Factors affecting performance of Micro and Small Enterprises in Addis Ababa: The case of Addis Ketema Sub City Administration (City Government of Addis Ababa)

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This is to certify that the thesis prepared by Antenane Abeiy Ejigayehu, entitled "Factors affecting performance of Micro and Small Enterprises in Addis Ababa: The case of Addis Ketema Sub City Administration." Prepared and submitted in fulfillment of the requirements for the Degree of Master of Arts in Public Management and Policy. This MA thesis complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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DECLARATION

I, the undersigned, declare that this thesis is my original work and not been presented for a degree in any other university, and that all sources of materials used for the thesis have been duly acknowledged.

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ACRONYMS

BDS	Business Development Service
CSA	Central Statistics Agency
EU	European Union
FeMSEDA	Federal Micro and Small Enterprises Development Agency
GTP	Growth and Transformation Plan
IADB	Inter-America Development Bank
ILO	International Labour Organization
IMF	International Monetary Fund
Kshs.	Kenya Shelling
LMIC	Low and Middle Income Country
MoFED	Ministry of Finance and Economic Development
MSE	Micro and Small Business Enterprise
MSME	Micro Small and Medium Enterprises
OECD	Organization for Economic Cooperation and Development
PC-GNI	Per Capital -Gross National Income
ReMSEDA	Regional Micro and Small Enterprises Development Agency
SME	Small and Medium Enterprises
Tshs.	Tanzania Shelling
UNDP	United Nations Development Programme
UNCTD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organization

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ABSTRACT

In Ethiopia, MSE is one of the institution given recognition in the country's industry development plan, but despite its potential contribution to poverty reduction and employment creation, the government until very recently, had not extended adequate support to the development of the sector. Thus, this paper carried out with the objective of assessing the financial and operational determinant factors affecting MSE growth in Addis Ababa by measuring the key MSE's performance factors of some selected enterprises who are working in Addis Ketema sub City Administration. In this research work descriptive type of research used, relevant data collected from primary and secondary data sources. Thus, the researcher concluded that business startup environment and registration process found to be simple and easy, but still there is confusion among MSE operators regarding VAT registration, getting TIN identification number and Certification of competency application. Enterprises considered these issues as challenging tasks that makes business startup in the sector very tough. Majority of MSE operators rated infrastructure access has not been improved and hugely affecting their performance; getting working premises is still a time consuming and challenging task for them. Credit access for MSEs is limited; institution involved in providing loan are also limited. This research work also revealed that higher interest rate for loan, higher collateral requirement of loan providers, short period of loan repayment and limited institutions willing to provide loan for MSEs well-thought-out as great challenges. This research work point out that existence of favorable MSE policy, access to finance, and access to working premises in support of appropriate business development service, managerial and technical skill backing will enhance MSE enterprise growth. The government has to work hard collectively to address the above-indicated constraints.

CHAPTER ONE
INTRODUCTION

1.1. Background of the study

In many countries, nowadays there is a varied recognition of the contribution of Micro and Small Enterprises (MSE) to economic growth; recently the role of MSE in economic growth, urban poverty reduction and employment creation have engaged most of the discussions among government, policy makers and academicians. Wolde and Geta (2015) in their research paper stated that in most fast developing countries MSE by virtue of their size, location, capital investment and their capacity to contribute for urban poverty reduction and generate greater employment have proved their powerful effect for rapid economic growth.

The Micro and Small Enterprises sector is identified as a tool in bringing about economic transition by efficiently using the skill and talent of the people without requesting high-level training, much capital and sophisticated technology,(Wolde & Geta, 2015). The sector is also described as the national home of entrepreneurship, they are the primary vehicles by which new entrepreneurs provide the economy with a continuous supply of ideas, skills, and innovations, (Katua, 2014).

