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ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

**FACTORS AFFECTING BUSINESS GROWTH OF MEDIUM
ENTERPRISES: CASE OF LIDETA SUB-CITY MEDIUM ENTERPRISES**

BY: FEVEN SHIMELES

**JUNE 2024
ADDIS ABABA, ETHIOPIA**



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Factors Affecting Business growth of Medium Enterprises: Case of Lideta Sub-City Medium Enterprises

BY: FEVEN SHIMELES

A Thesis Submitted in Partial Fulfillment of the Requirements for the Degree of
Master of art in Business Administration

**June 2024
Addis Ababa, Ethiopia**

Addis Ababa University

Faculty of Business and Economics

MASTER OF BUSINESS ADMINISTRATION (Extension Program)

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By

Feven Shimeles

Advisor: Degefe Duressa (PhD)

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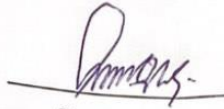
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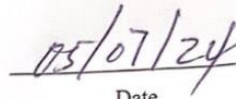
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Name of Advisor



Signature



Date

Addis Ababa University
College of Business and Economics
Graduate Studies

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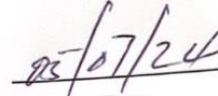
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As members of the Thesis Committee for this student, we approve the attached thesis

Degefa Duressa (PhD)

Name of Advisor


Signature


Date

Dr. Abera Legesse


Internal Examiner


Signature


Date

Dr Asegid Avele

External Examiner


Signature

05/07/2024

Date

DECLARATION

I hereby declare that the thesis /Project work/entitled "Factors Affecting Business growth of Medium Enterprises: The case of Lideta Sub-City Medium Enterprises " submitted to the School of Business and Economics, Addis Ababa University for the award of the Degree of Masters of Business Administration is based on my original research work carried out by me myself under the supervision and guidance of Degefa Duressa (PhD). I declare that this study is my original work and has not been submitted earlier in full or in a part there, for the award of other similar degree, Diploma, Fellowship, Associate ship or any other similar titles to this or any other University or Institutions.

Name: Feven Shimeles

Date of submission: June, 2024

Addis Ababa Ethiopia

Email: Fevenshimeles.h@gmail.com

Signature: _____



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Table of Contents

ACKNOWLEDGMENTS	i
ABSTRACT	v
ACRONYMS	1
CHAPTER ONE:	2
1. INTRODUCTION	2
1.1. Background of the Study	2
1.2. Statement of the Problem	3
1.3. Objectives of the Study	4
1.3.1. General Objective	4
1.3.2. Specific Objectives	5
1.4. Research Hypotheses	5
1.5. Significance of the Study	5
1.6. Limitations of the Study	6
1.7. Delimitation of the Study	6
1.8. Organization of the Study	6
CHAPTER TWO:	7
2. REVIEW OF RELATED LITERATURE	7
2.1. Review of Theoretical Literature	7
2.1.1. Overall Concept of SME	7
2.1.2. Role and Contribution of SME	8
2.1.3. SMEs Characteristics	8
2.1.4. Theories on SMEs	9
2.1.5. Small and medium enterprise growth theories	10
2.2. Review of Empirical Evidence	12
2.3. Conceptual Framework	15
CHAPTER THREE	17
3. RESEARCH METHODOLOGY	17
3.1. Research Design	17
3.2. Research Approach	17
3.3. Methods of Data Analysis and Interpretation	20
3.4. Ethical Considerations	20

CHAPTER FOUR	21
4. DATA PRESENTATION, ANALYSIS AND INTERPRETATION	21
4.1. Response Rate	21
4.2. Demographic Profile of Respondents	21
4.3. Determinants of Growth	26
4.3.1. Financial Factor	27
4.3.2. Working Place Factor	28
4.3.3. Government Policy	28
4.3.4. Market Factor	29
4.3.5. Entrepreneurship Factor	29
4.3.6. Infrastructure Factor	30
4.3.7. Internal Management Factor	31
4.4. Growth of SMEs	32
4.5. Results of Inferential Statistics of the Study	33
4.5.1. Pearson’s Product Moment Correlation Coefficient	33
4.5.2. Regression Assumptions Test	35
4.5.3. Multicollinearity	36
4.5.4. Multiple Regression Analysis	37
4.5.5. Hypothesis Test	40
CHAPTER FIVE	42
5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	42
5.1. Summary	42
5.2. Conclusions	43
5.3. Recommendations	44
REFERENCES	47
Appendix – 01: Questionnaire	49

List of Figures

<i>Figure 1: Stages of growth</i>	11
<i>Figure 2: Conceptual Framework</i>	16
<i>Figure 3: Stratified Sampling of Survey</i>	19
<i>Figure 4: Histogram of Residuals</i>	35
<i>Figure 5: Normal Probability Plot</i>	36

List of Tables

<i>Table 1: Response Rate of Survey</i>	21
<i>Table 2: Level of Education</i>	22
<i>Table 3: Current Position of Respondent</i>	22
<i>Table 4: Experience of Respondent</i>	23
<i>Table 5: Main Business Activity</i>	23
<i>Table 6: Start-up Fund</i>	24
<i>Table 7: Business Type</i>	24
<i>Table 8: Years of Business Experience</i>	25
<i>Table 9: Number of Employees</i>	25
<i>Table 10: Start-up Capital</i>	25
<i>Table 11: Descriptive Statistics result for financial factor</i>	27
<i>Table 12: Descriptive Statistics result for Working place Factor</i>	28
<i>Table 13: Descriptive Statistics result for Government Policy Factor</i>	28
<i>Table 14: Descriptive Statistics result for Market factor</i>	29
<i>Table 15: Descriptive Statistics result for Entrepreneurship factor</i>	29
<i>Table 16: Descriptive Statistics result for Infrastructure factor</i>	30
<i>Table 17: Descriptive Statistics result for internal management factor</i>	31
<i>Table 18: Descriptive Statistics result for Summery Determinants of Growth</i>	31
<i>Table 19: Descriptive Statistics result for Growth of SMEs</i>	32

ABSTRACT

Growth is an important phenomenon in business enterprises. Hence, a company's growth indicators must be studied over time. Some of the indicators are growth of sales, its long- and short-term changes, growth of physical output of market share, increased demand for products or services, growth of assets, and so on. Therefore, it is crucial to take a close look at how various factors can affect the business growth of medium-level industries. This paper attempted to identify factors that are affecting the growth of medium enterprises with a special emphasis on woodwork, metalwork, retailers, raw material supply, livestock rearing, decoration, internet cafes, and sub-contracting in Lideta Sub-city administration. The research included financial accessibility, employment opportunities, public policy, marketing, infrastructure, internal management, and entrepreneurship as explanatory variables. 165 distributed questionnaires to owners, managers, and any other responsible individuals from medium-sized enterprises. 155 (92.0%) of the distributed questionnaires were collected, and all were utilized to analyze the data. To analyze the data, the researcher used descriptive statistics such as percentage, mean, and standard deviation as well as inferential statistics such as Pearson correlation coefficients and multiple regressions. According to the study's findings, internal management had a negligible effect on growth, whereas working conditions, government policies, market factors, entrepreneurship, and infrastructure are significant determinants and positively affect the growth of medium enterprises. The study findings indicate a strong, positive association between medium enterprise growth financial access, working place, government policy, market factor, infrastructure, and entrepreneurship. It recommended banks and MFIs to set aside a specific amount of their loanable capital for medium enterprises' business owners to make it easier for medium enterprises to receive credit. It also recommended the government to organize medium enterprises as an industry village in a suitable location by building sheds and other common necessities, arranging common facilities.

Key Words: *Financial Access, Working Place, Government Policy, Market Factor, Infrastructure, Entrepreneurship, Internal Management*

ACRONYMS

MEs	Medium-sized enterprises
MoTI	Ministry of Trade and Industry
SMEs	Small and Medium Enterprises
GDP	Gross Domestic Product
IBM	International Business Machines corporation
TVET	Technical and Vocational Education and training
NGOs	Nongovernmental organization
NPP	Normal probability plot
PDF	Probability Density Function
VIF	Variance inflation factor
MFI	Monetary financial institutions

CHAPTER ONE:

1. INTRODUCTION

1.1. Background of the Study

According to research, medium-sized enterprises (MEs) have a significant impact on job growth and a nation's employment rate in addition to acting as a mechanism to combat poverty. The crucial role that medium enterprises may play in developing economies in particular has come into attention recently. Even if they are the only way to develop strong investors, very few businesses advance to medium and higher-level businesses, and a significant proportion of businesses may disintegrate in the process owing to various internal and external issues (Akande, 2013).

Businesses can be classified in many ways. Depending on the industry the business is in, the Small Business Administration classifies business into small business, medium-sized enterprise, and large enterprise. This study focuses on medium-sized enterprises. There is no single definition of a medium enterprise but depending on the number of employees, average annual revenue, amount of assets, net worth, and net income we determine whether or not a business is medium or closely held.

As medium enterprises engaged in diversified business, in Ethiopia there's no simple definition. The Ministry of Trade and Industry (MoTI) of Ethiopia has categorized enterprises based on their total investment. Therefore enterprises with a total investment between Birr, 500,000 up to Birr 1 million categorized as medium size enterprise excluding that high-tech establishment and including other enterprises that have high technical consultancy. Medium business enterprises are a significant source of new jobs and play crucial roles in the development of new technologies and the provision of economic opportunities.

Growth is an important phenomenon in business enterprises. Therefore, a company's growth indicators must be studied over time. Some of the indicators are growth of sales, its long and short-term changes, the growth of physical output of market share, increased demand for products or services, growth of assets, and so on. Their survival depends on their power to participate in the market with other big companies. Growth decreases the possibility of business deaths.

