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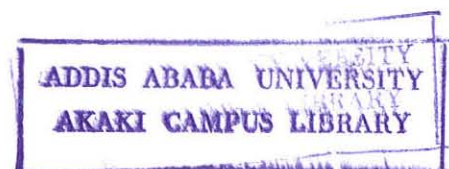
THE CONTRIBUTION, OPPORTUNITIES AND CHALLENGES
OF MICRO AND SMALL ENTERPRISES (MSEs) IN LOCAL
ECONOMIC DEVELOPMENT:
THE CASE OF INDUSTRIAL SECTOR IN SENDAFA BEKIE TOWN
OF OROMIA REGIONAL STATE

BELETE GUDETA URGIE

ADDIS ABABA UNIVERSITY

ADDIS ABABA, ETHIOPIA

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BELETE GUDETA URGIE

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BELETE GUDETA URGIE

APPROVED BY BOARD OF EXAMINERS

Chairman, Graduate committee

Bamlak Alemsew

Adviser

Dr. Isaac Paul

Internal Examiner

Teshome Adugna (phd)

External Examiner

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Abstract

In Ethiopia, the size of the labour force continues to grow more rapidly than the ability of the economy to provide new employment opportunities. Still now almost all of the studies were undertaken in major cities of Ethiopia where those studies are not inclusive in the sense that research undertaken in specific town may not be applicable in all areas as the factors determining the growth and expansion of MSEs differ among different areas.

The objective of this study is therefore, to examine contribution of MSEs in generating employment opportunity and income generation, to identify the opportunities available for the growth, expansion, challenges that hindered the development of MSEs, to measure efficiency level and identify factors affecting the performance of MSEs to the local economic development of industrial sector in Oromia Regional State, Sendafa Bekie.

The study used both secondary data and survey method. The survey method involved 104 MSE operators. The sample was taken from formally registered MSEs by the Sendafa Bekie Trade and Market Expansion office and MSED office. Among the registered MSEs, lentil processing, sewing clothes, metal work, wood work and food related of the industrial sector were selected based on a combination of high proportionate share and economic importance in the town.

The findings of the study have important implications to the employment creation for 1637 local unemployment from 2006/07- 2010/11, which is vital to reduce unemployment, improve community livelihood through diversifying income generating mechanism which is 9,423,081.50 birr earned by 1637 employees and the MSE business owners paid taxes 675,801.9 birr to the local government. However, their major constraints were lack of sufficient capital and training. Lack of finance and training were the most critical constraining factor for the study area. The Sendafa Bekie local government has to facilitate the growth of MSEs by accessing necessary infrastructural facilities and work premises. MSEs especially industrial sectors require educated, well trained, and technologically skill workers. Creation of awareness of entrepreneurs to follow a product diversification strategy through training, mass media, experience exchange, best practice and scaling-up of best practices arrangements were vital.

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Abbreviations

BDS	Business Development Service
CEFE	Competency based Economic Formation of Enterprises
COC	Center Of Competency
CSA	Central Statistics Authority
DCs	Developed Countries
DLC	Direct Labour Cost
DMC	Direct Material Cost
DFID	Department for International Development
ECA	Economic Commission of African
ETB	Ethiopian Birr
FDRE	Federal Democratic Republic of Ethiopia
FMSEsDA	Federal Micro and Small Enterprises Development Agency
GDP	Growth Domestic Product
GIS	Geographical Information System
GYB	Generate Your Business
ICT	Information and Communication Technology
IDP	Integrated Development Plan
IYB	Improve Your Business
ILO	International Labor Organization
LDCs	Less Developing Countries
LED	Local Economic Development
MFI	Micro Finance Institution
MoWUD	Ministry of Works and Urban Development
MSEs	Micro and Small Scale Enterprises
MTI	Ministry of Trade and Industry
NGOs	Non Government Organizations
OBoMSEsDA	Oromia Bureau of Micro and Small Enterprises Development Agency
OBoTME	Oromia Bureau of Trade and Market Expansion
OUPi	Oromia Urban Planning Institute
OUWD	Oromia Urban Works Development
SBFED	Sendafa Bekie Finance and Economic Development
SYB	Start Your Business
SBMSEsDA	Sendafa Bekie Micro and Small Enterprises Development Agency
TVET	Technical and Vocational Education Training
UNCTAD	United Nations Center for Trade and Development
VAT	Value Added Tax

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

The recent revised industrial development strategy of the Federal Government of Ethiopia, issued in 2011, clearly states that the private sector will be the engine of industrial development. It also indicates that promoting MSEs are one of the important instruments to create productive private sector and entrepreneurship and that the government will give due emphasis and priority to promote this sector.

Various development support frame works are formulated in order to implement the development directions set in this strategy and to create enabling condition by solving problems of the past year. These development support frameworks were implemented on the basis of the nature and growth level of enterprises. They are believed to speed up development of the sector and they were improved progressively (FeMSEDA, 2011). Among the government's development strategies on the sector the following are significant.

Deliver training based on new surveying by integrating theory and practice that develop entrepreneur ability through TVET, deliver technical, management and marketing skill that are needed by sectors through TVET on research and interest base, a system up on which enterprise performances are evaluated considering incorporate technical management and marketing skill curriculum and complete training materials, implementation manuals and follow up and feedback provide to enterprise on growth level basis is established(FeMSEsDA, 2011).

The ongoing decentralization process that devolves major government functions to the highest effort is the other favorable environment that paves way to undertake enhanced LED programs in Ethiopia. Currently, regional governments and local administrative bodies are given adequate power to formulate and execute their own development policies and strategies. Extensive capacity building supports are also being provided to local governments aiming at ensuring efficiency of decentralized development processes.

The increasing attention given to urban developments in the country is also believed to make a

significant contribution towards flourishing LED in urban Ethiopia. These days, urban affairs are receiving growing government attention and this attention being expressed in different government measures towards strengthening managerial capacity of municipal governments in the country. The initiatives of stimulating local economic development in urban Ethiopia have gone beyond the provision of enabling institutional and policy frameworks; actual economic development programs had been designed and implemented in some cities. For instance, in Addis Ababa and some regional cities and town, various economic development initiatives were pursued aggressively during the last three years (MoWUD, 2006).

The multifaceted efforts of Addis Ababa city government in order to create employment opportunities through enhancing MSEs, Condominium housing development projects and neighborhood development programs resulted in encouraging outcomes. These job creation and poverty alleviation initiatives were complemented with capacity building efforts through skill training, technical and managerial supports, access to finance, working places and market outlets, efforts are going on to replicate the lessons drawn from Addis Ababa to other cities and towns in the country. Supporting MSEs and Employment programs is one of the components of the LED strategy in urban Ethiopia which is being supported by the efforts made of the government so as to reduce urban unemployment and in line with rural development and delivery of housing and basic services. In the last five years about 196,000 MSEs were strengthened and 1,800,000 jobs have been created (MoWUD, 2011).

In general micro and small enterprises play an important role in the economic and social development of Oromia region. They foster economic transformation of the region through adaptation and transfer of technology, and enhancement of entrepreneurial and managerial skill of local people. Small enterprises are almost dependent on domestic resources, thus have strong linkage with the agricultural sector and LED. Furthermore micro and small enterprises have provided significant employment opportunities to a large segment of the population in the region. In a total the sector has 684,704 persons in the region 2006/07- 2010/11 (OMSEsDA, 2011).

Local Economic Development in terms of public work programs such as the construction of low cost shed for MSEs operators, public toilet, recreational areas, the construction and maintenance of municipal roads and drainage canals, construction and maintenance of schools, etc. are

undertaken by the municipality with active labor and money contributions of the communities and MSEs. LED has also contributed a lot in constructing local roads, service giving stations such as schools, health center, constructing MSE's shed and construction of ditches which was aimed at creating job opportunities in the town. According to Sendafa Bekie Trade and Market Expansion office and MSEsDA document (2011), there are a total of 419 MSEs Operators who have been engaged in different business activities in the town. These resulted in creation of 1110 direct job opportunities and about 1000 indirect causal jobs following the municipal projects and the industry and construction sector business activities which were taking place in the town.

1.2. Statement of the Problem

In most LDCs, the problems faced by MSEs are more or less similar in nature. The areas of policy and legal framework, finance, entrepreneurship, management, socio-cultural values and technologies are the major problems that MSEs face (Bigsten and Soderbom, 2005). Technology is the basic and main among the factors that determine and/or influence the success or failure of enterprises in LDCs. Better use in technology helps enterprises in reducing cost of production, maintaining quality consistency, improving productivity and developing competitiveness (Nirawa, 2008).

The role of MSEs' growth in the process of economic and social development of the country is enormously vital. For the fact that MSEs in LDCs face a wider range of problems, they are not capable of creating the desired job opportunities and livelihood mechanisms which finally leads to the failure of employment opportunity creation achievements expected from the sector. There are also constraints related to infrastructure, credit, working places, extension services, information provision, imbalance preferential treatment and many others, which therefore need proper attention and improvement (Anderson, 1982).

The industrial sector in LDCs, which is largely dominated by MSEs, contributes only less than 20 percent to the GDP and has not been performing impressively. From 1997/98 to 2005/06, the manufacturing sector's annual growth rate was only 1.3 percent. The sector's efficiency has been decreasing, and is much lower (i.e.0.19) than that of manufacturing industries in Cameroon, Ghana, Kenya, and Zimbabwe (Gauthier, 2001).

The African modern manufacturing sector is small and slow growing. Investment rate is lower, and the sector has not managed to break into export markets. African entrepreneurs face significant uncertainty with regard to demand, reliability of infrastructure, corruption, trust, prices variations, and so on. Due to the above listed reasons some firms grow and others do not (Bigsten and Soderbom 2005, Tybout 2000).

In Ethiopia, the size of the labor force continues to grow more rapidly than the ability of the economy to provide new employment opportunities. Unemployment, particularly urban unemployment is one of the critical problems in the country. The rate of urban unemployment in the country was 26.4% in medium towns and 40% in large urban towns in the country (Federal Urban Development Package, 2005). According to Federal Micro and Small Enterprises Development Agency (FMSEsDA (2010), MSEs have created employment opportunities for 1,127,557 individuals out of 4 million unemployed urban labor force between 2006 and 2010.

In response to this problem arguments have been raised that suggest the expansion of MSEs being considered as a main solution. Ironically, in Ethiopia deliberate effort has been made in which introducing of MSEs is relatively recent and initiative and interventions by government and nongovernmental organizations have been undertaken (FMSEsDA, 2010). But still now, MSEs use very simple and traditional technologies and serve a limited local market.

Moreover, in Ethiopia, MSEs face serious problems both at the operation and start-up level. These hinder the employment potential of MSEs. Different research findings indicate that low employment opportunities, less income generating, low performance of business growth and expansion of MSEs, poor linkages between urban and rural markets, less tax contribution; vital to bring rapid and sustainable local development, lack of access to finance, lack of access to premises and land, lack of infrastructure, poor training in entrepreneurial and managerial skills, lack of incentives, lack of information on business operations, social and cultural factors particularly poor entrepreneurial culture, and corruption are the most critical problems(Andualem, 2004).

Oromia regional state MSEs Development Agency (OMSEsDA, 2010) is suffering from multiple problems such as creating employment opportunities, increasing income of MSEs operators, working premises, appropriate financial services, skilled expertise, access to market

and information, appropriate training for business operators, hardship in performing based on a given plan, inappropriate way of organizing unemployed group in the region. For instance, the five years plan of employment opportunities (2006-2010) was successful in achieving only 272,623 jobs out of 620,519 which were 44 percent of the total. From 272,623 people 62,962 were engaged in industry sector; 67,600, 62,987, 24,287 and 54,784 were engaged; for construction, service, urban agriculture and trade, respectively. This implies that the growth of MSEs in relation to performance, employment opportunities and income generating ways is low in the region.

Sendafa Bekie town, being one of the reformed towns in Oromia regional state, has a high proportion of unemployed citizen (2,341) in 2010/11. Particularly in recent years, the problem of unemployment is increasing in towns because of rapid migration people from various places. Moreover, high level natural growth rate of the population and limited private and government job opportunities on the other hand are mounting unemployment rates in towns (Sendafa MSEsAD, 2010). To reduce the ever increasing unemployment level in the country in general and the study area in particular, the Federal Democratic Republic of Ethiopia has designed policy measures that motivates growth and expansion of MSE and industrial sector being considered as the main source of creating employment opportunities in urban centers of the country.

MSEs have been there of their best offer to provide possible solutions. Many research works have been conducted by many researchers. For example in the study done in 2002, out of the 584,913 informal sectors activity performers, about 50 percent noted that the major difficulty at their initial point of operation was lack of sufficient starting capital. According to their responses, this problem becomes more critical when they intend to expand their businesses. (Zewdie 2003)

Similarly, CSA (2006) conducted employment survey in Ethiopia. Results indicated that urban unemployed population who wanted to establish their own business faced a number of problems such as shortage of finance and lack of working place. Besides insufficient education, market information and technology in addition to less access to resources such as credit and property have negative influence to the type of enterprises that they are engaged in (Zewdie and Associates, 2002; Massow, 1999).

According to the study on the nature and performance of MSEs conducted by Tegegne and Mulat in six small towns of Amhara region (2005), internal and external problems such as lack of working premises, market opportunities and credit facilities restrained the full potential of the sector.

The above- mentioned studies did not consider the contribution and opportunities of manufacturing industries in local economic development. There is still a research gap regarding the MSEs operating in small towns. This implies that as already mentioned above almost all of the studies were undertaken in major cities of Ethiopia and are exclusive in the sense that research undertaken in specific town may not be applicable in all areas as the factors determining the growth of MSE differs among different areas. In addition, the degree and existence of contribution, opportunities and constraints of MSEs may differ from region to region and cities and towns as well. This difference in degree and existence of contribution, opportunities and constraints of MSEs originates from infrastructural, geographical, administrative responsiveness, economies of scale and other differences.

Taking such issues into consideration, this research attempts to explore the role of MSEs in creating sustainable employment opportunities and livelihood for the unemployed and their major contribution to local economic development (LED) in Sendafa Bekie town. In addition, it will spell out some of the opportunities acquired, identified core problems and forward approaches that enable to enhance and improve the MSEs in the town. In general the study is intended to answer the following basic questions:

1. What is the contribution of these MSEs to local economic development (in terms of employment opportunities, livelihood, business growth and expansion of MSEs, use of profits and linkages, and taxation)?
2. What are the possible opportunities available for growth and expansion of MSEs and their contribution in creating employment and local economic growth?
3. What are the challenges that hindered the development of MSEs?
4. What are the efficiency levels of micro and small enterprises and factors affecting the performance of MSEs?

1.3. Objective of the Study

1.3.1. General objective

The general objective of this study is to assess the contribution, problems and opportunities of micro and small enterprises in local economic development.

1.3.2. Specific objectives

- To examine the contribution of micro and small enterprises in creating employment opportunities, income generating, and taxation to local economic development.
- To identify the opportunities available for the growth and expansion of MSEs.
- To identify the challenges that hindered the development of MSEs.
- To measure efficiency level of micro and small enterprises and identify factors affecting the performance of MSEs.

1.4. Significance of the study

The study enables leaders, policy makers and researchers to understand the contribution of micro and small enterprises in local economic development, create awareness on the business community, identify the enterprises problems and work together with policy makers, different stake holders and other agents so as to create conducive environment.

The study has shown prospects and problems of MSEs expansion which enables policy makers to identify measures to be taken and to take corrective action to augment the role of MSEs in economic development of the country.

In addition to this the study will try to explore the policy and regulatory challenge of MSEs, and thus helping policy makers to evaluate their plans or achievements against the drawbacks of such achievements and to take corrective economic development measures.

1.5. Scope of the study

The study is conducted in particular reference on Micro and Small scale Enterprises (MSEs) in Sendafa Bekie town organized 2006/07 up to 2010/11. The location is chosen because it is a center of agglomeration of business activities. Hence, many people from different parts of the woredas migrate in search of employment opportunities or to start a business.

MSEs do not have a universal acceptable definition. They are usually defined according to the subject area and focus of the study. Some defined MSEs based on employment size. Some attempt to use the capital asset; others use skill of labors and turnover levels.

1.6 Organization of the Paper

Thus, this paper briefs the contribution, challenges and opportunities of micro and small enterprises on local economic development in Sendafa Bekie town. And indeed, it is composed of five chapters having the details of the findings of the research which have been intended to be conducted. Background of the study, statement of the problem, objectives of the study, significance of the study, and scope of the study are included in the first chapter of introduction part.

The second chapter contains theoretical, empirical and conceptual frame work of micro and small enterprises issues in the organization, views of different authors about the subject under study.

Chapter three covers, the description of study area and research methodology where as Chapter four deals with Analysis, interpretation and discussion of the data presented in chapter three and the paper ends up followed by the final chapter consisting of conclusions and recommendations.

CHAPTER TWO

LITRATURE REVIEW

2.1 INTRODUCTION

This chapter is divided into three sections. The first section deals with the theoretical approaches on the contribution of MSEs. The second section also deals with the empirical evidence on the contribution of MSEs. Finally the third section deals with the conceptual frame works of the micro and small scale enterprises.

2.1.1 Definition of MSE's

Due to lack of uniform definition of MSE across the globe, most countries use and implement based on legal meaning of the sector although there are such initial points.

The MSE definition is generally consisted of three basic criteria as to other countries experience. These are full timer employed manpower /head count staff/, total asset, net asset and paid capital, and annual turnover, and they use these criteria independently or in combination. Some countries and international organization use legal entity in addition to the above mentioned criteria. Although most countries definition holds the above mentioned criteria, the countries have various criteria depending on the level of economy. In general the following points indicate experience of other countries (FeMSEsDA, 2010).

All countries encompass the micro, small and medium enterprises definition and support framework. The definition of the sector is viewed from the country's economic status and level of growth. In most countries definition of the sector is implemented uniformly and it has officially permitted entity. Manpower, total asset, net asset, paid capital and annual turnover serve as criteria independently or jointly (ibid).

In Europe, currently there are three broad parameters which define MSEs as follows:

Micro-entities are companies with up to 10 employees; small companies employ up to 50 workers, and medium-sized enterprises contain up to 250 employees (FeMSEsDA, 2010).

Furthermore, MSEs are defined as firms with either a turnover of €10-50 million or a balance sheet total of €10-43 million.

As to Asian countries, most countries use uniform definition of MSE for all sectors. Some countries like India, Philippines and Japan give definition by dividing the MSE in to sectors and/or in manufacturing and services. Asian countries make improvement of the definition considering inflation and productivity level.