It provides the ideal setting, enabling entrepreneurs to exercise their talents to the full and attain their goals. In all the successful economy, they have seen as an indispensable springboard for growth, job creation, and social development at large. The MSE also seen as an important force to generate employment and more impartial income distribution, to activate competition, exploit niche markets, increase productivity and technical change, and through all of these stimulate economic advancement.

In a cross-section of both developed and developing economies, the contribution of the MSE sector to total employment, entrepreneurship, and innovation cannot be undervalued. As indicated in the concept note prepared for EU 104th session of the international conference by ILO, June 2015, in the OECD countries MSE represents more than 95 percent of all firms and account for around 46 per cent of total employment. In the EU, legally registered micro and small enterprises contribute to about 50 per cent of total employment. For example, this sector generates about 6.2 percent of the aggregate employment in the United States, 22.3 percent in China, about 80 percent in India, 67 percent in Japan and about 70 percent in EU countries (Carter and Jones-Evans 2004). To further comprehend the social and economic importance of micro and small enterprises, one UN study indicated that the sector represented 99 percent of all enterprises and provided around 65 million jobs in EU countries (UNCTD 2001).

The likely advantages of a vibrant MSE sector have made high expectations in many emerging countries about the contributions of this sector to job creation and poverty reduction. Add to this the confidence that the full development of the MSE sector can foster competitiveness in the economy and attain a more equitable distribution of the benefits of economic growth in both developed and developing economies. Such considerations have motivated many governments to put in place national policies to stimulate the growth of this sector in service, distribution, trade, urban agriculture and manufacturing-related economic activities.

From the standpoint of developing countries, MSE have a number of rewards that make them attractive in hastening economic development. Firstly, because MSE are fairly labor intensive, employment opportunities generated with a relatively low capital cost, a factor with limited supply in many developing nations. Then, they apply raw materials and labor-intensive technology that are locally available. Thirdly, policies and programs can put in place to encourage the development of these industries in different parts of the country thereby reducing concentration of enterprises in certain areas and promoting balanced economic growth. Finally, manageable production capacity and their flexibility make them suitable to respond to current national demand and the limited size of the market in many developing nations (Fasika and Daniel 1997).

Within the Ethiopian context, despite the potential contribution of the MSE to poverty reduction and employment creation is widely recognized, the Government until very recently had not extended adequate support to the development of the sector. Recent research work by (G. Gizbher & Ayenew, 2010) indicated that in Ethiopia there has not been an independent assessment of the contribution of the MSE development strategy to poverty reduction, job creation and business growth either at the federal or regional levels to date. Thus, this paper try to assess the different policy, financial and operational determinant factors affecting MSE growth in Addis Ababa by assessing the key MSE's performance factors of some selected enterprises who are working in Addis Ketema sub City Administration.

1.2. Statement of the problem

In Ethiopia, MSE is one of the sector given recognition in the country's industry development plan, and believed that it serves as vehicles reducing poverty and unemployment at urban center and as it reinforce the economic development. As specified in Ethiopian government national plan, the industrial strategy has given outstanding focus to strengthen micro and small enterprise. This is because it's believed that they are the foundation for the establishment and expansion of medium and large scale industries; and open up opportunity for urban employment generation, expansion of urban development, and provide close support for further agricultural development, (GTP I, 2010).

During the past five GTP implementation years (2010-2015), the expansion of investments by micro and mall enterprise as well as medium and large-scale industries has resulted in the creation of significant number of job opportunities. In 2012/13 alone, micro and small-scale enterprises created employment opportunities to over 1.2 million individuals, MOFED, GTP report 2013. But with all this the 2004/05 Ethiopian Household income and consumption survey (HICES) indicated that urban poverty incidence has increasing from about 33% in 1995/96 to about 35.1% in 2004/05 and at present time the urban unemployment rate reached about 25% of the employable population (Tegegne & Meheret, 2010). The same research by Tegegne and Meheret indicated that MSEs in Ethiopia despite its potential contribution to poverty reduction and employment creation, the government until very recently, had not extended adequate support to the development of the sector.