According to Akanji (2006), growth is the product of an internal process in the development of an enterprise and an increase in quality and/or expansion. Dobbs & Hamilton defined Growth as a change in size during a determined period

Medium enterprises sector is classified as, Manufacturing (textile and garment leather and leather products, food processing and beverage, metal works and engineering, wood works including furniture and ornaments service and Agro-processing), Trade (wholesaler of domestic product, retailer, and supply of raw materials), Urban agriculture (modern livestock rearing, bee production, poultry, modern forest development, vegetables and fruits, modern irrigation, and animal food processing), Service (small and rural transport service, café and restaurants, store service, tourism service, beauty salon, decoration, and internet cafe), and Construction (subcontracting, building materials traditional mining works, cobble stumping, and internet cafe) are all examples of industries that fall under this category. But the primary areas of this study's attention were manufacturing (metal and woodwork), trade (wholesaler of domestic goods, retailer, and raw material supply), urban agriculture (livestock breeding), service (decoration, and internet café), and construction (subcontracting) (Dobbs & Hamilton, 2007)

The purpose of this specific research is to evaluate to what extent both internal (internal management and entrepreneurship) and external (access to finance, working place, government policy, market and infrastructure) factors affect the growth of medium enterprises in Lideta Sub-city administration. This study attempted to evaluate the factors that influence medium enterprises using a variety of indicators, including access to financing, workplaces, government policy, marketing, entrepreneurship, internal management, and infrastructure issues. There are prior studies, however, that lacked the most crucial study variables and instead employed a straightforward descriptive analysis.

1.2. Statement of the Problem

In contemporary times of crisis and rising unemployment, medium enterprises play a very significant economic and social role through their contribution to the economy and to the creation of jobs. The growth of medium enterprises can aid in overcoming several issues such as economic development, inequality, extremely high unemployment, demographic changes, and the need for structural change, particularly in nations with rapidly expanding populations (Oualalou, 2012).

Medium enterprises confront the problems such as, lack of financial support during periods of expansion due to the nature of their business, the amount of loan extended to them, and the fact that they lack collateral, as well as a lack of consistent and integrated technology and talent that would help to raise productivity, quality, and standards Lack of access to the manufacturing and sales centers, the emergence of a rent-seeking mentality, and the failure to operate the firm legally.

As demonstrated by prior experiences, successful businesses have faced numerous obstacles when transitioning from a small to a medium level. This is due, in part, to a lack of support and incentives that are appropriate for their industry failure to maintain productivity and product quality at a level that ensures competency in the market, ignorance of an international standard for products and production, and limitations in technological ability and production elements. When starting a firm, MEs in Ethiopia often struggle to raise capital because most sources of funding include personal savings, loans from family members, and moneylenders charging exorbitant interest rates (MoTI, 2005).

Therefore, the purpose of this study is to determine how much internal and external factors influence the growth of medium-sized businesses in Lideta Sub-city administration. In view of the problems, the central question of this study is:

What are the factors affecting the growth of Medium enterprises in Lideta sub-city administration?

Specifically, the following sub-questions are raised.

- i. To what extent do internal factors hinder or enhance the growth of Medium enterprises?
- ii. To what extent do external factors hinder or enhance the growth of Medium enterprises?

1.3. Objectives of the Study

1.3.1. General Objective

The main objective of the study is to examine the factors affecting the growth of Medium enterprises in Lideta sub-city administration.

1.3.2. Specific Objectives

In light of the general objective, the specific objectives are the following:

- i. To examine the effect of internal factors on the growth of Medium enterprises.
- ii. To examine the impact of external factors on the growth of Medium enterprises

1.4. Research Hypotheses

The goal of the research hypothesis is to provide a temporary goal, an operational target, and a logical framework that will direct researchers as they gather and examine data. In order to accomplish the aforementioned goals, the study has created and evaluated the following hypotheses based on the literature.

H1: Access to finance positively and significantly affects business growth in Medium enterprises

H2: Working places positively and significantly affects business growth in Medium enterprises

H3: Government policy positively and significantly affects business growth in Medium enterprises

H4: Marketing positively and significantly affects business growth in Medium enterprises

H5: Infrastructure positively and significantly affects business growth in Medium enterprises

H6: Entrepreneurship positively and significantly affects business growth in Medium enterprises

H7: Internal Management positively and significantly affects business growth in Medium enterprises

1.5. Significance of the Study

The finding of the study will be important in a number of ways: First, medium enterprises found in Lideta sub- city administration can use the result to determine and to what extent factors affecting the growth of their enterprises. In particular, this study focused on the growth and development of entrepreneurs operating medium enterprises, resulting in little effort being directed at developing and exploiting the inherent potential. Second, the study will also significant to researchers as it provides basis upon which further studies can be carried out and

useful in providing information on medium enterprises in Lideta sub- city administration as a whole.

1.6. Limitations of the Study

Despite the fact that a large sample size is necessary for a thorough understanding of the underlying factors that contribute to medium enterprises failures, the study is constrained to a sample size of 165 participants due to time and resource constraints.

1.7. Delimitation of the Study

The study evaluated the administrative elements influencing the growth of business in medium enterprises in Lideta sub- city. Although there are many topics that can be studied in regard to medium enterprises, this study is restricted to the aspects relating to finances, workplaces, marketing, infrastructure, public policy, internal management, and entrepreneurialism. Additionally, the study's focus included medium enterprises, particularly in the business sector.

1.8. Organization of the Study

The study is organized in to five chapters. The first chapter presents the introduction. The second chapter shows the literature review while the third chapter contains brief description of the research design. The fourth chapter presents and analyzes the results. Finally, chapter five present the conclusions and recommendation of the study.

CHAPTER TWO:

2. REVIEW OF RELATED LITERATURE

2.1. Review of Theoretical Literature

Generally, growth of medium business enterprise is measured in terms of their financial and nonfinancial growth measurements. The financial part includes their ability to generate a higher return on investment, equity and on profit measured in return on sale and net profit margin. The nonfinancial measure of medium business growth includes customer satisfactions, market share and employee's growth.

According to Dess & Robinson 1984, most medium business doesn't have required man power resource to collect data for evaluating their financial indicators. They tend to use non-financial performance measurements than objective measures. Leitner and Gudenberg, 2010, stated that medium business measures their growth using turnover and employment growth.

Ethiopia's economy began to grow in the mid-1990s with an average gross domestic product (GDP) of a 4.7 percent annual average growth and continued to grow at 10.6 percent per year during 2010-14. Such performance has made of Ethiopia a symbol of economic turnaround in Africa. Accordingly during 2010-14, agriculture accounts 44.9 percent of the GDP, industry accounts 11.0 percent of the GDP, manufacture accounts 4.9 percent of the GDP and service sector accounts for 38.1 percent of the GDP of the country (WDI, 2015). In this respect the share of the industrial and manufacturing sector to GDP of the country is very small therefore Small and Medium Enterprises (SMEs) are considered as the necessary mechanisms for the sustained economic growth of Ethiopia plus SMEs are likely to empower the youth and this leads to economic development in the country.

2.1.1. Overall Concept of SME

Enterprise is referred to as a controlled system that consists of a detector (a component of a system that gathers information about the environment), a selector (which responds behaviorally based on the information provided by the detector), and effectors (the other component of the system that modifies behavior or simply known as the effector) (Salminen, 2000). SME was defined as a physical or moral person that produces and markets goods and services by Charte des PME in 2003. SMEs play a significant role in the global economy, particularly for emerging

nations like Ethiopia. Those SMEs specifically contribute to the equitable distribution of the benefits of economic progress. Even if those industries make this large of a contribution to the national economy, the least developed countries lack the fundamental dynamism and robustness.

2.1.2. Role and Contribution of SME

Everywhere in the world, there is a general understanding of the economic significance of SMEs. They engage in innovative activities, contribute significantly to job creation (employment), and foster market competition. They make significant contributions to economic growth and the reduction of poverty, particularly in developing economies. In the framework of reducing poverty, SMEs support business owners in terms of profit margins as well as revenue generation in the form of staff salaries.

95% of businesses in OECD (Organization for Economic Co-operation and Development) nations are SMEs, and these businesses employ 60% to 70% of all workers. According to a different statistic, in the expanded European Union of 25 countries, there are almost 23 million SMEs that account for 99% of all businesses and offer about 75 million jobs (European Commission).

2.1.3. SMEs Characteristics

SMEs are also seen as adaptable, creative businesses that can react swiftly to client and market demands. Additionally, a crucial quality of SMEs that determines their capacity to adjust to changing conditions is flexibility (Margi Levy and Philip Powell, 2005). Flexibility is desirable, but it also depends on other organizational characteristics (Hansen et al., 1994). Many manufacturing SMEs' production technologies may limit flexibility (Gupta and Cawthorn, 1996), however it is also thought that people, not technology, give flexibility.

Additionally, the creation of creative products and the motivation of many owners are two characteristics of SMEs. And via innovation, SMEs are able to respond to changes that their clients in their niche market require while staying within the limitations of their knowledge of currently available goods or services. Additionally, in order to generate products with a higher value, businesses need to understand the perceptions, needs, and wants of the market.

The ability of SMEs to innovate greatly influences their ability to develop. The size of the business and human resources determine how innovative SMEs are. Vocational training, for

instance, was found to have a significant impact on innovation activity in Ethiopia. Larger SMEs also exhibit higher levels of innovation than smaller ones, regardless of their size (Mulu, 2009).

Due to the owners' limited ability to participate in the business, they are also characterized by low equity. And financial institutions (banks) believe that this low equity is insufficient to foster a positive relationship between the businesses and the banks. In actuality, this demonstrates obvious distinctions from the advanced corporate sector.

When we examine the sociological backdrop of SMEs, we find that they are poorly organized because the majority of them have social ties to the unorganized sector. Additionally, the majorities of these businesses are family-based and originated from families. Typically, business owners start out by relying on their family network (Ibrahima, 1990). According to certain SME experiences in Portugal, family-based businesses may be in a stronger position to enter the market. Even though it may influence the firm's structure, the family may also have a supporting role in operations, such as by contributing resources. As a result, the family may be crucial to the process of starting a business, and only via participation may it become a part of the business later on.

2.1.4. Theories on SMEs

In their work in the policy arena on SMEs, Green et al. (2006) synthesized the current ideas with a focus on finance for SMEs and poverty reduction for developing nations.

The following information is also included in this study to highlight the most recent theoretical advancements on SMEs.

- The labor surplus theory, which Lewis developed, is the primary theory when we examine the theoretical work done over the past several centuries on SMEs (1955). It is stated that the excess labor supply that cannot be utilized by the public sector or by large private firms and is compelled into SMEs despite low pay and low productivity is what propels SME development. The SME sector is said to have grown in response to the rise in unemployment, serving as a final choice for those unable to obtain job in the formal sector. They are also anticipated to expand during economic downturns when the formal sector shrinks or expands too slowly to employ the available labor.

