

Addis Ababa University

School of Graduate Studies

College of Business and Economics

Department of Public Administration and Development Management

The Contribution of Group-Based Micro and Small Enterprises to the Local Economy and Social Development in the Arada Sub City: A Case Study on Metal and Wood Work Enterprises

By Endalsasa Belay

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A Thesis Submitted to the School of Graduate Studies of Addis Ababa University in Partial Fulfillment of the Requirements of the Degree of Master of Arts in Public Management and Policy

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Table of Contents

Acknowledgements i

List of Tables v

List of figures vi

Acronyms vii

Abstract viii

Chapter One 1

Introduction 1

1.1. Statement of the problem 4

1.2. Objective of the study 5

1.2.1. General objective 5

1.2.2. Specific objectives 6

1.3. Research questions 6

1.4. Research Methodology 6

1.4.1. Type of data and Data Collection Instruments 6

1.4.2. Sampling Procedure 8

1.4.3. Method of Data Analysis 10

1.5. The scope of the study 10

1.6. Significance of the study 11

1.7. Limitation of the study 11

1.8. Description of the Study Area 11

1.9. Organization of the paper 12

Chapter Two 13

Review of Literature 13

2.1. Theoretical literature 13

2.1.1. Definition of Micro and Small Enterprises 13

2.1.1.1. Characteristics of Micro and Small Enterprises 17

2.1.1.2. The economic contribution of MSEs 17

2.1.1.3. The sector's linkage to other sectors 20
2.1.2. Definition of Local Economic Development (LED) 21
2.2. Empirical literatures 23
2.2.1. Contribution of MSEs in different countries 23
2.2.2. Contribution of MSEs to the Ethiopian Economy 24
2.2.3. Constraints faced MSEs in Ethiopia 26
Chapter Three 29
Analysis of the Survey Results 29
3.1. Characteristics of the Respondents 29
3.1.1 Sex Composition of the Respondents 29
3.1.2 Age Composition of the Respondents 30
3.1.3 Marital Status of the Respondents 31
3.1.4 Educational background of the respondents 31
3.1.5 Earlier Occupation of the Respondents 32
3.2. Characteristics of the Enterprises 33
3.2.1. Year of Establishment 33
3.2.2. Legal Status of the Enterprises 34
3.2.3. Ownership of the Enterprises 36
3.2.4. Source of Initial Capital of the Enterprises 36
3.2.5. Capital Status of the Enterprises 37
3.2.6. Number of working members (operators) in the Enterprises 38
3.2.7. Support Provided at Start up 38
3.2.8. Working Premises 39
3.3. Linkages of the Enterprises to Other Sectors 40
3.4. The Economic Role of MSEs to Local Economic Development 41
3.4.1. Role on Employment Generation 41
3.4.2. MSEs as a Source of Better Income 43
3.4.3. Role on Income Diversification 43
3.5. The Non-economic Role of Enterprises 46
3.5.1. Social Capital Development 46

3.5.2. Knowledge Transfer in the Enterprises 53
3.6. Problems Faced by the Enterprises 56
Chapter Four 61
Conclusion and Recommendations 61
4.1. Conclusion 61
4.2. Recommendations 63
References 66
Appendices 69

List of Tables

Table 1.1**:** Total number of group-based MSEs engaged in metal and wood works, and total number of individual members in the Arada sub city..... 9
Table 1.2: The selected sample woredas, sample enterprises, and sample individuals (unit of analysis) 10
Table 2.1: Definitions of micro and small enterprise in different countries..... 15
Table 3.1: The sex composition of the respondents 30
Table 3.2: The age composition of the respondents 30
Table 3.3: Marital status of the respondents 31
Table 3.4: Educational level of the respondents 32
Table 3.5: Earlier occupation/job of the respondents 33
Table 3.6: List of enterprises in the survey, their year of establishment, legal status, initial/current capital, ownerships, and number of operators (working members) of the enterprises 35
Table 3.7: Source of income for respondents before joining enterprises 45
Table 3.8: Respondents' response on the benefit of helping each other in the enterprises 47
Table 3.9: Respondents' response on their state of relationship with members in the enterprises 49
Table 3.10: Respondents' response on benefits of working in groups 52
Table 3.11 Respondents' response on what they learn in their working environment 54
Table 3.12 Respondents' belief on members' cooperativeness to share ideas and skills to other members in the enterprises 55

List of figures

Figure 3.1: Respondents' reason to join the enterprise 42
Figure 3.2: Respondents' response on other source of income 44
Figure 3.3: Respondents, rate of response on members' willingness to cooperate currently 48
Figure 3.4: Respondents' weighting members' cooperativeness (willingness to cooperate in the future time) 50
Figure 3.5: Respondents' exposure to work in group 51
Figure 3.6: Respondents' weighting for their agreement on the commitment of members to collective responsibility 53

Acronyms

MSE= Micro and Small Enterprise

CSA= Central Statistical Authority

ADCSI= Addis Credit and Saving Institution

ILO= International Labor Organization

LDCs= Least Developing Countries

NGO= Non-Governmental Organization

SME= Small and Medium Enterprise

FeMSED= Federal Micro and Small Scale Enterprise Development Agency

MoTI= Ministry of Trade and Industry

SSI= Small-Scale Industries

LED= Local Economic Development

WB= World Bank

UNDP= United Nations Development Program

UNIDO= United Nation Industry Development Organization

FDRE= Federal Democratic Republic of Ethiopia

GDP= Gross Domestic Product

ECA= Economic Commission for Africa

Abstract

The main objective of this study is to investigate the Contribution of Group-Based Micro and Small Enterprisers (specifically metal and wood work enterprises) to the local economy and social development in the Arada Sub city. Both primary and secondary data were employed. Questionnaire, key informant interview and observation were the main data collection instruments. Among the 10 woredas in the sub city, 4 of them (woreda 2, 3, 6 & 9) were purposely selected due to their relative performance. Among the 4 woredas, 16 group-based enterprises and a sample size of 97 respondents were covered. The quantitative data was analyzed using simple statistical techniques like tables, charts and graphs. Narration method was employed to analyze the qualitative data. The findings of the study indicated that MSEs have great influential nature in the locality in terms of economic (be good source of income for local individuals) as well as non economic (for the development social capital/resource) contributions. Furthermore, the research finding showed that lack of capital, limited working space, lack of market, lack of raw material inputs, unfair treatment among enterprises by the government, absence of display centers, difficult collateral to get loan from financial institutions are some of the constraints that hinder operation of MSEs. All in all, there is a need for strengthening the growth of MSEs and thereby enhancing their socio-economic contributions by widening access to loans, providing working premises in the appropriate place, and strengthening both financial and non-financial (Business Development Services) supports.

Chapter One

Introduction

A given country's economy needs to be less dependent on agriculture for poverty reduction and economic prosperity. The argument is that the linkages and spill-over effects are supposed to be stronger within the industry, especially in manufacturing sector than in other sectors. Linkage effects refer to the direct backward and forward linkages between different sectors, where as spill-over effects refer to the transmission of knowledge between sectors. Thus, the industrial sector, having stronger spill-over effects and forward and backward linkages to other sectors can push the whole economy. (Lanjouw, 2001).

In order to come out of multiple socio-economic problems, various countries design different development plans at different times and in different sectors at different levels such as micro, medium, and large levels. Incorporating or including the Micro and Small Enterprise (MSE) sector in the development plans is one of the mechanisms to realize development, which is a multi-dimensional in nature (such as economical, social, political, cultural and environmental). To solve socio-economic problems, Micro and Small Enterprises (MSEs) are considered as one of the vital business for local, national, or even for the global economy.

Micro and small enterprise sector is described as the natural home of entrepreneurship. This is due to the fact that micro and small enterprise sector enable entrepreneurs to start their business from the smallest unit, which provides an opportunity to them to exercise their skills and talents and thereby to transfer small business in to a large business.

When we see individually, MSEs, by their nature are small. However, as a sector, they have many contributions like absorbing large proportion of labor force, generation of income especially for poor population, create different

linkages with other sectors, and provide important goods and services to the society. MSEs are giants in the economy.

The earlier development thinking considered MSEs as indicator of malfunctioning of the economy. However, the trend has changed recently. The potentials of MSEs to address multiple socio-economic problems, especially in developing countries has acknowledged or recognized by recent development trends, which focus on the grass root to realize development at the country level.

Recently, most developing countries, including Ethiopia, have recognized the contribution of MSEs in terms of job creation, income generation and to the alleviation of poverty. MSE sector is the major source of employment and income for the urban dwellers in most developing countries. For example, this sector generates about 48 % of the aggregate employment in North Africa, about 51 % in Latin America, 65 % in Asia, and 72 % in Sub Saharan Africa (ILO, 2002). Besides, this sector generates about 6.2 % of the aggregate employment in the United States, 22.3 % in china. 80 % in India, 67 % in Japan, and 70 % in European countries (Tegegne G. and Mehret A, 2010). In our country, Ethiopia, about half of the urban labor force is engaged in the Sector and Addis Ababa nearly accounts for about 40% of the total operators in micro and small enterprise activities (Gebrehiwot and Wolday, 2005). Since the sector has high capacity in absorbing large labor force and generating of income, the efficiency of the sector is essential to address multiple socio-economic problems in most developing countries including Ethiopia.

Due to its important characteristics or attributes, such as less capital intensive in nature, innovative and competitive in nature, flexibility, and etc, the sector of MSE is believed to play an essential role in economic development in most capital-scarce and labor-abundant countries.

In recognition of the crucial roles of the MSE in their contribution to employment creation, improvement of income distribution, industrial development, export growth, and poverty reduction, governments of developing countries have been supporting the sector of micro and small enterprise

through different programs, with subsidized credit schemes as the most important component. Even most international organizations such as the World Bank (WB) and the United Nation Industry Development Organization (UNIDO) have also played a fundamental role in empowering micro and small enterprises in least developing countries (LDCs).

In Ethiopia, the idea of Micro and Small Enterprise Development emerged as a promising agenda in the 1980s. Different reasons have been mentioned for such event such as:

- The sector of micro and small enterprise is a preferable pathway for poverty reduction
- The micro and small enterprise sector is a platform for sustainable development and productivity
- Micro and small enterprises are crucial actors within the trade sectors and a platform for economically empowering both men and women.

In recognition of the importance of MSEs to the economy in terms of employment creation, income generation, and equity, the government of the Federal Democratic Republic of Ethiopia (FDRE), has adopted National Micro and Small Enterprise Development Strategy in 1997. Following this, the Federal Micro and Small Enterprises Development Agency (FeMSEDA) was established by council of Ministers in 1998 (proclamation No.33/1998). The objective of FeMSEDA is to encourage, coordinate and assist institutions which provide support for the development and expansions of MSEs in the country at large. Furthermore, the Regional Governments also provided for the establishment of Regional Micro and Small Enterprise Development Agencies (ReMSEDAs) to provide extension services to micro and small enterprises at the regional, zonal and woreda level in 2000.

1.1. Statement of the problem

Micro and small enterprises were viewed as marginal and unproductive entities that evaded taxes and had little potential for growth or for the enhancement of entrepreneurial capacity in the 1950s and 1960s. However, in the 1980s, MSEs have received more favorable attention especially from low income countries. Micro and small enterprises have a significance contribution to make toward local economic development in a number of ways: through employment creation, income generation and multiplier effects on other sectors of the economy.

Like many other developing countries, our country, Ethiopia, is sandwiched by multiple socio-economic problems such as low economic development, high unemployed labor force, high illiteracy, and etc. Such multiple socio-economic problems can be addressed through the involvement of various sectors at different levels. Among others, micro and small enterprise sector is one of the sectors to minimize socio-economic problems. The presence of MSEs in Ethiopia are very important for several reasons, such as their potential to create employment; their contribution to a more efficient allocation of resources (i.e. MSEs' tend to adopt labor-intensive production methods).

From the 1998 onwards, the current government of Ethiopia, which is the Federal Democratic Republic of Ethiopia (FDRE), has recognized and paid due attention to the development of micro and small enterprises for they are important tools to address many socio-economic problems in the country. Following this, the number and types of micro and small enterprises become increasing from year to year. However, the question is to what extent that these micro and small enterprises really contribute to the Local Economic Development (LED) in terms of various economic variables like job creation, income generation, and creating different linkages with other sectors, and others?

As different studies (like Giberhiwot & Wolday, 2004, and Assefa,1997) show that the operation of micro and small enterprises in Ethiopia is challenged by various constraints such as lack of finance, lack of raw material inputs, lack of skilled staffs, market problem, and etc. In this regard, this particular study also tried to answer the question for what are the bottle necks that hinder the operation of micro and small enterprises in their contribution to the local economic development.

Most previous studies (such as By Andualem, 1997, and Mizan, 2009) which were conducted on micro and small enterprises mainly focus on the economic role of the micro and small enterprise sector. However, it is important to see the non-economic role of the sector too (i.e. their contribution to social development). Because, besides to their economic contribution, MSEs (specifically the group-based micro and small enterprises) have also a role in social capital development in such a way that employees/workers in a given group-based enterprise have a chance to share many things such as ideas, skills, and knowledge. This is because the development of social capital in the enterprises is believed to be the basic instrument for effective way to economic development in the enterprises which in turn have influence on local economic activities and this is the gap that this research has tried to fill. So, in this study the researcher has tried to investigate the contribution of MSEs to local economic development as well as to social development in the study area.

1.2. Objective of the study

1.2.1. General objective

The main objective of the study is to investigate the contribution of group-based micro and small enterprises to the local economy and social development in the Arada Sub City.

1.2.2. Specific objectives

Moreover, the study has the following specific objectives:

- To know the nature and characteristics of group-based in the study area.
- To examine or assess the contribution of group-based MSEs to the local economy and social capital development in the study area.
- To identify major constraints which hinder the operation of micro and small enterprises in general and metal and wood work enterprises in particular.

1.3. Research questions

This study has attempted or tried to answer the following basic research questions:

1. What is the nature and characteristics of group-based micro and small enterprises in the study area?
2. What are the contributions of group-based MSEs to the local economy as well as social capital development in the study area?
3. What are the major obstacles that hinder the operation of MSEs?

1.4. Research Methodology

1.4.1. Type of data and Data Collection Instruments

In order to achieve the objective of the study already stated, both primary and secondary data obtained from different sources were employed. The primary data was collected through different data collection instruments like questionnaire, key informant interview and observation. The detail of each primary data collection instrument is described as follows.

Questionnaire: structured questionnaire was provided to the sample individuals or respondents-MSEs' operators/working members in group-based

MSEs. Most questions in the questionnaire were closed-ended questions and contain different parts like demographic characteristics of the respondents, enterprises contribution to local economy and social development. However, opportunities were given to the respondents to say more through open-ended questions.

Key Informants' Interview: key informant interview was conducted to collect primary data. With regard to this primary data collection instrument, semi-structured interview was conducted with the heads of each sample group-based enterprise. The interview was structured in a manner that enable to collect information on the characteristics of enterprises (include: year of establishment, legal status, level of initial and current capital, number of working members/ operators, and etc), the different linkages that MSEs have created with other sectors, and the constraints that hinder the operation of MSEs in the study area. Besides, to collect information about the situation of micro and small enterprises in the study area, concerned heads and officials (at the woreda and sub city level) were interviewed through unstructured interview.