This can also easily seen on the limited jobs available in the market compared to the population of unemployed number of youth that join the working age and the substantial controversy existing over the underlying growth assumptions, the job creation potential, and the net contribution of MSEs to national employment and urban poverty reduction (FeMSEDA, 2015). This is due to different institutional, policy, operational and financial constraint factors existing from both sides, from government and MSE's owners. Some of these factors are institutional and policy constraints, lack of innovation and quality products, lack of use of appropriate technology, lack of access to finance and working premises are some of the issues to be blamed for the dearth of success (FeMSEDA, 2015).

Thus, this reach work, ultimately attempts to discourse the following key research questions:

1. Is there any conducive policy and business environment that support MSEs to meet their objective?
2. Is there financial access (Loan and other form of financial support) for Micro and Small Enterprises that will help them to easily start up business, maintain and expand their business?
3. Is vocational training and entrepreneurship skill avail for MSEs to boost their performance?
4. Is there any kind of business development and marketing linkage services provided for MSEs by government and other development agents that will improve their competitiveness?
5. Do micro and small business enterprises have access for stable infrastructure facilities and working promises for MSEs to produce and display their products?

1.3. Objective of the study

1.3.1. Overall research objective

The overall objective of this particular research is to assess the different factors affecting performances of micro and small enterprises.

1.3.2. Specific research objectives

The following are the specific objective of this research work

1. To identify what kind of enabling environment do exists and how does the existing government policy, legislation and directives affect the performances of MSE.
2. To determine the availability of finance for MSE business development.
3. To assess the availability of sufficient technical, managerial and entrepreneurial skill for the MSE development?

4. To describe how business development and marketing linkage services provided for MSEs by government and other development agents that will improve their competitiveness.
5. To assess how the working premises and other infrastructure facilities are supportive to their business to improve and sustain.

1.4. Significance of the study

The result of this research come up with major concerns that hinder the performance of micro and small business enterprises performance and provided policy recommendations based on the research finding. In addition, the observations and findings in this research might be preliminary that could explore different policy, financial and operational factors that contributed MSEs to grow, flourish, and support the economy. Hence, this study might serve as a basis for other researchers to conduct a comprehensive analytic research work on micro and small enterprises performance on the entire city.

1.5. Scope and limitation of the study

It has hardly to collect primary data in wider terms by reaching all the responsible potential stakeholders and MSEs in all sectors of the entire Addis Ababa city due to time and budget constraint. Accordingly, this research work is limited only in Addis Ketema sub city and the result may not necessarily represent the reality for the entire city of Addis Ababa MSE performance; but within the target sub city, Addis Ketema, the researcher tried to make representative samples in dealing with the research population.

1.6. Organization of the study

This research work organized as follows; following the introduction chapter, the second chapter provides an overview of related literatures on the role of micro and small enterprises in employment creation and poverty alleviation. The third chapter dedicated on the research design and methodology applied for this research work, followed by the fourth chapter data presentation, analysis, and interpretation. The last and fifth chapter provides conclusion and policy recommendation.

CHAPTER TWO
REVIEW OF RELATED LITERATURE

2. Introduction

At this chapter, the researcher reviewed some theoretical and empirical work on Micro and Small Scale Enterprises, which has received a great deal of attention in contemporary development literature and national plans of developing countries. This is because, it has been realized that most countries have programs to develop this sector of the economy since it is believed that the sector is the engine of growth for every economy and especially in all developing countries like Ethiopia. Further to this, there will be some conceptual work, which will be using to support the study.

2.1. MSE conceptual framework

Definitions of Micro and Small Enterprises differ from country to country, depending on one or more of brinks lay down in respect of investment, employment, poverty reduction, turnover etc. The issue of what establishes a small or micro enterprise is a major concern in the literature; even the term Micro and Small Enterprises (MSE[1]) defiantly used on various countries and on different literature to express the same categories of business.