Table 2.1: Asian Countries MSE Definition

Country	Enterprises level	Sectors	Labor	Total Balance sheet
Japan	Small	Manufacturing	≤ 300	≤ \$ 3.3 million
		Whole sales	≤ 100	≤ \$ 1 million
		Retailer	≤ 50	≤ \$ 0.54 million
		Services	≤ 100	≤ \$ 0.54 million
India	Micro	Manufacturing	-	≤ \$ 50,000
		Services	-	≤ \$ 20,000
	Medium	Manufacturing	-	≤ \$ 1 million
		Service	-	≤ \$ 0.4 million
Philippines	Micro	-	1-9	≤ \$ 65000
	Small	-	10-99	≤ \$ 328000

Source: (Compiled from data of Asian Countries Report, 2011)

In some African countries for instance, Tanzania, Ghana, and South Africa MSE are divided in to manufacturing, construction, transport, wholesale and retail, and service sectors based on the type of industry (FMSEsDA, 2010).

Table 2.2: African Countries MSE Definition

Country	Sector	Labor	Total Balance sheet (*000)
Tanzania	Micro	1-4	≤ \$ 3400
	Small	5-49	≤ \$ 136
	Medium	50-99	≤ \$ 544
Ghana	Micro	≤ 5	≤ \$ 10
	Small	6-9	≤ \$ 100
	Medium	30-99	≤ \$ 1000
South Africa	Micro	10-20	≤ \$ 294
	Small	20-50	≤ \$ 734
	Medium	≤ 200	≤ \$ 2,800
Ethiopia	Micro	≤ 5	100,000
	Small	6 – 30	1,500,000
	Medium	31 – 100	1.5 million – 3 million

Source: (FeMSEDA, 2010)

In our country two different definitions of MSE are used so far. These are: The 1998 definition of MSE development strategy and definition given by CSA.

When the 1998 definition of MSE development strategy is formulated it considered other countries experience especially the South Africa experience. The definition given on that time was only based on paid capital or capital investment as most business were confined to family man power basis and lack of availability of manpower information of the sector (FeMSEsDA, 1998).

Although the main objective of MSE is to create job opportunity, it was difficult to compare the achievements in job creation with the definition. And it does not show enterprise capital size/amount/ when it is compared with the experience of other countries.

The existing definition of 1998 of the sector considered a paid up capital without considering the experience in reality. It also does not show the full pictures of MSE as they are established based on self paid up capital and credit from banks.

As the existing definition lasts for more than 13 years, it does not reflect the current situation due to inflation and currency fluctuation. For instance, the current paid up capital-ETB 20,000 or 3000 USD to micro enterprise is what was 1200 USD or 900 Euro in the past. Similarly the paid up capital allowed to small enterprise, i.e., ETB 500,000 or 76,000 USD what was 30,000

(FeMSEsDA, 2011). In other words, the paid up capital existed before 13 years was better by 2.5 fold, due to currency fluctuations.

The transfer from micro to small and from small to medium was on the basis of total asset though the definition underlines a paid up capital. Since the definition of small enterprise does not include higher technology and consultancy/advise/ services, it should be revised from the angle of technology and construction services (ibid).

The CSA definition uses employment and favors capital intensive technologies as yardstick. According to its definition, cottage and handcraft industry that perform their activities by hand and using manual machines.

Establishment employing less than 10 persons and using motor operated equipment are considered as small scale manufacturing enterprises.

The above definitions given by CSA, (2005), however consisted of the following short comings.

It focuses on manufacturing ignoring other sectors and failure in using size of capital. Due to the absence of uniform definition of the sector, the agency failed in gathering data about cottage and handicraft industries for the last 7 years. Hence the data collected from the MSE and the ongoing strategy and support frameworks become different to analyze and to interpret in scientific ways (CSA, 2010).

Based on the gathered experience, by identifying the gaps of the existing definition of MSE, ignoring the size of employee and by taking total asset as criteria and by dividing it in to industry and service sector; and considering the coming 5 years inflation and fluctuation/irregularity of currency the improved definition is presented as follows (FeMSEsDA, 2011).

According to FeMSEsDA (2011), the improvement of micro and small enterprises are discussed as follows: the former definition of the micro enterprises is modified to include

a) Under industry sector (manufacturing, construction and mining)

An enterprise operates with 5 people including the owner and/or their total asset is not exceeding Birr 100,000 (one hundred thousand).

b) Under service sector (retailer, transport, hotel and Tourism, ICT and maintenance service).

It operates with 5 persons including the owner of the enterprise and/or the values of total asset are not exceeding Birr 50,000(fifty thousand).

Currently the definitions of small enterprises are modified as follows:

Industrial sectors (manufacturing, construction and mining)

It operates with 6-30 persons and/or with a paid up capital of total asset Birr 100,000(one hundred thousand) and not exceeding Birr 1.5 million.

Service sector (retailer, transport, hotel and Tourism, ICT and maintenance service)

It operates with 6-30 persons or/and total asset, or a paid up capital is with Birr 50,001 and not exceeding Birr 500,000.

2.1.2 Characteristics of Micro and Small Enterprises

Enterprises in this sector share similar characteristics. Two main features are their small scale of operation and labor intensive mode of production. Other common characteristics include low fixed costs, reliance on family labor, use of personal or informal sources of credit and lack of wage employment. We can distinguish the major features of the sector especially regarding the type of technology, used which is less sophisticated, management and market.

In most cases what is written about the sector consider it as though it were a uniform mass of micro enterprises, all facing very comparable problems. Yet, the sector actually consists of a very heterogeneous diversity of enterprises (Buckley, 1998: 50 cited in Tsegereda, 2002).

Bijlmer (1989:144 cited in Tsegereda, 2002) in his study on street workers describes the characteristics differentiating small -scale workers by activities, sort of equipment they use, mobile versus permanent or stationary type of work etc. The age of establishment of enterprises can also distinguish enterprises. Workers engaged in Micro and small businesses are said to be self-employed however many are dependent on those who possess and command the means of production (Ibid. 149).

Four types of measurements can be used to identify the autonomy of a small -scale worker: the association with the supplier (s/he has free choice of supplier); the manner in which the supplies are financed; control of the originating capital; and ownership of the machinery (Solomon, 2004).

2.1.3 Local Economic Development and MSEs

It is important to understand the key words of the topic, thus the following words have been defined to facilitate understanding of the term local economic development.

Local: is used to refer to the council area. In other circumstances it could be used to refer to several councils grouped together (e.g. a division) or even a province (Helvetas, 2005).

Economy: the term economy is defined here as “the production, distribution and consumption of goods and/or services”. Production could be in three phases: primary, i.e. the exploitation of raw materials (natural resources), secondary referring to the transformation of raw materials, and tertiary being the exchange of services (Ibid).

Development: - development in this context means the use of available resources to bring about a positive improvement in the livelihood of the population or positive change (Ibid).

Sustainable: - sustainable in this context means, that which can be long lasting. For example, the long term use of resources of the locality (Ibid).

Local Economic Development: - is defined as “a set of strategies put in place by a local community with the objective of attaining sustainable economic growth” (Ibid). Literature depicts that since early 1970s Local Economic Development (LED) has been given considerable focus and importance. According to Blakely (1994), LED refers to a “process by which local government and/or community based groups manage their existing resources and enter into new partnership arrangements with private sector, or with each other, to create new jobs and stimulate economic activity in a well defined economic zone”.

Helmsing(2002) has explained LED in the same way. Here the central aim of local development is to create or expand job opportunities available for local people. Moreover, the term local indicates more emphasis given for endogenous development instead of relying exclusively on exogenous factors. Local actors are the principal actor in LED. Thus, it needs

partnership among and between government, private sectors, and community and community organization (ibid, Miehlradt and McVay 2006 cited in Hibret, 2009).

Even though there were different approaches of LED in the past, in this paper we focus on the new approach which Helmsing (2003) calls: “the new generation of LED”. According to him, the new generation of LED promotion is characterized by multi-actor, multi sector and multi-level. The former implies the success of LED depends on active involvement of public, private and nonprofit actors. The multi sector indicates importance of the public, private and community sectors of the economy in LED. This shows that not only public sector but also private and community sectors have significant contributions for local economy in making goods and services available for current as well as future consumption.

The final point- multi-level- refers to LED success requirement that not only depend on local initiatives but also considers opportunities and threats of global change. He describes the local initiatives by categorizing into three: community based economic development, enterprise development, and locality development. This focus of the paper and next section is on the contribution of MSEs and forms of enterprise development level.

2.1.4 Contribution of MSE in Creating Employment Opportunities

According to CSA (2010) all the small scale manufacturing created employment opportunity for 138, 951 people. A little more than 70.0 thousand were engaged in grain mills, close to 35.0 thousand in furniture manufacturing and 153 thousand in metal manufacturing. These were the most important three industrial groups in employment creation. However, wearing apparel manufactures, food industries, and non-metallic minerals manufactures also engaged a sizable number of persons or 6.6, 4.7 and 2.5 thousand people, respectively. The least number of persons engaged were in paper and papers products manufacturing, chemicals and leather and footwear manufacturing. Furthermore, out of the total of 139 thousand, 66.8 thousand or 48% were permanent employees. In absolute terms, again the largest numbers of permanent employees were in grain mills, i.e. 379 thousand, next in line were furniture manufactures with 15.7 thousand and less than half of the later (63 thousand) in metal manufacturing. Food manufacturing, wearing apparel makers and non metallic minerals manufacturing were the other important industrial groups in the size of number of permanent employees (Ibid).

2.1.5 Development Level of MSE

There are two forms of development level of MSE. While the first is transition from small to medium, the second is a step to be competent within the level they have. The developmental support of government to MSE is also on the basis of these transition levels of growth (FeMSEsDA, 2011).

The Malaysia enterprises are divided in to 4 level of growth. Namely, they are start-up, growth, expansion, and maturity. These are explained as follows:

At start-up: The supports provided at start-up are intended to have MSE skilled manpower, facilitate raw material supply, infrastructure and knowledge about market.

At growth level: MSE are provided and given with COC, standards, market development benefits from tax and technical support.

At expansion level: MSE are provided technology capacity building, management capacity building/managerial skill/, trade mark, sales center, ICT, venture capital and out sources supports.

At maturity level: MSE's are provided design, capacity building, introducing with trade market, industry MSE expansion and foreign investment support. (FeMSEsDA, 2011)

The support framework in Japan has three stages. These are: launching stage, strengthening, stage and securing stage (Ibid).

At launching stage: the support is full support that enables new business to solve the challenges they face. This support requires 80% initial capital credit and 10 years refund time, integrated support at national, regional and towns and training and advice services.

At strength stage: the support focuses on professional support that help to strength managerial qualification/ managerial skill/. For instance, Government is assigning an expert for long time.

At secure stage: the support enables MSE to save against current and future risks.

2.2 EMPIRICAL LITERATURE

2. 2. 1 Contribution of MSEs in Different Countries

Governments of less developing countries have been supporting for micro and small enterprises through various programs such as credit schemes, entrepreneurship training technology support etc. (Zaid and Torben, 2003) to develop the sector and to contribute significantly in the economy. Let us see some of the significant contribution of the sector in different countries.

According to Todaro (2011) the informal sector is a major provider of urban jobs in many Asian countries. Among individual countries for which statistics are available, the figure reaches 50% in India, 45% in Indonesia, 35% in Malaysia, and 60% in Pakistan. In case of Latin American countries 61% in Bolivia, 55% in Argentina, 56% in Brazil, and 69% in Paraguay.

To realize development of the sector, government is responsible to play the role of leadership and support provision is observed MSE has great share in the economy by creating job opportunity, of the total domestic production. In India such sectors has a share of 45% in manufacturing, 40% in export production and create job opportunity for about 60 million people. In Japan, similarly the sector has a share of 56% in manufacturing and creates job opportunity for more than 40 million people (ibid).

Besides, ILO (1998) survey report of 17 African countries found that the informal sector contributes on average 20% of GDP and 61% of the Sub Saharan urban labour force employment. For instance, in the years between 1980 and 1985 the employment share of MSEs for Kenya and Ghana were around 40% and 80% respectively, out of the total urban employment.

According to Staley and Morse (1985), 81% of the Manufacturing establishments in the United States in 1970 had small enterprises with less than 100 employees. These establishments employed 25% of all manufacturing employees and produce 23% of the total value added by manufactures. The relative importance of small enterprises in West Germany and United Kingdom was also greater, 27% and 26% of all manufacturing employees respectively. The percentages of small enterprises employment are even higher like in New Zealand 62%,

Argentina 52% and Japan 56% (Staley and Morse, 1985). Hence this shows that micro and small enterprises are contributing significantly even in developed countries.

In 2000, China had more than 20.85 million small-scale enterprises, with 128.2 million employees and generating 2,720 billion dollar in added value, and 9.14 percent increase every year of the small- scale enterprises (China today, 2002).

The micro and small enterprises constitute an important segment of the Indian economy, contributing around 39% of the country's manufacturing output and 34% of its exports in 2004/05. The sector also provides employment for around 29.5 million people in rural and urban areas (Tsegabu, 2006).

In Kenya, according to the countrywide Baseline Survey of 1999, there were about 1.3 million micro and small enterprises, employing 2.4 million Kenyans, the same to 15% of total employment and contributing 18% of the GDP of the country. Moreover, the MSEs sector in Kenya is very energetic with rapid investment rates and enterprise growth (Kimuyu, 1999).

According to Wangwe (1999), the economic contribution of the micro and small enterprises sector in Tanzania was about 20-30% of the GDP, and they consist of more than one million enterprises appealing three-four million persons, that are about 20-30 % of the labour force of the country.

In Burkina Faso, based on the 1990 survey on MSEs, there were 90,000 established micro enterprises. Between 1985 and 1992, the sector is estimated to have contributed 30% of the GNP which exceeded agriculture (20-45 %) and the modern secondary sector (23-86%) in the same period. Moreover, the MSEs sector employs 77% of the off-farming population and 8.6% of the total active population of Burkina Faso (UNCTAD, 2005).

According to (Wick Ware 1998; cited in Mizan, 2009), MSEs have a significant contribution in creating employment opportunities for the poor in urban areas. Accordingly, he estimates the percentage of people engage in such sectors in some Sub Saharan cities during the 1990's as: Accra 70%; Addis Ababa 61%; Dare Salam 56%; Kampala 46%; and Harare 17%. Therefore, MSEs have important employment share in the economy of these cities.

2.2.2 Micro and Small Enterprises in the Ethiopian Economy

The Ethiopian MSE sector is characterized by highly diversified activities. This can create job opportunities for a substantial segment of the population. It employs a large segment of the labour force outside of agriculture. The sector plays vital role in the supply of basic consumer goods to the society, and in a poor country like Ethiopia MSEs play crucial role for capital accumulation.

According to the CSA survey of 2005 there were a total of 584,913 micro enterprise operators and 2731 small scale manufacturing activities. By the time, the 2007 survey was conducted the number has increased significantly to 974,676 micro enterprises (cottage and handcraft) 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 97,000 employs, respectively.

The average gross value of production and value added per person engaged in micro enterprises in urban areas were Birr 2,619 and Birr 865, respectively, while for rural areas this comes to Birr 901 and Birr 349, respectively. In addition, 87.03% of the surveyed micro enterprises started their operation with a total capital of less than Birr 250 while only 0.38% commenced operation with a capital ranging from Birr 5001 to Birr 10,000 (CSA, 2007).

Most of the micro enterprise in manufacturing activities (55% of the total) are engaged in food and beverages (of which 65% are women), followed by textiles (23%); whereas in the small scale manufacturing sector 85% are grain mills, 4% metals, 3.5% furniture, 3% wearing apparel and 2% food products and rest in other sectors. When it comes to ownership, 74% of micro producers, 17% of small scale and 0.2% of medium and large manufacturing businesses are owners of the business (CSA, 2009).

The average annual labour cost per establishment for small scale manufacturing sector was about Birr 2,347. The highest and the lowest labour cost within the manufacturing sector were 38,486 and Birr 1,574 in the chemical industry and manufacture of wearing apparel sector, respectively (CSA, 2010)

MSEs absorbed the large pull of the countries less skilled labour force. In this regards, 47.3% of the male and 29.37% of the female employees in small scale manufacturing have completed primary (grade 1-6) education, while 44% (out of which 38% male and 6% female proportion) of the total have completed grade 7-12. Moreover 1.60% of the males and 3.53% of the females have attained educational level of above grade 12 (Ibid).

Out of the total small scale manufacturing establishments, 27,223 (85.44) constituted manufacture of grain mill services. This activity constitute 84.75% the number of persons engaged, 75.65% of the gross value of production, 79.21% of the value added, 79.02% of the operating surplus and 88.5% of the total fixed assets. Besides, micro and small enterprises accounted for about 97% of the establishments and 19% of the gross value of production in the manufacturing sector; while the share of small scale manufacturing sector was 2.9% and 8%, respectively (CSA, 2011).

The results of the CSA survey in the above paragraphs indicated that sector plays crucial role in the social and economic of the country. It provides productive employment to a large proportion of the population, probably next to agriculture. For a poor country like Ethiopia the potential role of the MSE sector is vast. Since micro and small scale business require small start-up capital, the sector plays important role in alleviating poverty in the short term and through their ability for capital accumulation, MSEs have great potential for poverty eradication in the medium term (Ibid).

2.2.3 LED and MSE Practice in Urban Ethiopia

The ongoing decentralization process that devolves major government functions to lower tiers of government is the other conducive environment that paves the way for undertaking of enhanced LED programs in Ethiopia. These days, local governments are given adequate power to formulate and execute their own development policies and strategies as well as to own their local affairs. For effectiveness of decentralized development process, extensive capacity building supports are also being provided to local governments.

The increasing attention given to urban developments in the country is also believed to make a significant contribution towards flourishing LED in urban Ethiopia. These days, urban affairs are receiving growing government attention and this attention is expressed in different government measures towards strengthening managerial capacity of municipal governments in the country. The initiatives of stimulating local economic

development in urban Ethiopia have gone beyond the provision of enabling institutional and policy frameworks; actual economic development programs had been designed and implemented in some cities. For instance, in Addis Ababa and some regional cities and town, various economic development initiatives were pursued aggressively during the last three years (MoWUD, 2008).

The multifaceted efforts of the Addis Ababa city government to create employment opportunities through enhancing MSEs, condominium housing development projects and neighborhood development programs resulted in encouraging outcomes. These job creation and poverty alleviation initiatives were complemented with capacity building efforts through skill training, technical and managerial supports, access to finance, working places and market outlets, efforts are going on to replicate the lessons drawn from Addis Ababa to other cities and towns in the country. Supporting MSEs and job creation programs in one of the components of the LED strategy in urban Ethiopia followed by the government to reduce urban unemployment and accelerated urban based employment in linkages with rural development and delivery of housing and basic services. In the last five years (2006/07-2010/11) about 96,000 MSEs were strengthened and some 280,000 jobs have been created (MoWUD, 2011).