Observation: This data collection instrument was used to see the real situation of the enterprises. Using this method, the researcher had exposure to see different issues like the nature of their working premises, the appropriateness of their working place, the working conditions, the nature of the interaction between members and other related issues are observed.

Secondary data such as documents, periodicals, publications, and etc, relevant to the study were collected from different government institutions like Central Statistical Agency (CSA), Ministry of Trade and Industry, Addis Ababa Micro and Small Enterprise Development Agency, and Woreda Administrations of the sub city.

1.4.2. Sampling Procedure

Sampling technique is one of the components of research methodology. The following paragraphs describe the sampling techniques used in this study.

In the study area, there are about 128 group-based micro and small enterprises consist of a total of 974 individual members who are engaged in metal and wood work activities. Among these group-based MSEs, 47(36.72%) of them were formed in partnerships (have partnership ownership-consisting of 3-5 members) where as 81(63.28%) of the enterprises were formed in Cooperatives (have cooperative ownership-consisting of 6-10 members). These enterprises are found in the ten woredas within the sub city. Since it was difficult to cover all ten woredas of the sub city (this is due to time, cost and other constraints), four woredas (2, 3, 6, 9) were purposely selected based on their relative performances. Based on various criteria, such as creating job opportunities, market linkages, BDS-Business Development Services, and others, these four woredas are relatively good performers in MSEs among the whole ten woredas found within the Arada sub city.

Sample taking has two stages: First, out of 62 group-based enterprises which are found in the selected 4 sample woredas, 16(almost 25%) of them were selected randomly. In the second stage, 97 operators or working members (which is 10% of total population found in the 10 woredas of the sub city or around 20% of total population found in the selected 4 sample woredas) were taken randomly from the sample woredas. The reason to employ random sampling selection method to select both 16 sample enterprises and 97 operators is that due to the homogenous nature of the sample frame and in simple random selection method every individual have a chance to be a sample size.

The number of sample group-based enterprises (16 enterprises) and sample individuals or units of analysis (97 operators) were selected proportionally from each selected sample woreda. When we say proportional selection of sample

enterprises and operators we mean that more number of sample enterprises was taken in the selected woreda that has more number of enterprise establishments and vis-versa. Similarly, more number of sample individuals was taken in the sample enterprise that has more number of members or operators.

The detail regarding the total number of group-based MSEs engaged in metal and wood works, and the total number of individual members or operators, is presented in the following table.

Table 1.1**:** Total number of group-based MSEs engaged in metal and wood works, and total number of individual members in the Arada sub city.

Location	**Total no. of Enterprises**	**Total no. of individuals/members**
Woreda 1	27	195
Woreda 2	28	173
Woreda 3	13	126
Woreda 4	10	92
Woreda 5	9	40
Woreda 6	11	92
Woreda 7	5	31
Woreda 8	6	49
Woreda 9	10	100
Woreda 10	9	76
Total	**128**	**974**

Source: Arada Sub City Micro and Small Enterprise Development Office, 2012

The sample woredas, sample enterprises, and sample individuals (unit of analysis) were taken from the table 1.1 above, and presented as follows in table 1.2.

Table 1.2: The selected sample woredas, sample enterprises, and sample individuals (unit of analysis)

Sample woredas	No. of enterprises	No. of sample enterprises	No. of individuals (	No. of sample individuals/unit of analysis
2	28	6	173	34
3	13	4	126	25
6	11	3	92	18
9	10	3	100	20
Total	**62**	**16**	**491**	**97**

Source: Arada Sub City Micro and Small Enterprise Development Office, 2012

1.4.3. Method of Data Analysis

The raw data collected from different sources was analyzed in terms of the study objective already stated or design previously. The analysis of the data was employed both quantitative and qualitative methods. To analyze the quantitative data different descriptive statistical techniques like tables, graphs and charts were used. The qualitative data (the data which was collected through interview) was analyzed using narration method.

1.5. The scope of the study

In the study area (Arada Sub City), there are many MSEs, which are engaged in different activities like metal and wood works, construction, textile; food processing, urban agriculture, and etc**.** With regard to ownership (modalities for organizing MSEs)**,** these MSES were owned by individuals, groups and cooperatives. However, only those enterprises (which have partnership and cooperative ownerships), engaged in metal and wood works, were the focus of the study. Furthermore, the contribution of micro and small enterprises can be seen from different angles such as economical, social, cultural or

environmental. However, the study mainly focuses on the contribution of MSEs to local economy and social development.

1.6. Significance of the study

The potentials of micro and small enterprises to create job opportunity, and to generate income makes them vital economic instrument, especially in developing countries where the majority people receive low income. Hence, this study has significance to provide relevant information to different stakeholders like policy makers, and local development planners working on the development and creation of enabling environment for micro and small enterprises. Furthermore, the study will provide additional information about micro and small enterprises for interested prospect researchers in the sector.

1.7. Limitation of the study

This study was faced with different shortcomings or limitations. Firstly, some of the MSEs which are already registered and have got license from MSE sector office are not operational or do not exist in the real operation. Secondly, the questionnaire was not returned on time by respondents; this is because they were so busy throughout the day. Thirdly, in some of the enterprises, most of the time heads of enterprises was not found; this makes the research process more problematic. And lastly, respondents also show a tendency of underestimating their income and capital; this is because they fear tax and other problems.

1.8. Description of the Study Area

The study area, Arada sub city, is one of the ten sub cities of Addis Ababa city. This part of city was founded together with the establishment of Addis Ababa during the reign of emperor Menilik II, when the Arada St. George Church was built and the Menilik monument (memorial) was erected. Therefore, it is one of

the oldest parts of the Addis Ababa city and found at the central parts of the city. It is encircled or bordered by Gullele sub city in the South, Addis Ketema sub city in the West, Yeka sub city in the East, Kirkos sub city in the North, and Lideta sub city in the North-West and it possesses or covers a total area of 994.71 hectare. Service and commercial trade are the dominant activities within the area of the sub city. It is also a place where many large scale wholesale and retail trades, hotels and big businesses are conducting.

In terms of population size, the sub city has a total of 212129 populations. In terms of sex ratio, female population (112669) is larger than male population (99460) (Arada Sub City Information Bureau, 2009/2010).

In terms of health service, there are six hospitals, three health centers, 4 health posts, and 84 clinics. In the educational sector, the sub city has 52 kindergartens, 53 elementary schools, 25 secondary schools. Besides, different colleges and technical and vocational centers are found within the sub city.

Administratively, the Arada sub city is one of the 10 sub cities of Addis Ababa City Administration. It is comprised of 10 woredas, previously called Kebeles. Sub city is the second administrative level next to the municipal government while woreda (kebele) is the least administrative level next to sub city.

1.9. Organization of the paper

The paper is organized in 4 chapters. The first chapter deals with different issues like the background of the study, statement of the problem, objective of the study, research methodology, scope of the study, significance of the study, description of the study area, and organization of the paper itself. The second chapter reviews related literatures, which includes both theoretical and empirical literatures. The analysis of survey results is presented in the third chapter. The last chapter, chapter four, includes the concluding and recommending points.

Chapter Two

Review of Literature

In this chapter, both theoretical and empirical literatures related to the topic of the study are presented as follows.

2.1. Theoretical literature

In this sub section, different issues like definition and characteristics of micro and small enterprises (MSEs), economic and non- economic contributions of MSEs and the linkages of MSEs with other sectors of the economy, definition, approaches and actors of Local Economic Development (LED), are discussed.

2.1.1. Definition of Micro and Small Enterprises

The definition and types of micro and small enterprises differ from country to country and there is no universally stated definition for micro and small enterprises. Depending on their realities and objectives, each country has to establish its own definition for them. For instance, in our country, Ethiopia, micro and small enterprises are given different meanings at different times. The most applicable definition is given by Ministry of Trade and Industry (MoTI), 1997, on the bases of three criteria -level of paid-up capital/fixed asset, using high technology establishment and consultancy services. Accordingly, the definition of MSEs is presented as follows.

- Micro enterprises are business enterprises found in all sectors of the Ethiopian economy with a paid-up capital (fixed assets) of not more than Birr 20,000, and higher consultancy service businesses and other higher technological enterprises are not included.
- Small Enterprises are business enterprises with a paid-up capital of more than Birr 20,000 but not more than Birr 500,000 but excluding

high-technological consultancy firms and other high-technological establishments.

- Large and medium enterprises are those business enterprises with more than 500,000 birr in paid-up capital.

However, MSEs are defined in most countries based on the number of employees. Accordingly, most commonly, micro enterprise is enterprises with ten and less employees, while small enterprise is enterprises with 10 to 50 employees (Farbman and Lessik, 1989).

So, according to their purpose and intention, different countries defined micro and small enterprises differently. However, the parameters generally applied by most countries, single or in combination are: capital investment in plant and machinery, number of workers employed, or volume of production or turnover of business (Hewaliyang, 2002)

Generally, there are qualitative, comparative, and quantitative criteria to defined micro and small enterprises. The qualitative sides include: their financial practices, training styles, internal management structure, and decision making process. The comparative factors have to do with the way micro and small enterprises are studied vis-à-vis large enterprises in the corporate sector. They are small sized in comparison with the large entities in which they share a given economic space. Whereas the quantitative criteria include: number of workers, sales turn over and investment capital. So that, micro and small enterprises come in varying sizes and in one country may be larger than the 'big' companies in another.(Hewaliyang, 2002)

Besides to definition discrepancies (difference) in different countries, the nomenclature (name) of the sector varies from one country to the other. Countries named the sector as Small-Scale Industries (SSI), Micro and Small Enterprise (MSE), Small and Medium Enterprise (SME).

Enterprises are usually divided in to four levels: micro, small, medium, and large. The definition varies from country to country based on the level of economic development of the country. Classifying enterprises in the above four

category can be based on a firms assets, or number of employees. Accordingly, an enterprise considered small in one country may be medium or micro in other country. (Taye, 1997).

The following table shows the definitions of micro and small enterprise in different countries.

Table 2.1: Definitions of micro and small enterprise in different countries

Country	Category of Industry	Criteria
Ethiopia	Micro-enterprise	Capital below birr 20,000
	Small-enterprise	Capital between 20,000-500,000
Ghana	Micro-enterprise	1-4 workers employed
	Small-enterprise	5-29 workers employed
Germany	Small and Medium Enterprise	Less than 500 employees
Indonesia	Small and Medium Enterprise	Less than 100 employees

Source: Hailay, 2003

Therefore, the definition of micro and small enterprises varies from country to country and an enterprise considered as small in one country may not be in other country.

Other authors, (Farbman & Lessik, 1989) also classified MSEs as survival (non-graduates) and growth-oriented enterprises, on the bases of the motive behind doing business, capacity to specialize, innovation, and grow in size, and capacity to graduate. The survival category comprises persons commonly referred to as 'the poorest of the poor' .These people engaged in such economic activities to fulfill their basic needs due to lack of other alternatives. The

contribution of such business activities to economic growth is insignificant; rather it helps people to save individuals engaged from deeper poverty. Capital accumulation for vertical growth and graduating is not the main aim of survival businesses.

On the contrary, growth oriented enterprises are characterized by: oriented toward profit maximization, capital accumulation, and involve or aim at to specializing activities. So, such kind of businesses can graduate in to the next step in terms of vertical growth, employee high skilled man power and complex technology and generate innovative ideas.(Farbman & Lessik, 1989).

As stated in the above paragraphs, micro and small enterprises can be defined in different ways. However, the operational definition of micro and small enterprises for this particular study is presented as follows.

- Micro enterprises are those business enterprises with a paid-up capital not more than 20,000 birr.
- Small enterprises are those business enterprises with a paid-up capital between 20,000 birr and 500,000 birr.
- Group-based micro and small enterprises- those enterprises formed in partnership and cooperatives (those enterprises having partnership ownership and cooperative ownership)
- Those business enterprises which oriented towards profit maximization, capital accumulation for vertical growth and graduating, and involve specializing activities. In other words, those business enterprises which are not operating for profit maximization, capital accumulation and ready for graduating to the next step is not included in this study; because the economic contribution of such business enterprises is insignificant.
- Those business enterprises which employed 5 to 10 employees are included in this study.

2.1.1.1. Characteristics of Micro and Small Enterprises

Most micro and small enterprises share similar characteristics. The two major features/characteristics for most MSEs are labor-intensive mode of production and their small scale of operation. Besides to these major common features/characteristics, MSEs have also the following common features (according to the Netherlands Ministry of Foreign Affairs Small Scale Enterprise policy Document of 1986).

- MSEs are easy to start with less skill and less capital.
- Small scale enterprises are to large extent solely run by the owners themselves and member of the family.
- The small-scale enterprises generally work and produce for the local market.
- Most MSEs keep incomplete and inadequate accounts.
- Women account for a relatively high proportion of owners or workers in the MSEs.
- MSEs have less access to formal channel for the provision of credit and other forms of support.
- Personal saving or family money provides the primary source of capital for the establishment of them.

2.1.1.2. The economic contribution of MSEs

Due to its nature such as using labor intensive technologies and endogenous resources, micro and small enterprise sector play a pivotal role in the local economic development. Different scholars have stated the contribution of micro and small enterprises in various ways.

For instance, according to Lied Holm and Mead (1999), micro and small enterprises have the potential to contribute in a number of ways to the reduction of poverty and development process. The followings are some of the benefits of MSEs.

Contribution to household income and welfare

- Provides income maintenance for those with few options
- Provides a basis for growth in income and welfare through asset accumulation, skill development and access to more rewarding economic opportunities
- Providing employment

Contribution to self-confidence and empowerment of the individual

- Recognition of the dignity of the individual
- Spreading the vision that change is possible

Contribution to social change, political stability

- Providing new opportunities for the poor
- Providing new opportunities for the women
- Providing new opportunities for those in rural areas and in isolated locations

According to Mkandawire (1999), the sector has the following contributions:

- Employment generation
- Efficient utilization of resources
- Innovative entrepreneurial development
- Stimulation and democratization of capital accumulation by redressing regional and ethnic imbalances
- Regional development
- Poverty alleviation
- Increasing flexibility of the economy

Besides, according to Wolday (2002), micro and small enterprise sector has the following benefits.

- Source of Entrepreneurship
- Center of innovation
- Means of realizing equitable income distribution
- Users of local raw materials
- Source of foreign exchange

- MSEs are flexible during economic changes
- MSEs are more labor intensive compare with large firms
- MSEs improve backward and forward linkages, and they are basis for medium and large-scale enterprises.

In addition to their economic contribution, group-based MSEs have also non-economic contribution for social capital development (in terms of trust developed by members, cooperation among members, and collective responsibility), and knowledge transfer among individual members in the enterprises.

The concept of social capital has been introduced in the early 20th century and various definitions have been given by different institutions and scholars. For instance, World Bank defines social capital as resources (such as information, ideas, and support) that individuals are able to produce due to their relationships with other people. These resources ("capital") are "social" in the sense that they are only accessible through relationships, unlike physical capital (tools, technology) or human capital (education, skill).

Feldamn and Assaf (1999) also highlighted the importance of social capital, and the role it plays in the production and marketing process. They argue that, countries may be endowed with similar natural, physical, and human resources but achieve very different level of economic success because in countries where better economic success is registered, there will be a social capital which holds people and societies together in order to foster economic development.

Therefore, in addition to their economic contribution such as improving employees' level of income, providing inputs to other sectors and others, group-based MSEs have also social capital development which is measured by trust developed by individual members, cooperativeness and collective responsibility.