- On the other hand, the SME sector assumes a contraction when formal employment increases, creating an anti-cyclical relationship with the formal economy. However, there are empirical issues with the unemployment theory of the growth and development of SMEs since there is a lack of adequate and trustworthy data to test the supposition that SMEs absorb excess labor from the public sector or large private firms. Additionally, it has been suggested that SMEs prioritize trade because it requires less resources and expertise than production.
- The output-demand theory is the second theory that explains how the SME sector has grown in emerging nations. A market for their goods and services is a requirement, according to the notion, for the growth of SMEs. As a result, the SME sector is likely to establish a cyclical link with the overall economy. They will, however, encounter intense market competition from big businesses, which will impede their development. However, structural adjustment and other measures that restrict such monopolies and try to increase competition will be helpful to SMEs since they may be able to take market share away from big businesses. Empirical studies also advocate for networks or the development of forward links with the formal economy, such as subcontracting and franchising, to boost SMIs.
- The firm growth theory, the third theory, asserts that as a result of industrialization and economic expansion. It is anticipated that modern large-scale industry will displace SMEs and take their place. This notion, however, has been demonstrated to be false in the sense that SMEs frequently coexist alongside major multinational corporations rather than engaging in direct competition with them, a situation identified as the "missing middle" by the World Bank in 1989. (Ryan, 2005). Additionally, the majority of research agree that SMEs cannot expand, leading to a "missing middle." Additionally, SMEs fill market gaps when major companies cannot take advantage of scale economies by distributing to regions or income groups where their costs would be prohibitively high.

2.1.5. Small and medium enterprise growth theories

There are two types of growth: organic and non-organic. Internal corporate growth that occurs as a result of adding to an existing manufacturing line or starting a new one is classified as organic growth. On the other hand, it is referred to as non-organic growth if a company expands by acquiring another established business. 2001 (Davidson et al.). Different theoretical models are

proposed to describe growth. One class of those theories concentrates on the learning process (either active or passive), whereas the other class is stochastic and deterministic in nature.

Passive learning model: According to this framework developed by Jovanovic (1982), efficient firms (i.e., businesses with efficient managers) expand over time, increasing each time their managers notice that their assumptions about their managerial efficiency turned out to have underestimated their actual efficiency. In this learning model, a company's annual growth rate is mostly based on how well the management predicts the product's capability and cost. Additionally, this model suggests that young, tiny businesses have a better chance of expanding. sum up, a company can only learn how to grow after entering the market.

The Gibrat's low stochastic and deterministic approach contends that all size changes are the result of chance. Therefore, the age and size of the company have little bearing on the development of SMEs. According to the deterministic approach (Becchetti and Trovato, 2002; Francesca et al., 1999), the variation in the rate of growth between enterprises is dependent on a number of observable industry- and firm-specific variables. There are viewpoints that present growth processes as life cycle or stage models that cover a firm's whole lifespan (reviewed by Gupta et al. 1996)

According to a model created by Churchill and Lewis in 1983, an organization can go through five stages of growth, as shown in figure 1



Figure 1: stages of growth

Existence is the initial stage, followed by survival, during which a business expands, and an entrepreneur feels the need to raise further funds. The third phase is when the business begins to turn a profit. The company is planning for future expansion, growth, and the pursuit of new opportunities. The company finally reaches maturity. Additionally, the company places a strong emphasis on financial management, market segmentation, and quality control.

However, a business does not necessarily need to grow in distinct phases with distinct boundaries between them. Additionally, businesses don't always use linear models. Companies

are unable to advance through each stage. Growth generally depends on how strong an enterprise's growth objectives and growth-enabling variables are. As a result, it is impossible to regard growth as a standard or as an even development of a business.

Understanding the mechanics of small and micro business growth is crucial because these businesses' growth is not at all healthy and is hampered by a number of factors, including: employee education, firm size, age, managerial skill, financial constraints, market access, and infrastructure. By include numerous SMEs in their research, some articles solved those problems. However, there are limitations to describing the primary variables that actually govern the dynamics of SME growth using models, particularly in developing nations. Additionally, the philosophical underpinnings of those variables are covered in the chapter's next part.

2.2. Review of Empirical Evidence

Based on the findings of earlier research, the factors affecting SME business growth were classified into the following categories: (1) Entrepreneur (Kristiansen, Furuholt, and Wahid, 2003; and Rutherford & Oswald, 2000), (2) Internal management and related factors (Swierczek and Ha, 2003), (3) Customers Based on the findings of earlier research, the factors affecting SME business growth were classified into the following categories: (1) Entrepreneur (Kristiansen, Furuholt, and Wahid, 2003; and Rutherford & Oswald, 2000), (2) Internal management and related factors (Swierczek and Ha, 2003), (3) Customers.

Determinants of Growth

Access to Finance: No of the size, all business endeavors need financial resources to launch their operations and support expansion. The expansion of a business may be hampered by access or availability issues (Cassar, 2004). Policymakers are particularly concerned about whether business owners can get sufficient and suitable financing to expand. New SMEs can be financed by the founders' personal wealth and/or by gaining access to external sources of funding, including "formal" sources like banks, venture capitalists, and private equity firms as well as "informal" sources like friends and family. Once enterprises are operating, retained profits can be used to finance future development.

Orser (2000) stated that one of the main issues SMEs face is a lack of knowledge about different sources of funding and their incapacity to assess financing options. Mambula (2002) identified a shortage of financial resources as the primary barrier to the expansion of SMEs.

Working Places: A company's location might affect its market potential and expansion prospects. Geographic proximity to important customers or suppliers results in a type of improved environmental scanning that makes it easier for new businesses to spot and seize market growth possibilities. This affects the potential market for new businesses (Dahl and Sorenson, 2007).

The number of employees and the quantity of supplies and equipment are used to determine the size of a workplace. Having enough workspaces helps to foster positive relationships with workers and effective material placement. These improve time management, appropriate workplace, and material and equipment longevity. Working environments are a significant factor in determining the growth of SMEs (Kersley et al., 2006; quoted in Forth et al., 2004).

Government Policy - According to analysts at the World Bank, complicated tax systems are a barrier to the expansion of SMEs posed by government laws and regulations. 2000 World Bank. New SMEs must pay taxes and get registration permits (Hashi, 2001). Most new SMEs believe that the government does not help them adequately. Additionally, according to Transparency International (2008), corruption is rapidly increasing in developing nations like Ethiopia in both the public and commercial sectors.

The major challenge for small and medium businesses is bureaucracy in government laws and regulations. Bureaucracy is a complicated process or system that causes inefficiencies, slows growth, irritates consumers, employees, and sellers, and ensures that SMEs take longer to accomplish their goals. By the creation of legislation and a body of laws, bureaucracies are created at two levels: within businesses and at the governmental level (Meyer, 2007).

Marketing: -A product's market is established by consumer demand. When demand is strong, the market is active. The reverse is also true. A decrease in demand could cause the market to contract. Depending on their complementary or substitutive character, the demand for one product will have an impact on the other. If they complement one another, then a rise in demand

for one will result in a rise in demand for the other. If they are competitors, rising demand for one result in falling demand for the other.

According to Brush et al. (2009), marketing presents another difficulty for SMEs to expand because many companies struggle to build efficient distribution channels, communicate product features, set attractive prices for goods and services, implement sales and marketing strategies to attract and keep customers, and engage in ongoing product development to maintain sales. The ability of SMEs to promote their products to bigger audiences and grow their businesses is typically constrained by their lack of knowledge or information about other markets.

Access to Public Infrastructure: According to Rogerson (2000), a business's ability to launch, expand, and grow depends on having access to services including water, power, passable roads, telephony, telephones, electronic media, and postal services. A significant barrier to SMEs' sustainability is their limited access to public infrastructure services (Darroch& Clover, 2005).

Entrepreneurship: So, it appears that we have the skeleton of an entrepreneurship definition. However, a definition becomes more challenging, if not impossible, after a thorough examination of both the literature and real-world entrepreneurial instances.

Take into account, for instance, how closely entrepreneurship is associated with concepts like "innovation," "bearing risk," or even starting a business. Each of the descriptions mentioned above focuses on a different feature of certain entrepreneurs, but if being the founder is a requirement, neither Thomas Watson of IBM nor Rey Kroc of McDonald's would meet that definition. Nevertheless, few people would seriously contest that these people were entrepreneurs. Even though taking risks is an essential component of being an entrepreneur, many businesspeople have found success by avoiding risks whenever feasible and finding others to take them on. The quote "My idea of risk and reward is for me to get the reward and others to take the risks" is attributed to a very successful businessperson.(Darroch& Clover, 2005).

Entrepreneurship frequently does not require creativity either. Many prosperous businesspeople are skilled at mimicking others, and they can only be considered innovators and creators by pushing the concept beyond its flexible boundaries. The psychological and sociological characteristics of entrepreneurs are also a topic of much debate. Entrepreneurs who are successful and those who are unsuccessful can both exhibit the same tendencies, which can often

produce quite different outcomes. Additionally, studies of entrepreneurs' life paths frequently reveal a decline in "entrepreneurship" after success, which seems to refute the idea that character or personality attributes are the only relevant factors for defining entrepreneurship. Ibrahima (2007)

The following conclusion can be drawn for this chapter. Based on the information provided in the context, the main characteristics of SMEs discussed are:1. Flexibility - SMEs are seen as adaptable and able to react quickly to changes in client and market demands. Their flexibility is influenced by organizational characteristics beyond just their technology.2. Creativity and innovation - SMEs are characterized by the creation of creative products and the motivation of many owners. Through innovation, SMEs can respond to changes required by their niche market clients while working within the limitations of their current knowledge.3. Size and human resources - The size of the SME and its human resources determine its level of innovation. Larger SMEs exhibit higher levels of innovation compared to smaller ones.4. Limited equity and financial relationships - SMEs are characterized by low equity due to the limited ability of owners to participate in the business. This makes it difficult for SMEs to develop positive relationships with financial institutions like banks.5. Family-based and social ties - Many SMEs have social ties to the unorganized sector and are family-based businesses that rely on family networks so in summary, the key characteristics highlighted are flexibility, creativity/innovation, the role of size and human resources, financial limitations, and social/family-based structures.

The key determinants of SME growth, according to the empirical evidence, are classified into three categories: 1) Entrepreneur-related factors 2) Internal management factors and 3) Customer-related factors. These categories encompass the various aspects that influence the growth of Medium Enterprises.