2.2.4 Micro and Small Enterprises in Oromia Region

According to the sample survey conducted by the Central Statistics Authority (CSA) in 2010, there were about 175,933 informal sector operators in urban areas of the region, absorbing 217,737 labour force which was 30 percent of the total labour force engaged in the informal sector in the region. Of the total labour force engaged in the sector 81 percent were active owners and family members while the remaining 19 percent were employees. The survey further revealed that of the total work force engaged in the sector about 69 percent were women.

Regarding the diversity of micro enterprises in the region, the survey has indicated that a large number of informal sectors were concentrated in a limited areas of activities, in this case 52 percent in manufacturing, 38.9 percent in trade, hotel and restaurants, 4.5 percent in community and personal services while the remaining 4.6 percent were engaged in agriculture and forestry, mining and quarrying transport and construction.

Similarly the CSA survey of 2010 on small scale manufacturing industries has shown that there were 625 small- scale manufacturing establishments in oromia regional state employing 1967 workers, those accounted for 22.8 percent and 22.03 percent of the national establishments in the sector respectively.

The total gross value of production and value added by small- scale industries in the region as reported by the survey were birr 50,642,270 or 26.9 percent of the national and 12,687,499 or 20.9 percent of that of the national generated by the sector respectively.

Again according to the CSA survey conducted on handcrafts and cottage industries, there were about 348,675 establishments located in oromia employing 465,000 persons contributing 39.1 percent to that of the national figure in terms of establishments and employment respectively. About 94 percent of the total work forces engaged in the subsector were active owners and family members while the remaining 6 percent were employees.

Small-scale industries and handcrafts in the region represent a wide range of industrial groups. However the majority of them were concentrated in a few industrial sub groups, such as food and beverages 50 percent, weaving, apparels 20 percent and manufacturing of furniture's 16 percent of the total establishments in the region. The zonal distribution of small scale industries (SSIs) in the region was also unbalanced. It was reported in the survey that 24 percent of the 625 SSIs were located in three major urban centers, Adama, Nekemte, and Shashamane where there is relatively better infrastructure and credit facilities. On the other hand it was found that 75 percent of them were located in urban centers.

In general micro and small enterprises play an important role in the economic and social development of the region. They foster economic transformation of the region through adaptation and transfer of technology, and enhancement of entrepreneurial and managerial skill of local people. Small enterprises are almost dependent on domestic resources, thus have strong linkage with the agricultural sector and LED. Furthermore micro and small enterprises have provided significant employment opportunities to a large segment of the population in the region. In a total the sector has 684,704 persons in the region (OMSEsDA, 2011).

2.2.5 LED and SMEs Practice in Sendafa Bekie Town

Local Economic Development in terms of public work programs such as the construction of low cost shed for MSEs operators, public toilet, recreational areas, the construction and maintenance of municipal roads and drainage canals, construction and maintenance of schools, etc. are undertaken by the municipality with active labour and money contributions of the communities and MSEs. LED in terms of MSEs development strategy has also some practices in doing local roads, construction of government office like health station, schools, MSEs shed, construction of ditches in the town with the objective of job creation and solving unemployment problems in the town. According to Sendafa Bekie Trade and Market expansion office and

MSEsDA document (2011), there are a total of 1261 MSEs operators and which have engaged in different business activities in the town. These have created for 1261 direct jobs for unemployment. On the other hand, about 1300 indirect causal jobs are also created due to the business activities of industry and construction sector and as well as by the municipal projects.

2.3 Challenges of Micro and Small Enterprises in Ethiopia

As it was mentioned above supports provided on the basis of MSE growth is enabled MSE to solve the challenges they face. As to other countries experience support provision of our country was not on the basis of MSE level of growth, rather it was in lump sum support and failure in conducting evaluation and having MSE data that show MSE impact resulted from the support.

Thus, based on the experience of other countries, using the experiences analyzed so far by avoiding the weak sides and on the basis of growth that enable to create the enterprise level of growth the support provision is divided in to 3 stages. The basic objective for such growth base support is that it is found as means to solve MSE challenges in achieving countries growth, to support their effort of transforming from one level of growth to the next level of growth (FeMSEsDA, 2011).

Accordingly, three level of growth are identified. These are start-up, growth and maturity level. MSEs face several challenges. For instance, at start-up level, lack of access for initial capital/ start-up/ to run business, failure in searching and providing alternatives for MSE to be organized on the basis of their interest as the act of organization is carried out through cooperatives, most enterprises exit from business and develop the spirit of despair at start up stage as they have no basic knowledge on book keeping and business skill that help enterprise to manage effectively and enterprises have no basic business running skills that help them to run business (FeMSEDA, 2011).

At growth level, the major challenges at growth levels are lack of financial support on the basis of their business nature, credit amount and time as they have no access to collateral, lack of consistent and integrated technology and skill that help to enhance and improve productivity, quality and standard, lack of access for manufacturing and sales center and developing sense of rent seeking attitude and failure to run business on legal basis (ibid).

Major problems at maturity level, failure in keeping up productivity and quality of product in order to be competent, lack of knowledge in an international standard products and production system, and limitation in technological ability and factors of production that ensure competency in the markets (ibid).

As the past experiences showed successful enterprises have been confronted challenges in transforming from small to medium level. One of the reasons for is that lack of incentive and support that fits their business. Although it is possible to identify the challenges through research/study the following are some of the obstacles among others.

MSE that are organized under cooperatives are free from profit tax and it hinders their benefit. They lose benefits from production and sales cluster, access to credit is limited as it is associated with collateral, and MFI do not provide credit, inconsistency of benefits from government purchase, inconsistency with human resource development and level of teaching growth acquired from TVET, and strict control with having bookkeeping, present/submit audit report and with VAT and paying tax (ibid).

Micro and small- scale enterprises in general and manufacturing industries in particular often face problems and constraints in the supply of raw materials required for the proper performance of their activities. As is the case with regard to other problems short fall of raw material supply is also more acute among the small industries situated in remote urban small towns (Teklit, 2010).

As it is indicated in various studies undertaken on the MSE sector some of the identified root cause for these problems are, shortage of working capital, absence of information system on the type of MSE, quality, source and price of inputs, and also the heterogeneity, smallness and scattered of the nature of the MSEs that put the sector at the disadvantageous position in benefiting from the advantages of economy of scale or bulk purchase (FeMSEsDA, 2010).

Although it is generally believed that small enterprises have comparative advantages in providing goods and services to local markets and have the ability to quickly respond to changing demands they usually complain market constraints and inability of marketing their outputs and services as one of the most hindering factors for the growth of their business activities (Bezuan, 2008).

2.4 The Opportunities for Reinforcing MSEs in DCs and LDCs

2.4.1 The Diversity of Enterprise

Enterprises come in a wide variety of shapes and sizes. In many countries, a significant amount of overall economic activity can be classified as informal. As the World Bank, (2010) explained the size of the informal economy tends to vary inversely with the level of development. The bulk of economic activity in low-income countries is usually made up of informal activities typically of the order of 70 per cent of the workforce 43 and 30 per cent of national income 44 and it appears that in many poorer countries, the informal economy is getting bigger largely because the growth of the labour force is outstripping the growth of employment opportunities in the formal economy (ILO, 2002).

2.4.2 Business Development Services (BDS)

In literatures, BDS is explained as a range of non financial services to business, offered on a formal or informal basis. This includes: training and skill development; technical and managerial assistance; developing, adapting and promoting new technology; assessing markets and giving market support; providing a physical infrastructure and advocating policy (Dawson and Jean 1998, Dawson et al. 2002 cited in Teklit ,2010). BDS can also divide into “operational” and “strategic” business services (Committee of Donor Agencies for Small Enterprise Development 2001). Operational services refer those services needed for day to day operations, such as information and communications, management of accounts and tax records and other services. The strategic services are those services used by enterprises to address medium and long term issues in order to improve business performance, market access and competitiveness.

It is clear that BDS may have significant importance in reducing costs; and improving productivity and competitiveness of business. Even though each service has its own relevance in a given business, most BDSs are interlinked and complementary to each other. For instance, information service can facilitate or lead to the creation or diffusion of innovative ideas within and between enterprises which further improve market and non market linkage among and between enterprises. Networking services can also contribute toward the same: by reducing cost and improving competitiveness and capacity. Some BDSs roles are innovation and enterprise networking (Ibid).

A) Innovation

Bozic and Radas (2005) see innovation activities as 'driving-force' for business success and economic development. According to them, innovation includes creating new products; services; ideas; production and procurement process; organizational and administrative process; and other activities which can improve business performance.

Some literatures explained innovation as the main ingredient for productivity, competitiveness and other desirable results of business. Innovation improves business performance through increasing both local and external market share and profitability (Michael and Pearce II 2009). For example, innovation in procurement and through new technology can reduce per unit production cost and improve product quality, and capability. This helps small business to take advantages of economies of scale and upgrading which in turn improve firm's market share.

Bozic and Radas (2005) argue that innovation is determined by intra firm action, policies; and vertical and horizontal linkages or actions of enterprises. As Pedersen (1997) wrote, for example, collaboration of firm contributes to rapid innovation diffusion through forward and backward linkages.

B) Enterprise Networking

Enterprise networking refers to creation of relationship between enterprises, enterprises and institutions that solve problems which are solely unsolvable and to take advantage of collective action (Ceglie and Dini 1999).

Premaratne (2002) explains networking as long term contact between small business owners and external actors (person or organization) in order to obtain information, moral support and other resources. He further states four components of entrepreneurial networks: actor, resources, activities and linkage. These help to strengthen relationship among stakeholders and improve business performance and competitiveness. For example, according to Ceglie and Dini (1999), small enterprises have different problems that link with their smallness but can be solved through networking such problems include: limited capacity to produce standardized and good quality product, difficulties in achieving economies of scale in the purchase of input like raw material, equipment, finance, and consultancy services; and limited opportunity for technology,

training through innovation services obtained from public and NGOs' intervention.

They argue that networking solves problem of smallness through enhancing horizontal integration which allows group of enterprises to help each other and solve their common problems, through integration to achieve economies of scale, capacity to supply large orders; vertical integration that promote specialization; enter firm cooperation for collective learning and information sharing to improve product quality and design, and enter into profitable market segment, and presence of a shared local development vision and partnership among different stakeholders. Dijik and Rabellotti (1997) have also explained in the same way. Some argue contribution of vertical networking to innovation (Michael and Pearce II 2009, Premaratne 2002).

Pedersen (1997 cited in Bezuhan, 2008) has stated networking role in development and acquisition of new resources and production capacities. In addition, some argue that, compared to the weak network, strong network among enterprises have more benefit in terms of building trust, fair interaction, smoothing trading, and ensuring continuities of activities due to integrated action for problem faced in the process (Bhagavatula et al. 2008, Miehlradt and MCVay 2006 cited in Teklit, 2010). All the above mentioned concepts are important for what we are going to explore with regard to opportunities in influencing industrial sectors.

CHAPTER THREE

DESCRIPTION OF THE STUDY AREA AND METHODOLOGY

3.1 DESCRIPTION OF THE STUDY AREA

In the year 2004, the administrative Council of Oromia National Regional Government issued a proclamation (Proc, No 65/2004) to establish Oromia Urban Administration. Following this proclamation, some Oromia towns including Sendafa Bekie town became included in the urban reform during the same year (OUWD, 2010).

The Town Municipality has been facing challenges in the provision of urban infrastructures and services proportional to the town's horizontal expansion rate. Sendafa Bekie Town is included in the list of Addis Ababa Surrounding Oromia Special Zone due to its economic importance and proximity to the capital city of the country (Ibid).

The town is endowed with substantial investment opportunities such as Agro-Processing Industry and real estate development as a main sector of urban development endeavor.

Sendafa Bekie is also one of the eight towns in the Oromia regional government special administrative zone surrounding Addis Ababa. The town has divided into two kebeles namely Sendafa 01 and Bekie 02; it is the capital city of the Berek district. It is located at 38km from both regional and zonal capital city to the North direction found on Addis Ababa Dessie main road (Ibid).

The urban unemployment is 940 males and 1188 females (totally =2128) in the town. The active population are 4444 and 3068 (totally =7512) are males and females, respectively. There is high dependency ratio of about 28.32%, showing the high number of dependents over the active population of the town (Sendafa Bekie town administration, 2011). The members of MSEs operators are organized and beginning the jobs from 2004|05 to 2010|11 is 191 in association that is 864 and 397 (totally = 1261) are males and females, respectively. Out of 191 MSEs association only 49 MSEs associations operators are performing their jobs which is 25.65%. From this information, we can understand the gaps between the actual and the first organized and start their business activities of MSEs operators. 142 MSEs association are remaining non

function but still not dismissed or entering to the activities (Compiled from data of SBMSEsDA, 2011).

The major problems of the town are low investment activities, low industry development, rapid population growth and large family size, urban unemployment, low productivity, high dropout rate, high migration rate from rural to urban which is of course resulted in the town. It is clear for everybody that the rapid population, the unplanned urbanization have become obstacles to the town development (SBFED of Planning Department, 2011).

MSEs are less in quantity showing the less development of development activities in the town but, conducive climate conditions of the town are suitable for livestock breeding especially dairy production and sheep rearing potentials. The town has potentials for MSEs such as milk processing, forage production, and lentils processing (compiled by town administration, 2010).

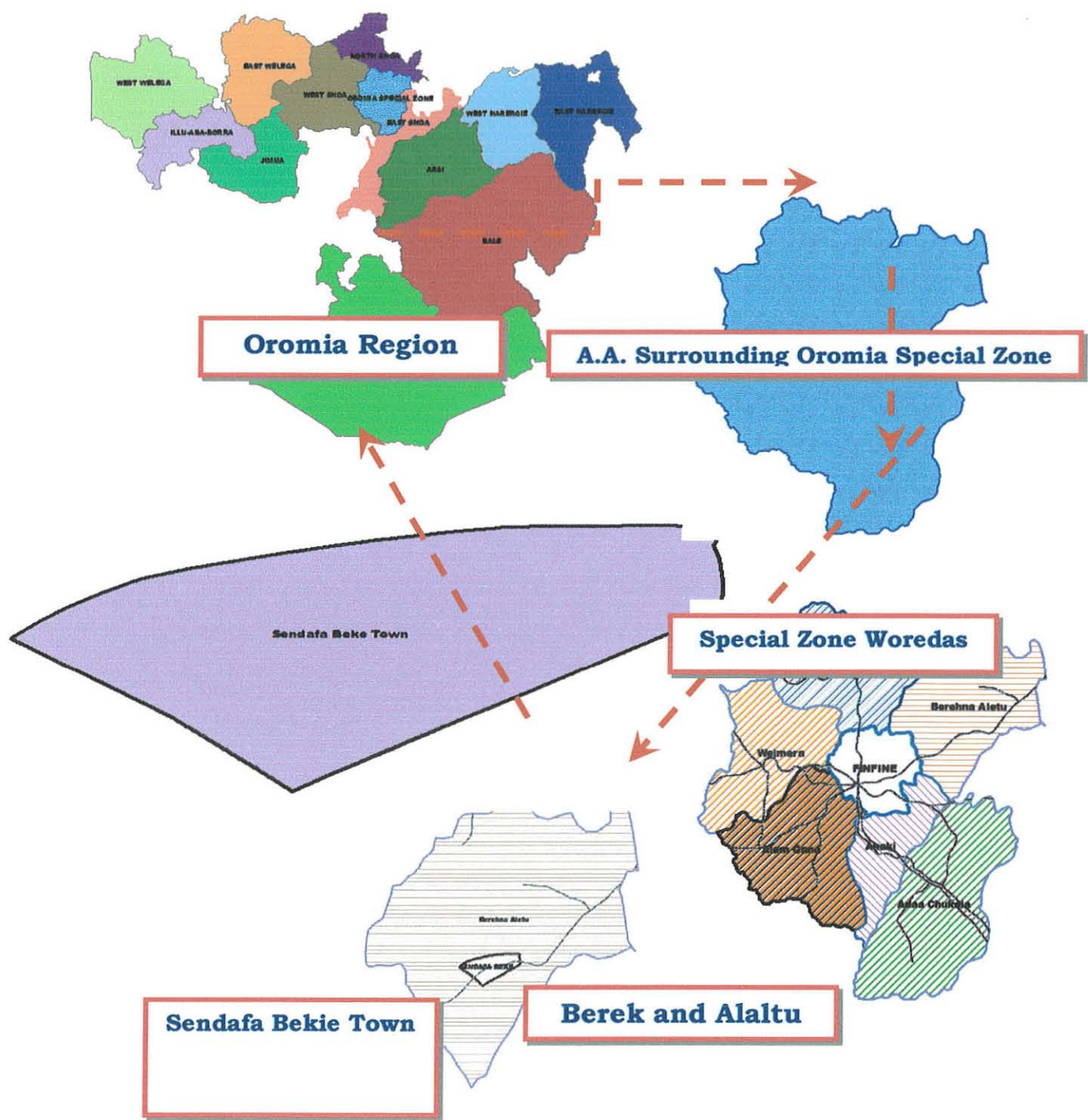
Therefore, it needs to conduct research to increase the number of organized micro and small enterprises which can help solve the problems of unemployed people and so as to become productive citizens by being provided special support, training and education in order to perform incentive business activities.

3.2 Establishment and Location of the Town

The town was established in 1936 following the Italian invasion to Ethiopia. After occupying the area in 1936, the Italians constructed their army camp at Sendafa. Then, they formed a nucleus of present day Sendafa Town (OUPi, 2010). Plan for the town was prepared for the first time, in 1981 by the then Ministry of Housing and Urban Development.

Sendafa Bekie Town is relatively located roughly 38km North East of Addis Ababa, along the Addis Ababa to Dessie National Highway. Astronomically the Town extends roughly from 9°06'14" to 9°10'30" N Latitudes and 38°57'60" to 39°04'53" E Longitudes. Currently, the Town is a '2B' level according to the grade level urban center classification by the Bureau of Works and Urban Development of Oromia (OUPi, 2010).

Fig.3.1 Location Map of Sendafa Bekie Town



Source: (Oromia UPI, GIS Department 2010).

3.3. Research Methodology

3.3.1. Types and Sources of Data

The research relies on both quantitative and qualitative types of data in order to answer the research questions thereby and arrive at valid and reliable conclusions. Regarding sources of data, both primary and secondary sources of data were used to gather valuable and relevant data.

Primary Source: - Data from primary sources which include survey respondents, key informants and focus discussion group were collected using fieldwork. Information on the status of employment, income, capital and empirical data was collected from MSE owners and MSE supporting office. Closed ended and open ended questionnaires, structured interviews and focus group discussions were the key methods used to collect the data.

Secondary Source: - Secondary data were collected from different documents such as government reports, research works and different books. In order to have background knowledge about the attitude towards and support of the government to the sector, the researcher was referring publications on MSEs policy and directives. Reports, statistical bulletins, brochures and other materials were assessed to gather additional information. In addition, the researcher used literature related to MSEs contribution, problems and opportunities in local economic development to understand theoretical, empirical and conceptual issues related with the study.