2.1.1.3. The sector's linkage to other sectors

There are a number of hypotheses or schools of thoughts regarding the linkages of the MSE sector to other sectors. One school believes that the MSEs are an autonomous segment of the economy producing mainly for consumption within the sector. Another school or view believes that the sector has a dependent relation and is exploited by the formal sector. A third view is that the sector is integrated with the rest of the economy through complementary linkages. (Preston & Eleanor, 1991).

A study of linkages is important because they are likely to play a key role in the formulation of strategies for the promotion of micro and small enterprises. They would determine the nature and scope of interventions in the sector.

The following linkages can be identified that the MSE sector has with other sectors.

- The forward linkages- this type of linkage involves the use of small-scale enterprises' products as inputs into the large/formal sector and sale of the finished products and services of the small scale enterprises to the formal sectors.
- The backward linkages- such kind of linkage involves the supply of raw materials equipment from the formal/large to the small- scale enterprises
- The technological linkages- this involves the supply of equipment, technical know-how and skills by large to small enterprises.
- The consumption linkages- this refer to direct links with final consumers, mostly household that depend on the sector itself for their income may buy the sector output. (Preston & Eleanor, 1991).

Therefore, the linkage between micro and small enterprise sector and other sectors is compulsory, not optional. In other words, the sector is integrated with the rest of sectors of the economy through complementary linkages.

2.1.2. Definition of Local Economic Development (LED)

As different literatures show that Local Economic Development has been given considerable attention and importance since in the early 1970s. Different institutions and scholars have defined LED. The following are some of the definitions.

LED is a local development using local resources-human, institutional and physical. It is based on variables controlled from the area rather than on the allocation of outside resources from the national level. It is the process by which actors with in a locality work collectively with public, business and non-governmental organizations (NGOs) to create better conditions for economic growth and employment generation. Through this process they establish and maintain a dynamic entrepreneurial culture and create new community and business wealth in order to enhance the quality of life for all in the community (World Bank, 2001).

LED is a process in which local government, community-based group and the private sectors administer their resources and income in to partnership or net working arrangement with each other to generate employment and encourage economic activity in specific areas (Zaijer and Sara, 1993)

Similarly, Helmsing (2001) defined it as a process in which partnerships between local governments, community- based groups and the private sector are established to manage existing resources to create jobs and stimulate the economy of a well defined territory. It emphasizes local control, using the potentials of human, institutional, and physical resources. Here the central aim of local development is to create or expand job opportunities available for the local people.

2.1.2.1. Approaches of LED

There are different approaches of local economic development. However, in this paper we focus on the new approach of LED, which Helmsing called it as “the

New Generation of LED". According to Helm sing, the new generation of LED promotion is characterized by multi-actor; multi sector and multi-level. The former one implies the success of LED depends on the active involvement of different actors such as public, private, community, civil organizations, and other NGOs. The multi sector indicates the importance of the public, private and community sectors of the economy in LED. The last one is multiple level which implies that the success requirement of LED is not only depends on local initiatives but also considers opportunities and threats of global change. He describes local initiatives by categorizing in to three: community based economic development, enterprise development and locality development.

According to him, community based economic development has a number of aims. These include: stimulating the sense of community, promoting self-help and empowerment, improving living and working conditions in settlement and creating public and community service.

The enterprise development initiative has an advantage that local producers can specialize themselves, and the creation of private regulatory and supportive institutions. An important issue in enterprise development is the target groups. The four target groups are I) attracting firms from elsewhere (by giving various incentives) ii) formation of new firms iii) expanding existing firms IV) innovation and graduation of MSEs. Therefore, MSEs are part and parcel of the huge component of LED, which involves the utilization of local raw materials, labor, market, and etc, to improve the living conditions of operators and other beneficiaries through employment and income generation.

Finally, according to him, locality development refers to overall planning and management of economic and physical development of a given area. It involves the development of infrastructure and relevant economic and social overhead capital. LED initiative is 'forum' partnership between the three development actors namely: local government which represents the public sector, the private sector, and community sector like NGOs and community based organizations (Helmsing, 2001).

2.1.2.2. Actors of LED

Since development is a multi-dimensional in nature such as economical, social, political, cultural and environmental, it cannot be achieved through a single actor. Different actors should be involved in the development process. According to Helmsing (2001), there are three actors in the development process in a given area. These are: The local government which represents the public sector, the private sector, and community sector like NGOs and community based organizations.

Both governmental and non-governmental actors have their own share (area of involvement) in the development process. The rules and regulations which are set by the government are the mechanism to guide or control the activities of all actors in the development process. On the other hand, government alone cannot fulfill all the needs of the society (due to different resource shortages). So, the involvement of other actors such as private sectors (including the micro and small enterprise sector), non-governmental institutions, and community-based organizations is important to fulfill the needs of the society.

2.2. Empirical literatures

In the previous section we have stated the theoretical or conceptual literature that related with the topic under investigation. In this section, we are going to talk about the empirical literature which shows the real contribution of the sector of micro and small enterprises in different countries.

2.2.1. Contribution of MSEs in different countries

There are evidences that show the real contribution of MSEs in both developing and developed countries. The following are some of the evidences that show the real contribution of the sector of micro and small enterprises.

In most case, the primary goal of the sector of micro and small enterprise is to alleviate unemployment problems. In this regard, micro and small enterprises have been recognized as a potential sector to minimize unemployment problems in developing and developed nations. As Todaro (2000) stated that the sector of micro and small enterprise is a major source of urban employment in most Asian countries. Among individual countries for which statistics are available; the figure reaches 50% in India, 60% in Pakistan, 45% in Indonesia, 35% in Malaysia. In the case of Latin American countries, it reaches 69% in Paraguay, 61% in Bolivia, 56% in Brazil, 55% in Argentina. (Todaro, 2000)

According to the survey report of International Labor Organization (1998) based on different African countries, out of the total urban employment, the sector of micro and small enterprises contributes 40 % of labor force employment in Kenya and 80 % in Ghana from the year 1980 to 1985. (ILO, 1998).

According to Morse and Staley (1985), 81% of the manufacturing establishment in the United States in 1970 had small enterprises with less than 100 employees. These establishments employed 25% of all manufacturing employees. The percentage of small enterprises employment reaches 62% in New Zealand, 56% in Japan, 52% in Argentina, 27% in West German, and 26% in United Kingdom.

Therefore, as stated in the above paragraphs, the sector of micro and small enterprise has great contribution both in developed and developing countries.

2.2.2. Contribution of MSEs to the Ethiopian Economy

In Ethiopia, the MSE sector has high capacity in absorbing high labor force; this is because the sector is characterized by diversified activities. According to the survey report of Central Statistical Authority (CSA) of 2003, the following paragraphs describe the real contribution of MSEs to the Ethiopian economy.

According to the survey conducted by the CSA (2003), there were about 974,676 micro enterprises (cottage and handcrafts) and 31863 small scale

manufacturing enterprises. The persons engaged in the micro enterprise manufacturing sector were about 1.3 million (94.18%) were active owners (indicating large degree of self-employment), and in the small manufacturing establishments 97 thousand employees respectively. Women comprise 73.74% of those employed in the micro enterprise sector and 9% in the small scale manufacturing sector (CSA, 2003)

The average gross value of production and value added per person engaged in micro enterprise in urban areas were 2,619 and 865 birr respectively, while for rural areas this comes to 901 birr and 349 birr respectively. Besides, 87.03% of the surveyed micro enterprises started their operation with a total capital of less than 250 birr while only 0.38% began their operation with a capital from 5001 to 10,000 birr (CSA, 2003).

Most of the micro enterprises in the manufacturing activities(55% of the total), are engaged in food and beverages(of which 65% were women), followed by textile (23%), where as in the small-scale manufacturing sector 85% are grain mills ,4% metals, 3.5% furniture, 3% weaving , 2% food products and the rest in other sectors. With regard to ownership, 74% of micro producers, 17% of small scale and 0.2% of medium and large manufacturing businesses (CSA, 2003)

With regard to labor force status, MSEs absorb less skilled labor force. In this regard, 47.3% of the males, 29.37% of the females employees in the small scale manufacturing have completed primary (grade1-6) education, while 44% (out of which 38% males and 6% females) of the total have completed grade 7-12. Moreover, 3.53 % of the females and 1.6% of males have attained educational level of above grade 12.

Therefore, as it has stated in the above paragraphs based on the Central Statistical Authority survey report, micro and small enterprise sector plays a pivotal role in the socio-economic life of the people and in poor country like Ethiopia, the sector plays important role for the accumulation of capital.

2.2.3. Constraints faced MSEs in Ethiopia

Theoretically, different constraints which hinder the operation of enterprises may exist. However, in this sub section we are going to see the real constraints/challenges that hinder the operation of micro and small enterprises in Ethiopia. Even though, the MSE Sector has vital contribution to the Ethiopian economy, it is not operating without problems. There are different challenges that impede or hinder the operation of micro and small enterprises. As identified by various studies, the major challenges that hinder the operation of the sector mostly associated with the following areas: market, finance, infrastructure, technology, information access, and etc. The detail of some constraints/challenges is described as follows.

Problem related to market: Market is necessary to purchase raw material inputs and to sell products or out puts. Mostly Ethiopian micro and small enterprises faced the problem of access to market. For instance, according to the study conducted by Central Statistical Authority of 2003 based on 31,863 small scale manufacturing industries at the country level, of which 19,996(62.75%) are located in urban areas and the remaining were in rural areas, showed that 48% of the total establishment have faced the problem of demand or access to market. This is due to the existence of weak or absence of inter-linkage mechanisms with other medium or large enterprises and existence or absence of appropriate market channels , open markets, display centers which MSEs would have used to market their outputs.

Constraint related to finance: It is clear that finance is very necessary to start and expand business activities. Like lack of market, Ethiopian micro and small enterprises faced with lack of capital during and after establishment. With regard to this, Gebrehiwot and Wolday (2004) stated that MSEs in Ethiopia faced scarcity of initial, expansions and working capital, as formal

credit institutions are not accessible to MSE sector. The initial capital starting up MSEs is usually raised by the proprietors from their own sources like family saving and sale of property. Micro and small enterprise proprietors also raised the working capital and expansion capital from their own sources (any profit made and from individual lenders). Therefore, lack of capital is the real constraint for micro and small enterprise.

Problem related to Technology: It is clear that using appropriate technology is necessary to increase the quality as well as the quantity of products of business activity. With regard to this, researchers explained the existence of problems in micro and small enterprises in relation to technology. For instance, Assefa (1997) stated that in Ethiopia, micro and small enterprises have faced difficulties in gaining access to appropriate technologies and information on available techniques. Besides, Gebrehiot and Wolday (2004) also stated that the small scale enterprise sector in Ethiopia is constrained by poor production and implementation of appropriate technologies that fit to the sector.

Problems related to infrastructure: It is understandable that good infrastructure facilities (such as road, electric) increase the performance of business activities. On the contrary, poor infrastructure facilities weaken the performance of business activities. In this regard, the report of Economic Commission of Africa (ECA) stated that lack of or high cost of business location, poor electricity and poor state of roads are the major problems for most micro and small enterprises. (ECA, 1996).

Problem related to access to information: Information about identifying the type of activity with the necessary inputs, market information, regulation and legislation, accounting, managerial advice, interlink age information, and etc, is very important for micro and small enterprises to be successful. In relation to this, research findings indicated that most micro and small enterprises owners in Ethiopia lack necessary information. For example, according to the survey conducted by Central Statistical Authority in 2003, about 21.28 % and 13.82%

of the respondents identified lack of information to identify the type of activity and lack of information about appropriate machinery respectively.

Therefore, in order to increase the capacity of the MSE sector and thereby their contribution to local economic development these real and other related challenges or constraints should be solved or at least minimized.

Chapter Three

Analysis of the Survey Results

In this chapter, we are going to discuss the survey results on different issues like the characteristics of the respondents (sex, age, marital status, educational background, and previous occupation), characteristics of enterprises (their year of establishment, legal status, initial and current capital, and etc), contribution of enterprises to the local economy and social development, and problems faced by the enterprises.

3.1. Characteristics of the Respondents

As we stated earlier in the research methodology sub section, the total number of MSEs which are formed in partnerships and cooperatives found in the study area is about 128. These enterprises constitute a total of 974 individuals engaged in metal and wood work activities. For the purpose of this particular study, samples of 97 MSEs' operators have been taken from a sample of 16 enterprises which are formed in partnerships and cooperatives. The sample respondents were selected from sample enterprises which were selected from 4 woredas (2, 3, 6, and 9) found within the sub city. In this sub section, the characteristic of 97 operators, which is almost 20% of the total population found in the selected 4 sample woredas, is discussed below.

3.1.1 Sex Composition of the Respondents

Since sex is one of the characteristics, respondents were asked about their sex. The following table shows the sex structure of the respondents.

Table 3.1: The sex composition of the respondents

Sex	**Frequency**	**Percentage (%)**
Male	89	91.75 %
Female	8	8.24 %
Total	**97**	**100 %**

Source: own survey data, 2012

As it has indicated in the table 3.1 above, majority, 89 (91.75%) of the respondents are males. The remaining 8 (8.24%) of the respondents are females. As the above table data indicated that the involvement of females in metal and wood work MSEs is too low. This tells us that the involvement of females in the metal and wood works in the study area is not encouraging to ensure the economic empowerment of women.

3.1.2 Age Composition of the Respondents

With regard to the age composition of the respondents, majority respondents are found in the working age group. Table 3.2 below shows the age structure of the respondents. As shown in table 3.2, majority, 84(86.59%) of the respondents are found in the age group of 20-39 years. Others, 9 (9.27%) and 4(4.12%) of the respondents are found in the age group of 40-49 years and less than 20 years respectively.

Table 3.2: The age composition of the respondents

Age category	**Frequency**	**Percentage (%)**
Less than 20	4	4.12 %
20-39	84	86.59 %
40-49	9	9.27 %
50-60	-	-
60 and above	-	-
Total	**97**	**100 %**

Source: own survey data, 2012

Hence, it can be concluding from table 3.2 that the majority MSEs' operators are found in the economically active age category. This further implies that the existence of such economically active age groups is very important to enhance economic development in the study area.

3.1.3 Marital Status of the Respondents

In the survey, respondents were asked their marital status. The following table shows the marital status of the respondents**.**

Table 3.3: Marital status of the respondents

Marital status	Frequency	Percentage (%)
Married	57	58.76 %
Single	39	40.20 %
Separated	---	---
Divorced	1	1.03 %
Total	**97**	**100 %**

Source: own survey data, 2012

As it has shown in the table 3.3 above, 57(58.76%) of the respondents are found to be married. While 39 (40.20%) and 1(1.03%) of the respondents are found to be single or unmarried and divorced respectively. This data shows that majority respondents (almost more than 50% of the total sample population) have families and they obliged/forced to provide any support to their respective family members.

3.1.4 Educational background of the respondents

Education is essential or crucial for the growth and productivity of enterprises**.** Due to this, respondents were asked about their educational level. As it indicated in table 3.4, 27 (27.83%) of the respondents are grade 11 and 12 complete. 19 (19.58%) and 15(15.46) of the respondents are found from grade 6-8 and grade 9-10 respectively. Out of the total sample respondents, 17 of

them are 10+1-10+3 complete. Others, 5(5.15%) of the respondents have college diploma.