2.3. Conceptual Framework

A model or conceptual framework could be used to describe the synthesis, which essentially represents an "integrated" approach to solving the issue (Liehr and Smith, 1999). A theoretical framework might then be replaced with such a model. A conceptual framework can be thought of as the outcome of combining many connected concepts in order to explain or anticipate a certain event, provide a deeper understanding of the phenomenon of interest, or simply to address a

research topic. Since both internal and external forces have an impact on corporate success. Based on their applicability to the Ethiopian setting, both internal (entrepreneurship and internal management factors) and external (access to finance, infrastructure, working places, marketing, and government policy) elements were taken into consideration for this study.

Conceptual Framework for Factors Affecting Business growth of Medium Enterprises

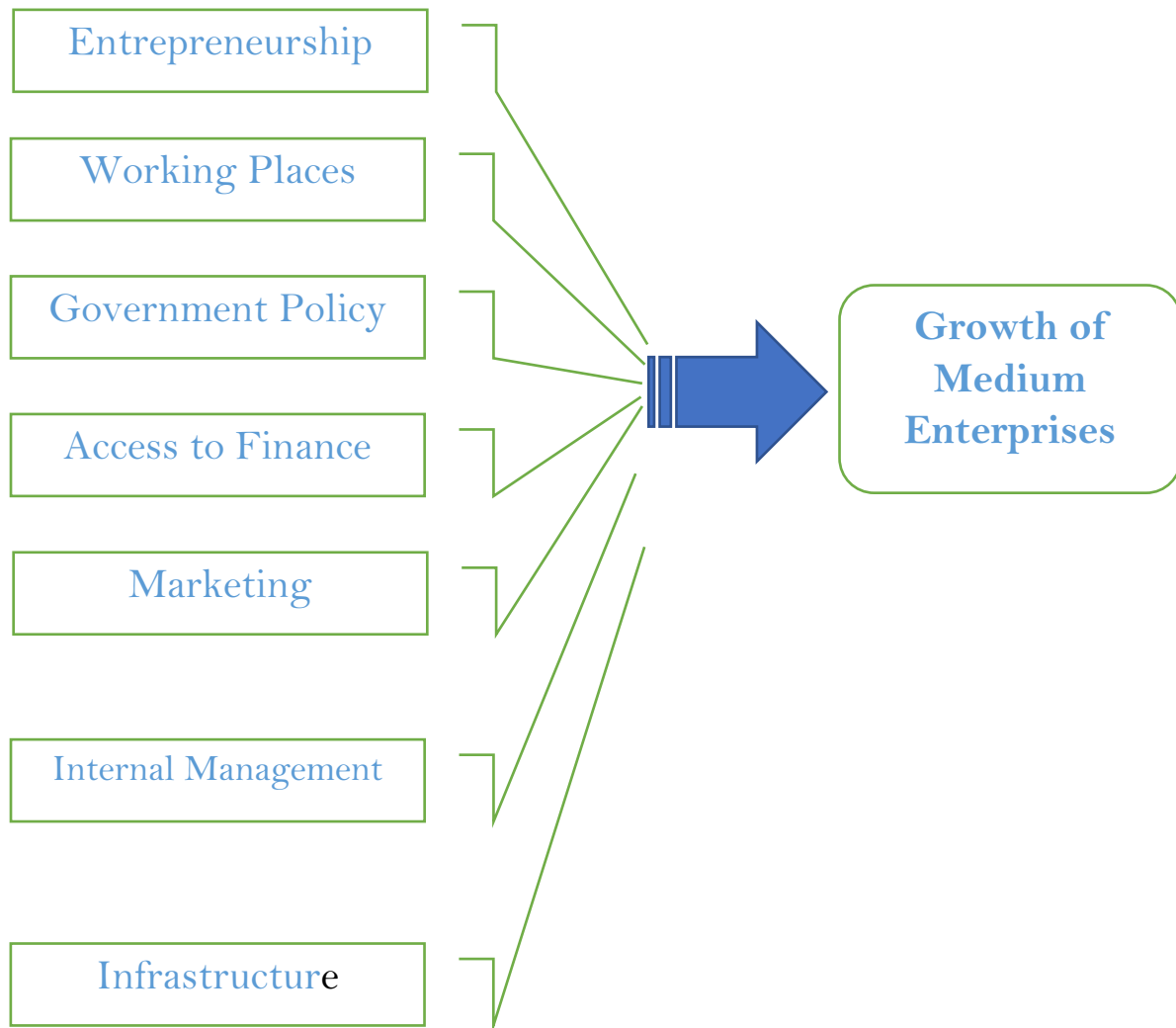


Figure 2: Conceptual Framework

Source: Ahmed, 2017

CHAPTER THREE

3. RESEARCH METHODOLOGY

This chapter discusses the research design and methodology used in the study, more specifically, research approach, sampling design, method of data collection and analysis, and variable measurement.

3.1. Research Design

The research design for this study was a Descriptive -Explanatory survey method. The descriptive-explanatory survey method is a powerful research approach that offers several benefits, including:

- **Rich and detailed data:** By combining both qualitative and quantitative methods, descriptive-explanatory surveys can provide rich and detailed insights into the attitudes, behaviors, and experiences of respondents.
- **In-depth understanding:** The use of open-ended questions and focus groups allows researchers to gain a deeper understanding of the reasons behind respondents' answers, providing insight into the motivations and drivers behind their behaviors.
- **Contextual knowledge:** The descriptive-explanatory survey method takes into account the context in which people live, providing a more complete picture of the social and cultural factors that influence their behaviors.
- **Generalize ability:** The use of a representative sample and statistical analysis allows researchers to generalize findings to larger populations, making the results more useful for policy and decision-making.

3.2. Research Approach

The study employed mixed research approach which includes both quantitative and qualitative methods. Mixed techniques include numerous strategies that work together to enhance advantages and mitigate disadvantages that result from utilizing a single study design. This method of data collection and analysis helped to improve the study's validity and dependability.

3.2.1. Target Population

The whole collection of medium enterprises under Lideta Sub-city Administration served as the study's target population. The Lideta Sub-city administration's list of 281 target firms, which is officially registered up to June, 2019, served as the sampling frame from which the requisite sample size was drawn.

3.2.2. Data Sources

The source of information for the study was primary data that was exclusively gathered through fieldwork surveys to learn more about the variables influencing the development of small and medium-sized businesses.

3.2.3. Data Collection Instruments

To gather data from the respondents, the structured questionnaire has multiple-choice and closed-ended questions. Version difficulties were minimized by creating the survey questionnaire in both English and Amharic. The questions from several sources were combined in this study. In order to evaluate the variables influencing medium enterprises growth, questions were developed. Some of the questionnaire's questions were taken from Admasu (2012) and Fatoki& David (2010), but they were modified to fit the context of our nation. To give respondents a wider variety of five options, multiple-choice questions and five-point Likert scales were utilized in the questionnaire. The scale of agreement for questions about factors influencing SMEs' growth ranges from 1 to 5.

Strongly disagree = 1, disagree = 2, neutral = 3, agree = 4, strongly agree = 5. If the respondent responds disagree and strongly disagree, it indicates that there is no problem on the growth of SMEs. On the other hand, if their response is agree and strongly agree, it indicates that there is high problem on the growth of medium enterprises.

3.2.4. Sampling Technique

To gather data from SMEs of various sizes, proportional stratified sampling was utilized. This method was chosen because it helps to reduce prejudice while dealing with the population. Using this method, the sampling frame was arranged into roughly homogeneous groups before the sample's components were chosen. This process, in Janet's opinion (2004), increases the likelihood that the final sample will be representative of the stratified groups. The strata of the

Lideta Sub-city administration's medium enterprises were: Manufacturing, Construction, Urban Agriculture, Trade, and Service

3.2.5. Sampling Design

The formula created by Taro Yamane will be used to calculate the sample size for this investigation (1967)

$$n = \frac{N}{1 + N (e^2)}$$

Where, n= corrected sample size, N = population size, and e = Margin of error (MoE), e = 0.05 based on the research condition.

$$n = 281 / (1 + 281 * 0.0025)$$

$$n = 165.02$$

(Source: Yamne (1967))

Therefore, the number of sample Size of the study is 165. Depending on the proportion of the sub-sectors, the sample size is classified as follows:

Sector	Sample Size
Manufacturing	53
Trade	33
Urban agriculture	12
Services	44
Construction	23
Total	165

Figure 3: Stratified Sampling of Survey

3.3. Methods of Data Analysis and Interpretation

The process of evaluating, purifying, manipulating, and modeling data with the aim of identifying relevant information and making recommendations is known as data analysis. To draw generalizations and inferences about the population, descriptive statistics, correlation, and regression analysis are utilized. To draw generalizations and conclusions about the population, the Statistical Package for Social Sciences (SPSS) will be utilized.

3.4. Ethical Considerations

Before starting to distribute the questionnaires, it was ensured that all of the research participants who were a part of this study had been given the proper information regarding the study's objectives. The study upheld the anonymity of each participant's identity with regard to their right to privacy. Since names are always kept private, aggregate terms like "respondents" were used.

CHAPTER FOUR

4. DATA PRESENTATION, ANALYSIS AND INTERPRETATION

The findings of a statistical analysis of the information gathered from the respondents are presented in this chapter. The answer to the study questions posed in chapter one is the main emphasis of the findings. In order to test the hypotheses, general information about the respondents from the business enterprises as well as descriptive statistics on the expansion of medium firms currently observed in the Lideta Sub-city were first given and examined.

4.1. Response Rate

165 questionnaires were distributed, and 150 of them were successfully completed and recovered, yielding a response rate of 92.0%. Sector-wise response rate of the questionnaires are stated in the table below, which indicated that all questionnaires distributed to respondents in the trade and urban agriculture sectors were returned successfully.

Sector	Distributed		Replied		Response Rate
	In Number	In %	In Number	In %	
Manufacturing	53	32.12	49	32.7	92%
Trade	33	20.00	33	22.0	100%
Urban agriculture	12	7.27	12	8.0	100%
Services	44	26.67	36	24.0	82%
Construction	23	13.94	20	13.3	87%
Total	165	100	150	100	92%

Table 1: Response Rate of Survey

4.2. Demographic Profile of Respondents

For the various demographic parameters of respondents and their opinion of MEs in their respective firms, descriptive statistics in the form of frequency mean and standard deviations are produced. The following is a presentation of the demographic characteristics of the businesses, or respondents, that are important for this study.