3.3.2. The Research Design

As it is clearly mentioned in the objective part of this paper, the aim of the study is, to assess the contribution, challenges and prospects of MSEs in local economic development of Sendafa Bekie town. Since the study focuses on describing specific issues introduced above the type of research for this specific study is descriptive. To achieve the aim of the research, the researcher has used both quantitative and qualitative methods of research. As Creswell in Petros (2004) states quantitative methods are designed to study variables that can be measured in numbers such as income, age and educational level. Similarly, he defined qualitative approach as, “an inquiry process of understanding a social or human problem based on building a complex, holistic picture, formed with words and reporting detailed views of respondents (ibid).

Moreover, Neumann in Petros (2004) argued that both qualitative and quantitative approaches systematically collect and analyze empirical data and carefully examine the patterns in them to understand and explain social life. The major reason for relying on both methods is that the contribution of MSEs in local economic development is wide-ranging concept and difficult to achieve. Similarly the varied nature MSEs in relation to its economic growth and expansion enforce to various methods so as to meet the valid and credible results. Accordingly, quantitative data were obtained from primary source via survey questionnaire. On the other hand, qualitative data were acquired from interview and focus group discussions.

3.3.3 Sample Size, Sampling Frame and Sampling Techniques:

Since 2006/07, there are about 344 operators in manufacturing sector that are actively engaged in business in the specific area of the study. Out of these, 40, 20, 166, 69, and 49 are metal, wood work, lentil processing, clothing, and food, respectively segmented in such a way (SBMSEs, 2010).

All of these enterprises are operating as sole proprietorship. In due course, these enterprises have been the focus group of this study. CSA's classifications of manufacturing enterprises which include food products; grain mill services, local food processing; manufacture of textiles; weaving and sewing clothes, manufacture of leather, manufacture of wood and its products, publishing, printing and production of recording media, manufacture of chemicals and chemical products, manufacture of other non metallic mineral products, manufacture of fabricated metal products, manufacture of jewelry, manufacture of furniture, manufacture of machinery and equipment, and other manufacturing enterprises not elsewhere classified; is the basis for the sampling procedure employed in this study which is stratified sampling method.

Among the listed types of industry enterprises, five types of micro and small enterprises were chosen based on a combination of high proportionate share and economic importance for the specific town. These are: Industry of lentil agro-processing, industry of textiles products particularly engaged in sewing clothes, industry of metal work, industry of wood work products, and industry of food products which are engaged in local food processing like baking bread and making 'injera'.

To draw appropriate samples for the intended study both probability and non probability sampling techniques were used. To determine the sample size 30% are taken as an appropriate sample size considering the total number of population of the study. Accordingly, from the (344) total numbers of licensed industry sector 104 enterprises were chosen. Individual respondents were selected from the sampling frame using systematic random probability sampling techniques. The techniques apply the following formula in the selection process. First, total population (N) was written alphabetically to create sampling frame. Then to identify the respondents from sampling frame, total population was divided to sample size (n) to determine the K^{th} element. Hence, to select a sample of size (n), at random from the first (K) units of the list and then every (K^{th}) subsequent unit is selected based on the following formula.

$$\text{i.e.: } (K = N/n) \quad , \quad 344/104 = 3.3 = 3$$

For instance, let the industry sector at the serial number 3 is selected from the first 5 each categories individually owned enterprises. Then the researcher selects every 3rd listed enterprises. From the list, to get systematic sample of the individually owned enterprises at serial numbers 3,6, 9, 12,15,18, 21, 24, .., .., .., .., and 344 provided that from the first three individuals the one who placed in number 3 is drawn from randomly lottery system.

On the other hand, non probability sampling techniques were employed to collect qualitative information from key informants and focus group discussion participants from whom these groups were chosen on purpose for the researcher believed that the information they provide helps to understand and triangulate other sources of information.

With regard to key informants, heads of the micro and small enterprise Agency, and two experts from the town are chosen. In order to undertake focus group discussion, participants selected from council of the town MSEs of which five individuals that are member in the council are considered.

Table 3.1 Types of enterprises included in the study (Number of enterprise and sample size)

Types of the enterprises and Others	Total Registered enterprises in numbers	Sample enterprises taken (30 %)
Agro-process: Lentil	166	50
Textile: Sewing clothes	69	21
- Metal works	40	12
- Wood works	20	6
- Food related: Making “injera”	30	9
- Food related: Baking bread	19	6
Sendafa MSEsDA Office employee	10	3
Sendafa Council Members of MSEs representatives	19	5
Total	373	112

Source: Registry of Sendafa Bekie Town Administration MSEsDA and Trade Office (2011)

3.3.4. Data Gathering Tools

During the fieldwork, three data collection techniques namely questionnaire, interview and focus group discussion were mainly used to collect the required quantitative and qualitative data.

Questionnaire: - In order to collect primary data from respondents both close-ended and open-ended questionnaires were prepared as an instrument to gather information from the MSEs owners concerning the issues under study. In addition, five enumerators were recruited to collect the data. The contents of the questionnaires include personal data, educational background, employment opportunities, income generating, business growth and expansion of MSEs, Profit based questions, efficiency of inputs, taxation and its contribution to local economic development, premises, problems encountered during business starting period , support and training, objective of the business, degree of market- related rules and regulations obstacles, etc. Moreover, attention was given to avoid double-barreled and biased, irrelevant and ambiguous questions related to the respondents.

Interview:-Interview is the other important data collection instrument of the study. Sendafa’s MSEs expertise and leaders were interviewed in various issues regarding the enterprises listed in

Table 3.1. So, the researcher has met and interviewed a total of two expertises and one leader of MSEs Development who were selected purposely based on their experience and background of MSEs. For this purpose, the researcher prepared a check list that help to guide the discussion.

Focus Group Discussion: - In this case, a focus group discussion (FGD) consisting of five people from town Council of MSEs representatives were conducted. Employment opportunities and income generating, MSEs' contribution to local economic development, problems that affect the enterprises and proposed solutions to solve the problems are among the issues being discussed.

3.3.5. Method of Data Analysis

Data were organized first based on the basic research questions and then analyzed using descriptive statistics method. Following the analysis, data were interpreted by comparing to the general facts and the theoretical information indicated in the literature. To facilitate the analysis of data, data were organized in to tables and time series. To make the analysis simple and understandable, trend analysis and time series data on employment opportunities and income generating were described using simple percentage and ratio. Statistical Package for Social Science software was employed. Analysis of data undertook to show important relationships of variables in the study. To this end, a mix of both descriptive statistical and data envelop analysis (DEA) was used. Data Envelop Analysis (DEA) is a state of the art bench marking techniques which is particularly useful for multi criteria benchmarking studies. In DEA, the productivity of a unit is evaluated by comparing the amount of output produced in comparison to the amount of input used. The performance of a unit is calculated by comparing its efficiency with the best observed performance in the data set.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

Introduction

The chapter contains the characteristics of respondents, the contribution of MSEs in creating employment opportunities, income generating, profitability of the business, and taxation to the local government, possible opportunities of MSEs, challenges of MSEs and efficiency measurement and factors affecting the performance of efficiency level.

4.1 Characteristics of Respondents

4.1.1 Sex and Marital Status of Respondents

According to the survey study, out of the 104 respondents 89(85.6%) were male and 15(14.4%) were female. From this one can understand that the involvement of female in the manufacturing sector is not encouraging. The level of participation of female in the manufacturing sector is low because the sector demands more physical force and the socio-cultural attitude do not encourage women to get engaged in such sector. This is consistent with the findings of Wolday and Gebrehiwot(2004) which pointed out that participation of women in manufacturing sector is very low. The implication of this study shows that there is less contribution of women to the local economic development in the study area in relation to owning and leading manufacturing sectors.

With regard to marital status 90 (86.6%) were found to be married, followed by 12(11.5%) single and 2 (1.9%) were divorced. The value for the marital status of respondents is alike. The gap in the percentage of those who are married, single and divorced support the view that MSEs are operated by every member of society and are important tools in contributing to local economic development among different section of the society.

Table 4.1 Sex and Marital Status of Business Owners

Industrial Sector	No of Respondents	Sex of business owners			Marital status of business owners			
		Male	female	Total	Single	married	divorced	Widowed
Lentil	50	50	-	50	4	46	-	-
Sewing	21	18	3	21	-	21	-	-
Metals	12	11	1	12	4	8	-	-
Wood	6	6	-	6	4	2	-	-
Food	15	4	11	15	-	13	2	-
Total	104	89	15	104	12	90	2	-
Percentages	100	85.6	14.4	100	11.5	86.6	1.9	-

Source: Own Survey, 2012

4.1.2 Age of Respondents

As shown in the below Table 4.2, the majority owners of the enterprises are the working age group. Accordingly, 42.3% were in the age of 26 to 35 years, 36.5% were grouped between 36 to 45 years, 13.5% were in the age 46 to 55 years, and 5.8% were in the age of 14 to 25 years. Lastly, the remaining 1.9% was above 55 years of age. So, from the above information it can be concluded that the majority of the MSE owners were in the economically active age category. This implies that it is very important to enhance the economic development of the study area.

Table 4.2 Ages of Respondents

Industrial sector	No of Respondents	Age categories				
		14-25	26-35	36-45	46-55	>55
Lentil	50	6	15	15	12	2
Sewing	21	-	11	8	2	-
Metals	12	-	7	5	-	-
Wood	6	-	3	3	-	-
Food	15	-	8	7	-	-
Total	104	6	44	38	14	2
Percentages	100	5.8	42.3	36.5	13.5	1.9

Source: Own Survey, 2012

4.1.3 Educational Level

From Table 4.3 below, it can be observed that of the total 104 respondents, 42.3%, and 32.7% have educational level of primary and secondary school, respectively. The remaining 2.9% and 1.9% have attended diploma and TVET, respectively. But 20.2% are illiterate. The above data briefs that the majority of MSE operators have less than diploma and TVET level of education. This implies that they need higher level of education to run the manufacturing industry, to cope with new ideas and technology, which is important element in contributing to local economic development of the study area.

Table 4.3 Educational Level of Respondents

Industrial sector	No of respondents	Levels of education					
		Illiterate	Primary	Secondary	TVET	Colleges Diploma	University Degree
Lentil	50	14	22	13	-	1	-
Sewing	21	-	15	6	-	-	-
Metals	12	-	4	4	2	2	-
Wood	6	-	-	6	-	-	-
Food	15	7	3	5	-	-	-
Total	104	21	44	34	2	3	-
Percentages	100	20.2	42.3	32.7	1.9	2.9	-

Source: Own Survey, 2012

4.1.4 Earlier Occupation of Respondents

Table 4.4 indicates that, 27.9% are daily laborers, 22.1% are students, 19.2% are micsiclinous such as farmers, drivers, etc, 16.3% are unemployed, 10.6% are house wives and 3.8% are employee of government and private sectors. This shows that business activists contribute their previous experience to run their respective enterprises. From the above data we can conclude that MSEs are advantageous in engaging people without requiring professional skill and this has great importance in employment opportunities in the study area.

Table 4.4 Earlier Occupations of Respondents

Industrial sector	No of respondents	Earlier occupations					
		Unemployment	Students	Daily laborer	Housewife	employee	others
Lentil	50	-	11	21	-	1	17
Sewing	21	6	8	-	3	1	3
Metals	12	4	3	4	-	1	-
Wood	6	-	1	4	-	1	-
Food	15	7	-	-	8	-	-
Total	104	17	23	29	11	4	20
Percentages	100	16.3	22.1	27.9	10.6	3.8	19.2

Source: Own Survey, 2012

4.2 The Contribution of the MSEs to Local Economic Development (LED)

The literature part of this thesis briefly discusses the contribution of the MSEs to the local economic development through creating employment, income, using local inputs, producing and expanding local markets, asset creation and being flexible during economic changes. Studies also indicate that MSEs contribute a lot to LED in terms of reinvestment of their profits, creating different linkages and generating income to the local government (taxation). Likewise, this study investigates the reliability of the above stated scenario in the case of Sendafa Bekie (the study area). Based on this, the study tries to examine the contribution of MSEs in LED from perspective of employment, income, use of profit, linkages (inputs and markets), taxation and contribution to the local community development in constructing infrastructures in the town.

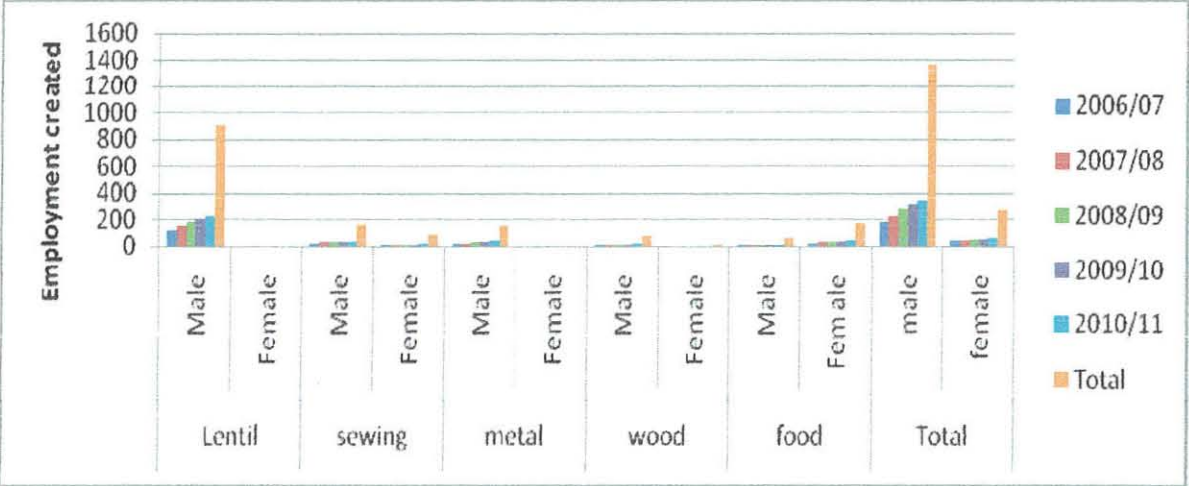
4.2.1 Employment Creation

Increment in employment has a direct link with income improvement of the people and their livelihood, thereby promoting local economic development; In line with this, MSEs can effectively create employment opportunities in both urban and rural areas. According to the FeMSEsDA (2010) revised MSE strategy, MSEs have proven to be the major employment sources in urban areas of developing countries. MSEs which are fairly labor intensive, create employment at relatively low capital cost. In addition, Wangwe, in his study of MSEs Employment implication in Tanzania also revealed that MSEs are more agreeable to spread to

small towns and useful in absorbing the huge portion of the migrant labor force from rural to urban areas (Wangwe, 1999). Along with this fact, this study tries to discover the amount of job opportunities created by MSEs operators. Figure 4.1 below illustrates the number of employees in the Enterprises from 2006/07- 2010/11.

The sector under investigation has created total number of 1637 employment constituting 1366 male and 271 female from 2006/07- 2010/11. The majorities (83.4%) in the MSEs are male and (16.6%) are female. The lentil sector created 911 male employees from 2006/07- 2010/11. Second, the sewing sector created 157 and 82 males and females employee, respectively. Third, metal works sector created 156 male employees from 2006/07-2010/11. Fourth wood works sector created 80 male employees and 14 female employees from 2006/07- 2010/11. Lastly, food related sector created 62 male employees and 175 female employees from 2006/07- 2010/11. This implies that the number of employment opportunities increased from year to year in all industrial sectors. This shows that experience has its own contribution to the number of employment opportunities. From this we can conclude that the lentil sector is the most dominant sector in the study area. This is because of the sector's high access to raw materials from farmers. In this sector, 100% were male employees sector because of the nature of the job and the work of lentil sector demand physical labor force and it is difficult to engage for female employees due to hazard jobs. There was no female employee in metal work, the sector only create employment opportunity for male from 2006/07-2010/11. From this we can understand that the female employee does not have any chance to learn the skills due to different social and cultural influence in the public. The food sector hired 73.8% female employee and 26.2% male employee from 2006/07- 2010/11. This implies that the nature of the job offer female employee than male employee. As a result, by comparing the business enterprises, there are gender disparities in all sectors except food processing sector.

Figure 4.1 Number of Employment Created by Sex and Industrial Sector (2006/07- 2010/11)

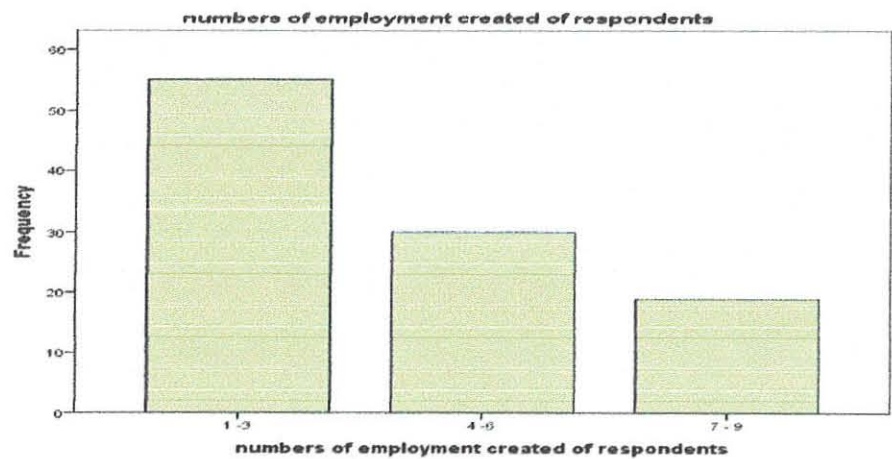


Source: Own Survey and Sendafa MSEs, 2012

4.2.2 Categories of Employment Hired by MSE Owners

Figure 4.2 below shows that; 54% of the business owners hired 1 to 3 employees, 28% of the business owners hired 4 to 6 employees and lastly, 18% of the business owners hired 7 to 9 employees. From this data we can conclude that most MSEs operators are at the level of start-up and some of them are at the growth level of enterprises stage. All of them are categorized under the micro level of the enterprises in terms of their employees.