Table 3.4: Educational level of the respondents

Educational level	Frequency	Percentage (%)
1-5	4	4.12 %
6-8	19	19.58 %
9-10	15	15.46 %
11-12	27	27.83 %
10+1-10+3	17	17.52 %
Technical & vocational complete	10	10.31 %
College Diploma	5	5.15 %
First Degree and above	----	----
Total	**97**	**100 %**

Source: own survey data, 2012

In general, the above table tells us that the education level of the respondents is low. The education level of the respondents is important to cope with new business ideas, new technologies, and to increase the productivity of operators and enterprises.

3.1.5 Earlier Occupation of the Respondents

It is clear that a related work experience gives a person the required skills necessary for starting and running the same activity efficiently. With regard to the earlier work experience of the respondents, they were asked about the type of activities they were doing before engaged (joined) in their respective current enterprises. Table 3.5 illustrates the previous occupation (job) of the respondents before engaged in the sector of micro and small enterprises.

In the table 3.5 , it can be observed that 25 (25.77%) and 24 (24. 74%) of the respondents were daily laborers and students respectively before they have

joined enterprises (the sector of MSE). And 20 (20.61%) and 21(21.64%) of the respondents were unemployed and had/have their own business respectively.

Table 3.5: Previous occupation/job of the respondents

Previous occupation/job	**frequency**	**Percentage (%)**
Daily laborer	25	25.77 %
Student	24	24.74 %
Unemployed	20	20.61 %
Own business	21	21.64 %
Others	7	7.21 %
Total	**97**	**100 %**

Source: own survey data, 2012.

The survey result presented in the above table tells us that micro and small enterprises have an advantage (important role) on creating employment opportunity without requiring professional skills.

3.2. Characteristics of the Enterprises

3.2.1. Year of Establishment

The time of establishment is one of the characteristics of business enterprises. This is because the year of experience has its own influence on the performance and growth of the MSEs. In this regard, out of the total sample enterprises included in the survey, 7(43.75%) of the enterprises were established in the year of 2004/2005. And 3(18.75%) and 2(12.5%) of the enterprises were established in the year of 2008/2009 and 2010/2011 respectively. However, as it has shown in table 3.6, the year of experience in some of the enterprises is not the main criteria for their performance. For instance, if we compare 'unity' enterprise with 'St. Gabriel' enterprise, the initial investment or capital is the same (which was 5,000 birr) for both of them. However, the current capital of unity enterprise (which was established

in 2008/09) reaches 85,000 birr while the current capital of St. Gabriel (which was established in 2004/05) reaches only 20,000 birr.

3.2.2. Legal Status of the Enterprises

Regarding to the legal status of the sample enterprises, all of them are legally registered (see table 3.6) and all they are required to pay 2% of TOT (Turn Over Tax) for the government from the amount of sales of their product. Turn over tax is a single tax system as a tool for small businesses to make their tax obligations more simple or to reduce the administrative burden on small businesses**.** According to the heads of the enterprises during the key informant interview session, this amount of tax is very small as compared to the amount of tax paying by other business activities in the country. However, individual operators do not pay tax for their income that they get from the enterprises. The following table shows the name of sample enterprises included in the survey, their year of establishment, legal status, capital status, number of working members (operators,) and etc.

Table 3.6 shows list of enterprises in the survey, their year of establishment, legal status, initial/current capital, ownerships, and number of operators (working members) of the enterprises.

Name of the enterprise	woreda	Year of establishment	Ownership	Legal status	Initial/current capital(in birr)	No. of initial /current members
Unity	2	2008/09	Group	Legally registered	5,000/85,000	5/6
Wotatoch Andenet	,,	2004/05	Cooperative	,,	5,000/30,000	10/7
Adwa	,,	2010/11	Cooperative	,,	3,000/5,000	10/9
St. Gabriel	,,	2004/05	Cooperative	,,	5,000/20,000	13/9
Arada Teklala	,,	2010/11	Group	,,	20,000/45,000	5/4
Hibert	,,	2004/05	Cooperative	,,	5,000/300,000	20/10
Senay	3	2008/09	Cooperative	,,	5,000/40,000	11/8
Birhan	,,	2006/07	Cooperative	,,	2,500/11,700	10/8
Ray 10	,,	2004/05	Cooperative	,,	32,000/100,000	10/11
Wondmam achoch	,,	2009/10	Cooperative	,,	5,000/6,000	10/9
Rut	6	2004/05	Group	,,	20,000/50,000	8/8
Lucy	,,	2004/05	Cooperative	,,	2,500/15,000	15/10
Yetebaberut	,,	2005/06	Cooperative	,,	1000/20,000	10/10
Dream	9	2011/12	Cooperative	,,	100,000/-----	10/10
Base	,,	2004/05	Cooperative	,,	2,000/------	10/10
Ras Hiber	,,	2008/09	Cooperative	,,	15,000/45,000	10/7

Source: own survey data, 2012.

3.2.3. Ownership of the Enterprises

According to the survey data presented in table 3.6 , out of the total sample enterprises included in the survey, 13(81.25%) of them have cooperative ownerships (consist of 6-10 individual members) where as the remaining 3(18.75%) of them have partnership ownerships (consist of 3-5 individual members). As heads of enterprises said that through time partnership ownership enterprises will be changed in to cooperative ownership enterprises as the number of individual members becomes increasing. According to the heads of each enterprise during the key informant session, there are different criteria to join the enterprises such as previous work experience, skills with related fields, Knowledge, capital contribution, work interest, friendship, and etc. These criteria especially having related previous work experience and skill supports operators to run their current enterprise efficiently.

3.2.4. Source of Initial Capital of the Enterprises

It is clear to that enterprises need finance to established and expand their business. MSEs could have various sources of initial capital to start their business activity. Personal savings, loans from micro finance institutions, family, and friends are the major sources of initial capital for MSEs to start business activities. With regard to the sources of initial or startup capital for MSEs in Ethiopia, Wolday (2002) stated that the major sources of initial/startup capital for MSEs are their personal savings, followed by loans from micro finance institutions. Besides, MSES do not use banks since banks require high collateral for their loans. Similarly, in this survey, out of the total sample enterprises ,11(68.75%) and 3(18.75%) of the enterprises have got their initial capita from personal savings(members' contribution) and personal savings plus loan from Addis Credit and Saving institution(ADCSI) respectively. The remaining 2 enterprises which were included in the survey have got their initial capital from personal saving (members' contribution), loan from Addis

Credit and Saving Institution and loan from private individuals. The main reasons for not taking loan from micro finance institution were fear of loan and collateral problems. Generally, the survey result shows that own (personal) saving was the dominant source of initial capital/ finance for majority MSEs to start their business activity.

3.2.5. Capital Status of the Enterprises

The level and growth of capital could be good indicators of the economic performance of business entities. Business entities with higher and increasing levels of capital indicated that capital accumulation is taking place while those with lower trends in capital could be declining business enterprises. The capital status of the enterprises is studied from two angles/perspectives: the initial capital and current capital. The Initial capital refers the level of capital needed to start the business where as current capital refers the level of capital currently attained by the business. As presented in the table 3.6, the size of initial capital of MSEs for starting their activities ranges between1000 birr and 100,000 birr**.**

According to the working definition of Ministry of Trade and Industry of Ethiopia concerning MSEs, 12(75%) of sample enterprises included in the survey operate at micro scale level (have less than initial capital of 20,000 birr) and the rest 4(25%) of the enterprises are found at small scale level (have more than 20,000 birr of initial capital but not more than 500,000 birr) (see table 3.6). However, availability of accurate information on level of capital (especially on the current capital) of the enterprises is very difficult; this is because of fear of taxation by MSEs, socio-cultural problems, and to get continus supports from the governmet (this is because MSEs will not get different supports from the government if their capital reaches 500,000 birr). As it indicated in the table 3.6, the current capital of sample enterprises ranges between 5,000 birr to 300,000 birr. As it can be observed in table 3.6, majority MSEs (64.28%) have more than 20,000 birr current capital. when the current capital is

compared to the initial capital, there is significant change (increase). From this result, it can be concluded that there is a capital accumulation, which contributes to local economic development that can lead to reinvestment and expansion of the enterprises..

3.2.6. Number of working members (operators) in the Enterprises

As we have stated in the literature review section, in chapter two, number of employees or workers is the major criteria to define MSEs in most countries. With regard to number of employees, it can be said in table 3.6 that all the enterprises included in the survey are found in micro scale category (have ten and less employees). As it can be shown in table 3.6, the number of working members of each enterprise becomes decreased through time. According to the heads of the enterprises during the key informant session, the number of members in the enterprises become decreased due to different reasons such as corruption (theft of enterprise's capital), fear of competition with other similar micro and small enterprises, absence of market (this is the major problem for the minimization of the number of members of the enterprises), absence of work interests, disobeying (violation) of the rules and regulations of the enterprises, and other personal problems. This shows that the capacity of these MSEs in absorbing new labor force is low. In other words, the contribution of these MSEs to additional employment beyond the existing ones is insignificant.

3.2.7. Support Provided at Start up

With regard to the support provided to MSEs, heads of each enterprise were interviewed whether they got any support from the government during start up their business activities. Accordingly, almost all enterprises did not get any support from the government or any other institution at the time of their establishment. However, out of the total enterprises included in the survey,

4(25%) of them have got support from the government in the form of loan during their establishment. Besides, after establishment, majority,11(68.75%) enterprises have got Business Development services (BDS), which is the non financial support/services to businesses such as training and skill development, technical and managerial assistance, promoting new technology, giving market support, providing infrastructure, and etc) from their respective kebele (woreda) and from the sub city. However, some members said that the trainings which were given so far were not directly related to their work. And also some members are not well aware of the training given so far. This is because, they have already got the training but if you asked them, they said we are not received any training so far. This implies that there is a great gap on the awareness of trainings so far given for members. So, awareness creation is needed before giving any training/support to enterprises' operators. It is important to educate MSEs' operators on the potential benefits of Business Development Services.

3.2.8. Working Premises

With regard to the working premises, key informants (heads of each enterprise) were asked where they are operating their business. In this regard, out of the total sample enterprises included in the survey, majority, 12(75%) of them work in government rental work premises (they rent the government house and they paid from 160 birr to 240 birr per month). However, as they said the working place is not enough for putting different machines and for all working members or operators to work at the same time; because each enterprise has got an area of 4 square meters per one individual member. The remaining enterprises included in the survey, 3(18.75%) of the enterprises work in their own buildings (they got the land from the government in the form of lease and they built their own working place) and 1(6.25%) of the enterprise works in family house.

3.3. Linkages of the Enterprises to Other Sectors

As we stated in the literature review section, in chapter two, micro and small enterprise sector has different linkages with other sectors of the economy such as forward linkages, backward linkages, and consumption linkages. In this sub section, different issues such as the source of raw material inputs, major suppliers of raw materials, and major customers for the products produced by MSEs are discussed each one by one as follows.

Raw material linkage: where is the source of raw material inputs?

This is refers to the backward linkages (i.e. the supply of raw materials from large/formal sector to small scale enterprises) that the sector of MSE has created with other economic activities. In this case, the linkages of the enterprises could be explained in terms of the sources for their raw material inputs. In terms of inputs, these enterprises get raw material inputs from the local enterprises/markets and outside the local areas (out of the Arada sub city). This implies that there is a positive contribution to local economic developments by generating of employment and income earning opportunities in other sectors within the local area and outside the local area. In other words, raw material supplier enterprises become expand within the local as well as outside the local area which in turn creates job opportunity for other individuals. So, the existence of such integration among different local and non-local business enterprises (i.e. between the producers and input suppliers), has a multiplier effect in the local activities.

Market linkage: who are the major customers of MSEs' products/services?

This is refers to the forward linkages which mean the use of small-scale enterprises' products as inputs into the large/formal sector and sale of the finished products and services of the small scale enterprises to the formal sectors and consumption linkages which mean the direct linkages between final consumers and MSEs' out puts. With regard to the products of micro and small enterprises, the Federal Micro and Small Enterprise Strategy states that

MSEs provide mass consumption goods for the local community both for urban and rural areas with reasonable prices and facilitate urban-rural linkages through its products (Ministry of Trade and Industry, 1997). In line of this, heads of each enterprise were interviewed during key informant session whether the product of MSEs have a market linkage with the locality. Accordingly, MSEs' products are sales in the local as well as outside the local market for other business enterprises, wholesalers, retailers, government institutions, and individual customers. This finding has implications to local economic development in the study area. Firstly, MSEs satisfy the market demands of the local community as they provide relatively cheaper products to the market. Secondly, MSEs could be contributing a lot if it had been also producing exportable products and hence reinforcing the local economic base which is the major aim of local economic development.

3.4. The Economic Role of MSEs to Local Economic Development

In this study, the economic role of MSEs to the development of the local economy can be seen from three different angles/perspectives. These are: role on employment generation, income diversification, and MSEs as a source of better income. The detail for each case is described as follows.

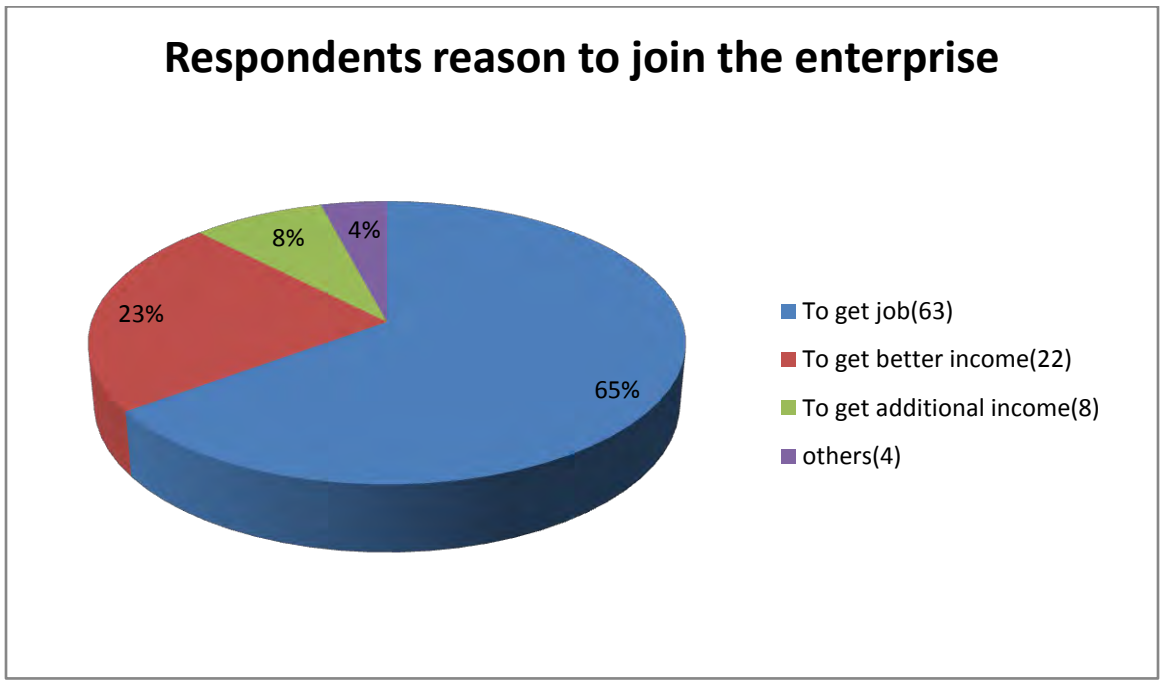
3.4.1. Role on Employment Generation

The development of MSEs in a given country is mainly related with creating employment opportunities. In other words, the primary goal of MSEs' establishment is employment generation. In most developing countries including Ethiopia, the MSEs have been recognized as potential sector to minimize unemployment problems. The development of MSEs in a given locality has multiplier effects. Firstly, those employed people in MSEs earn an income and spend it within the locality. Directly or indirectly, this investment

in the locality gives benefit for other business entities and residents in the locality. Secondly, those employed people in MSEs may save and start their own business and employ extra labor force. This chain of action helps the society to get improved facilities like food, schooling, health facilities, and etc. The cumulative effect of this ultimately widens the economic base of the locality, which is one of the principal objectives of local economic development.