What is your level of education?					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Below grade 12	60	40.0	40.0	40.0
	TVET Certificate	45	30.0	30.0	70.0
	Diploma	32	21.3	21.3	91.3
	Bachelor degree	10	6.7	6.7	98.0
	Masters or above	3	2.0	2.0	100.0
	Total	150	100.0	100.0	

Table 2: Level of Education

As shown in Table 2, the majority of respondents have education levels below grade 12 (40%), TVET certificates (30.0%), diplomas (21.3%), 6.7 bachelor degrees, and the remaining 2.0 have master's degrees or higher. This suggested that 91.3% of the respondents had a diploma or lower. Consequently, the majority of business responders lack a college degree.

What is your current position in the company?					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Manager	37	24.7	24.7	24.7
	Owner & manager	82	54.7	54.7	79.3
	Sales person	21	14.0	14.0	93.3
	Others	10	6.7	6.7	100.0
	Total	150	100.0	100.0	

Table 3: Current Position of Respondent

The employment position of the respondents who took part in this study is described in detail in Table 3. As shown in table 3, owners and managers accounted for the majority of respondents (54.7% of all valid respondents), followed by managers (24.7%), and sales person (14.0%) of all respondents. As a result, they are expected to apply comprehensive information about medium enterprises' growth in their businesses. As a result, we anticipate the accuracy of their comments.

How long have you been working in this position?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than one year	81	54.0	54.0
	1-5 years	54	36.0	90.0
	6-10 years	12	8.0	98.0
	More than 10 years	3	2.0	100.0
	Total	150	100.0	100.0

Table 4: Experience of Respondent

Table 4 shows that of all respondents, 54.0% have worked for their current companies for less than 1 year, 36.0% have worked there for one to five years, and 8.0% have six to ten years of experience.

What is your main business activity?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Manufacturing	49	32.7	32.7
	Trade	33	22.0	54.7
	Urban agriculture	12	8.0	62.7
	Services	36	24.0	86.7
	Construction	20	13.3	100.0
	Total	150	100.0	100.0

Table 5: Main Business Activity

According to Table 5, the manufacturing sector accounts for 32.7% of all respondents' employment, followed by services with 24.0%, trade with 22.0%, construction with 13.3%, and urban agriculture with 8.0%. This demonstrates that businesses should prioritize the manufacturing and service sectors.

How do raise funds to start-up your business??

	Frequency	Percent	Valid Percent	Cumulative Percent
Personal saving	48	32.0	32.0	32.0
Family & friends	20	13.3	13.3	45.3
Loan	43	28.7	28.7	74.0
Credit association	30	20.0	20.0	94.0
NGOs	9	6.0	6.0	100.0
Total	150	100.0	100.0	

Table 6: Start-up Fund

As can be seen from Table 6 personal saving (32.0%) are the most sources of fund, followed by Loan (28.7%), Credit association (20.0%), Family and friends (13.3%), and NGOs (6.0%%). This demonstrates that personal savings and loan are the primary sources of funding for medium enterprises in Lideta sub-city. Credit association and Family and friends also play the significant role.

What is your business type?

	Frequency	Percent	Valid Percent	Cumulative Percent
Sole proprietorship	48	32.0	32.0	32.0
Partnership	83	55.3	55.3	87.3
Private Limited company	19	12.7	12.7	100.0
Total	150	100.0	100.0	

Table 7: Business Type

By way of can be seen from the Table 7 Partnership is the main type of business (55.3%), followed by sole proprietorship (32.0%), private limited company are rare (12.7%) in Lideta sub-city. This shows that the main types of business are partnership and sole proprietorship

For how long your business was in the market?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Less than one year	50	33.3	33.3	33.3
1-5 years	81	54.0	54.0	87.3
6-10 years	19	12.7	12.7	100.0
Total	150	100.0	100.0	

Table 8: Years of Business Experience

As indicated in Table 8, from the total respondents (28.4%) were serving at their present enterprises for more than 10 years, 27.7% for less than 1 year and 26.5 % for more 1-5 years. The remaining 17.4% were serving for less than 6-10 years. This shows that 71.6% of enterprises are serves as below than 10 years.

How many employees both (permanent and temporary) for your enterprise in 2007 E.C

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1-6	116	77.3	77.3	77.3
7 – 30	34	22.7	22.7	100.0
Total	150	100.0	100.0	

Table 9: Number of Employees

As shown in Table 9, the majority of respondents (77.3%) have responded that there are 1 to 6 employees within their enterprise, while the remaining respondents noted that the number of employees is between 7 and 30. This demonstrates that the majority of businesses only have a few employees.

What was your startup capital?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Less than 50 thousand	74	49.3	49.3	49.3
50 thousand - 500 thousand	34	22.7	22.7	72.0
500 thousand - 2 Million	27	18.0	18.0	90.0
More than 2 Million	15	10.0	10.0	100.0
Total	150	100.0	100.0	

Table 10: Start-up Capital

The amount of start-up capital was less than 50,000 birr (49.3%), followed by between 50,001 and 500,000 (22.7%). It is only 10% of the respondents that replied with more than 2 million as a start-up capital of their business.

4.3. Determinants of Growth

Factors that affect the growth of medium enterprises in Lideta Sub-city were identified by respondents of the study through various questions replied to. The responses are presented as follows.

The expansion of medium enterprises is hampered by a number of issues linked to various causes. This section explains the descriptive statistics that were derived using the variables that influence the expansion of medium enterprises. The following tables display the findings for measures of central tendency and dispersion from the sample of respondents from the manufacturing, trade, urban agriculture, service, and construction industries. The mean and standard deviation of the variables are shown in tables. The mean score reflects how strongly respondents agreed with the suggested idea. More respondents agreed with the proposition when the mean score was higher, and vice versa. The standard deviation, on the other hand, shows how much the replies varied from one another. Higher standard deviation numbers indicate that the responses are highly diverse. According to Zaidatol, and Bagheri, 2009, mean score of ≤ 3.39 is low, from 3.40 up to 3.79 is moderate and > 3.80 is high. The comparison basis analysis was based on the above mean score.

4.3.1. Financial Factor

Table 11: Descriptive Statistics result for financial factor

Descriptive Statistics							
	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Shortage of working capital	150	4.38	1.001	-1.434	.198	.694	.394
Insufficient credit institutions	150	4.19	.960	-1.273	.198	.786	.394
High collateral requirements	150	4.28	.715	-.582	.198	-.438	.394
High interest rate	150	4.26	.660	-.337	.198	-.746	.394
Complicated loan application procedures	150	3.95	.850	.102	.198	-1.612	.394
Improper financial recording system	150	4.46	.711	-.937	.198	-.439	.394
Valid N (listwise)	150						

Source: Survey, 2023

The total financial factor has a high mean value of 4.46 and a low standard deviation of 0.66, as shown in Table 4.12. The mean value of all the financial element items is high and ranges from 3.95 to 4.46. The maximum mean value for the item "Improper financial recording system" is 4.46, and its standard deviation is 0.711. The lowest mean value is 3.95, and the item "Complicated loan application procedures" has a standard deviation of 0.850. Kline (2005), states that the values of skewness and kurtosis shouldn't be greater than three and ten, respectively. The financial factor items in this study's skewness and kurtosis values are within the specified ranges, confirming univariate normality of the data.

4.3.2. Working Place Factor

Table 12: Descriptive Statistics result for Working place Factor

Descriptive Statistics							
	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Absence of own working places	150	4.04	1.263	-.785	.198	-1.160	.394
Working place is far from the market	150	4.05	1.070	-.693	.198	-.888	.394
Working place is very narrow	150	4.34	.566	-.132	.198	-.691	.394
Very high rent of working places	150	3.29	1.038	-.126	.198	-1.424	.394
Valid N (listwise)	150						

Source: Survey, 2023

The total working place factor has a high mean value of 4.34 and a low standard deviation of 0.566, as shown in Table 12. The mean value for all factors related to the workplace is high and ranges from 4.34 to 3.29. The greatest mean value for the item "Working place is very narrow" is 4.1742, and its standard deviation is 0.566. The lowest mean value is 3.29, and the item " Very high rent of working places " has a standard deviation of 1.03.

4.3.3. Government Policy

Table 13: Descriptive Statistics result for Government Policy Factor

Descriptive Statistics							
	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Bureaucracy in enterprise registration and licensing	150	4.35	.725	-.654	.198	-.840	.394
Insufficient government support	150	4.39	.784	-.803	.198	-.906	.394
Unnecessary political intervention	150	4.21	.609	-.325	.198	.394	.394
Lack of clarity related to government rules and regulation	150	3.96	.741	.064	.198	-1.163	.394
High tax rate & other tariff	150	3.99	.550	-.004	.198	.386	.394
Because of corruption	150	4.04	.674	-.047	.198	-.774	.394
Valid N (listwise)	150						

Source: Survey, 2023

The total working place factor has a high mean value of 4.39 and a low standard deviation of 0.55, as shown in Table 13. The mean value for all factors related to the workplace is high and ranges from 4.39 to 3.96. The greatest mean value for the item " Insufficient government support " is 4.39, and its standard deviation is 0.78. The lowest mean value is 3.96, and the item " Lack of clarity related to government rules and regulation " has a standard deviation of 0.74.

4.3.4. Market Factor

Table 14: Descriptive Statistics result for Market factor

Descriptive Statistics							
	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Insufficient market & market chain for your product	150	4.55	.661	-1.189	.198	.200	.394
Lack of research for interest and demand predictin	150	3.58	.846	-.019	.198	-.590	.394
Lack of customer treatment	150	3.76	.880	-.408	.198	-.446	.394
Lack of product & service advertising	150	3.53	.849	-.272	.198	-.544	.394
Valid N (listwise)	150						

The aggregate market factor has a high mean value of 4.55 and a low standard deviation of 0.66, as indicated in Table 15. The mean value of each marketing component is high and ranges from 4.55 to 3.53. The maximum mean value for the item "Insufficient market & market chain for your product" is 4.55, and its corresponding standard deviation is 0.66. The lowest mean value is 3.53, and the item "Lack of product & service advertising" has a standard deviation of 0.84.