The definition of firms by size varies among researchers as well as writers. Others define MSE in terms of their legal status and method of production. Some attempt to use the capital assets while others use labor and turnover level. Counties have also defined MSEs based on their own context and development scenario. The term MSE covers a wide-ranging of definitions and measures, varying from country to country and varying between the sources reporting MSE statistics. Due to its ease of collection, some of the commonly used criteria are the number of employees, total net assets, sales, and investment level. However, the most common basis for definition is employment,

[1] *Some countries use SME (Small and Medium Sized Enterprises), some other use MSE (Micro and Small Sized Enterprises), others also use MSME (Micro, Small and Medium Enterprises); in various literature you can also find these terms applied interchangeably. SME's have indeed not been spared with the definition problem that is usually associated with concepts, which have many components. To avoid any of the confusion that may arise by interchangeably using this business category; I prefer to use the term MSE (Micro and Small Enterprises) in this research paper.*

and here again, there is variation in defining the upper and lower size limit of an MSE. Despite this variance, a large number of sources define an MSE to have a cut-off range of 0-250 employees (OECD, 2004).

The EU and a large number of OECD, transition and developing countries set the upper limit of number of employees in the MSEs between 200-250, with a few exceptions such as Japan (300 employees) and the USA (500 employees). At the lower end of the MSE sector, a large number of countries define a group, which is a mixture of the self-employed and "micro" enterprises, with less than 10 employees (OECD, 2004). Irrespective of the level of development of an economy, a significant proportion of micro and, sometimes, small enterprises are found in the informal sector or the shadow economy[2] (Schneider & Williams, 2013). Imagine, for example, a discussion of MSEs among officials of the multilateral development institutions, each reflects within the context of the official definition of his or her own institution, as represented below by the maximum size criteria for MSEs.

Table 1: SME definitions used by multilateral institutions

Institution	**Maximum # of Employees**	**Max. Revenues or Turnover ($)**	**Maximum Assets ($)**
World Bank	300	15,000,000.00	15,000,000.00
IMF – IADB	100	3,000,000.00	(none)
African Development Bank	50	(none)	(none)
Asian Development Bank	No official definition, Uses only definitions of individual national governments		
UNDP	200	(none)	(none)

Source: *Defining SME: A Less Imperfect Way of Defining Small and Medium Enterprises in Developing Countries.* Tom Gibson, Principal, Co-Founder, Small Enterprise Assistance Funds, September 2008.

[2] *Shadow economy is defined as* Defines the shadow economy as 'market-based production of goods and services, whether legal or illegal, that escapes detection in the official estimates of GDP.

As Table 1 shows, the World Bank's definition includes businesses three times larger by employees and five times larger by turnover or assets than the largest SME under the MIF definition. Consider also, within the same context, the official definitions of SME used by national governments. The following geographically and economically diverse group of countries is listed first by each country's rank in PC-GNI[3] and then by their rank as to the maximum employment of an SME according to the national government (Gibson, 2008).

Table 2: Official national definitions of SMES

No	Country PC-GNI	Maximum # Employees
1	Norway	100
2	Switzerland	250
3	Australia	200
4	Brazil	100
5	Belarus	250
6	Thailand	200
7	Peru	200
8	Moldova	250
9	Morocco	200
10	Egypt	50
11	Nicaragua	100
12	Pakistan	50
12	Vietnam	300
13	Bangladesh	100
14	Ghana	100
15	Tanzania	20
16	Malawi	50

Source: Source: *Defining SME. A Less Imperfect Way of Defining Small and Medium Enterprises in Developing Countries.* Tom Gibson, Principal, Co-Founder, Small Enterprise Assistance Funds, September 2008.

[3] *PC-GNI GNI per capita - Gross national income (GNI) is the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output plus net receipts of primary income (compensation of employees and property income) from abroad*

As described by Gibson, logically, these rankings should at least *tend* to be similar. One could assume that the wealthier the economy, as defined perhaps by per capita income, the larger the size of any business considered being small or medium relative to other businesses in the country. Yet the largest Vietnamese SMEs are, officially, three times the size of the largest Norwegian SMEs. What is official an SME in Egypt may not exceed half the size of the upper limit in Ghana, despite the fact that Egypt's PC-GNI is roughly three times as large.