With regard to the role of MSEs on employment generation, respondents were asked the reason to join their respective current enterprises. The following figure illustrates the respondents' reason to join the enterprises.

Figure 3.1 respondents' reason to join the enterprises.



Source: own survey data, 2012

As it indicated in the figure 3.1 above, majority, 63 (64.94%) of the respondents joined their respective current enterprises or the sector of MSEs to get job. Mostly those who gave reasons as to get job must be those unemployed and students prior to joining the sector (MSEs). However, these individuals are not the only groups of people in the locality who have got jobs/benefits in the enterprises. Directly or indirectly, there are also other beneficiaries in these MSEs such as contractor workers. This is because according to the heads of

the enterprises, occasionally/seldom these enterprises may employ temporary workers when there is good work (market access).

3.4.2. MSEs as a Source of Better Income

MSEs play an important role in creating better income earning opportunity for individuals. It is obvious that when individual's income increased, they will have balanced nutrition, better health services, and other better facilities. This improvement is important to enhance the development of the local economy. As the survey result shows that the establishment of theses MSEs helped more individuals to get job in the locality than creating better income earning opportunities for individual members or operators in the enterprises. In other words, this is mean that majority respondents were joined the sector of MSEs to get jobs than getting better income (see figure 3.1).

As it has shown in figure 3.1, among the total sample respondents included in the survey, 22 (23 %) of them replied their reason to join the sector of MSEs was to get better income. Mostly those who gave reasons as to get better income must be those daily laborer occupation and those who had their own business. Even though majority respondents replied their reason to join the enterprise as to get the job, significant number of respondents replied their reason to join the enterprise as to search better income.

3.4.3. Role on Income Diversification

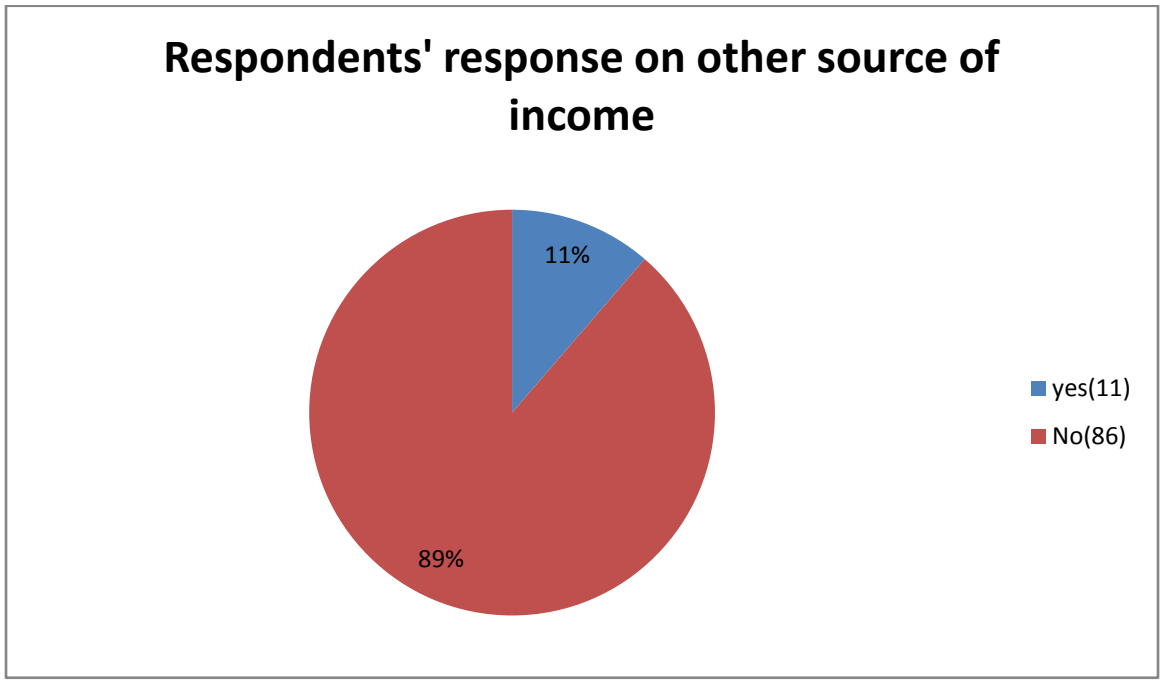
Diversifying individual's income is another economic role of micro and small enterprises. Income diversification is interpreted as an activity to earn different sources for improved income. It is intended to complement low income of an individual.

As shown in figure 3.1, among the total sample respondents who were included in the survey, only 8 (8.24%) of the respondents that their primary reason to join the enterprise is to get extra/additional income. As the survey result shows

that the contribution of MSEs to diversifying individual's income is quite small compared to their role in generating employment opportunities and serve as a source of better income for individual members of the enterprises.

Respondents were also asked whether they have other source(s) of income other than they get from the enterprises. The following figure illustrates the respondents' response regarding to other source of income other than they get from their respective enterprises.

Figure 3.2: Respondents response on other source of income



Source: own survey data, 2012

As it is presented in the figure 3.2 above, majorities, 86 (89 %) of the respondents do not have other source of income other than they get from the enterprises. It is only 11(11 %) of the respondents who reported additional source of income (from their family and friends) in addition to they get from the MSEs. This indicated that the life of the majority respondents (especially those who do not have other source of income) and their families totally depends on the income which is generating by these MSEs. In other words, MSEs are the major sources of income for majority operators or income from MSEs activities

is the main source of livelihood for majority operators or working members of enterprises.

Respondents were also asked the source of their income before they are employed or joined in their respective current enterprises. The following table shows the source of respondents' income before joining the sector of MSEs.

Table 3.7: source of income for respondents before joining enterprises

Response	**Frequency**	**Percentage (%)**
Family	31	31.95 %
Working in similar jobs	40	41.23 %
No income at all	26	26. 80 %
Others	--	--
Total	**97**	**100 %**

Source: own survey data, 2012

Accordingly to the data presented in table 3.7 above, out of the total sample respondents included in the survey, 31(31.95%) of the respondents were get their income from their family before they joined in the micro and small enterprises. Others, 40 (41.23 %) of the respondents were get their income through working in similar jobs by their own before they have joined the enterprises. The remaining, 26 (26.80 %) of the respondents had no income at all. However, currently, these individuals can get an income of 100 birr to 500 birr (per week) or from 400 birr to 2000 birr (per month) from these MSEs. However, as they said that this amount of income may vary or depends on different factors like the availability of the market.

Furthermore, respondents were also asked whether there is any change in relation to their living style due to the change in their income. Accordingly, out of the total sample respondents included in the survey, 76 (78.35 % of the respondents replied they have noticed changes or improvements (changes related to food intake, housing, health care, education, and etc) due to the change in their income. The remaining, 21 (21.64 %) of the respondents said

they do not have noticed any change in their living style due to the change in their income. Generally, as we discussed in the above paragraphs micro and small enterprises have influential nature in the local economic activities by serve as good source of income for individuals. The following sub section dictates the non-economic contribution (i.e. for the development of social capital/resource) of micro and small enterprises.

3.5. The Non-economic Role of Enterprises

In this study, besides to the economic role of group-based MSEs in the study area, the non-economic aspects have also been investigated; this is because economic relations believed to be derived in social relations and the development of social capital in the enterprises is believed to be the basic instrument for effective way to economic development in the enterprises which in turn have influence on local economic activities

With regard to the non-economic role of these MSEs, the study has tried to see the effect of group-based MSEs to the development of social capital (in terms of trust developed by members, collective responsibility, cooperatives, etc) and knowledge transfer in the enterprises.

3.5.1. Social Capital Development

The analysis of social capital was measured in these group-based enterprises in terms of the trust that the member of enterprises developed, the sense of cooperatives, introduction of collective responsibility and the relationship that developed by members in the enterprises. These social capital measurements are believed to be the basic instruments for effective ways to economic development in the enterprises which in turn have influence on the local economic activities. In this regard, questionnaire was provided to MSEs' operators to assess their perception related to the development of social capital in the enterprises.

3.5.1.1. Reciprocity in Enterprises

In this sub section, the benefit of helping each other among working members in the enterprises is discussed. Respondents who were included in the survey believed that they help each other in time of difficulties at work. The following table shows respondents' response with regard to the benefit that they obtained as a result of helping each other in the enterprises.

Table 3.8 Respondents' response on the benefit of helping each other in the enterprises.

Benefit of helping each other	**Frequency**	**Percentage (%)**
Sacrification of labor, money and time **(1)**	14	14.43 %
Reduce individual burden **(2)**	5	5.15 %
Increase social tie **(3)**	21	21.64 %
Create common interest **(4)**	10	10.30 %
All (**1,2,3,4**)	37	38.14 %
2 & 3	3	3.09 %
2, 3 & 4	6	6.18 %
Others	1	1.03 %
Total	**97**	**100 %**

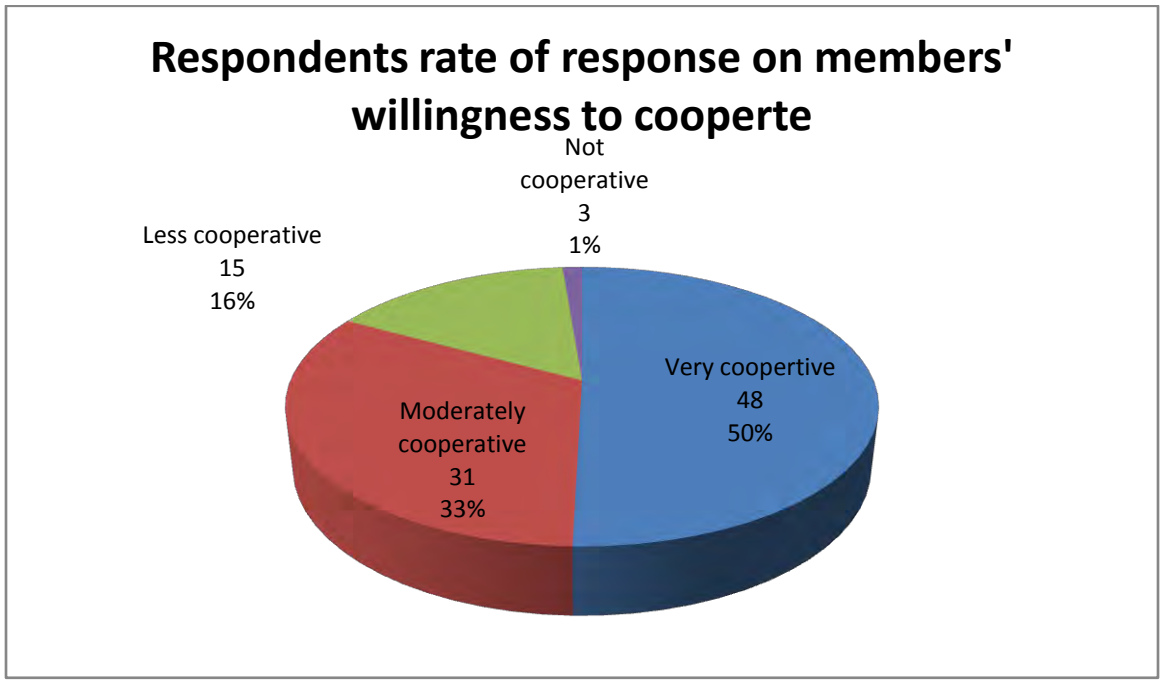
Source: own survey data, 2012

As it can observed in the table 3.8 above, out of the total sample respondents included in the survey, 37 (38.14%) of them believed that helping each other in the enterprise gives many benefits like encouraging individuals to sacrify their money, time and labor to the growth of the enterprises, reduce individual burden, increase social tie and create common interest. Others, 21(21.64%) of the respondents replied as helping each other gives a benefit of creating social ties among members in the enterprises. Furthermore, out of the total sample respondents, 14 (14.43%) and 10 (10.30%) of them believed that helping each

other in the enterprises encourages individuals to sacrify their time, money, and labor to the growth of enterprises and create common interest among members respectively in the enterprises. In general, majority respondents believed the benefit of helping each other in the enterprises from different perspectives. The benefit that obtained by helping each other is not limited or restricted within the enterprise itself; rather it has also an impact on the local activities. In other words, individuals who obtained these benefits have a chance to do more in different activities which are conducting in the locality.

The following figure shows the respondents' rate of response on members' willingness to cooperate.

Figure 3.3: Respondents rate of response on members' willingness to cooperate



Source: own survey data, 2012

According to the survey data presented in the figure 3.3 above, out of the total sample respondents included in the survey, 48 (50 %) of them believed that members in the enterprises are very cooperative, 31 (33 %) of the respondents believed that members are moderately cooperative in the enterprises. Others, 15 (16 %) and 3 (1 %) of the respondents believed that members in the enterprises are less cooperative and not cooperative at all respectively.

Therefore, it can be conclude from the above figure is that there is a strong cooperativeness in the enterprises. Such cooperativeness helps to promote the productivity of both operators and enterprises.

Respondents also asked about the state of their relationship (whether good or not) with members of the enterprises. The following table shows the state of relationship that respondents have with members in the enterprises.

Table 3.9 Respondents' response on their state of relationship with members in the enterprises.