Figure 4.2 Numbers of Employee in Categories (2006/07- 2010/11)



Source: Own Survey, 2012

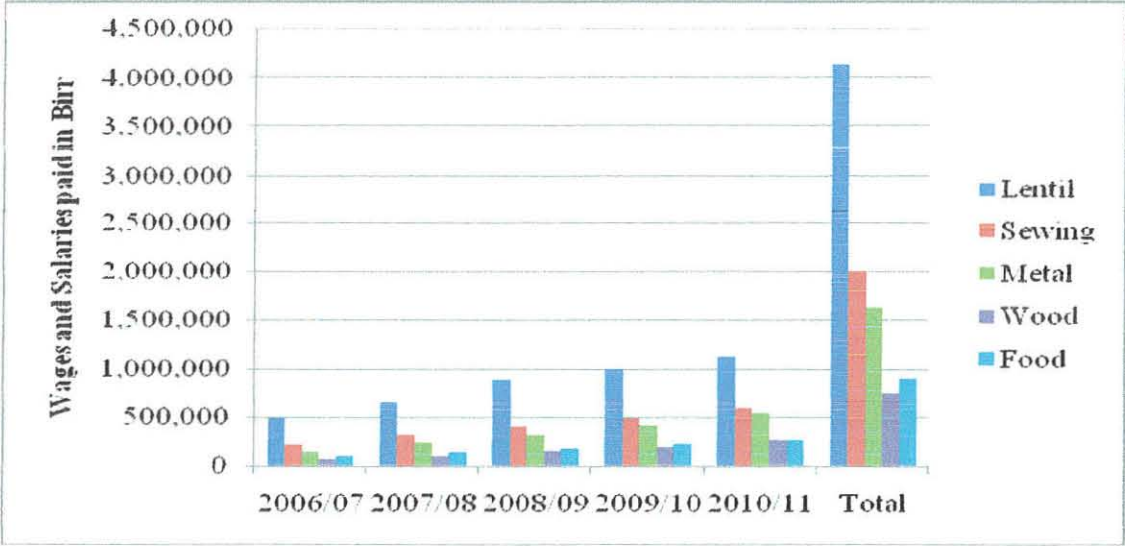
4.2.3 Income Generating

ILO 1996 (cited, in Todaro 2000), have shown that the informal sector are generating almost one-third of urban incomes. Similarly, Department for International Development, DFID (2000) in its Enterprise Development Strategy revealed that, in developing countries, only few poor people secure salaried institutional employment. But majority people depend largely upon income earnings from occasional low paid wage labor, self employment or employment from micro and small enterprises.

Figure 4.3 below indicates that from 2006/07-2010/11, the incomes of employment of each sector were increased from year to year. The amount of birr paid to employees in the form of wages and salaries. From the below mentioned figure, shows that 4,141,334 (43.9%) amount of birr were earned by 911 employees of lentil sector. 2,003,262 (21.3%) amount of birr were earned by 239 employees of sewing clothes sector. 1,628,119(17.3%) amount of birr earned by 156 employees of metal works sector. 753,505 (7.9%) amount of birr earned by 94 employees of wood works sector. 896,897.50 (9.6%) amount of birr were earned by 237 employees of food related sector. The figure also indicates that the amount of income was increased from 2006/07 - 2010/11 (11.8%, 15.6%, 21.5%, 24.1%, and 26.9%) in the lentil sector, respectively. The same is true in the remaining sectors like in sewing clothes (10.4%, 15.7%, 20.1%, 24.5%, and 29.2%), in metal works sector (8.4%, 14.4%, 19.3%, 24.9%, and 32.9%), in the wood works sector(8.9%, 12.7%, 19.4%, 24.4%, and 34.6%), and lastly in the food related sector (11.3%, 14.7%, 19.9%, 24.5% and 29.8%) increased their income from time to time, respectively.

From this data we can conclude that the total income generated by each sector showed incremental change in total amount of income generated by total employees. But when we compare the individual income generated by each industrial sector of the average annual incomes indicated in Figure 4.3 below are 5756 birr. From total employees of 1637, majority employees' count up to 54%, earn annual income of 3000-5000 birr. The average annual income earning is growing as employees' experience grows. In this case, long time establishment has its own positive influence in generating good income. And hence, local government's support is needed to enhance the income condition, help to grow their income via additional over time works and expand their working network with business owners which helps them to upgrade themselves in to self employment.

Figure 4.3 Wages and Salaries Paid to employees by Industrial Sector (2006/07- 2010/11)



Source: Own Survey, 2012

4.2.4 Profitability, Use of Profits and Ways of Wage Paid for Employees

Out of 104 respondents, 95% replied that their enterprises were profitable, and the remaining 5% responded that they were not profitable. The major reason for those businesses which responded that their firms were not profitable is lack of market demand (due to high competition to win in a price and quality) and unfavorable work place (far from the center of the town). For those enterprises established in 2006/07, only 5% of the business owners said their business was not profitable as compared to the total sample survey. The reason for majority of the business owners who face less/no profit is the habit of their work which is characterized by on and off mood. However, MSE businesses established in 2006/07 of sample survey are profitable compared to the businesses with on and off work habits.

Table 4.5 below shows that many of the business owners 60 (57.7%) reinvested their profits. On the other hand, 38.5% reported that they save their profit and 3.8% proved that they reinvest their profit by others. The result shows that reinvestment of profit increases the investment growth of the small enterprises and contribute a lot to LED. Besides, it leads to the increment of additional job opportunities to the local community. As a result of this, the community can be benefited from income (wage) generating, improved social services and increased access to availability of products. Table 4.5 below also shows that, 9.6% of the MSEs Pay monthly wages. On the other

hand, 81.7% of them pay wages on weekly bases. The remaining 8.7% pay daily. The survey shows that large amount of the payment occurs on weekly bases and MSEs employees' income is determined based on productivity or income of the enterprises rather than the number of working hours at the workplace.

Table 4.5 Ways of Use Profit and Wage Paid for Employees by the Respondents

Industrial sector	No. of respondents	Ways of use profit			Ways of wage paid for employees		
		Reinvest	Reinvest & save	others	Monthly	Weekly	Daily
Lentil	50	26	20	4	-	47	3
Sewing	21	17	4	-	-	17	4
Metals	12	6	6	-	2	10	-
Wood	6	3	3	-	2	4	-
Food	15	8	7	-	6	7	2
Total	104	60	40	4	10	85	9
Percentages	100	57.7	38.5	3.8	9.6	81.7	8.7

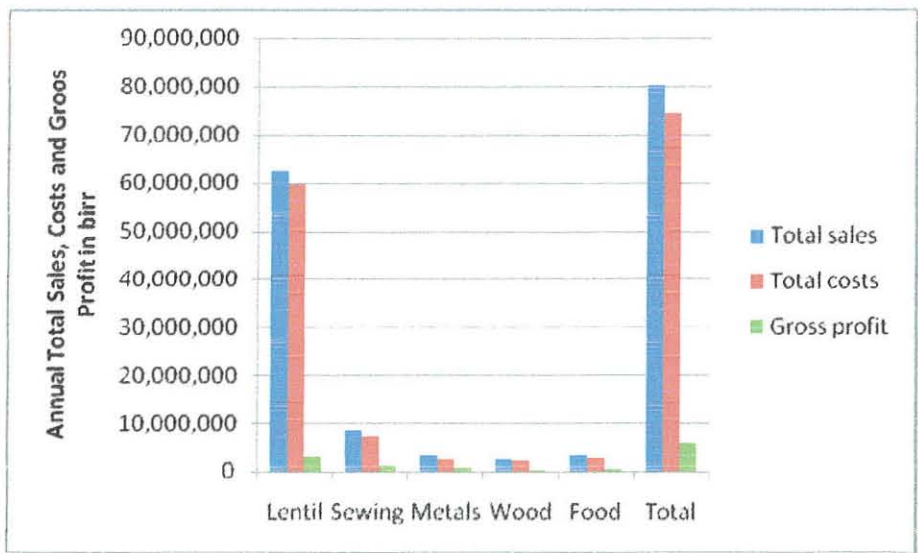
Source: Own Survey, 2012

4.2.5 Gross Profit of the MSEs Owners

Figure 4.4 below shows that the lentil processing sector was the most dominant sector in the study area. Lentils annual total sales, annual total costs and annual total gross profit were (62484336, 59562460 and 2921876) birr, respectively. Sewing annual total sales, annual total costs and annual total gross profit were (8597158, 7228191 and 1368967) birr, respectively. Metals annual total sales, annual total costs and annual total gross profit were (3293033, 2623059 and 669967) birr, respectively. Wood annual total sales, annual total costs and annual total gross profit were (2483000, 2171275 and 311725) birr, respectively. And food annual total sales, annual total costs and annual total gross profit were (3311281, 2810021.08 and 501259.92) birr, respectively. From this data we can understand that the lentil processing sector has the highest annual total sales (77.9%) among others sectors of the industry. To sum up, in terms of annual total gross profit lentil, sewing, metal works, food processing and wood works sectors had (50.6%, 23.7%, 11.6%, 8.7% and 5.4%) contribution from the total gross profit of the

business, respectively. This implies that the lentil processing sector were the dominant sector of the others sector of the business, because the sector of lentil processing has directly relationship with the rural agricultural output of the product. The second implication of its dominant was come from the large volume of sales.

Figure 4.4 Total Sales, Total Costs and Gross Profit by Industrial Sector (2010/11)



Source: Own Survey, 2012

4.2.6 Linkage of the Enterprises

As it has been indicated by Tocoli 2003 (cited in Tegegne, 2006) there are different types and levels of inter-sectoral linkages. They operate at household level and at the level of local economies, which include backward and forward production linkages between agriculture and manufacturing. In this study, linkages refers to the MSEs are therefore one of the effective ways of increasing a balance growth between the urban and rural. Most of the agricultural inputs are the outputs of industrial sector of the study area. So, the industrial sectors are those that are rural friendly by their nature in terms of the linkage with agriculture, market, location advantages and resource advantages. The linkages effects are the agricultural output sold to the industrial in the form of fore ward linkages and the agricultural inputs purchase from industry in the form of back ward linkages. So, one sector creates a market for the others. MSEs’ linkages in terms of input, farm sector and market linkages of the study are assessed in this section.

4.2.6.1 Product (Output) Linkage

In this case, the local linkages of the enterprises could be examined in terms of their outputs and the linkage they create with the customers. The customers in linkage are local and customers of areas surrounding Addis Ababa, and Addis Ababa city administration (Merkato market).

In terms of outputs, 48.1% of the MSEs provided their outputs to Addis Ababa markets while 32.7% provided their outputs to local markets (Sendafa Town) and 19.2% provided their outputs to the woreda's market. This implies that 51.9% of the operators provided their outputs to the local markets and have a significant contribution to LED for there is possibility of generating income and creating employment in other sectors.

Table 4.6 Link of Products of Respondents

Industrial sector	No. of respondents	Market linkages of the existing businesses		
		Local markets/Sendafa town	Woreda markets	Merkato markets
Lentil	50	-	-	50
Sewing	21	6	15	-
Metals	12	9	3	-
Wood	6	6	-	-
Food	15	13	2	-
Total	104	34	20	50
Percentages	100	32.7	19.2	48.1

Source: Own Survey, 2012

4.2.6.2 Major Suppliers of Raw Materials and Customers of Output

With regard to the major suppliers of raw materials input for the operations of MSEs, 97.1% were supplied by local traders, 2.9% by large and medium enterprises.

From this we can understand that the enterprises have input market linkages with the local traders (business enterprises established locally, which supply different inputs to the local area). Besides, they contribute to the local economy in creating employment and paying taxes to local government. The finding reveals that there is integration among the different local business enterprises (i.e. between the producers and input suppliers) in the study area. This may contribute a lot to local economic development through multiple positive effects which enhances the development of the enterprise in the study area.

Furthermore Table 4.7 below shows that among the MSEs operators' customers 48.1% were business organization, 33.7% urban dwellers and 18.3% were local farmers. This implies that the business organizations serve as the major source of market for the MSEs followed by urban dwellers and local farmers.

Table 4.7 Supply of Raw Materials and Customers of Respondents

Industrial sector	No. of respondents	Suppliers of inputs		Customers of outputs		
		Large and medium enterprises	Local traders	Urban dwellers	Farmers	Business organizations
Lentil	50	-	50	-	-	50
Sewing	21	-	21	9	12	-
Metals	12	1	11	8	4	-
Wood	6	1	5	6	-	-
Food	15	1	14	12	3	-
Total	104	3	101	35	19	50
percentages	100	2.9	97.1	33.7	18.3	48.1

Source: Own Survey, 2012

4.2.7 Contributions of MSEs to the Community

According to Helmsing (2001) the development of enterprises is one among many that have significant and positive contributions to LED. MSEs therefore are considered as component of the local economic development in urban areas. In addition to employment creation, these business enterprises contribute to LED in mobilizing resources for constructing schools, health centers and community roads together with the local government and community institutions (Blakely, 1994). It is analyzed the contribution of MSEs to the local economic development in terms of raising money for road constructions, health and education is greatest.

Table 4.8 below shows that 74% of the MSEs operators contributed (raised) money for physical infrastructure of the community. And the remaining 19.2 % and 6.8% raised money for social infrastructure and no contribution in the community, respectively. This implies that MSEs contribute a lot to the local development by expanding community roads, social services (health centers and education). Similar finding study made by ECA (2007) also indicated that small

enterprises in Tanzania, Nigeria and Uganda participate in socio-economic development of their locality such as in constructing schools, health centers, roads and water activities.

Table 4.8 Types of Contribution for the Community Support.

Industrial Sector	No. of respondents	Types of contribution to the community support		
		Raise money for physical infrastructure	Raise money for social infrastructure	No contribution in the community
Lentil	50	36	14	
Sewing	21	16	-	5
Metals	12	12	-	-
Wood	6	6	-	-
Food	15	7	6	2
Total	104	77	20	7
Percentages	100	74	19.2	6.7

Source: Own Survey, 2012

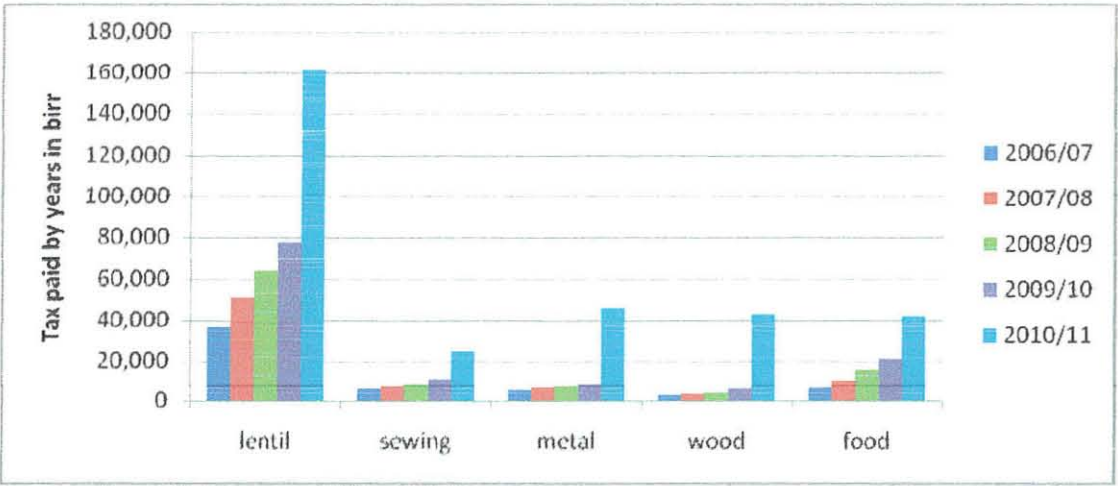
4.2.8 Generating Tax to the Local Government

A tax is compulsory contribution of the wealth (payment of money) of a person or an enterprise for the service of the public provided by the government. Such public services are roads, electric power, water, security, education, etc (Mehari, 2006). Income generating to the local government in the form of taxation is one of the contribution of the MSEs .

With this regard, Figure 4.5 shows the average business income taxes paid by individually owned MSEs to the local government annually. Tax payments made by industry sectors of MSEs running from 2006/07 to 2010/11 is stated below; lentil sector of MSE operators paid tax around (36250, 50968, 63838, 77360 and 160000) birr, respectively. Sew clothes sector of MSE operators paid tax around (5727, 7323, 9076, 11272 and 25000) birr, respectively. Metals paid tax around (5535, 6227, 7250, 8910 and 48000) birr, respectively. Wood sector of MSE operators paid tax around (3075, 3510, 3921, 5758 and 42000) birr, respectively. Food related sector of MSE operators paid tax around (6226.90, 10576, 15670, 21112 and 41000) birr, respectively. From these all industry sectors lentil sectors of MSE operators were the highest tax payer in amount of birr and community support contribution in the study area. This implies that lentil sector have a strong relationship with rural linkages than other sectors. In general, the

generating income to local government (taxation) is also another important contribution made by the enterprises of local industrial sector.

Figure 4.5 Tax Paid by the MSEs Owners (2006/07- 2010/11)



Source: Sendafa Revenue Office, 2012

4.3 Major Opportunities of Micro and Small Business

One of the major opportunities of MSEs is availability of training programs. There are essentially six stages of training program regardless of the target group. The first stage is awareness, in which participants are encouraged to examine who they are, clarify their own values, and evaluate their own personality, motivations, capabilities and personal resources. The second stage is acceptance or recognition of one's own strengths and weaknesses- not everyone has to be a leader or hero, but being more creative, innovative and competent is likely to produce rewards in any profession. The third stage is goal setting, where the emphasis is placed in developing clarity of purpose in one's short and long term goals of life. The fourth stage involves developing strategies or action plans which are oriented to generating growth. The fifth is direct experience where the emphasis is on doing; structured learning experiences and encountering "real life" situations assist in building up this experience in which strategies are tested, evaluated and modified. The last one is transformation and empowerment where the competencies acquired come together into a pattern which matches personal strengths and weaknesses with goals (CEFE- International, 1998).

4.3.1 Motives for Engaging in the Business

The question on the basic reason that drove owners of the enterprises start the business is another question that the respondents were asked. The Figure below shows the major reason for operators who started their business activities related with their background skills.

Table 4.9 below shows that 42.3% of all respondents that were engaged in different sector of economic activities started their respective business. As per their background skill, 28.8% were engaged in the business expecting good income, 19.2% were engaged for the reason that they had no other alternatives for income, 4.8% were engaged to be self employed, 3.8% were engaged in the business because it requires low start-up capital, and 1% were engaged using their skills already acquired. This implies that having previous job experience and skill supports for the MSE operators to run their business efficiently. This one of the available possibilities to run business as their abilities and skills acquired before starting a business.

Table 4.9 Reasons for Choosing to Engage in this Business of Respondents

Industrial Sector	No of respondents	Major reasons to choose the existing business activities					
		Background skills	Expectation of good income	Requires low start-up capital	Self employed	No other alternatives	Use already acquired skills
Lentil	50	19	23	-	-	8	-
Sewing	21	10	7	-	1	3	-
Metal	12	10	-	-	1	-	1
Wood	6	5	-	-	1	-	-
Food	15	-	-	4	2	9	-
Total	104	44	30	4	5	20	1
Percentages	100	42.3	28.8	3.8	4.8	19.2	1

Source: Own Survey, 2012

4.3.2 Types of Government Support Provided at Start –up

Table 4.10 below illustrates that 59.6% of MSE operators complain for not gaining any business development support from local government. Whereas, 31.7% have received work premises support, 3.8% credit support, 2.9% market linkage support and business training assistance is given to 1.9% of the enterprises by the local government.