Due to lack of uniform definition of MSE across the globe, most countries use and implement based on legal meaning of the sector although there are such initial points. As we look at the experiences on international definition, the MSE definition is generally contained three basic criteria as to other countries experience. These are, full timer employed work force, total asset, net asset, paid up capital, and annual turnover and they use these criteria independently or in combination.

In general, the following point specifies experience of other countries.

- Workforce, total asset, net asset, paid up capital, and annual gross revenue serve as criteria independently or jointly
- In some countries, MSE divided in to manufacturing, construction, transport, wholesale and retail, and service sectors based on the type of industry.
- The definition of the sector viewed from the country's economic position and level of development.

Here is some countries definition that will help us to equate with the Ethiopian definition. In Kenya, the number of workers, the turnover, and assets of the enterprises defines the micro and small enterprises (MSE) industry. According to Kenya's Micro and Small Enterprises Act 2012, Micro Enterprises defined as a firm, trade, service, industry, or a business activity whose annual turnover does not exceed Kshs. 500,000 and whose total employees are less than 10 people. The same statute defined a small enterprise as that which has an annual turnover of between Kshs0.5 - 5 million, with the number of employees in the range from 10-50 people. In essence, the law classifies these enterprises based on employment and the annual turnover.

Table 3: Kenya MSE definition and arrangement

Entity	No of Employees	Annual Turnover Limit	Investment in Plant and Machinery + Registered Capital	Equipment Investment + Registered Capital
Micro Enterprise	< 10 people	<Ksh.s 500,000	Not exceeding Kshs. 10M	Not exceeding Kshs. 5M
Small Enterprise	>10 & < 50	Between Kshs. 0.5M - 5M	More than Kshs. 10M but less than 50M	More than Kshs. 5M but less than 20M

Source: Kenya Micro and Small Enterprises Act 2012. 1 USD is equivalent to 101.75(31 November 2016 exchange rate)

Kenya's micro and small enterprises (MSEs) further divided into four areas including agriculture, trade, manufacturing, and provision of services. This division confirms that Kenya's MSEs are engaged in all sectors of the economy despite the fact that the disproportionate numbers found in agriculture and the provision of services. Based on the definition provided above and the diversity of business activities that MSEs in Kenya are involved in, it surmised that they have substantial economic contribution and support a large number of livelihoods.

Table 4: Tanzania MSME definition and arrangement

Entity	Employees	Capital Investment in Machinery (Tshs.)
Micro enterprise	1 – 4	$\leq$ 5 million
Small enterprise	5 – 49	> 5 million to 200 million.
Medium enterprise	50 – 99	>200 million.to 800 million
Large enterprise	100 +	> 800 million.

Source: United Republic of Tanzania SME Development Policy, April 2003. 1 USD is equivalent to 216,020.79 Tshs. (30 November 2016 exchange rate)

In the context of Tanzania, micro enterprises are those engaging up to four people, in most cases family members or employing capital amounting up to Tshs.5.0 Million. The majority of micro enterprises fall under the informal sector. Small enterprises are mostly formalized undertakings engaging between 5 and 49 employees or with capital investment from Tshs.5 million to Tshs.200 Million. Medium enterprises employ between 50 and 99 people or use capital investment from Tshs.200 million to Tshs.800 Million.

In Ethiopia, as indicated in Ethiopian MSE strategic document, 2011, the definition of micro and small enterprises is smooth and has not been universally agreed for a decades. However, according to the Ethiopia micro and small enterprises development strategy, which cited in different packages of MSEs, the working definition of MSEs in Ethiopia is based on capital and number of employees and by type of services.