With how many of them do you have good relationship	**Frequency**	**Percentage (%)**
All of them	71	73.19 %
Average of them	17	17.52 %
Few of them	9	9.27%
No good relation at all	----	----
Total	**97**	**100 %**

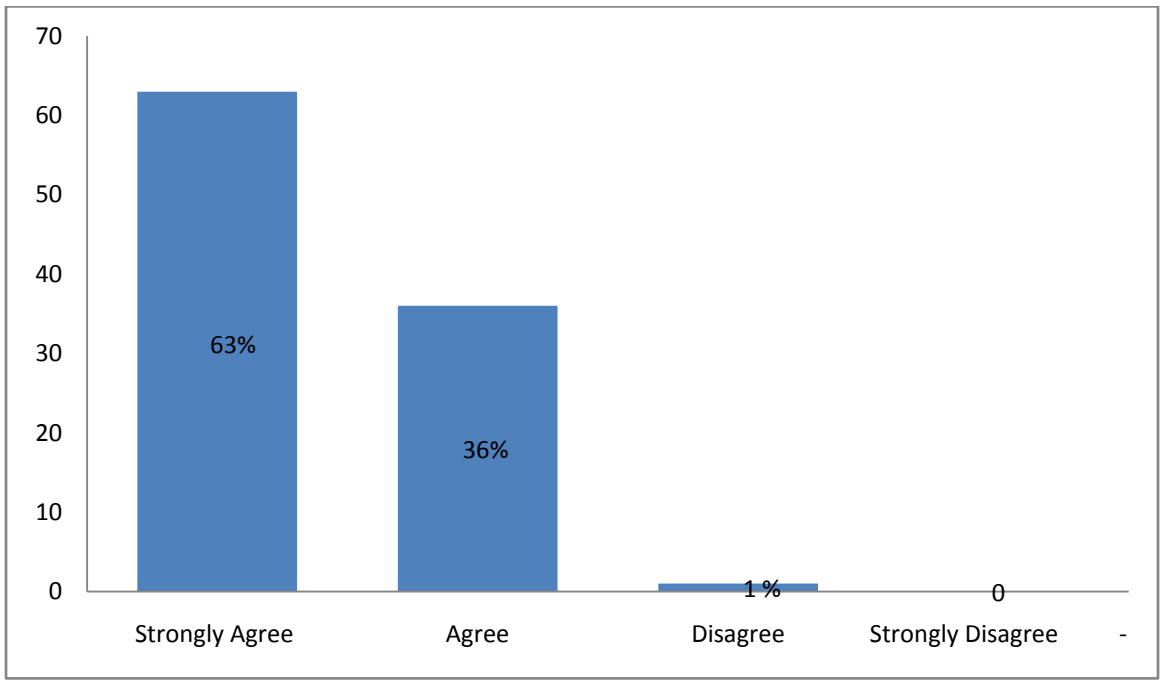
Source: own survey data, 2012

As it indicated from the above table, out of the total respondents, 71 (73.19) of them replied that they have good relations with all members in the enterprises. Others, 17 (17.52%) and 9 (9.27%) of the respondents respond that they have good relationships with average number of members and with only few of the members in the enterprises respectively.

Furthermore, respondents were also asked to scale their agreement based on to what extent they believed they can get cooperation and support when they are in need. In this regard figure 3.3 shows the respondents' response on members' willingness to cooperate currently. However, respondents also asked their rate of response on members' willingness in the future time. This is because members of enterprises may have good cooperation currently but such cooperation may not be continued in the future time. In this regard the

following figure shows respondents rate of response on members' willingness to cooperate in the future time.

Figure 3.4: Respondents' weighting members' cooperativeness (**willingness to cooperate in the future time)**



Source: own survey data, 2012.

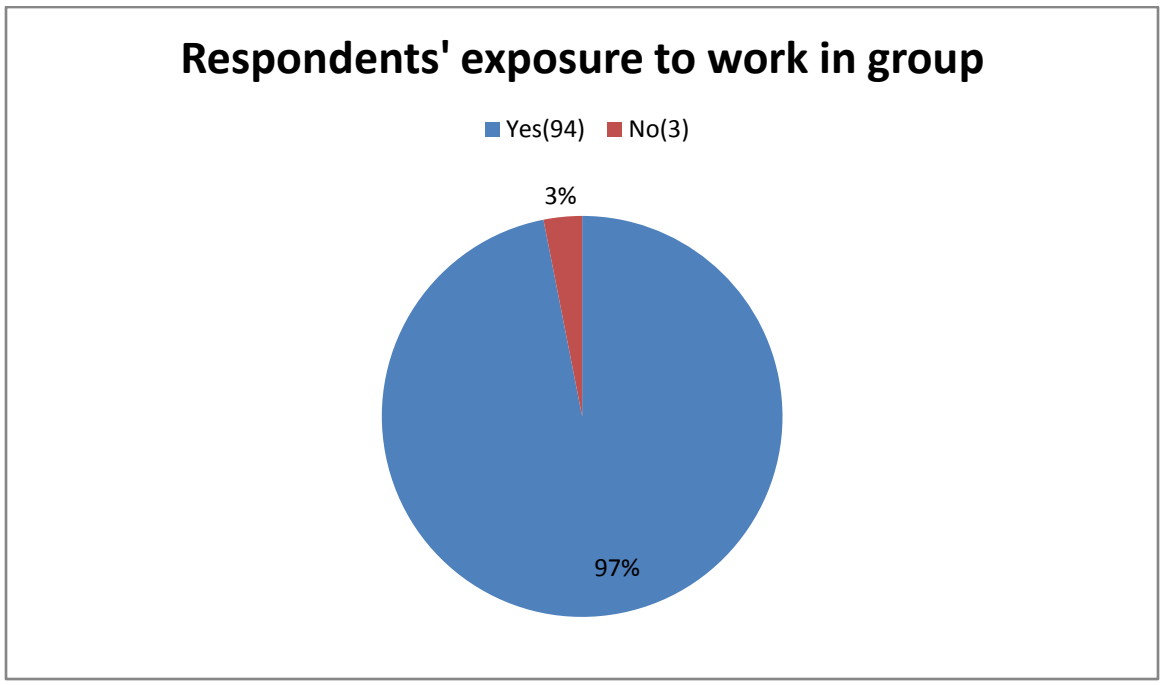
As it can observed in the figure 3.4 above, out of the total sample respondents included in the survey, majority, about 63% of the respondents replied that they strongly agree on members willingness to cooperate and support in the future tine when they are in need. Others, 36 % and 1 % of the respondents respond that they agree and disagree on members' willingness to cooperate in the future time when they are in need respectively. This indicated that the situation in the enterprises helps members to work collectively/in group, increase their commitment and encourage them to work hard.

3.5.1.2. Collective Responsibility in the Enterprises

Regarding to the collective responsibility in the enterprises as an element of social capital, respondents were asked about their perception or knowledge towards the concept and the effect of its introduction in the enterprises. In this

regard, the following figure illustrates the percentage of the respondents who have worked as well as never worked as a group.

Figure 3.5 Respondents' exposure to work in group



Source: own survey data, 2012

In relation to the background of the respondents (worked in group or not), figure 3.5 indicated that 94(97 %) of the respondents are new for such working environment (to work collectively sharing common resources) and 3 (3 %) of the respondents have never engaged in any type of collective work before they joined the current enterprises. From this result, it can conclude that since almost all sample respondents included in the survey have never worked in groups before they joined the current enterprises; but now they have got a chance to work in groups which enables them to share skills and knowledge with members in the enterprises.

Respondents were also asked further the benefits of working together (working in groups). The following table illustrates respondents' response regarding to the benefits of working together (working in groups)

As it presented in table 3.10 , out of the total sample respondents included in the survey, 19(19.58)of them said or replied working together has increased

their bargaining power, 24(24.74%) of them said working together has enhanced responsibility sharing and 43(44.32%) of them said working together has created conducive environment for sharing skills and knowledge and others , 11(11.34%) said working together has increased their bargaining power, enhanced responsibility sharing and created conducive environment for sharing knowledge and skills with members in the enterprises.

Table 3.10: Respondents' response on benefits of working in groups

Response	**Frequency**	**Percentage (%)**
Increasing bargaining power (**1**)	19	19.58 %
Sharing responsibility (**2**)	24	24.74 %
Sharing skills and knowledge (**3**)	43	43.32 %
All(**1,2, & 3**)	11	11.34 %
Others	-----	----
Total	**97**	**100 %**

Source: own survey data, 2012

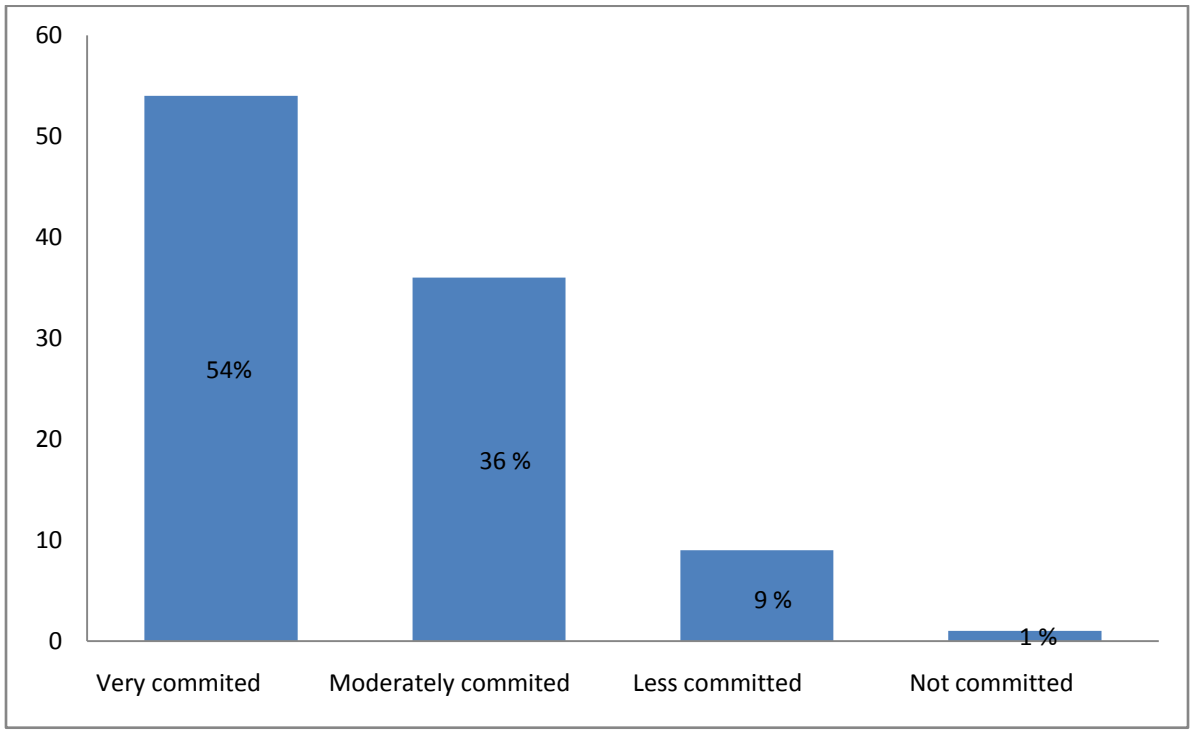
In general, it is possible to say that almost all the respondents are new for working collectively (in groups) and respondents have gained various benefits from such working environment.

3.5.1.3. Trust in the Enterprises

Respondents were asked their beliefs and perceptions on the commitment of members for collective responsibilities in the enterprises. With regard to this, almost all (98%) of the respondents believed that every member of the enterprises is doing his/her best towards the accomplishment of their collective responsibility. This is because every member is responsible for the success and failure of the enterprises.

The following figure shows the level of trust that respondents have on the commitment of the members for their collective responsibility in the enterprises.

Figure 3.6: Respondents' weighting for their agreement on the commitment of members to collective responsibility.



Source: own survey data, 2012

As shown in the figure 3.6 above, out of the total sample respondents included in the survey, about 54 % of the respondents replied that they strongly agree that every member is committed to his/her responsibility. Other respondents, 36 % replied that members in the enterprises are moderately committed and 9% and 1 % of the respondents replied that they are less committed and not committed at all to his or her responsibility respectively. This result shows that there is a well developed trust among members in these MSEs.

3.5.2. Knowledge Transfer in the Enterprises

Group-based micro and small enterprises play a role in knowledge transfer between members in the enterprises. Since these MSEs are established by

individuals who have different educational and occupational background, they will have a tremendous role in widening opportunities for the transfer of knowledge. Knowledge transfer makes individual workers capable to do their job effectively within the enterprises and outside the enterprises. In this regard, respondents in the survey explained that besides the training offered by woreda and sub city experts in the enterprises, operators have gained different experiences from their colleagues or members. Furthermore, respondents explained that workers who have good work experience in metal works share their experience to other metal as well as wood workers. In other words, if one individual who have only wood work experience join the enterprise, he/she have a chance to share both metal and wood work experience simultaneously.

During the key informant interview session, heads of enterprises said initially few members had skills to do metal and wood works. However, through time all members could gain the necessary technical skills for doing their work. This indicated that group-based enterprises have good environment for transferring knowledge from one individual to the other.

Furthermore, respondents were asked what they learn from their working environment. In this regard, table 3.11 shows respondents response on what they learn in the work environment.

Table 3.11 Respondents' response on what they learn in working environment.

What you learn from your work environment	**Frequency**	**Percentage (%)**
Different skills **(1)**	56	57.73 %
Cooperativeness **(2)**	23	23.71 %
Trust **(3)**	7	7.21 %
All (**1,2 &,3**)	5	5.15 %
Others (e.g. politics)	6	6.18 %
Total	**97**	**100 %**

Source: own survey data, 2012

According to the survey result presented in the table 3.11, out of the total sample respondents, 56 (57.73%) and 23 (23.71%) of them replied that they have learned different skills and cooperativeness respectively from other members in the enterprises. Other, 7 (7.21%) and 5 (5.15%) of the respondents respond that they have learned trust and different skills, cooperativeness and trust respectively. Therefore, it can be concluded from the above table is that group-based MSEs have conducive environment for sharing ideas and experiences.

Respondents also were asked their perception on the willingness of members to share ideas and skills to other members in the enterprises. The result of the survey in this regard is presented in table 3.12 below. Unlike the previous respondents' rate of response on members' cooperativeness, table 3.12 indicated respondents' rate of response on members' cooperativeness specifically to share ideas and skills.

Table 3.12 Respondents' belief on members' cooperativeness to share ideas and skills to other members in the enterprises.

Members' willingness to share ideas and skills	**Frequency**	**Percentage (%)**
Very cooperative	67	69.07 %
Moderately cooperative	23	23.71 %
Less cooperative	7	7.21 %
Not cooperative	--	--
Total	**97**	**100 %**

Source: own survey data, 2012

As it can be observed in the table 3.12, the majority, 67 (69.09%) of the respondents believed that the workers in the enterprises are very cooperative to share ideas and skills to other members. Others, 23 (23.71%) and 7 (7.21%) of the respondents believed that they are moderately cooperative and less

cooperative respectively to share ideas and skills to other members in the enterprises. This result indicates that there is a conducive environment in the enterprises for acquiring skills and sharing ideas.

Just after assessing the situation of knowledge transfer within the enterprises, respondents were also asked further whether they believe that they can be competitive enough in their future career due to the skills that they acquired so far in the enterprises. Accordingly, out of the total sample respondents included in the survey, 94 (96.90%) of the respondents believed that they can be competitive in the labor market in their future career.

Besides to creating conducive environment for acquiring skills and sharing ideas to members within the enterprises, heads of enterprises said that these group-based MSEs serve as a training institution for technical and vocational students.

3.6. Problems Faced by the Enterprises

As different studies show that the operation of micro and small enterprises in Ethiopia is challenged by various constraints such as lack of finance, lack of raw material, lack of skilled staffs, market problem, and etc. In this particular study, the challenges of enterprises can be seen from internal as well as external perspectives. The following are some of the internal and external problems which hinder the operation of enterprises included in the study.

Internal Problems Faced by the Enterprises

Internal problems are those constraints which come from within the enterprise. The major internal problems faced by the enterprises include:

Financial problem: Finance is very important to start and run a given business activity. Lack of finance hampers the growth of existing enterprises as well as the expansion of new enterprises. In this particular study, almost all MSEs included in the survey have faced lack of finance during start up as well

as after their establishments. As we discussed in the previous section, personal saving is the only major source of initial capital for majority (68.75%) enterprises included in the survey to start their business activity. Loan from Addis Credit and Saving institution (ADCSI) is one source of initial capital for micro and small enterprises to start and run their business activities. However, as heads of enterprises explained that the criteria (collateral) of this financial institution are very difficult to get loan. During the key informant interview session, heads of the enterprises said that shortage of capital has weakened the capacity of enterprises to widen their type of products and become more competitive in the market; this in turn hinders the contribution of enterprises to the development of local economy.