4.3.5. Entrepreneurship Factor

Table 15: Descriptive Statistics result for Entrepreneurship factor

Descriptive Statistics							
	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Lack of business skills	150	4.05	1.009	-.705	.198	-.684	.394
Lack of Entrepreneurship training	150	4.29	.807	-1.050	.198	.659	.394
Because of risk averters	150	3.79	1.001	-.415	.198	-.867	.394
Valid N (listwise)	150						

The total entrepreneurship factor has a high mean value of 4.29 and a low standard deviation of 0.80, as shown in Table 16. The high mean values for all the entrepreneurship-related items vary from 4.29 to 3.79. The greatest mean value for the item " Lack of Entrepreneurship training " is 4.29, and its corresponding standard deviation is .80. The item " Because of risk averters " also has the lowest mean, 3.79, and the lowest standard deviation, 1.0.

4.3.6. Infrastructure Factor

Table 16: Descriptive Statistics result for Infrastructure factor

Descriptive Statistics							
	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Poor water supply	150	3.28	.942	.143	.198	-.922	.394
Poor Electricity	150	3.71	.856	-.241	.198	-.526	.394
Poor telecommunication	150	3.61	.947	-.115	.198	-.883	.394
Lack of quick and insufficient transportation services	150	3.95	.834	-.462	.198	-.316	.394
Lack of appropriate wastage screening & filtering system	150	3.12	.976	.503	.198	-.727	.394
Valid N (listwise)	150						

Source: Survey, 2023

The aggregate infrastructure component has a high mean value of 3.95 and a low standard deviation of 0.83, as shown in Table 17. The mean value for all infrastructure components is high and ranges from 3.95 to 3.12. The item " insufficient transportation services " had the greatest mean of 3.95 and 0.83, as their standard deviations. Additionally, the category "Lack of appropriate wastage" has the lowest mean of 3.12 and the lowest standard deviation of 0.97. Infrastructure study skewness and kurtosis values are within specified ranges, demonstrating univariate normality of the data.

4.3.7. Internal Management Factor

Table 17: Descriptive Statistics result for internal management factor

Descriptive Statistics							
	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
High product & service cost	150	4.33	.650	-.444	.198	-.699	.394
Lack of technical training	150	3.94	.796	-.053	.198	-1.045	.394
Lack of organized & effective communication	150	3.82	.844	-.394	.198	-.347	.394
Lack of sufficient & skilled labor	150	3.04	1.067	.524	.198	-1.073	.394
Lack of strategic planning	150	4.25	.750	-.923	.198	.872	.394
Valid N (listwise)	150						

Source: Survey, 2023

The total internal management factor has a high mean value of 4.33 and a low standard deviation of 0.65, as shown in Table 18. The mean values of all the internal management components are high and range from 3.04 to 4.3. The greatest mean value for the item "High product & service cost" is 4.33, and its standard deviation is 0.65. The lowest mean value is 3.04, and the item "Lack of sufficient & skilled labor " has a standard deviation of 1.0.

Summary Determinants of Growth

Table 18: Descriptive Statistics result for Summery Determinants of Growth

Descriptive Statistics							
	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
FinancialSector	150	4.2533	.40028	-.256	.198	.138	.394
WorkingPlace	150	3.9283	.53119	-.316	.198	-.606	.394
GovernmentFactor	150	4.1578	.39751	.232	.198	-.139	.394
MarketFactor	150	3.8567	.41606	.024	.198	-.084	.394
EnterpreneurFactor	150	4.0444	.63536	-.488	.198	-.237	.394
InfrastructureFactor	150	3.5880	.81008	5.993	.198	57.820	.394
InternalMgmtFactor	150	3.9267	.75526	7.651	.198	79.668	.394
Valid N (listwise)	150						

Source: Survey, 2023

As shown in Table 19, every factor that affects medium enterprises has a high mean value that varies from 3.58 to 4.25. The greatest mean value for the "financial factor" is 4.25, and its standard deviation is 0.40. Additionally, the item "infrastructure factor" has the lowest mean of 3.58 and the standard deviation of 0.81. All of the medium enterprises' drivers in this study's skewness and kurtosis values fall within the required ranges, demonstrating the data's univariate normality.

4.4. Growth of SMEs

Table 19: Descriptive Statistics result for Growth of SMEs

Descriptive Statistics							
	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
The enterprise creates create more market coverage	150	4.41	.569	-.513	.198	.656	.394
The enterprise has increased profit from time to time	150	3.40	1.117	.064	.198	-1.364	.394
There are qualified and highly skilled employees	150	4.28	.860	-.576	.198	-1.407	.394
Number of employees within the enterprise increases from time to time	150	4.00	.927	-.718	.198	-.259	.394
There are enough materials and equipment within in the enterprise	150	3.17	.910	.243	.198	-.835	.394
The enterprise has more capability to reduce risk related to inflation	150	2.55	.856	1.331	.198	.607	.394
The enterprise has created full capacity to transform from small to medium or medium to larg	150	2.86	.836	.549	.198	-.639	.394
Valid N (listwise)	150						

Source: Survey, 2023

The aggregate growth of medium enterprises, as shown in Table 4.20, has a high mean value of 4.41 and a standard deviation of 0.56. The mean value of each growth factor item is high and

ranges from 2.55 to 4.41. The greatest mean value for the item " The enterprise creates create more market coverage " is 4.41, and its standard deviation is 0.56. Additionally, the item " The enterprise has more capability to reduce risk related to inflation " has the lowest mean of 2.55 and the standard deviation of 0.85. The autonomy items in this study's skewness and kurtosis values are within the suggested ranges, demonstrating univariate normality of the data.

4.5. Results of Inferential Statistics of the Study

In this section, the results of inferential statistics are presented. For the purpose of assessing the objectives of the study, Pearson's Product Moment Correlation Coefficient and regression analyses were performed. With the aid of these statistical techniques, conclusions are drawn with regard to the sample and decisions are made with respect to the research hypothesis.

4.5.1. Pearson's Product Moment Correlation Coefficient

The table also shows the correlation between the chosen variables and the expansion of medium enterprises for a sample of 150 businesses in Lideta sub-city. Growth and the market factor have a substantial positive correlation ($r = .671$, $p < .05$, statistically significant at the 95% confidence level).

This suggests that at a 5% level of significance, it was shown that the market element significantly influences how quickly enterprises grow. Growth and entrepreneurship also have a strong, statistically significant link ($r = .688$, $p < .01$). This would suggest that medium enterprises' growth will be better the more entrepreneurship there is. Additionally, there is a statistically significant association ($r = .792$, $p < .01$) between the infrastructure element and growth. This would suggest that medium enterprises growth would be better the more infrastructure was available. Finally, the table shows that there is a marginally positive association ($r = .229$, $p < .01$) between internal management and business growth.

Correlations

		FinancialSector	WorkingPlace	GovernmentFactor	MarketFactor	EntrepreneurFactor	InfrastructureFactor	InternalMgmtFactor	EntGrowth
FinancialSector	Pearson Correlation	1							
	Sig. (2-tailed)								
	N	150							
WorkingPlace	Pearson Correlation	.402**	1						
	Sig. (2-tailed)	.004							
	N	150	150						
GovernmentFactor	Pearson Correlation	.721**	.063	1					
	Sig. (2-tailed)	.000	.442						
	N	150	150	150					
MarketFactor	Pearson Correlation	.169*	.004	.405**	1				
	Sig. (2-tailed)	.039	.957	.000					
	N	150	150	150	150				
EntrepreneurFactor	Pearson Correlation	.670**	.179*	.176*	.359**	1			
	Sig. (2-tailed)	.258	.028	.031	.000				
	N	150	150	150	150	150			
InfrastructureFactor	Pearson Correlation	.532**	.325**	.045	.066	.071	1		
	Sig. (2-tailed)	.389	.089	.586	.425	.391			
	N	150	150	150	150	150	150		
InternalMgmtFactor	Pearson Correlation	.172*	.080	.002	.053	.004	-.023	1	
	Sig. (2-tailed)	.811	.327	.985	.521	.961	.785		
	N	150	150	150	150	150	150	150	
EntGrowth	Pearson Correlation	.652**	.671**	.698**	.657**	.623**	.745**	.341**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.004	
	N	150	150	150	150	150	150	150	150

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

* . Correlation is significant at the 0.05 level (2-tailed).

4.5.2. Regression Assumptions Test

4.5.2.1. Normality Test

To ensure that the multivariate normality assumption was met, the data were examined. According to Brooks (2008), the normalcy assumption must be met in order to run a hypothesis test about a model parameter. The mean of the residuals is assumed to be zero under the normalcy assumption. Gujarati (2004) states that three tests of normality could be taken into consideration when determining whether the assumption of normality is true: (1) the histogram of residuals; (2) the normal probability plot (NPP), a graphical tool; and (3) the Jarque-Beratest (it is an asymptotic, or large-sample, test). The first two straightforward graphical tools for evaluating the normalcy assumption were used in this investigation, as shown below, because of their simplicity.

I. Histogram of Residuals

A histogram of residuals is a straightforward graphic tool that may be used to understand the characteristics of a random variable's probability density function. The values of the variable of interest (OLS residuals) are separated into appropriate intervals on the horizontal axis, and in each interval, rectangles are raised with heights proportional to the frequency of observations in that interval. The histogram is bell-shaped if the residuals are regularly distributed around their mean of zero.

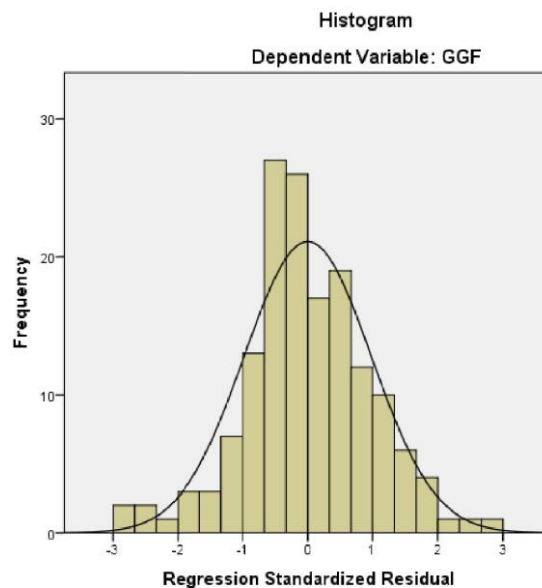


Figure 4: Histogram of Residuals

II. Normal Probability Plot

The normal probability plots and the histogram of residuals were both employed to examine the data's normality. The probability plot (NPP) is a very straightforward graphical tool for examining the contours of a random variable's probability density function (PDF). It employs the values of the relevant variable on the horizontal axis and its anticipated value on the vertical axis. The variable of interest is assumed to be normally distributed if the fitted line in the NPP is about a straight line. Since a straight line appears to suit the data quite well, Figure 4.2 below showed that the research model regression's residuals are roughly normally distributed.