Thus, during 1997, Micro enterprises are those business enterprises with a paid up capital of not exceeding birr 20,000 and less than 5 employees excluding high tech consultancy and high tech establishment; during 1997 when the first MSE development strategy is formulated it considered other countries experience especially the South Africa experience. The definition given to MSE on that time was only based on paid capital or capital investment as most business were confined to family man power basis and lack of availability of manpower information of the sector (FDRE MSE strategy document, 1997.) Hence, during 2011 the definition of MSE are amended, accordingly; the terms microenterprise and micro business have the same meaning, though traditionally when referring to a small business financed by micro-credit the term micro-enterprise is used. Similarly, when referring to a small, usually legal business that is not financed by micro credit, the term micro-business is used (Micro and Small Enterprise strategy, 2011). Thus, as indicated in the 2011 strategic document the definition is categorized in to Micro Enterprise and Small Enterprise.

Table 5: Definition of MSE in Ethiopia

Type of Enterprises	Sector	Man power	Total asset
Micro Enterprise	Industry	≤ 5	< birr 100,000
	Service	≤ 5	< birr 50,000
Small Enterprise	Industry	6 to 30	< birr 1.5 million
	Service	6 to 30	< birr 500,000

Source: Ethiopia's MSED Strategy, 2011. 1USD is equivalent to 22 Ethiopian birr based on November 2016 exchange rate)

Accordingly, a micro enterprise in the industrial sector (manufacturing, construction, and mining) is one, which operates with up to five people including the owner and/or has total assets not exceeding Birr 100,000. Similarly, for activities in the service sector (retailer, transport, hotel, tourism, ICT and maintenance), a micro enterprise is one which operates with up to five people including the owner and/or has total assets not exceeding Birr 50,000. A small enterprise in the industrial sector is one, which operates with between 6 to 30 persons and/ or has paid up capital or total assets not exceeding Birr 1.5 Million. Similarly, a small service sector enterprise is one that has between 6 and 30 persons and/or has total assets or paid up capital of Birr 500,000. Different country experiences shows that the policies and strategies designed to speed up MSE development based on national definition of enterprises as it helps to provide sustainable support and effectiveness of the sector,(Ethiopia's MSED Strategy, 2011).

2.2. The role of Micro and Small enterprises

There is now a wide-ranging recognition of the influence of micro and small enterprises to economic growth; recently the role of MSE in economic growth and employment creation has occupied most of the discussions among government, policy makers, academicians, researchers and economists in both developed and emerging countries. In most fast developing countries MSE by virtue of their size, location, capital investment and their capacity to generate greater employment have proved their powerful propellant influence for speedy economic growth. The sector is also known as an tool in bringing about economic transition by effectively using the skill and talent of the people without requesting high level training, much investment and sophisticated technology. The micro and small enterprise sector also described as the national home of entrepreneurship. They are the primary vehicles by which new entrepreneurs provide the economy with a continuous supply of ideas, skills, and innovations, Katua, 2014.

Recent reports released by ILO and World bank indicated that working in micro, small, and medium enterprises (MSMEs) is the most prevalent way to make a living in low- and middle-income countries (ILO, 2015; World Bank, 2013). Formal MSE employ more than one-third of the world's labour force (Kushnir et al., 2010). The International Monetary Fund (IMF) estimates that across the 132 economies covered, there are about 125 million formal MSE of which 89 million operate in Low and Middle Income Countries (LMICs) and of which the overwhelming majority, about 83%, are micro enterprises, including the self-employed.

Across these countries, micro, and small enterprises (MSEs) constitute the largest share of private-sector enterprises and account for the majority of employment. Even though large shares of these MSEs are informal, they are also accountable for most of the job creation in low and middle-income countries. However, much of the employment in MSEs is low productivity, low income, and low quality employment (Reeg, 2015). As a result, substantial controversy remains over the underlying growth assumptions, the job creation[4] potential, and the net contribution of MSEs to national employment.