Lack of working premises: As we explained in the previous section, majority enterprises are doing their work in the government rental work premises. However, the space of the place or house is not enough for different activities such as space for putting different machines, raw materials, and individual workers. Each group-based enterprises have got an area of 4 meter square per person. In other words, an enterprise which has 10 members will get 40 meter square area of land/house (4 meter square per one individual). Besides, as the researcher observed during the field study that the quality of the working house is too poor (the flower is full of dust, the wall as well as the roof of the house is easily affected by electric shock). Heads of the enterprises during the key informant interview session said that metal and wood work needs a separate place. But currently, they are working wood and metal works simultaneously in a limited space. In general, MSEs included in the survey have faced lack of working space which prohibiting timely production of their products.

Problem from the members' side: It is difficult to think or behave as one individual in the enterprises which are formed in groups. Members disagreement/conflict, unpunctuality and other problems are always exist in group-based enterprises. In this regard, heads of the enterprises said that

some members of the enterprises lack punctuality, they may not come on time, and even they may not come at all throughout the days.

External Problems Faced by the Enterprises

These are problems that found outside the enterprises. The following are the major external problems faced the enterprises.

Lack of raw material: since the enterprises get all the necessary raw materials from merchants, they could not get the material that they need on time; because sometimes the merchants keep the material on their store place. Heads of enterprises also said that the cost of the material is also high; the quality of raw materials especially imported raw materials is low. Hence, it is possible to say that these MSEs lack raw materials to produce their products timely and effectively.

Lack of market- due to different reasons such as absence of display centers, appropriate market channels, MSEs have faced the problem of access to market. According to the heads of the enterprises during the key informant interview session, market problem is one of the major problem that force members to leave the enterprises and they said initially the government have promised to them to create/give work, but there is no much work from the government side.

The major market linkages created by the government is to link MSEs with government institrutions and projects and organizing bazars. With rerard to market linkages, the government of Ethiopia is trying to link different MSE activities with related government activities. Forinstance, metal and wood MSEs link with government institutions which need any office and house materials, food processing MSEs link with universities, prisons, hospitals and coble stone MSEs link with condominium house and road construction. In this regard, heads of each enterprises said that market linkage is not well created by the government and these MSEs tried to sell their products in the market than waiting the government's invitation.

Unfair treatment among enterprises by the government- sometimes the government may order or ask (this order is based on the competition) these MSEs to produce different materials for government institutions/agencies. Those enterprises which win the competition can produce the materials and supply their products for government institutions. With regard to this, heads of the enterprises said that the criteria to select enterprises for producing different products are not clear; the standard/specification of the materials to be produced is not specified by the government. Most of the time, one or two enterprises win the competition repeatedly (again and again). Even the government does not give the payment on time for those enterprises which win the competition. As some heads of the enterprises said during the key informant interview session, the decision made at woreda level may not similar/consistent with the decision made at the sub city level to select winner enterprise for producing products for government institutions. In other words, enterprise 'A' may select at woreda level to produce its out puts to government institutions, but this selection may not approve at the sub city level. Besides, the price of the government is not fair when it compared with the products' price in the market. In general, these MSEs faced by different problems such as unfair selection of enterprises to produce their products for government institutions, the payment is not made on time (delaying in payment), unfair price, and etc.

Absence of display centers/shops – after the products are produced, display center is important to show the products for the customers. In this study, almost all enterprises included in the survey have no display centers for their products. They simply sell their products for wholesalers or retailer merchants with low prices. These wholesaler or retailer merchants can sell the products with high price; this is because they can show the physical appearance of the products to their customers in their display centers. Heads of enterprises said that because of absence of display centers, these MSEs do not getting much profit from their business activities.

Criteria for receiving loans- heads of enterprises during interview session said that the criteria to get loan from Addis Credit and Saving Institution is more difficult than other formal financial institutions like banks. Currently, in order to get loan from Addis Credit and Saving Institution, MSEs must save 15-30 % of the amount they want to borrow. If MSEs failed to fulfill this precondition they could not get the loan at all. They also said the interest rate (which is 10 %) is high for MSEs, the grace period or extra time (which is four months) and the period to return the loan (which is 36 months or three years) are also too short.

Meeting: even if it is not a major problem, heads of the enterprises have raised it as one of the problems faced the enterprises. As they said different meetings are conducting at different levels like at the enterprise level, woreda (Kebele) level, and at the sub city level. Members of the enterprises are forced to attend all meetings conducting at different levels and different times; if not, their working house may closed by woreda officials. Furthermore, heads of the enterprises said that the meetings conducted at different levels consume more time plus mostly the meeting is not directly related to their work.

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Chapter Four

Conclusion and Recommendations

4.1. Conclusion

The main focus of this study is to investigate the contribution of group-based micro and small enterprises to the local economy and social development in the Arada sub city. Throughout this study, efforts have been made to explore the economic as well as social development contributions of micro and small enterprises in the study area. As an economic aspect , the study has tried to see the contribution of the sector to the development of the local economy in terms of generating job opportunities to the local people, income diversification opportunities they have created, and creating of better job opportunities (as a means of better source of income). As non-economic aspect, the study has tried to see the contribution of micro and small enterprises to the development of social capital/resource (i.e. in terms of the trust that developed by members, collective responsibility, cooperativeness among members,) in the enterprises and the role of the sector for transferring knowledge from one member to the other in the enterprise.

Moreover, the study has tried to find out the characteristics/nature of the enterprises, the problems faced by the enterprises, and the linkage of micro and small enterprise sector with other sectors of the economy.

In this survey study, 16 group-based micro and small enterprises and samples of 97 individual operators have been covered. Based on this, the findings and results of the survey can be summarized as follows.

- With regard to the characteristics of the respondents, majority, 89 (91.75 %) of them are found to be males; this indicated that the participation of females is low. 84 (86.59 %) of the respondents are found in economically active age group (i.e. 20-39 years); this is very important to boost

economic development in the study area. With regard to earlier occupation of the respondents, majority of them were found to be daily laborers (25.77%) and students (24.74% %) before they were joined these micro and small enterprises; and the result of the study also showed that the educational status or level of majority respondents is low.

- With regard to the nature and characteristics of the enterprises, all the enterprises included in the survey are legally registered; members' contribution from their personal saving is the major source of initial capital for majority (68.75 %) enterprises to start their business activity; majority (75 %) of the enterprises are performing or doing their work in government rental work place; due to different reasons, the number of working members has decreased in majority (68.75 %) enterprises; all enterprises obtain raw material inputs within the local area as well as outside the local area. This is important to enhance local economic development; all metal and wood products (e.g. table, bed, chair, and all office and house related materials) of the enterprises are marketed in the local as well as outside the local market.
- With regard to the economic contribution of the sector, out of the total 97 respondents included in the survey, 63 (64.94%) of them have got job, 22 (22.68 %) of them have got better job opportunities in the sector and 8 (8.24%) of them used these micro and small enterprisers to get extra or additional income. So, the establishment of these micro and small enterprises helps the local people to earn income and to lead their life as well as their families, and to invest their income in the local activities; this further create employment opportunities.
- With regard to the non-economic aspect (i.e. non-economic contribution of the sector which is for the development of social capital), there is good social capital development (a strong relationship among members, cooperation and trust among the members in the enterprises) and knowledge transfer between members in the enterprises. By using these

effects, members of the enterprises have achieved various targets like develop and upgrade their skills; develop good bargaining power, helping one another at the time of difficulty and etc. Therefore, such social relation development is crucial for business development within the enterprises and thereby to the development of local economy.

- Furthermore, the survey result has showed that lack of finance, lack of working space, lack of market and raw material inputs, absence of display centers/shops, unfair treatment among enterprises by the government are found as the major problems that hinder the operation of the enterprises.
- All in all, the findings of the study indicated that MSEs have great influential nature in the locality in terms of economic as well as non economic aspects or contributions. Even though, in this study, due to limitations on the information to measure the extent to which the role brought change in the development of locality, these group-based MSEs are found as good source of income for the local people, which in turn have a great impact as a multiplier effect in the local activities. In addition to this, these group-based MSEs are working as a good ground for the development and creation of good social capital among members in the enterprises and this has also grate contribution to successful business development within the enterprises.

4.2. Recommendations

Based on the major findings, which are discussed in the previous section, a number of recommendations have been drawn, with the view to solve major problems of the sector and to improve the role of MSEs' contribution to local economy and social development. The following points are some of the recommendations forwarded in this study.

Widening Access to Finance/Loan

As we have seen in the previous section, lack of finance is one of the major constraints for MSEs to expand their activities. In addition to this, the study findings indicated that members' contribution from their personal saving was the major source of initial capital for majority, (68.75 %) sample enterprises to start their business activity. In other words, majority enterprises have not got loan from financial institution. Therefore, micro finance institutions especially Addis Credit and Saving Institution (ADCSI) has to improve its service delivery systems in terms of widening the range of collaterals, make longer grace periods, increase the amount of loan provided for MSEs, and increase the period to return loans. Currently, the amount of loan provided by Addis Credit and Saving Institution for MSEs is ranges from 50,000 birr to 100,000 birr for micro enterprises and 150,000 birr to 1,400,000 birr for small enterprises. Hence, this amount of loan should be increased so as to enhance the capacity of MSEs and their socio economic contributions. Besides to this alternative, the local government (the woreda and sub city government) has to promote the establishment of other alternative micro finance institutions so as to improve access to credit service for MSEs.

Improve Working Place/Premises

As the study result indicated that limited working space as well as poor quality of the house is one of the critical problems facing the operation of MSEs. Majority, (75 %) of the sample enterprises are working in government rental house. However, the space of the working place or house is not enough, the quality of the house is also too poor (full of dust, exposed to electric shock). Therefore, the government has to improve such limitations and has to provide convenient work place with the necessary services such as electricity for all MSEs.

Strengthening Different Supports

As the study finding showed that almost all sample enterprises included in the survey did not get any support from the government or from other institutions at the time of establishment. Out of the total sample enterprises included in

the survey, only 4 (25%) of them have got support from the government in the form of loan during their establishment. Only 11(68.75%) enterprises have got BDS-Business Development Services (different training and skill development, giving market support, technical assistance). Therefore, the concerned body should provide different supports to all MSEs so as to increase their socio-economic contributions. Besides, the government should provide different work related supports to MSEs' operators so as to increase the productivity of both operators and enterprises. Furthermore, awareness creation about different supports also needed for enterprises' operators so as to know more the important of various supporting mechanisms.

In addition to the above recommendations, the following are also some of the points forwarded in this study.

- Since the participation of females in the metal and wood work enterprises is too low, the government should work on different mechanisms to increase the involvement of women in the sector.
- Since the price of raw material inputs for these MSEs is very expensive (this is because MSEs purchase raw materials from merchants) the government tries to link MSEs with related raw material suppliers. For instance, the Akaky metal industry sales its products for merchants; then MSEs Purchase raw material inputs from merchants with high price. Therefore, rather than selling raw materials to merchants, the government should provide or sold raw material inputs directly to these MSEs.
- Since absence of display centers is one of the major constraints faced by the enterprises, the government should provide display centers for MSEs to show their products to customers or as much as possible the government tries to advertising the products of these micro and small enterprises.

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Appendices:

Appendix- A: List of Enterprises in the survey

Name of the enterprise	woreda	Year of establishment (E.C)	Ownership	Legal status	No. of individuals members		
					Male	Female	Total
Unity	2	2001	Group	Legally registered	4	2	6
Wotatoch Andenet	,,	1997	Cooperative	,,	6	1	7
Adwa	,,	2003	Cooperative	,,	9	-	9
St. Gabriel	,,	1997	Cooperative	,,	9	-	9
Arada Teklala	,,	2003	Group	,,	3	1	4
Hibert	,,	1997	Cooperative	,,	7	3	10
Senay	3	2001	Cooperative	,,	8	-	8
Birhan	,,	1999	Cooperative	,,	8-	-	8
Ray 10	,,	1997	Cooperative	,,	10	1	11
Wondmamachoch	,,	2002	Cooperative	,,	8	1	9
Rut	6	1997	Group	,,	8	-	8
Lucy	,,	1997	Cooperative	,,	10	-	10
Yetebaberut	,,	1998	Cooperative	,,	9	1	10
Dream	9	2004	Cooperatives	,,	8	2	10
Base	,,	1997	cooperative	,,	9	1	10
Ras Hiber	,,	2001	Cooperative	,,	7	-	7

Appendix –B1: Questionnaire for MSEs' operators

አዲስ አበባ ዩኒቨርሲቲ

ቢዝነስና ኢኮኖሚክስ ፋካልቲ

የህዝብና ልማት አስተዳደር ድህረ-ምረቃ ሚሃ ግብር

<u>ጥናታዊ ማጠይቅ</u>

ይህ ማጠይቅ የተዘጋጀውየጥናታዊ ፅሁፍ ሚጃ ለማጠናከር ነው፡ ጥናቱ የሚሄደውበአራዳ ክ/ከተማ ስር በቡድን ተደራጅተው በእንጨትና ብረታብረት ዘርፍ ላይ በሚሥሩ ጥቃቅንና አነስተኛ ኢንተርፕራይዞች ላይ ነው፡ የጥናቱ ዓላማ ጥቃቅንና አነስተኛ ኢንተርፕራይዞች በአካባቢ ኢኮኖሚክ እና ማህበራዊት እድገት ላይ ያላቸወን ሜ ለሟት ታስቦ የተዘጋጀ ነው፡ ስለዚህ ከተጠያቂዎች የሚ ኘውመልስ ሚስጥራዊነቱ የተጠበቀና ለጥናታዊ ፅሁፍ ብቻ ስለሚውል ትክክለኛ መልስ ነውብለውያመኑበትን እንዲመልሱልኝ በአክብሮት እጠይቃለሁ፡ ፡

ስለትብብርዎ ከልብ አመሠግናለሁ፡ ፡

<u>ማሳሰቢያ፡</u>

- አንድ ብቻ መልስ ለሚሆራቸውጥያቄዎች በምርጫመልክ የተቀማጠትን ቁጥሮች ያክቡ፡ ፡
- ከአንድ በላይ መልስ ሊኖራቸውለማቹሉ ጥያቄዎች ከአንድ በላይ መልስ መምረጥ ይቻላል፡ ፡
- ማበራሪያ ለሚስፈልጋቸውጥያቄዎች በተሠጠውክፍት ቦታ መልስ ይሆናል ያሉትን ይፃፉ፡ ፡

1. ፆታ

   1. ወንድ 2. ሴት

2. ዕድሜ 1. ከ20 ዓመት በታች

   2. ከ20-39 ዓመት

   3. 40-49 ዓመት

   4. 50-59 አመት

   5. 60 ዓመትና ከዚያ በላይ

3. የትምህርት ደረጃ

   1. 1-5 4- 11-12

   2. 6-8 5. 10+1-10+3

   3. 9-10 6. የቴክኒክና ሙያ ምሩቅ

   7. የኮሌጅ ዲፕሎማ

8. የመጀመሪያ ዲግሪና ከዚያበላይ

4. የጋብቻ ሁኔት

1. ያገባ 4. የተፋታ

2. ያላገባ

3. ያገባ ነገር ግን አብሮ የማይኖር

5. ወደዚህ ድርጅት ለመጣባት ለምን ወሰኑ?