From the Table we can observe that more focus was not given to individually owned enterprises. In addition, the information obtained from the interview and discussions held among the individually owned enterprises have also confirmed that there was less attention given to the individually owned business operators compared to the cooperatives. The reason is that the local government encourages and supports MSEs in cooperatives form than individual bases. This is due to the assumption that cooperatives create more employment opportunities than individually owned enterprises.

Table 4.10 Kinds of Government Support of Respondents

Industrial sector	No. of respondents	Kinds of government support during start-up business				
		Training support	Credit facilities	Working premises	Market linkages	No support at all
Lentil	50	-	4	13	-	33
Sewing	21	1	-	5	1	14
Metals	12	1	-	10	1	-
Wood	6	-	-	5	1	-
Food	15	-	-	-	-	15
Total	104	2	4	33	3	62
Percentages	100	1.9	3.8	31.7	2.9	59.6

Sources: Own Survey, 2012

4.3.3 Current Business Development Services Accessed in Existing Businesses

It is clear that the access of BDS have significant role in reducing costs; and improving productivity and competitiveness of business. Even though each service has its own relevance in a given business, most BDSs are interlinked and complementary to each other (Dawson and Jean 1998, Dawson et al. 2002 cited in Teklit, 2010). This implies that, for instance information

service can facilitate the creation or diffusion of innovation ideas within and between enterprises which further improve market and non market linkage among and between enterprises.

From Table 4.11 below, it can be observed that almost of the respondents 100(96.1%) answered there are no accessed in any business training, 1.9% got BDS on business planning, 1% got BDS training on marketing and 1% got BDS training on technical training. From this we conclude that there is very less business development services in the town.

Table 4.11 Current Business Development Services Accessed in Existing Businesses

Industrial sector	No. of respondents	Types of BDSs accessed in existing MSEs			
		Business plan	Marketing training	Technical training	Do not get any training
Lentil	50	-	-	-	50
Sewing	21	-	-	-	21
Metals	12	1	1	1	9
Wood	6	1	-	-	5
Food	15		-	-	15
Total	104	2	1	1	100
Percentages	100	1.9	1	1	96.1

Source: Own Survey, 2012

4.3.4 Current Needs in Existing Businesses

From Table 4.12 below, it can be observed that the current needs of the existing MSE operators expressed by 37.5% to get financial support for running their business well, 30.8% need business advice, information and counseling on their existing business, 13.5% need training on how to start, generate and improve their business, 1.9% need marketing support, 13.5% need business networking and 1% need technical support. This implies that the majority of MSE operators need MSE office's support for enhancing their business in wide.

Table 4.12 Current Needs in Existing Businesses

Industrial sector	No. of respondents	Kinds of current needs in existing business						
		Financial support	Training in SYB,IYB, GYB	Advice, information and counseling	Marketing support	Business premises	Technical support	Business networking
Lentil	50	7	3	30	-	-	-	10
Sewing	21	18	2	1	-	-	-	-
Metal	12	6	3	1	-	-	-	2
Wood	6	4	1	-	-	-	1	-
Food	15	4	5	-	2	2	-	2
Total	104	39	14	32	2	2	1	14
Percentages	100	37.5	13.5	30.8	1.9	1.9	1	13.5

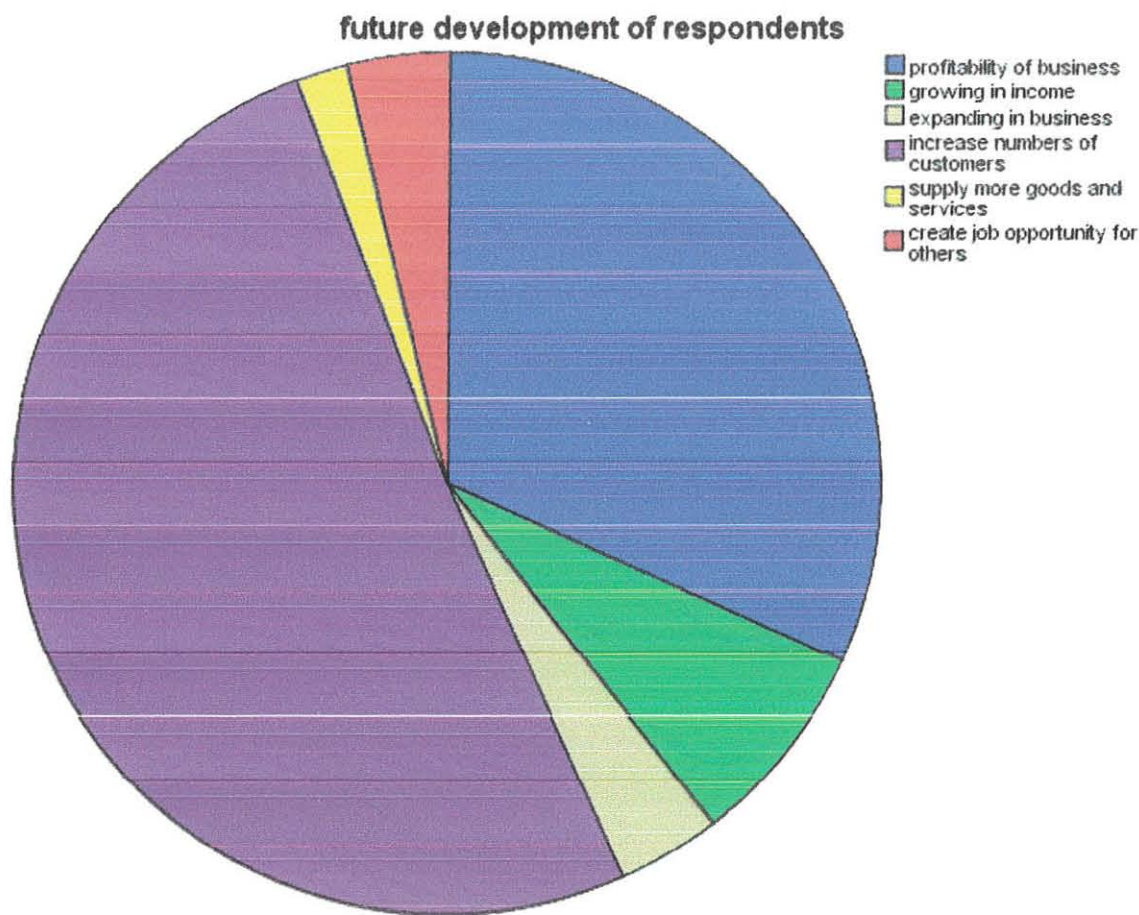
Source: Own Survey, 2012

4.3.5 Future Businesses Development in Existing Businesses

Making markets work emerged as a key element of enterprise development, especially in the context of promoting opportunities for employment and income generation for the poor and other disadvantaged groups. This means that, future development of businesses for existing MSEs use the tools of markets act as a vehicle for promoting competition, enhancing choice, fostering innovation and creating wealth.

Figure 4.6 below shows that the majority of respondents which accounts for 51% are having plan for the future development of their businesses in terms of increasing numbers of customers, 31.7% of them to make their businesses to become more profitable business, 7.7% become growing in income, 1% become supplying more goods and services in bulk, and 7.7% create job opportunities for others. This implies that, 82.7% increase numbers of customers and profitability of businesses of their product. This is true, if any business operators increase numbers of customers then the sales volume is increase and become profitable.

Figure 4.6 Future Businesses Developments in Existing MSEs



Source: Own Survey, 2012

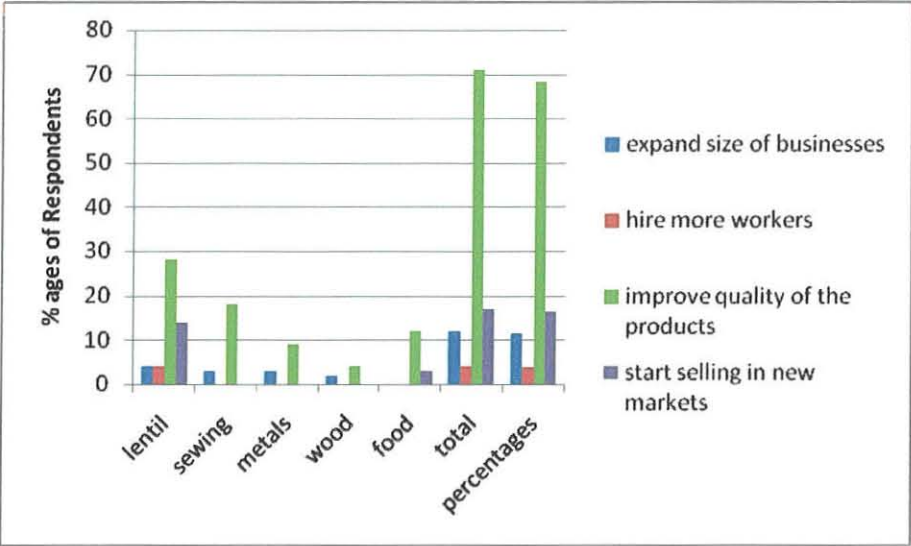
4.3.6 Ways of Existing Business Expansion

Ways of existing business expansion will expand through improving the qualities of product, to start selling in new markets, expand the size of business in volume of business and hire more employees on the existing business.

Figure 4.7 below shows that the majority of respondents which accounts for 68.3% need to expand their businesses by improving quality of the products, 16.3% to start selling in new markets, 11.5% to expand size of businesses, and 3.8% to hire more workers. It implies those

improve the quality of products, selling products in new markets, expand size of business and hire more workers are the priority and sequential measurement for their business.

Figure 4.7 Ways of Existing Business Expansion



Source: Own Survey, 2012

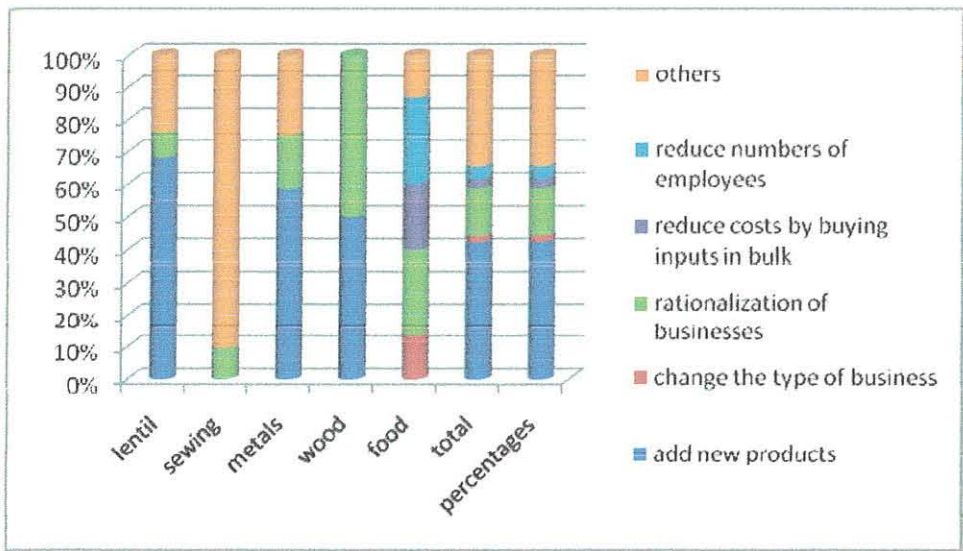
4.3.7 Ways of Existing Business Diversification

In many countries, a significant amount of overall economic activity can play a vital role in the MSEs. Most poor people in developing countries engaged in private sector activities through farming and associated agribusiness. Enterprise, both on farm and off farm, is the major feature of rural economies, where 75 % of the world’s populations living on less than US\$1 a day are to be found. By chance, the private sector is meeting the needs of poor people in areas where government services are in adequate, such as in slums and rural areas (World Bank, 2010).

Figure 4.8 below shows that 42.3% expressed that they need to add new products to their business, 34.6% answered others i.e. farming, rearing of animals, cattle fattening, agro processing, 14.4% bring their business rationalization of business, 3.8% will reduce numbers of employees, 2.9% will reduce costs by buying inputs in bulk, and 1.9% will change the type of business. This implies that the majority of the respondents bring the diversification of the business by adding new products, farming, rearing of animals and planting of trees, fattening

cattle, and agro processing to the their business. Despite this, micro and small businesses face some constraints that affect their development.

Figure 4.8 Ways of Existing Business Diversification



Source: Own Survey, 2012

4.4 Major Problems Facing the Micro and Small Businesses

4.4.1 External Problems in the Study Area

We can see the external problems face the micro and small enterprise in the form of lack of *market and information, financial problems, high competition from external traders, lack of raw materials, lack of business premises at affordable rent and prices, inadequate government support, lack of training, inflation and tax burden by government*. These all problems must be *adjusted by the local government because of the external problems are beyond their capacity*.

From Table 4.13 below, the major common problems faced by micro and small businesses were; 37.5% lack of access to market and business information problems, 19.2 % financial problems, 10.6% limited access to training and 10.6% inflation, 8.7% lack inadequate government support, 4.8% inability to compete with big businesses, 3.8% lack of access to raw materials, 2.9% lack of premises at affordable rent, and 1.9% tax burden. This finding is similar to other related MSE studies. For instance, Gebrehiwot and Wolday (2004) have noted that lack of access to market

and business information, finance and limited access to training are the most important problems encountered by MSEs in Ethiopia. Similarly, ECA (1996) has also indicated that, MSEs in Africa are facing constraints of finance, business premises, market and available infrastructures.

In the FGD it was mentioned that first, there is no credit service for youth. Second, the amount of loan provided for is very small (below 3000 birr). Third, group collateral is another problem for the enterprises (i.e. no individual base credit with machinery collateral). Finally, the loan return period is very short (three months). Furthermore, support provided for MSEs was not integrated, such as credit with training, work place, etc. and most of training given to MSEs was business training, while technical trainings are limited.

Table 4.13 External Actual Problems of Respondents

Industrial sector	No. of respondents	Types of external problems								
		Lack of market and information	Financial problem	High competition	Lack of raw materials	Lack of business premises at affordable rent	Inadequate gov't support	Lack of training	Inflation	Tax burden
Lentil	50	16	10	5	3	-	4	8	3	1
Sewing	21	8	3	-	-	-	5	-	5	-
Metal	12	7	3	-	-	-	-	2	-	-
Wood	6	4	1	-	-	-	-	1	-	-
Food	15	4	3	-	1	3	-	-	3	1
Total	104	39	20	5	4	3	9	11	11	2
Percentages	100	37.5	19.2	4.8	3.8	2.9	8.7	10.6	10.6	1.9

Source: Own Survey, 2012

4.4.2 Internal Problems in the Study Area

In this case, the internal problems consists of management difficulties, technical skills problems, lack of commitment to work strongly, disagreement among workers, low turnover of the business and low level of education.

With regard to internal problems, low turnover (46.2%), low level of education (29.8%), internal management difficulties (9.6%) were reported as the major problems facing the micro and small businesses. The others were lack of technical skills (6.7%), disagreements among members

(3.8%), lack of commitment to work (1.9%). Fortunately, 1.9% of respondents reported that they did not have internal problems.

From the Table 4.14 below, one can observe that the major common internal problems for MSEs are low turnover and low level of education and due to low level of education holding book keeping is critical problem for MSEs. As a result of this, there is less accountability to the businesses.

Table 4.14 Internal Actual Problems

Industrial sector	No. of respondents	Types of internal problems						
		Management difficulties	Technical skills problems	Lack of commitment to work	Disagreement among workers	Low turnover	Low level of education	No internal problems
Lentil	50	4	-	-	-	29	16	1
Sewing	21	4	-	2	-	9	6	-
Metal	12	2	4	-	4	1	1	-
Wood	6	-	3	-	-	1	1	1
Food	15	-	-	-	-	8	7	-
Total	104	10	7	2	4	48	31	2
Percentages	100	9.6	6.7	1.9	3.8	46.2	29.8	1.9

Source: Own Survey, 2012

4.4.3 Current Working Places Problems

We can see the current working places problems refers to transportation problems, narrowness of the working places, water supply, electric power supply, and others problems. Based on this clue the respondents answered based on their critical problems faced the business activities.

In the study area, 54.8% have no current working places problem, 24% has narrow working places, 7.7% has a transportation problems, 7.7% has the transportation and narrow working places and 5.8% have others problems like lack of electricity and water supply. The implications are that although current working places problems are not significant for business operating activities there are also associated problems which can possibly limit their activities. Accesses of working places bring local economic growth for the local government of the study area.

Table 4.15 Current Working Places Problem

Industrial sector	No. of respondents	Types of current working places problems				
		No problem	Transportation problem	narrowness	Transportation and narrowness	Others
Lentil	50	35	8	7	-	-
Sewing	21	10	-	-	8	3
Metal	12	5	-	6	-	1
Wood	6	6	-	4	-	1
Food	15	1	-	8	-	1
Total	104	57	8	25	8	6
Percentages	100	54.8	7.7	24	7.7	5.8

Source: Own Survey, 2012

4.4.4 Current Problems for Enterprises Growth in the Study Area

Current problems for enterprises growth face the problems of access to credit, working premises problems, shortages of raw materials, insufficient infrastructure and inadequate marketing in terms of lack customers occurs due to inappropriate price setting, lack of providing quality products and services in the study area. In addition to, the inappropriate placing and promotion of businesses have its own cause for slow growth of the enterprises.

The major current problems for enterprises growth according to 56.7% respondents have problems of access to credit, 25% have marketing problems, 7.7% have raw materials and infrastructural problems and 2.9% have working premises problems. From this we can conclude that access to credit and marketing problems are the major problems of current enterprises growth due to inappropriate price setting and quality product and services provided to the local people in the study area. The other justification of these problems came from lack of penetrating the marketing strategies due to low level of education of the MSE operators and lack of updating their business ideas, innovation, and marketing network problems.

Table 4.16 Current Problems of Existing Business Growth

Industrial sector	No. of respondents	Types of current problems faced enterprise growth				
		Access to credit	Working premises	Raw materials	Infrastructure	Marketing
Lentil	50	35	-	-	8	7
Sewing	21	12	-	-	-	9
Metals	12	5	-	1	-	6
Wood	6	4	-	-	-	2
Food	15	3	3	7	-	2
Total	104	59	3	8	8	26
Percentages	100	56.7	2.9	7.7	7.7	25

Source: Own Survey, 2012

4.5 Firms Efficiency Level Measurements and Factors Affecting the

Performance of MSEs

4.5.1 Firms Efficiency Level Measurements

Efficiency is the ratio between the out puts produced with the amount of inputs used. In other words, it is the ratio of selected inputs to outputs.

