

**LIST OF MEMBERS OF MICRO AND SMALL ENTERPRISES OF THE SIX CENTERS IN THE FIVE SECTORS UPTO MARCH**

| NO. | CENTERS | MSEs SECTORS | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | TRADE | | | Urban agriculture | | | service | | | CONSTRUCTION | | | Manufacturing | | |
| | | members | | | members | | | members | | | members | | | Members | | |
| | | M | F | T | M | F | T | M | F | T | M | F | T | M | F | T |
| 1 | First center | 84 | 64 | 148 | 115 | 109 | 264 | 120 | 53 | 173 | 20 | - | 20 | 88 | 35 | 123 |
| 2 | Second center | 315 | 461 | 776 | 252 | 158 | 410 | 408 | 328 | 736 | 606 | 112 | 718 | 369 | 371 | 740 |
| 3 | Third center | 435 | 726 | 1161 | 126 | 97 | 223 | 740 | 536 | 1276 | 360 | 74 | 434 | 226 | 161 | 387 |
| 4 | Fourth center | 162 | 196 | 358 | 247 | 202 | 449 | 286 | 163 | 449 | 128 | 53 | 181 | 217 | 108 | 325 |
| 5 | Fifth center | 306 | 335 | 641 | 101 | 63 | 164 | 411 | 343 | 754 | 211 | 117 | 328 | 285 | 189 | 474 |
| 6 | Sixth center | 66 | 103 | 169 | 149 | 125 | 274 | 132 | 151 | 283 | 195 | 37 | 232 | 228 | 95 | 323 |
| | Total | 1368 | 1885 | 3253 | 990 | 754 | 1784 | 2097 | 1574 | 3671 | 1520 | 393 | 1913 | 1413 | 959 | 2372 |