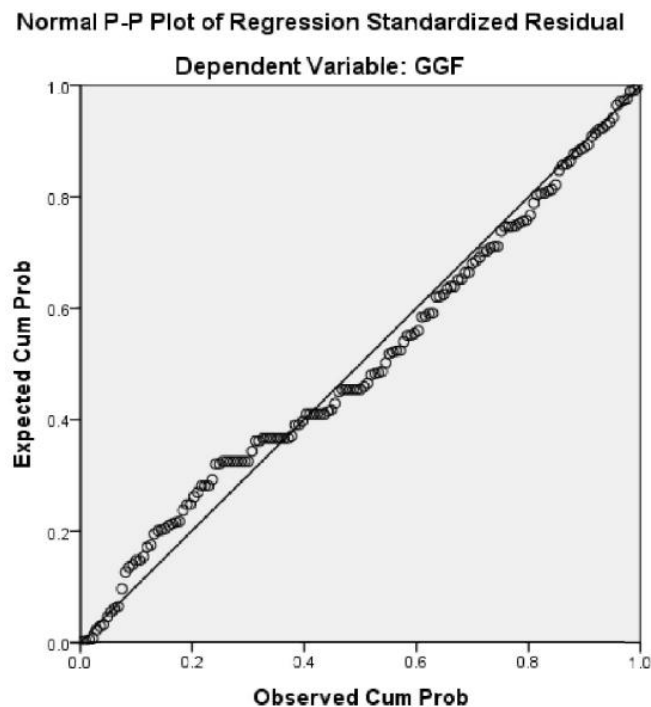


Figure 5: Normal Probability Plot

Therefore, based on the results of the aforementioned tests, it is reasonable to draw the conclusion that the normalcy assumption is true and that the researcher's assumption regarding the population parameter from the sample is appropriate.

4.5.3. Multicollinearity

The conclusion that the normality assumption is accurate and that the researcher's assumption regarding the population parameter from the sample is appropriate may therefore be drawn from the results of the aforementioned tests. Only multiple regressions are affected by multicollinearity since they use more than two predictors. When at least one predictor is a perfect

linear combination of the others, there is perfect collinearity. A method for detecting multicollinearity, according to several statistical manuals, is to look at the correlation matrix of all the predictor variables. Another approach is to utilize SPSS to create a collinearity diagnostic, one of which is the variance inflating factor (VIF). If a predictor has a strong linear association with another predictor or predictors, it is indicated by the VIF. Although there are no hard and fast rules on what value of the VIF should raise red flags, (Gujarati, 2004) says that a value of less than 10 is a good value and that there is no multicollinearity in the regression model if the average VIF is more than 1.

4.5.4. Multiple Regression Analysis

The variance inflation factors (VIFs) for the independent variables used in the regression equation in this investigation (Table 19) are all less than 4. The tolerance statistics, which is the reciprocal of the VIF (1/VIF), are associated with the VIF. Such values below 0.2 merit attention. Given that the tolerance statistics values for the regression model used in this study are all less than 0.80 and more than 0.20 (see tables 4.19), no multicollinearity is seen in this model. The researcher also takes into account the model fit ("ANOVA") table, which separates variance attributed to one cause from variation attributable to other causes, in addition to the examination of R-square.

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	8.139	7	1.163	144.865	.000 ^b
	Residual	1.180	147	.008		
	Total	9.319	154			
a. Dependent Variable: Growth of Medium Enterprises						
b. Predictors: (Constant), IMF, EF, MF, WP, GPF, IF, AF						

Source: Survey, 2023

The better the match, the lower the ANOVA table variance or significance number. In general, the researcher came to the conclusion that the model could not fit the data if "sig" was higher than 0.05 (Gupta, 1999). According to (Gupta, 1999), the 'sig' result should be less than 0.05 in order for the model and the data to fit together. The overall significance of the model in the

aforementioned ANOVA table 4.22 is therefore fit at 'sig' of 0.000, according to the researcher's findings. The researcher came to the conclusion that our model could account for the data.

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.935 ^a	.873	.867	.08959	1.893
a. Predictors: (Constant), IMF, EF, MF, WP, GPF, IF, AF					
b. Dependent Variable: Growth of Medium Enterprises					

Source: Survey, 2023

According to the summary of the regression model in table 4.23, the multiple R square value of 0.873 (87.3%) suggested that the dependent and independent variables had a strong positive connection. According to the model's R-square value, the independent variables were able to predict 87.3% of the dependent variable. Other variables outside the model account for the remaining 12.7% of the dependent variable (Gupta, 1999). As a result, there is a significant connection between the dependent and independent variables (Kothari, 2004). The model's adjusted R-square value indicated a strong 86.7% goodness of fit.

In a similar vein, Table 4.24 showed the beta coefficients, which show the positive or negative association between each variable and the model. The impact of the independent variables on the dependent variable was demonstrated by the t and p values. Table 4.19's beta coefficient shows that the beta value of the constant in the model is 0.214, while the beta values for the predictor variables (access to finance, working environment, government policy, marketing, entrepreneurship, infrastructure, and internal management) are 0.129, 0.136, 0.188, 0.257, 0.106, 0.188, and -0.051 respectively. These variables' respective P-values are .002, .000, .000, .000, .002, and .099 each.

Unstandardized beta coefficients and p-values for access to finance (B= 0.129, p = .002), the workplace (B= 0.136, p = .000), government policy (B= 0.188, p = .000), marketing (B= 0.257, p

= 000), entrepreneurship (B= 0.106, p = 002), and infrastructure (B= 0.188, p = 099) are displayed in table 4.24. As their p values are 0.05, this shows that the financial, working environment, government policy, market, entrepreneurship, and infrastructure factors have a positive and substantial association to the growth of SMEs. Internal management, however, does not significantly relate to the expansion of SMEs (B = -0.051, p = 099).

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
	(Constant)	.214	.156		1.368	.174		
	Access to finance	.129	.041	.154	3.120	.002	.355	2.814
	Working Place	.129	.030	.171	4.502	.000	.596	1.678
	Government Policy	.188	.045	.218	4.203	.000	.321	3.114
	Market Factor	.257	.028	.332	9.155	.000	.657	1.523
	Entrepreneur	.257	.034	.143	3.149	.002	.418	2.393
	Infrastructure Factor	.188	.040	.226	4.660	.000	.367	2.721
	Internal Management	-.188	.030	-.053	-1.663	.099	.838	1.193
a. Dependent Variable: Growth of Medium Enterprises								

Source: Survey, 2023

This beta implies that when the level of financial access increased by 0.129, average growth increased by one; when the level of the workplace increased by 0.136, average growth increased by one; when the level of governmental policy increased by 0.188, average growth increased by

one; when the level of marketing increased by 0.257; when the level of entrepreneurship increased by 0.106; and when t The coefficients of the independent variables in the regression equation, which includes all the predictor variables, are provided to us in the column labeled "Unstandardized coefficients," as seen below:

$$G = 0.214 + 0.129AF + 0.136WP + 0.188GPF + 0.257MF + 0.106EF + 0.188IF + -0.057IMF$$

The b-value (beta coefficient), in general, informs us of the link between each predictor and the outcome. If the value is positive, the association between the predictor and the outcome is considered to be positive; otherwise, a negative coefficient denotes a negative relationship. All predictors for these data have positive b values, indicating relationships that are favorable.

4.5.5. Hypothesis Test

According to the regression analysis of the aforementioned model, growth and access to financing are positively correlated ($r = 0.129$, $p < 0.05$). As a result, hypothesis 1 was approved. It means that growth is negatively impacted by a lack of operating capital, stringent collateral requirements, high interest rates, and an inefficient financial recording system. According to the previous study (Fatoki & David, 2010), financial access is positively correlated with the dependent variables.

The working environment also exhibits a positive and significant link with growth, according to the regression analysis of the aforementioned model ($r = 0.136$, $p < 0.05$). As a result, hypothesis 2 was approved. It suggests that factors including the lack of personal workspaces, cramped workspaces, and extremely high workspace rent have a significant impact on growth. Growth is positively and significantly influenced by the workplace (Admasu, 2012).

Government policy has a positive and significant effect or correlation with ($r = 0.188$, $p < 0.05$) in the regression analysis of the aforementioned model. As a result, hypothesis 3 was approved. It suggests that bureaucracy in business licensing and registration, a lack of government backing, high tax rates and other tariffs, and corruption have a detrimental impact on growth. The conclusion is backed up by (Admasu, 2012).

Additionally, marketing and growth were shown to be significantly correlated or related ($r = 0.257$, $p < 0.05$). So, hypothesis 4 was approved. It shows that marketing has a favorable impact on

growth. The earlier study established a strong link between marketing and growth. The conclusion is backed up by (Admasu, 2012).

Entrepreneurship has a positive and significant influence or connection with ($\beta = 0.106$, $p < 0.05$) in the regression analysis of the aforementioned model. So, hypothesis 5 was approved. It implies that a lack of entrepreneurial training, business acumen, openness to change and risk-takers have a detrimental effect on growth. The finding is backed up by (Fatoki & David, 2010).

Infrastructure additionally affects growth ($\beta = 0.188$, $p < 0.05$). So, hypothesis 6 was approved. It suggests that inadequate water supply, inadequate electricity, inadequate telecommunication, and inadequate and slow transportation services have a detrimental effect on growth. The conclusion is backed up by (Fatoki & David, 2010).

Internal management and medium enterprises' growth were likewise shown to have a negligible association or link ($\beta = -0.051$, $p > 0.05$). As a result, hypothesis 7 was disproved.

The researcher has observed these seven findings. These are described below:

- Access to finance has a positive and significant relationship with the growth of medium enterprises.
- Working place has a positive and significant relationship with the growth of medium enterprises.
- Government policy has a positive and significant relationship with the growth of medium enterprises.
- Market factor has a positive and significant relationship with the growth of medium enterprises.
- Infrastructure has a positive and significant relationship with the growth of medium enterprises.
- Entrepreneur has a positive and significant relationship with the growth of medium enterprises.
- Internal management does not have significant relationship with the growth of medium enterprises.

CHAPTER FIVE

5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Discussions of the conclusions and suggestions are included in this chapter. The conclusions are based on the study's research objectives for the sake of clarity. Recommendations are made to government agencies based on the study's results, to business owners and advice for other scholars.