One of the performance indicator of firms that engaged in provisions services and production of goods is to measure their efficiency level. Firms performing at lesser amount of costs that arises from direct materials, labour and other related costs are efficient firms provided that they are producing the same quality of goods and services. In this particular study sector were covered with the survey, however only four sectors which constitute 54 firms are covered and their efficiency level was measured. Table 4.17 has summarized the efficiency level of metal, sewing, wood and food where their details have been shown in annex 3.

Table 4.17 indicates that 25% of MSEs firms engaged in metal works are 100% efficient while 67% of them are operating under stated the efficiency level which are found in the range 90-99.99%. The efficiency levels of those firms engaged in sewing cloths also have been analyzed.

In this regard, those who are operating at 100% efficiency level correspond to 19% and those operating at efficiency level of 90-99.99% account for 38%. But, significant proportions of firm which account for 43% are operating at the efficiency level of 80-89.99%.

Those firms engaged in wood and wood products are the only MSEs firms which have been significantly operating at efficiency level of 100% as compared to others. They account for 83% while, those who are operating at 90-99.99% correspond to 17%.

Food is another sector that MSEs firms are engaged in the study area in that 27% of them are operating at 100% efficiency level. This sector has unique characteristics as compared to others in that there are also firms which are operating at efficiency level of 70-79.99%.

Generally, it can be concluded that, out of 54 firms those were selected to measure their efficiency level, only 29% are operating at 100% efficiency level, while the larger proportions are operating at the efficiency level of 90-99.99%. There are also 29% of firms which are operating the efficiency level of 80-89.99%. These show that unless majority of firms are working towards to improving their efficiency training on entrepreneurship, managerial training and updating their business skill and ability on marketing network, innovations, how to start, generate and improve their business ideas, to be competitive in this changing world and playing its own role in achieving the Growth and Transformational Plan of the country become very challenging.

Table 4.17 Efficiency Level of Firms

Sectors	100%		90-99.99%		80-89.99%		70-79.99		Total
	Frequency	%	frequency	%	Frequenc y	%	frequency	%	Frequency
Metal	3	0.25	8	0.67	1	0.08	-	-	12
Sewing	4	0.19	8	0.38	9	0.43	-	-	21
Wood	5	0.83	1	0.17	-	-	-	-	6
Food	4	0.27	3	0.2	6	0.4	2	0.13	15
Total	16	0.29	20	0.37	16	0.29	2	0.037	54
%	29.6		37		29.6		3.7		100

Source: Own Survey, 2012

4.5.2 Factors Affecting the Performance of MSEs by Each Firm

The factors that affect the performance of micro and small enterprises are direct material costs (DMC), direct labor costs(DLC) and other related costs (ORC) like administrative costs, light expense, water expense, and rent expense and so on.

Direct materials are raw materials that become an integral part of the finished goods and direct material costs are costs that incurred in producing a product. Direct labor costs is the cost of wages to be paid to individuals who work on specific products or in other words, the cost of wages of employees who are directly involved in converting raw materials into finished goods. Indirect costs or other related costs or over head costs is the cost of production employees who are involved in the manufacturing process, but do not work on a specific product. In other words, overhead cost is costs attributable to outside. It includes the advertising, depreciation, indirect labor in terms of salaries or wages paid to individuals, insurance, interest, rent, repairs and maintenance, supplies expense, taxes, telephones, travels and utilities.

Inputs are all the resources that contribute to the production and delivery of outputs. In other words, inputs are what we use to do the work. Outputs are the final products, or goods and services produced for delivery or what we produce or deliver. For instance, the raw materials cost in lentil sector firm is almost nearest to the cost of products they produce and the direct labor costs and other related costs are cheaper than the materials cost.

Figure 4.9 below shows that, (0.91), (0.72), (0.60), (0.58) and (0.54) were the total direct material costs to output ratio for lentils, sewing clothes, food and related, wood works, and metal works, respectively. From this we can conclude that the total direct materials cost to output ratio of metals work is better than others and wood work is the second advisable business to perform in terms of total material cost to output ratio, the total direct materials to output ratio of the lentils are the highest cost incurred sector as compared to the others.

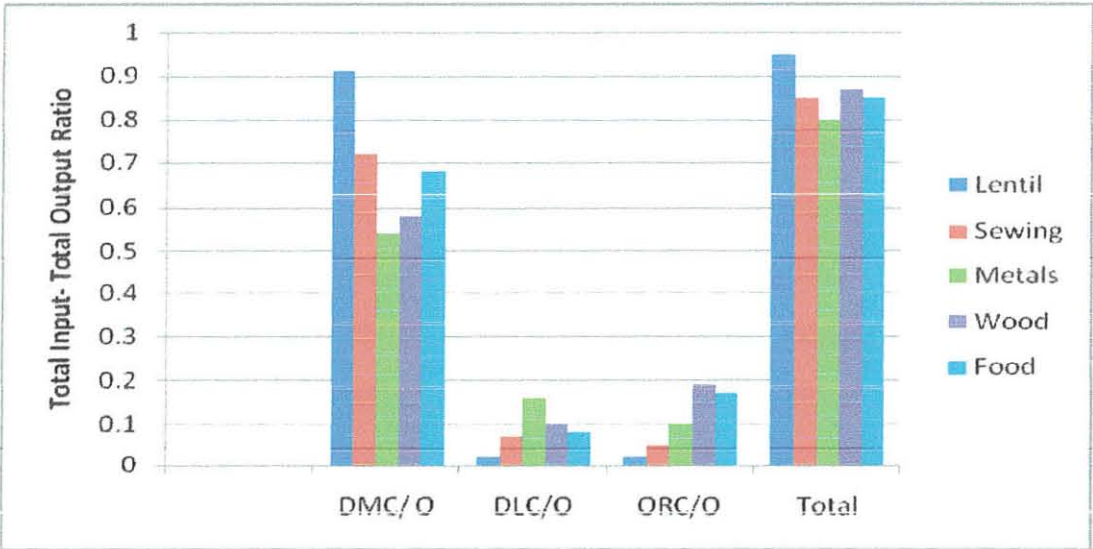
Second the total direct labor costs to output ratio of each sector mentions as follows, (0.16) was the total labor cost to output ratio of metal works, (0.10) was total labor costs to output ratio of wood works, (0.08) was the total labor costs to output ratio of food and related, (0.07) was the total labor costs to output ratio of sewing clothes and (0.02) was the total labor costs to output ratio of lentil processing. The total labor costs to output ratio implies that the total labor costs to

output ratio of lentil processing is better than the others, because the lentil processing has large sales volume and has the cheapest labor due to unskilled labor involved in the sector. The total labor costs to output ratio of metal works and wood works sectors are more expensive than other sectors, because this sector need well trained, experienced and professionals of TVET graduate students hired by the business sector. Therefore, the cost paid in the form of salary and other benefits to the labour is better than other sectors due to the needed technical skills of the work.

Thirdly, from Figure 4.9 below shows that, total other related cost to output ratio are discussed (0.02) was the total other related cost to the output ratio of lentil processing, (0.05) was the total other related costs to output ratio of sewing clothes, (0.10) was the total other related costs to output ratio of the metal works, (0.17) was the total other related costs to output ratio of the food and related and (0.19) was the total other related costs to output ratio of the wood works of the industrial sector of the study. From this, the total other related costs to output ratio implies that the lentil processing sector is the cheapest of other related costs than the others, because the lentil processing sales volume is the highest and cheap labor due to unskilled labor involved in the sector on the study area. The sewing sector is the second sector of fair cost of other related costs than the three remaining sector (i.e, metal, wood and food) of the industrial sector of the study.

However, the wood sector and the food sector have the highest cost in other related costs as compare to the lentil and sewing, because these sectors have less sales volume due to low demand in the study area. These highest costs of other related costs of wood sector came from the highest cost for light expense and the food processing sector used the highest cost of fire wood consumption and water expenses. This implies that due to the highest costs of total other related costs affect the performance of efficiency level of the firms.

Figure 4.9 Total Input-Output Ratio of Each Industrial Sector by Each Cost (2010/11)



Source: Own Survey, 2012

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 CONCLUSIONS

Micro and small enterprises (MSEs) are the major engines for the economic activity in Oromia region next to agriculture, especially in urban areas. They are the main source of livelihood for the urban population. MSEs are playing a great role in creating employment opportunities, income generating, and trade connection with the local suppliers, market linkage and better tax payments to the local government which contribute a lot to local economic development.

During this study, efforts have been made to examine the contribution of the lentil, sewing, metals, wood and food related micro and small enterprises in terms of creating employment, generating income, use of profits and market linkages in local economic development in Sendafa Bekie town. Furthermore, the study has identified opportunities available and major problems encountered in the study area. Lastly, the study has measured the efficiency level of MSEs in terms of their inputs and outputs.

The study focuses on lentil, sewing, metals, wood and food micro and small enterprises. About 104 sample enterprises have been covered by the survey study. In due course, the findings and results of the survey can be summarized as follows:-

From the analysis of the study we can understand that the enterprises have input-output market linkages with the local traders (business enterprises established locally, which supply different inputs to the local area). Along with, they contribute to the local economy in creating employment and paying taxes to local government. The study finds out that there is integration among the different local business enterprises (i.e. between the producers and input suppliers) in the study area. This may contribute a lot to local economic development through multiple positive effects which enhances the development of the enterprise in the study area. It is found that business organizations and urban dwellers are serving as the major source of market for the MSEs.

To sum up, the significant issues dealt in this study which are important to the great positive contribution of the local economic developments via the existing strong capability of the enterprises in creating job opportunities which is vital to reduce unemployment, improve community livelihood through diversifying income generating mechanisms, and market linkage and relations in addition to the highest level of profit reinvestments. Moreover, these micro and small businesses enterprises are advantageous for community development in terms of raising money for the physical and social infrastructure around the areas of operation. High loyalty in paying taxes being observed among the enterprises is another significant contribution to the local government's activities.

The major problems encountered by the enterprises can be categorized into two types: external and internal. With regard to external problems the major challenges identified by the survey are lack of enough access to market and business information, financial scarcity (credit) facilities, limited access to training and low business expansion. Apart from the external problems MSEs were exposed to internal problems such as managerial i.e. insufficient own business management problems in addition to low turnover, low level of education. In terms of technical training support, it is found that MSEs office is not providing enough training for business owned enterprises at large.

The study also identified the efficiency level of firms engaged in sewing, wood, food and metal. The result shows that small proportions of firms are operating at 100% efficiency level while larger proportions are operating at lesser efficiency level.

5.2 RECOMMENDATIONS

Based on the major findings discussed on the paper, the researcher has suggested the following key points with the view of improving the role of micro and small enterprises contribution to local economic development in terms of employment opportunity, income generating, taxation, improving the efficiency level of MSEs and reduce urban poverty.

Strengthening local government support to MSE sector

From the survey result and analysis, many sampled micro and small enterprises are not being supported by local government. Hence, to improve this, the researcher highly recommend that greatest attention is needed form to local government to build the capacity of MSEs in different aspects such as better credit facilities, trainings and market access so as to ensure better productivity among these enterprises.

Facilitate access to credit

As per the research findings of this paper the sampled micro and small enterprises do not have enough access to credit. This problem is originated from mismatch between credit demand and supply. The less capacity of the MFI to deliver credits, failure in creating awareness which helps to identify competent clients before supply of credit and capacity limitations to provide training, business plan preparation, ineffectiveness to facilitate production and sale site are other major limitations. Therefore, the local government expected to produce system that encourage people who are interested to establish MSE and enable them have saving habits in process in addition to improved initial credit services.

Facilitate market and marketing system

Most market supply provisions are government dependent that restricted the ability MSE to be competent independently. Most MSE are not competent in production they supply. Failure in application of incentive rules that were formulated at regional level fairly and uniformly on MSE support base is also found as one of the obstacles for MSEs growth. Therefore, the local government has to support and create market linkage, and facilitate working and sales sites on MSE business nature.

Facilitate training on skill and technology support

The local government has to provide skill development and technology support on market demand basis. Moreover, the local government and stake holders must improve MSEs' ability by facilitating access to managerial training and enable enterprise to have basic business management and entrepreneurial skill.

More attention should be given to the existing MSEs

The survey study shows that majority of the supports provided by the government are not strong enough to enable the beneficiaries upgrade their capacity so that they can be competent enough to win and penetrate the existing market challenges through enhanced product qualities and sales strategies. Since the business owned MSEs are contributing a lot to the local economic development special attention should be given to maximize their desired success and upgrade themselves in to the expected next level of enterprise for they are the future industrial bases of the study area.

MSEs firms need to improve their efficiency

Costs associated with direct materials, labour and other related costs are those costs that affect the efficiency level of firms. Increases in costs of doing business may be associated with many factors such as lack of raw materials supply, inflation on inputs, lack of working place, lack of market in nearby area (transportation problem) and the like. Therefore, the town administration and all other stakeholders should work in co-operation to make the MSEs firms efficient and growing.

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Annex 1: Research Questionnaire

Research questionnaire to be filled by owner of the enterprises, through enumerator

This questionnaire has been prepared to examine the contribution, opportunities and challenges of micro and small enterprises to local economic development and to identify the challenges and opportunities of micro and small enterprise in Sandafa Bekie town. The information you are going to provide will be used purely for academic purposes. Therefore, you are kindly requested to give genuine response.

Note- for those close-ended questions you are kindly requested to encircle the number (choice) in each questions that holds your opinion. And for multiple answers in a single question, it is possible to rank more than one choice. In open ended type of questions, you write your opinion precisely in the space provided.

Part I- Background information of Respondents.

- 1) Full name_____ Sex: 1) male 2) female
- 2) Age: 1) 14- 25 2) 26-35 3) 36-45 4) 46 – 55 5) > 55
- 3) Educational status: 1) Illiterate 2) Primary school 3) Secondary school 4) TVET 5)
Colleges diploma 6) University Degree
- 4) Marital status: 1) Single 2) Married 3) Divorced/Separated 4) widowed
- 5) Numbers of family size living with the generated income including the business owner
1) 1- 2 2) 3- 5 3) 6- 8 4) 9 – 10 5) > 10 6) Only me
- 6) What was your earlier occupation before you are owner of this enterprise? 1) Unemployed
2) Student 3) Daily laborer 4) House wife 5) Private similar business-employee 6)
other specify_____

Part II Contribution to Local Economic Development

2.1 Employment creation

7) How do you pay the wages for the most members of enterprises? 1) Salary (Monthly) 2)

Wage (weekly) 3) wage (daily) 4) Piece work 5) other specify _____

8) What are the number of employees those create jobs by your businesses since 2006/07 and indicate the number and types of job? Fill in the table below:

No of jobs created in years	Types of labor		Types of job created				Status of professions			
	Family	Hired	Permanent		Casual		Skilled		Unskilled	
			Male	female	male	female	male	female	Male	Female
2006/07										
2007/08										
2008/09										
2009/10										
2010/11										
Total										

9) Describe the number of jobs created by work status.

Work status	Number of employees in years					
	2006/07	2007/08	2008/09	2009/10	2010/11	Total
Full time wage(40 hours +5 days+)						
Part time waged (< 40 hours ,< 5 days)						
Casual piece work						
Full time for self/business (paid family)						
Part time for self/business						
Unpaid family work in family business						
Other specify						

2.2 Income Generation

10) How much is your average annually gross income of your enterprise? 1) ≤ 5000 2) 5001 – 10000 3) 10001 – 15,000 4) 15,001- 20,000 5) 20,001 – 40,000 6) 40,001 – 100,000 7) $> 100,000$

11) Fill the income generated in years and amount of income generated in Birr in the table.

Income generated in years	Amount of income generated of hired employees (in Birr)	Amount of income generated business owner (in Birr)
2006/07		
2007/08		
2008/09		
2009/10		
2010/11		
Total		

12) How do you use the profit of your business? 1) Reinvest 2) Save 3) Both 1 and 2 4)

Other specify_____

2.3 Tax payments

13) How much did you pay tax on average annually since 2006/07? Fill the table below:

Tax paid in years	Amount of income tax paid in Birr	Amount of sales tax paid in Birr	Amount of value added tax paid in Birr	Amount of turn over tax paid in Birr
2006/07				
2007/08				
2008/09				
2009/2010				
2010/11				
Total				

2.4 Resources Mobilization (Capital accumulation)

14) How much was your business initial capital (in Birr)? 1) ≤ 5000 2) 5,001- 10,000 3)

10,001 – 15,000 4) 15,001 -20,000 5)> 20,000

15) How much is your enterprise current capital (in Birr)? 1) $\leq 20,000$ 2) 20,000 -40,000

3) 40,001 – 60,000 4) 60,001 -100,000 5) 100,001- 500,000 6) >500,000

16) What is the cost of fixed capital needed for your production? Fill the table given below:

Item	Measurement	Qty	Unit price cost	Total price	Life of fixed capital	Depreciatoin cost per year

17) What are the costs of raw materials needed for your business production? Fill the provide table below:

SN	Items of raw materials	Buying cost (in Birr)	Qty per item needed	Cost per item	Total Qty of the product per year	Total cost of Qty per year	

18) What are the costs of the labor directly related with production per item? Fill the provide table below:

SN	Total no. of employee	Daily working hours	Monthly working hrs	Yearly working hrs	Cash paid per an hr.	Wage paid per month	Wage paid per year

19) What are the activities and time required of the direct labor cost per an output/ item? Fill the provide table below.

Activity	Time per an output/ item (man-hrs)

20) What are the annual turnover/ sales of your product? Fill the provide table below:

SN	Types of product	Measurement	Quantity	Unit price sold (Birr)	Total price sold (Birr)

2.4 Local raw materials Linkage

21) Where do you get mainly the inputs (raw materials) for your enterprise? 1) Local market (purchase) 2) Regional market areas 3) National market 4) Other specify_____

22) The major suppliers of your raw materials are? 1) Large and Medium enterprises 2) Local traders 3) National market 4) Other specify_____

2.5 Farm sector Linkage (input support)

23) What do you provide inputs for local farmers? Please specify the kinds of service you

Provide them and fill in the table below:

Inputs provided for local farmers /people	Outputs taken from local farmers/ people

2.6) Market Linkage

24) Most of your products /Services are provided for 1) Local market (Sendafa town) 2) The regional market (The whole Oromia) 3) Woreda Market (the whole Bereh Woreda) 4) Zonal market (Surrounding finfinne) 5) Out of the region 6) Other specify_____

25) Most of customers of your product (service) are? (Provide your answer in order 1st, 2nd, 3rd, -- ----) 1) Urban dwellers___ 2) Farmers ___ 3) Business organization___ 4) Government agencies__5)Other,specify_____

2.7 Contributions to the community

26) What do you make any contributions to the community? Describe the nature of your contributions to the community?