1. ስራ ለማገኘት

2. ጥሩ ገቢ ለማገኘት

3. ተጨማሪ ገቢ ለማገኘት

4. ሌላ ካለ_____

6. ከዚህ ድርጅት ከመጣባተዎ በፊት ስራዎ ምን ነበር?

1. የቀን ሠራተኛ 3. ምንምአይነት ስራ አልነበረኝም 4. የራሴ ቢዝነስ ነበረኝ

2. ተማሪ 5. ሌላ ካለ_____

7. ከዚህ ድርጅት በሳምንት ወይምበወር ስንት ብር ያገኛሉ?_____

8. ከዚህ ድርጅት ከሚገኙት ገቢ ሌላ ተጨማሪ ገቢ አለዎት?

1. አዎ 2. አይደለም

9. ለጥያቄ ተራ ቁጥር 8 ሚልሠዎ አዎ ከሆነ የሚገኙት ከየት ነው?

1. ከቤተሠብ 3. ሌላ ካለ_____

2. ተመሳሳ ስራ በማሰራት

10. ከዚህ ድርጅት ከመቀጠረዎ በፊት ጊቢ የሚገኙት ከየት ነበር?

1. ከቤተሠብ 3. ምንምገቢ አልነበረኝም

2. ተመሳሳ ስራ በማሰራት 4. ሌላ ካለ_____

11. ከዚህ ድርጅት ለሚገኙት ገቢ ግብር ይከፍላሉ?

1. አዎ 2. አይደለም

12. ለጥያቄ ተራ ቁጥር 11 ሚልሠዎ አዎ ከሆነ በወር ወይም በሳምንት ስንት ይከፍላሉ?_____

13. ከዚህ ድርጅት በሚገኙት ገቢ ምክንያት የኑሮዎ ሁኔታ ማሻሻሉ አስታወለዎል?

1. አዎ 2. አይደለም

14. ለጥያቄ ተራ ቁጥር 13 ሚልሠዎ አዎ ከሆነ ለውጡበምን ላይ ነበር?

1. ከምሳ በውየ ምግር ሁኔታ
2. ቤት ከሳከራየት ወይም ከመግዛት ሁኔታ
3. በጠፍ ላይ
4. በትምህርት ላይ
5. ሊላ ካለ _____

15. በዚህ ድርጅት ወስጥ አንድ ሠው በስራ ላይ እያለ አስቸጋሪ ነገር ቢገጥመው ትረዳዳላችሁ?

1. አዎ 2. አይደለም

16. ለጥያቄ ተራ ቁጥር 15 ሚልስዎ አዎ ከሆነ እርስ በርስ መተጋገዝ በድርጅቱ እደገትና ውጤታማነት ላይ ያለው ተፅዕኖ ምን ሊሆን ይችላል?

1. ሠራተኞች ለድርጅቱ እደገት ሲሉ ገንዘባቸውን፣ ጊዜያቸውን፣ ጉልበታቸውን ሳቅዋት እንዲያደርጉ ያበረታታል
2. የሠራተኛው/ዋ ጫና ይቀንሳል
3. ማህበራዊ ትስስርን ይጨምራል
4. የጋራ የሆነ ፍላጎትን ይፈጥራል
5. ሌላ ካለ_____

17. በድርጅታችሁ ወስጥ የእያንዳንዱን ሠራተኛ ርዕስ በርስ የሚዳዳት ፍላጎትን እንዴት ይገልፁታል?

1. በእጅግ በጣም ለመረዳዳት ፈቃደኛ ናቸው
2. በጣም ለመረዳዳት ፈቃደኛ ናቸው
3. በመጠኑ ለመረዳዳት ፈቃደኛ ናቸው
4. ምንም ለመረዳዳት ፈቃደኛ አይደሉም

18. በድርጅታችሁ ውስጥ ከስንዶቹ ሠራተኞች ጋር ጥሩ የሆነ ግንኙነት አለህ/ሽ?

1. ከሁሉም ጋር
2. ግማሽ ከሆኑት ጋር
3. ከጥቂቶቹ ጋር
4. ምንም ጥሩ የሚባል ግንኙነት የለኝም

19. በድርችታችሁ ውስጥ አንተ/ች መረዳዳትን ብትፈልግ/ጊ ሌሎች ሠራተኞች አንተን/ችን ለመርዳት ፍላጎት ያላቸው መሆኑን ትስማማለህ/ትስማሚያለሽ?

1. በጣም እስማማለው

2. እስማማለሁ

3. አልስማማም

4. በጣም አልስማማም

20. ከዚህ በፊት በቡድን ሰራ ሰርተህ ታውቃለህ/ታውቂያለሺ?

1. አዎ 2 . አይደለም

21. ይህ በቡድን የተቋቋመው ድርጅታችሁ ሠራተኞች ምርታማነት እንዲሆኑ የሚያግዛቸው እንዴት ነው?

1. የቡድኑን የመከራከር ወይም አንድን ነገር የመጠየቅ አቅምን ይጨምራል

2. ኃላፊነትን በመከፋፈል

3. እውቀትንና ችሎታን በመከፋፈል

4. ሌላ ካለ_____

22. በዚህ ድርጅት ውስጥ በቡድን ሆናችሁበመስራታችሁ ያመጠችሁት ውጤት ምንድን ነው ይላሉ?_____

_____

23. በቡድን ሆኖ መስራት ለድርጅቱና ለሠራተኞች ዕድገት አስተዋፅኦ ያደርጋል ብለው ያምናሉ?

1. አዎ 2. አይደለም

24. በዚህ ድርጅት እያንዳንዱ ሰራተኛ ለጋራ ሃላፊነት ሲባል የተቻለውን ያህል ይሰራል ብለው ይምናሉ?

1. አዎ 2. አይደለም

25. የጋራ ፍላጎትን ለማሳካት የድርጅቱ አባላት ተነሳሽነት አላቸው የሚል እምነት አለህ/አለሺ?

1. አዎ 2. አይደለም

26. በዚህ ድርጅት የጋራ ሃላፊነትን ለመጋራት የአባላትን ተነሳሺነት እንዴት ይገልፀታል?

1. በጣም ተነሳሺነት አላቸው

2. መካከለኛ የሆነ ተነሳሺነት አላቸው

3. ያነሰ ተነሳሺነት አላቸው

4. ምንም አይነት ተነሳሺነት የላቸውም

27. በዚህ ድርጅት ውስጥ በቡድን ተደራጅቶ መስራት ዋናው ጠቀሜታ ምንድነው ይላሉ?

1. ችግር በገጠመን ጊዜ እርስ በርሳችን ለመርዳዳት

2. የሚመጣብንን ውድቀት ለመቀነስ ይጠቅማል

3. የጋራ የሆነ ተጠያቂነት እንዲፈጥር ያደርጋል

4. የቡድኑን የመከራከር ወይም አንድን ነገር የመጠየቅ አቅምን ይጨምራል

5. ሌላ ካለ _____

28. ከምትሠራበት/ከምትሠሪበት የስራ ሁኔታ ምን ተማርክ/ሽ?

1. የተለያዩ ችሎታዎችን ከሌሎች ተምሪያለሁ
2. መረዳዳትን ተምሪያለሁ
3. ሠዎችን ማመንን ተምሪያለሁ
4. ሌላ ካለ_____

29. ሀሳብን፣ ችሎታን፣ እንዲሁም እውቀትን ለሌሎች ከማካፈል አንፃር ከአንተ/ች ጋር አብረው የሚሠሩትን ሠራተኞች ፈቃደኝነት እንዴት አገኘኸው/ሸው

1. እጅግ በጣም ፈቃደኛ ናቸው
2. በመጠኑ ፈቃደኛ ናቸው
3. በጣም በትንሹ ፈቃደኛ ናቸው
4. ምንም ፈቃደኛ አይደሉም

30. በዚህ ድርጅት ውስጥ በቡድን እየሠራህ/ሽ ያገኘኸው/ሸው ልምድ ወደፊት ለሚኖርህ/ሽ የህይወት ጎዞ ተወዳዳሪ ያደርገኛል ብለህ/ሽ ታስባለህ/ታስቢያለሽ?

1. አዎ 2. አይደለም

Appendix-B2: questionnaire for MSEs' operators

ADDIS ABABA UNIVERSITY

FACULTY OF BUSINESS AND ECONOMICS

SCHOOL OF GRADUATE STUDIES

DEPARTMENT OF PUBLIC ADMINISTRATION AND MANAGEMENT

This questionnaire is prepared to collect information on group-based micro and small enterprises engaged in metal and wood works in the Arada sub city. The aim of the questionnaire is to assess the economic as well as non-economic contribution of group-based MSEs in the Arada sub city. It has three parts: demographic characteristics of the respondents, economic contribution, and non-economic contribution of group-based micro and small enterprises. The information you are going to provide will be used for only academic purpose. So, you are kindly requested to give genuine answer.

Instruction:

- For closed- ended questions, you are kindly requested to encircle the number(choice) in each question that holds your opinion.
- For multiple answers in a given question, it is possible to rank more than one choice.
- For open-ended questions, you write your opinion in the space provided.

Thank you in advance!

Part I: Demographic characteristics of the respondents

1. Sex:
    1. Male 2. Female

2. Age:
    1. Less than 20
    2. 20-39
    3. 40-49

4. 50-59
5. 60 and Above

3. Educational Level:
   1. 1-5
   2. 6-8
   3. 9-10
   4. 11-12
   5. 10+1-10+3
   6. Technical and vocational training
   7. College Diploma
   8. First Degree and above

4. Marital Status:

   1. Married
   2. Single
   3. Separated
   4. Divorced

Part II: Economic aspect

5. Why did you decide to join this enterprise?

   1. To get job
   2. To get better income
   3. To get additional income
   4. Other(s), specify _____

6. What was your previous occupation/job before you are join in this enterprise?

   1. Daily laborer
   2. Student
   3. Unemployed
   4. Own business
   5. Other(s), specify _____

7. What is the amount of income you are earning from this enterprise monthly/weekly (in birr)?

   _____

8. Do you have any other source of income(s) other than from this enterprise?
    1. Yes
    2. No
9. If your answer for Q 8 is yes, where did you get it?
    1. Family support
    2. Working in similar jobs
    3. Other(s), specify _____
10. What was the major source(s) of income while you were unemployed?
    1. Family
    2. Working in similar jobs
    3. No income
    4. Other(s), specify _____
11. Do you pay tax for your income that you get from this enterprise?
    1. Yes
    2. No
12. If your answer for Q11 is yes, what is the amount of tax you pay monthly/annually (in birr)? _____
13. Have you noticed any change in relation to your living style due to the change in your income?
    1. Yes
    2. No
14. If your answer for Q13 is yes, what are these changes?
    1. Related to food intake
    2. Related to housing
    3. Related to health care
    4. Related to education
    5. Other(s), specify _____

Part III: Non-economic aspect

15. Do you help each other when someone faces difficulty on job?
    1. Yes
    2. No
16. If your answer for Q 15 is yes, what impacts does helping each other have on the productivity and growth of this enterprise?
    1. It encourages individuals to sacrify their time, labor and money to the growth of the enterprise
    2. It reduces individual burden
    3. It increases social ties
    4. It helps to create common interest
    5. Other(s), specify _____
17. How do you rate the willingness of individuals to help each other in this enterprise?
    1. Very cooperative
    2. Moderately cooperative
    3. Less cooperative
    4. Not cooperative
18. With how many of them do you have good relations in the enterprise?
    1. All of them
    2. Average of them
    3. Few of them
    4. No good relation at all
19. Do you agree that most people in this enterprise are willing to help if you need it?
    1. Strongly agree
    2. Agree
    3. Disagree
    4. Strongly disagree
20. Are you new for working in groups?
    1. Yes
    2. No

21. How this group-based enterprise can help workers to maintain their productivity in this enterprise?
    1. Increasing bargaining power
    2. Sharing responsibility
    3. Sharing skills and knowledge
    4. Other(s), specify _____
22. What are the major achievement attained by the members using their collective capacity?_____

    _____

    _____
23. Do you believe working in group can contribute to the overall growth of the enterprise and the workers who are working in this enterprise?
    1. Yes
    2. No
24. Do you believe that every member of the enterprise is doing his or her best to meet the responsibilities that you share in common?
    1. Yes
    2. No
25. Do you have trust on the members for their commitment to share the responsibility that you have in common?
    1. Yes
    2. No
26. How do you rate the commitment of members to share common responsibility?
    1. Very committed
    2. Moderately committed
    3. Less committed
    4. Not committed
27. What is/are the most important advantage/s of working in group in this enterprise?

1. Helping one another in times of problem
2. Reduce the risk of failure
3. Introduce collective responsibility
4. Increasing bargaining power of the group
5. Other/s _____

28. What you have learnt from your working environment?
    1. Different skills
    2. Cooperativeness
    3. Trust
    4. Other/s _____
29. How do you find the willingness of your colleagues to share ideas or skills and knowledge, which help the workers to capitalize/benefit his/her skills and knowledge to one another?
    1. Strongly willing
    2. Moderately willing
    3. Less willingness
    4. No willingness
30. Do you believe that the experience that you acquire working in group in this enterprise will help you to be competitive in your future career?
    1. Yes
    2. No

Appendix-C: Key Informant Interview Questionnaire

Note: This interview was conducted on heads of each group-based micro and small enterprises to collect information on the characteristics of the

enterprises, the different linkages of micro and small enterprises with other sectors, and problems faced by the enterprises.

1. What is the name of your enterprise? _____
2. When was the enterprise established? (E.C) _____
3. What is the legal status of the enterprise? _____
4. What was the total amount of its initial capital (in birr)?

   _____
5. What was the source(s) of this initial capital?

   _____
6. What is the total amount of current capital (in birr)?

   _____
7. What is/are the criteria to be a member of this enterprise?

   _____
8. How many workers did the enterprise has when it was formed?

   _____
9. How many workers does the enterprise has at the present time?

   _____
10. Is the number of workers increasing or decreasing in this enterprise?

    _____
11. What is the reason for the decrease or increase of the number of workers? _____
12. What are the main factors that affect the number of workers in this enterprise? _____
13. Are you using your own or rental houses for your work?
14. Does this enterprise pay tax? If not why?

    _____
15. Are there any kind of institutional support/assistance or linkage/ either from governmental or no-governmental institutions during start up or after establishment? If yes,
    - From which institution(s)? _____

- What kind of support did the group get?_____

16. What kind of raw material does this enterprise use for its output?_____
17. Who is/are the major raw material suppliers for your enterprise? _____
18. Who are the major customers for your product? _____
19. Where do you sell your product? _____
20. What are the major problems regarding: supply of raw materials/inputs, demand for your product, market access, and institutional/bureaucratic procedures?_____
21. How do you see the competition between your enterprise with other similar enterprises? _____
22. What are the internal and external problems facing your enterprise?
23. What is your view on the present role of the enterprise in creating jobs, contribution in income diversification, strengthening the relationship and trust among workers?
24. What you recommend if the enterprise is needed to be developed further or what will be the prospect of your enterprise?

Declaration

I hereby declared that the thesis is my original work and it has not been presented in any other university and all sources of materials used for this thesis are duly acknowledged.

Declared by:

Name: Endalsasa Belay

Signature _____

Date: June, 2012

Confirmed by Advisor:

Name: Syed Hasan (Ph.D.)

Signature _____

Date: June, 2012