5.1. Summary

The 165 distributed questionnaires to owners, managers, and any other responsible individuals from medium-sized enterprises. 150 (92.0%) of the distributed questionnaires were collected, and all utilized to analyze the data. 20 questions were tested using reliability, and they were used for analysis since they have a good loading value and dependability scale. Since Regression analysis was done to see how each construct affected the other constructs. This was essentially done by the models, utilizing growth as dependent variables, to get the most effective linear combinations of the constructions and to obtain the prognostic significance of a single predictor to evaluate the proposed hypotheses. The researcher used a quantitative technique to analyze and characterize the variables influencing the development of medium enterprises. The primary data have been evaluated and interpreted in chapter four in relation to the study's goals and the problem statement.

In general, the results of this study are summarized as follows:

- Access to finance has a positive and significant effect or correlation on growth of SMEs ($\beta = 0.129, p < 0.05$).
- Working place also has a positive and significant effect or correlation on growth of SMEs ($\beta = 0.136, p < 0.05$).
- Government policy has positive and significant effect or correlation on growth of SMEs ($\beta = 0.188, p < 0.05$).
- There is also significant correlation or relationships were found between marketing and growth of SMEs ($\beta = 0.257, p < 0.05$).
- Entrepreneurship has positive and significant effect or correlation with growth of SMEs ($\beta = 0.106, p < 0.05$).

- Infrastructure has also influence on growth of SMEs ($\beta = 0.188, p < 0.05$)
- There is also insignificant correlation or relationships were found between internal management and growth of SMEs ($\beta = -0.051, p > 0.05$).

5.2. Conclusions

With the primary goal of critically evaluating the factors influencing the growth of medium enterprises, companies involved in manufacturing, trade, urban agriculture, and the service and construction sectors, this research was carried out in the Lideta Sub-city. The study specifically aimed to look into the variables that influence medium enterprises growth and to suggest potential remedies to medium enterprises' internal and external issues. Internal variables including internal management and entrepreneurial spirit, as well as external factors like financial access, employment opportunities, governmental regulations, market forces, and infrastructures. The following conclusions are worthwhile drawing based on the study's goals and findings.

The study findings indicate a strong, positive association between finance and medium enterprise growth. This suggests that access to financing has a significant impact on how quickly medium enterprises grow. According to the study's findings, the main issues facing businesses are a lack of working capital, high interest rates charged by lenders, hefty collateral requirements from banks and other lenders, an inadequate financial recording system, and challenging loan application processes.

The working environment has a favorable and significant impact on medium enterprises' growth. The main issues facing businesses are a lack of private workspaces, extremely costly rent, and a lack of space for expansion of medium enterprises. Therefore, there is a link between the working environment and medium enterprises' growth. Similar to this, marketing has a favorable and important impact on the expansion of medium enterprises. Marketing factors like a small market, a weak supply chain, a lack of research, an inability to foresee demand, and a lack of product and service advertising all have a significant impact on how well medium enterprises are doing in Lideta sub-city. Medium enterprises' growth and the marketing element are therefore positively correlated. The study's findings on infrastructure have a favorable and noteworthy impact, and they also take into account power outages and a lack of adequate and prompt transportation services that impede the expansion of these businesses in the Lideta Sub-city. The growth of medium enterprises is positively and significantly impacted by entrepreneurs. These

include knowledge of entrepreneurship, adaptability to change, and business skills of risk that impedes medium enterprises' ability to expand their businesses these businesses in Lideta sub-city.

Last but not least, government policy also has a positive and important impact. The main issues include excessive tax rates and other tariffs, red tape surrounding business registration and licensing, and a lack of government support. The empirical studies' stated study hypothesis—that there is a significant positive association between the independent and dependent variables—emerged for both factors. However, this study came to the conclusion that there is no meaningful connection between internal management and medium enterprises' growth. This suggests that the managerial skills of medium enterprises' owners have little impact on the expansion of their companies.

5.3. Recommendations

To maximize the potential growth of medium enterprises, suggestions for corrective and supplemental measures are crucial. Such proposals necessitate a thorough examination of the sector's influence on many elements. The following suggestions are made in light of the study's results and conclusions.

- A favorable and considerable impact is made by the financial component. Banks and MFIs must set aside a specific amount of their loanable capital for medium enterprises' business owners in order to make it easier for medium enterprises to receive credit. Special loan and repayment terms are required to facilitate this. Financial institutions, the Federal and Regional Governments, donors, and NGOs can thus help create lines of credit and specific windows for aiding growth-oriented in order to address the problem of credits. To decrease uncertainty about receiving repayment for the borrowed funds, the government should arrange and provide equipment, machines, and other essential materials through lease, allowing medium enterprises to cover the payment during operations.
- The government should organize medium enterprises as an industry village in a suitable location by building sheds and other common basic necessities, arranging common facilities, and encouraging private investors to get involved in the construction of these

premises by offering incentives for private investors like tax relief and the availability of lease-free land because working spaces are a major factor in the growth of medium enterprises.

- Government policy affects medium enterprises' ability to expand in a good and important way. The Lideta sub-city administration should revise its convoluted policies and procedures;
 - ✓ Creating straightforward business registration and licensing procedures
 - ✓ Adequate government backing
 - ✓ Calculating the proper tax rate rather than assuming the tax system
 - ✓ Staying away from political meddling and corruption
- The majority of issues faced by the investigated medium enterprises are typically attributed to marketing aspects as the explanatory element. Therefore, a solution to this ingrained issue is required. Among the methods for doing this are:
 - ✓ By setting up a bazaar and trade show.
 - ✓ By providing instruction on how to draw in new clients and keep hold of current ones.
 - ✓ By offering facilities for selling and displaying goods adjacent to work areas.
 - ✓ Connecting medium enterprises with other private contractors doing business in or near Lideta Sub-city so that the business owners can gain market opportunities.
 - ✓ Changing public opinion through significant awareness-building initiatives, as private individuals are expected to be the primary consumers of goods produced by medium enterprises in the long run.
- The growth of medium enterprises is positively and significantly impacted by infrastructure. The following options should be presented to the government:
 - ✓ Consistent power supply by upgrading brand-new, cutting-edge electrical installations
 - ✓ Fast transport services
 - ✓ Adequate water supply
 - ✓ A reliable telecommunication networks
 - ✓ Effective screening and filtration system for waste

- The effects of entrepreneurship are favorable and considerable. Therefore, the sub-city administration should offer the following in order to increase the capacity and competence of the operators and make medium enterprises competitive and profitable:
 - ✓ Operators receive ongoing technical training
 - ✓ Trainings in entrepreneurship
 - ✓ Sharing of expertise from successful businesses
 - ✓ Giving counsel and assistance is essential

Finally, research into many elements based on accurate information is essential for the expansion of any commercial enterprise. More studies in relevant fields should be conducted in order to accomplish this. The manufacturing industries were the main focus of this study, especially wood and metal work, retail and supply of building materials, urban agriculture (raring of cattle), service (internet café and decoration), and construction (sub-contracting and cobble stone). According to the researcher, subsequent research might thus look into the other sectors that are discovered and produce particular discoveries that could help greatly with the development of the nation.

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Appendix – 01: Questionnaire

Factors Affecting Business growth of Medium Enterprises: The case of Lideta Sub-City Medium Enterprises

Part I Introduction

Dear Respondent,

You are kindly requested to participate on a research study for partial fulfillment of Master Degree in Business Administration. This questionnaire is prepared to gather opinion of staffs. Kindly respond to all the below listed questions after proper reading of the instruction provided. Please bear in mind that all your answers are going to be used only for this study purpose and will be kept strictly confidential.

Note

- Please don't write your name
- Please answer all questions with options provided by putting a tick-mark (✓) in the appropriate box.

Part II Demography

Instruction: please put a tick mark (✓) in the check box corresponding to the choice that most represents you

1. Gender

Male Female

2. Age group _____

3. Educational Level

Diploma Bachelor Degree Master's Degree

Other: Please specify _____

4. Job Family _____

5. Work Experience in the organization

Less than 1 Year 1-5years 6-10years 11-15years above 15years

6. Job Grade:-----

7. Monthly Salary

Less than 5,000 5,000-10,000 10,001-15,000 15,001-20,000 above 20,001

Part III Questions

Instruction: Listed below are statements about the practices of employee engagement and few factors contributing to it in your organization. Carefully consider each statement and mark the answer that indicates the extent to which you agree with the statement.

1=strongly disagree,2=Disagree,3=neitherdisagree noragree,4=Agreeand5=strongly agree

No.	Statement of Existence	1	2	3	4	5
Financial Accessibility						
1.	Shortage of working capital					
2.	Insufficient credit institutions					
3.	High collateral requirements					
4.	High interest rate					
5.	Complicated loan application procedures					
6.	Improper financial recording system					
Working Place						
1.	Absence of own working places					
2.	Working place is far from the market					
3.	Working place is very narrow					
4.	Very high rent of working places					
Government Support						
1.	Bureaucracy in enterprise registration and licensing					
2.	Insufficient government support					
3.	Unnecessary political intervention					
4.	<i>Lack of clarity related to government rules and regulation</i>					
5.	High tax rate & other tariff					
6.	Because of corruption					
Market						
1.	Insufficient market & market chain for your product					
2.	Lack of research for interest and demand predictin					
3.	Lack of customer treatment					

4.	Lack of product & service advertising					
Entrepreneurship						
1.	Lack of business skills					
2.	Lack of Entrepreneurship training					
3.	Because of risk averters					
Infrastructure						
1.	Poor water supply					
2.	Poor Electricity					
3.	Poor telecommunication					
4.	Lack of quick and insufficient transportation services					
5.	Lack of appropriate wastage screening & filtering system					
Internal Management						
1.	High product & service cost					
2.	Lack of technical training					
3.	Lack of organized & effective communication					
4.	Lack of sufficient & skilled labor					
5.	Lack of strategic planning					
Business Growth						
1.	The enterprise doesn't create more market coverage					
2.	The enterprise do not have profit from time to time					
3.	There are no qualified and highly skilled employees					
4.	Number of employees within the enterprise did not increases from time to time					
5.	There are no enough materials and equipment within in the enterprise					
6.	The enterprise has less capability to reduce risk related to inflation					
7.	The enterprise has created full capacity to transform from small to medium or medium to large					

Thank you