Raise money for road construction in the community 2) Raise Money for service provision (health, education) in the community 3) Train youth from the community 4) No contribution in the community 5) Other, specify_____

Part III- Opportunities of the Business

27) What are the current needs in your business? (provide your answer in order 1st, 2nd, 3rd,-----) 1) Financial support ____ 2) Training/ knowledge/ skills ____ 3) Tools, equipment, machinery ____ 4) Business advice, information, counseling ____ 5) Marketing support ____ 6) Business premises ____ 7) Technical support ____ 8) Transport ____ 9) Business networking____

28) What are the business support services accessed in your business?

(Provide your answer in order 1st, 2nd, 3rd, -----) 1) Training in business____ 2) Technical training (e.g. Food processing)____ 3) Training in marketing____ 4) Other technical training____ 5) Training in record/ book- keeping____ 6) Other services_____

29) What are the future developments of your business? (Provide your answer in order 1st,

2nd, 3rd, -----) 1) Profitability of the business____ 2) Business enables support to family____ 3) Self satisfaction in the business____ 4) Income is growing____ 5) Business is expanding____ 6) Increased number of customers____ 7) Supply more goods____ 8) Business is running smoothly____ 9) Opportunity for self- employment (create job for myself) _____

30) What are the forms of business development by MSEs operators in the town? (Provide your answer in order 1st, 2nd, 3rd, -----)

i) Ways of expansion: 1) Expanded size of enterprises____ 2) Hired more workers____ 3) Improved quality of the product____ 4) Started selling in new markets____

ii) Ways of business diversification: 1) Added new products____ 2) Relocated working premises____ 3) Changed the type of business____ 4) Rationalization of business____ 5) Reduced costs by buying inputs in bulk____ 6) Reduced type of products____ 7) Reduced number of employees____ 8) Others_____

Part IV – Problems faced currently

31) What is/are the external actual problems faced your enterprise? (provide your answer in order 1st,2,3-----) 1) Lack of access to Market and business information __ 2) Lack of sufficient financial resources to buy inputs in bulks (lack economies of scale in production)____ 3) High competition from big business__ 4) Lack of raw materials __ 5) Lack of business premises (at affordable rent)____ 6) Lack of affordable technology (including training in business skills) ____ 7) Inadequate Government support__ 8) Lack of appropriate growth financing ____ 9) Low levels of education__ 10) Limited access to training ____ 11) Low capital resources ; group lending hinders ability to grow; ____ 12) Inflation__ 13) High interest rates____ 14) Total tax burden____ 15) Others specify_____

32) What is/are the internal actual problems face in your enterprise? (Provide your answer in order 1st, 2, 3---) 1) Internal Management difficulties__ 2) Lack of technical skill__ 3) Lack of commitment to work__ 4) Disagreement among members __ 5) Low turnover 6) Other specify _____

33) What are the current working place problems?
1) No problem 2) Transportation problem 3) Narrowness 4) Narrow and transport
5) Other, specify_____

34) What are the current problems for the enterprises growth? (Provide your answer in order 1st, 2nd, 3rd, -----) 1) Access to credit__ 2) Working premises__ 3) Raw material problem__ 4) Marketing problem__ 5) Infrastructural problem____

Part VI- Other related Issues

35) Does your enterprise have any accounting system in which the enterprise registers all financial aspects of your business? 1) Yes 2) No
36) If your answer for question number 45 is “No”, why ?

37) Comment (if any)

Annex 2: List of Sample Respondents

Respondent's Name	Business Sector	Total turnover per year	Direct material costs	Direct labour costs	Other related costs
FIRM – 1	Lentil	1,462,400	1,360,000	24,000	27,840
Firm - 2	Lentil	1,495,484	1,378,700	24,000	32,480
Firm – 3	Lentil	1,489,250	1,368,500	31,000	35,020
Firm- 4	Lentil	1,499,200	1,373,500	46,800	28,027.50
Firm- 5	Lentil	1,432,080	1,300,500	24,000	24,325
Firm – 6	Lentil	754,600	680,000	12,000	16,670
Firm- 7	Lentil	1,487,400	1,366,800	24,000	38,055
Firm – 8	Lentil	752,600	680,000	16,000	12,110
Firm- 9	Lentil	1,498,560	1,386,000	24,000	23,185
Firm- 10	Lentil	749,565	680,000	12,000	14,720
Firm- 11	Lentil	757,600	680,000	12,000	14,613
Firm – 12	Lentil	1,491,655	1,383,800	19,200	30,075
Firm – 13	Lentil	1,479,460	1,377,000	24,000	17,872.50
Firm – 14	Lentil	757,600	680,000	12,000	15,020
Firm – 15	Lentil	1,480,000	1,360,000	18,000	24,613.75
Firm – 16	Lentil	755,200	680,000	8,000	9,270
Firm – 17	Lentil	1,477,320	1,326,000	32,000	27,500
Firm- 18	Lentil	1,496,650	1,375,300	24,000	29,190
Firm- 19	Lentil	1,499,320	1,353,000	28,800	39,714
Firm- 20	Lentil	1,497,600	1,360,000	36,000	52,030
Firm – 21	Lentil	1,478,000	1,360,000	32,000	35,657.50
Firm – 22	Lentil	1,486,790	1,334,500	12,673.60	39,065
Firm- 23	Lentil	757,000	680,000	11,200	11,035
Firm- 24	Lentil	1,496,260	1,343,000	19,200	30,627.50
Firm- 25	Lentil	1,480,000	1,360,000	16,000	17,190
Firm – 26	Lentil	1,500,000	1,390,600	48,000	28,642.50
Firm – 27	Lentil	1,484,800	1,360,000	48,000	39,000
Firm – 28	Lentil	1,444,800	1,360,000	24,000	23,985
Firm – 29	Lentil	1,441,440	1,309,000	28,800	23,150.50
Firm- 30	Lentil	1,498,200	1,360,000	24,000	44,344
Total		39,380,834	36,006,200	715,674	805,028

Respondent's Name	Business Sector	Total turnover per year	Direct material costs	Direct labour costs	Other related costs
Firm - 31	Lentil	1,480,000	1,360,000	24,000	34,990
Firm - 32	Lentil	752,000	680,000	9,600	17,070
Firm - 33	Lentil	724,000	680,000	8,000	15,705
Firm - 34	Lentil	1,492,712	1,370,200	24,000	33,050
Firm - 35	Lentil	1,496,650	1,375,300	24,000	31,991
Firm - 36	Lentil	1,498,200	1,371,600	24,000	35,280
Firm - 37	Lentil	749,600	680,000	12,000	20,320
Firm - 38	Lentil	754,200	680,000	12,000	14,470
Firm - 39	Lentil	1,497,600	1,360,000	36,000	40,545
Firm - 40	Lentil	751,600	680,000	9,600	9,470
Firm - 41	Lentil	1,497,600	1,360,000	25,600	25,370
Firm - 42	Lentil	1,499,940	1,385,500	28,160	34,230
Firm - 43	Lentil	748,600	680,000	12,000	15,370
Firm - 44	Lentil	1,462,400	1,360,000	24,000	26,990
Firm - 45	Lentil	1,494,800	1,373,600	32,000	38,700
Firm - 46	Lentil	1,488,240	1,351,500	24,000	30,000
Firm - 47	Lentil	746,800	680,000	12,000	14,487
Firm - 48	Lentil	754,800	680,000	16,000	33,320
Firm - 49	Lentil	753,600	680,000	12,000	20,570
Firm - 50	Lentil	1,460,160	1,326,000	32,000	28,970
Firm - 51	Sewing clothes	297,000	210,720	26,400	14,520
Firm - 52	Sewing clothes	203,400	154,065	20,100	10,370
Firm - 53	Sewing clothes	496,000	393,285	25,050	16,327.50
Firm - 54	Sewing clothes	420,000	317,740	32,400	26,730
Firm - 55	Sewing clothes	246,200	154,252	24,000	14,982.50
Firm - 56	Sewing clothes	585,400	392,300	24,450	13,867
Firm - 57	Sewing clothes	178,000	111,440	28,415	17,795
Firm - 58	Sewing clothes	480,000	364,020	30,000	22,305
Firm - 59	Sewing clothes	380,000	279,260	17,100	10,240
Firm - 60	Sewing clothes	627,000	452,700	34,400	25,957.50
Total		27,016,502	23,943,482	663,275	693,993

Respondent's Name	Business Sector	Total turnover per year	Direct material costs	Direct labour costs	Other related costs
Firm – 61	Sewing clothes	419,800	307,452	23,625	13,355
Firm – 62	Sewing clothes	380,000	233,000	21,180	25,810
Firm – 63	Sewing clothes	93,340	68,949.60	10,612	6,312
Firm – 64	Sewing clothes	1,145,040	814,466	96,000	99,263
Firm – 65	Sewing clothes	701,700	533,329	29,100	13,503
Firm – 66	Sewing clothes	185,678	124,020	18,000	31,300
Firm – 67	Sewing clothes	557,000	406,140	27,600	21,585
Firm – 68	Sewing clothes	306,600	225,570	36,000	19,127.50
Firm – 69	Sewing clothes	292,000	225,570	26,100	11,362.50
Firm – 70	Sewing clothes	528,000	390,000	22,000	18,375
Firm – 71	Sewing clothes	75,000	39,624	12,500	12,170
Firm – 72	Metal works	116,122	63,075	15,670	13,680
Firm – 73	Metal works	229,875.14	109,965.50	28,706.85	26,213.40
Firm – 74	Metal works	270,010.95	151,870	37,419	26,720
Firm – 75	Metal works	155,531.02	76,227.50	25,418.25	17,919.60
Firm – 76	Metal works	254,873.60	145,316	36,474	25,500
Firm – 77	Metal works	93,500	47,037.50	14,583.25	13,857
Firm – 78	Metal works	208,977	118,888.50	34,253.25	25,215
Firm – 79	Metal works	123,815.45	59,653	17,811.75	15,265
Firm – 80	Metal works	748,929	472,694.40	92,160	34,270
Firm – 81	Metal works	712,901.30	317,764.96	180,288	72,309.53
Firm – 82	Metal works	241,088.30	133,121	33,804	24,440
Firm – 83	Metal works	137,409.70	76,180	18,048	21,240
Firm – 84	Wood works	1,070,000	601,260	130,000	164,275
Firm – 85	Wood works	164,000	78,120	18,000	40,015
Firm – 86	Wood works	340,000	216,000	36,000	58,640
Firm – 87	Wood works	358,000	227,280	35,000	70,235
Firm – 88	Wood works	330,000	191,000	25,000	80,370
Firm – 89	Wood works	221,000	132,300	16,500	51,280
Firm -90	Food and related	175,200	103,323.08	13,706.25	12,753.72
Total		10,635,391	6,689,196	1,131,560	1,066,360

Respondent's Name	Business Sector	Total turnover per year	Direct material costs	Direct labour costs	Other related costs
Firm -91	Food and related	54,000	28,980	8,250	4,561.08
Firm – 92	Food and related	180,123	100,000	19,200	53,454.96
Firm – 93	Food and related	68,000	41,400	9,720	7,401.85
Firm – 94	Food and related	423,600	295,000	24,000	54,635.04
Firm – 95	Food and related	91,000	53,228.57	11,600	8,244.25
Firm – 96	Food and related	432,000	184,000	36,000	120,534
Firm – 97	Food and related	225,958	130,000	27,000	53,120.04
Firm – 98	Food and related	54,000	29,571.43	8,906.25	9,235.32
Firm – 99	Food and related	270,000	147,855.50	18,400	17,896.92
Firm – 100	Food and related	302,400	200,000	27360	70,074.96
Firm – 101	Food and related	135,000	88,714.29	15,075	10,808.46
Firm – 102	Food and related	734,400	490,000	25,800	106,056
Firm – 103	Food and related	75,600	41,400	12,750	12,721.68
Firm – 104	Food and related	90,000	59,142.86	8,400	9,739.57
Total		3,136,081	1,889,293	252,461	538,484

Annex 3: List of Efficiency Measurement

DMU	EfficiencyScore	Direct material cost {I}{V}	Direct labor cost {I}{V}	Other costs {I}{V}	Output{O}{V}	Benchmarks	{S} Direct material cost {I}	{S} Direct labor cost {I}	{S} Other costs {I}	{S} Output{O}
Firm -72 (metals)	92.34%	0.05	0.95	0	1	2 (0.43) 9 (0.02)	0	0	592.91	0
Firm – 73	100.00%	0.37	0.61	0.02	1	9				
Firm – 74	93.28%	0.66	0.08	0.26	1	2 (0.76) 9 (0.11) 10 (0.01)	0	0	0	0
Firm – 75	96.04%	0.59	0.09	0.31	1	2 (0.50) 9 (0.00) 10 (0.05)	0	0	0	0
Firm – 76	91.95%	0.66	0.08	0.26	1	2 (0.70) 9 (0.11) 10 (0.02)	0	0	0	0
Firm – 77	93.99%	0.93	0.07	0	1	2 (0.34) 10 (0.02)	0	0	2561.83	0
Firm – 78	86.47%	0.62	0.08	0.29	1	2 (0.68) 9 (0.03) 10 (0.04)	0	0	0	0
Firm – 79	98.41%	0.93	0.07	0	1	2 (0.47) 10 (0.02)	0	0	1106.35	0
Firm – 80	100.00%	0	0	1	1	7				
Firm – 81	100.00%	0.66	0	0.34	1	7				
Firm – 82	93.73%	0.65	0.08	0.27	1	2 (0.71) 9 (0.09) 10 (0.02)	0	0	0	0
Firm – 83	94.66%	0.05	0.95	0	1	2 (0.42) 9 (0.06)	0	0	7285.16	0

DMU	Score	Direct material cost {I}{V}	Direct labor cost {I}{V}	Other costs {I}{V}	Output{O}{V}	Benchmarks	{S} Direct material cost {I}	{S} Direct labor cost {I}	{S} Other costs {I}	{S} Output{O}
Firm – 51 (sewing)	90.70%	0.92	0	0.08	1	6 (0.27) 12 (0.36)	0	9603.31	0	0
Firm -52	85.12%	0.92	0	0.08	1	6 (0.19) 12 (0.24)	0	7347.9	0	0
Firm -53	84.14%	0.79	0.21	0	1	6 (0.80) 12 (0.07)	0.01	0	844.86	0
Firm -54	83.56%	0.9	0	0.1	1	6 (0.24) 12 (0.74)	0	5619.3	0	0
Firm – 55	99.39%	0.89	0	0.11	1	6 (0.07) 12 (0.54)	0	10710.31	0	0
Firm – 56	100.00%	0.9	0	0.1	1	14				
Firm – 57	94.17%	0.87	0	0.13	1	12 (0.34) 21 (0.66)	0	11349.27	0	0
Firm – 58	85.63%	0.93	0	0.07	1	6 (0.52) 12 (0.46)	0	3199.81	0	0
Firm – 59	92.73%	0.05	0.95	0	1	6 (0.57) 15 (0.07)	0	0	707.19	0
Firm – 60	90.37%	0.93	0	0.07	1	6 (0.74) 12 (0.51)	0	2181.18	0	0
Firm – 61	90.60%	0.95	0	0.05	1	6 (0.63) 12 (0.13)	0	3189.59	0	0
Firm – 62	100.00%	0.91	0.09	0	1	15				
Firm – 63	84.84%	0.89	0	0.11	1	6 (0.04) 12 (0.19)	0	4112.16	0	0
Firm – 64	85.43%	0.9	0	0.1	1	12 (2.82) 21 (0.99)	0	9929.52	0	0
Firm – 65	100.00%	0	0	1	1	2				
Firm – 66	88.37%	0.9	0.1	0	1	12 (0.36) 21 (0.67)	0	0	10322.09	0
Firm – 67	90.25%	0.78	0.22	0	1	6 (0.75) 12 (0.31)	0	0	1075.26	0
Firm – 68	85.86%	0.9	0	0.1	1	6 (0.17) 12 (0.54)	0	15209.75	0	0
Firm – 69	85.17%	0.94	0	0.06	1	6 (0.39) 12 (0.16)	0	9162.35	0	0
Firm – 70	99.72%	0.06	0.94	0	1	6 (0.24) 15 (0.56)	0	0	7548.63	0
Firm – 71	100.00%	1	0	0	1	3				

DMU	Score	Direct material cost {I} {V}	Direct labor cost {I} {V}	Other costs {I} {V}	Output{O}{V}	Benchmarks	{S} Direct material cost {I}	{S} Direct labor cost {I}	{S} Other costs {I}	{S} Output{O}
Firm – 84(wood)	100.00%	0.62	0	0.38	1	1				
Firm – 85	100.00%	1	0	0	1	0				
Firm – 86	100.00%	0	0.51	0.49	1	1				
Firm – 87	97.90%	0.17	0.39	0.44	1	1 (0.01) 3 (0.68) 6 (0.54)	0	0	0	0
Firm – 88	100.00%	0.69	0.31	0	1	0				
Firm – 89	100.00%	0	0.43	0.57	1	1				

DMU	Score	Direct material cost {I}{V}	Direct labor cost {I}{V}	Other costs {I}{V}	Output{O}{V}	Benchmarks	{S} Direct material cost {I}	{S} Direct labor cost {I}	{S} Other costs {I}	{S} Output {O}
Firm – 90 (food)	92.73%	0.93	0	0.07	1	2 (0.17) 7 (0.00) 10 (0.61)	0	0.24	0	0
Firm – 91	100.00%	0.92	0	0.08	1	8				
Firm – 92	80.76%	0.77	0	0.23	1	2 (0.22) 7 (0.34) 10 (0.08)	0	0.01	0	0
Firm – 93	87.20%	0.91	0	0.09	1	2 (0.82) 7 (0.01) 10 (0.07)	0	0.04	0	0
Firm – 94	88.00%	0.72	0.25	0.04	1	7 (0.02) 10 (0.66) 13 (0.32)	0	0	0	0
Firm – 95	73.17%	0	0	1	1	10 (0.34)	186394.7	2285.98	0	0
Firm – 96	100.00%	0.98	0.02	0	1	9				
Firm – 97	82.47%	0.81	0	0.19	1	2 (1.07) 7 (0.30) 10 (0.14)	0	0.02	0	0
firm – 98	90.66%	0.85	0	0.15	1	2 (0.64) 7 (0.05)	0	1185.16	0	0
Firm -99	100.00%	0	0.63	0.37	1	9				
Firm -100	77.16%	0.6	0.35	0.06	1	7 (0.33) 10 (0.41) 13 (0.07)	0	0	0	0
Firm -101	83.30%	0.93	0	0.07	1	2 (0.06) 10 (0.49)	0	3104.97	0	0
Firm -102	100.00%	0	1	0	1	2				
Firm -103	90.88%	0.85	0	0.15	1	2 (0.91) 7 (0.06)	0	1885.19	0	0
Firm -104	81.43%	0.91	0	0.09	1	2 (0.13) 7 (0.02) 10 (0.28)	0	0	0	0