They face problems of policy and regulatory frameworks, and structural and institutional indiscretions, lack of smooth supply of raw materials and lack of working premises, lack of sufficient capital, and marketing problems. These problems call for government intervention by recognizing and paying due attention to the promotion and development of MSEs. It is also important to formulate strategies in a way to address the challenges of unemployment, economic growth and equity, and overall poverty in the country. Numerous studies have shown persistence of poverty and the unparalleled level of unemployment that characterizes Ethiopia in general and urban areas in particular.

In the coming years hundreds of millions of new jobs need to be created to keep up with demographic changes and population growth in low and middle income countries (LMICs) even to keep unemployment and underemployment rates at their current levels –let alone to substantially improve the employment situation. The world development report 2013 on 'Jobs' estimates indicated that there need to an additional 600 million jobs by 2020, if the ratio of employment to working-age population is to be held constant (World Bank, 2013).

Further, evidence suggests that the majority of current jobs in LMICs do not lift people out of poverty. According to estimates from the International Labour Organization (ILO), nearly half of all workers worldwide still live below the USD 2 a day poverty line (ILO & IMF, 2010). Thus, in

[4] *Job creation within MSEs is defined as the creation of new employment in existing MSEs as well as the job contributions that arise from new.*

order to reduce poverty, we do not just need more jobs; what we need as well, and more importantly, are more productive and thus better paying jobs and decent working conditions[5] (ILO, 2015).

However, these estimates are probably only a small part of the bigger problem as data on micro, small and medium enterprises, in particular on micro enterprises and the informal sector is scarce and often not comparable across countries due to differences in definitions and methods of estimation. Most statistical MSE definitions and subsequent research are predominantly concerned with businesses that have formalized or registered in some manner and have reached a critical number of employees. Consequently, the importance that micro and small enterprises (MSEs) have in providing employment is often underestimated and we know little about their potential in creating jobs.

2.3. Factors affecting Micro and Small Business Enterprises performance

Productivity growth is an important factor for creating public welfare and reducing poverty. It requires a different or more efficient use of factors, either, policy, operational or financial, presupposing that factors reallocated in the production process. Many determinant factors make MSEs to flourish and meet their intended purposes of which some of the main factors repeatedly detailed in different literatures that due care has to be given by the government are presented here below:

2.3.1. The business environment

The business environment is composed and shaped by a system of various institutional, policy and market conditions that govern and direct private sector activities; it is widely discussed that the quality of the business environment has an impact on a firm's innovation, output growth, and job creation potential (Acs, Desai & Klapper 2008). Clearly, these conditions have an influence on the development of the private sector, MSEs and overall job creation potential. Market failures and

[5] *The ILO concept of 'decent work' refers to conditions such as the absence of coercion, equity at work, security at work, dignity of work, and decent working hours MSEs, such as through start-ups and the self-employed*

institutional distortions can create fixed costs for businesses and this disproportionally disadvantages smaller enterprises (Aterido & Hallward-Driemeier, 2010). Thus, a poor business environment may provide fewer growth opportunities for small-scale entrepreneurship create a number of entry barriers to vulnerable and less-privileged entrepreneurs and thereby have a disproportionally negative effect on job creation and poverty reduction. Indeed, among MSEs, the large majority suffer from constraints that are associated with the structural disadvantages within their business environment (World Bank, 2013). Manifold research on the business environment has emerged. The most salient factors influencing MSE growth and job-creation potential include the macroeconomic performance, political stability, the degree of competition, business regulations, and law enforcement, the level of corruption, as well as access to infrastructure, finance, business development services, and labor.

2.3.2. Policy and political environment

A stable macro-economic and political environment has been shown to positively affect private-sector development. Economic and/or political instability increases the number of risks that entrepreneurs face in their daily operations. Especially for micro and small enterprises, high-risk environments render planning nearly impossible and prevent important investments in productivity-enhancing and job-creating activities from being undertaken. To sustain macro-economic stability there exists a wide agreement that stable growth, a stable inflation rate and healthy public balance sheets are essential (Ocampo, 2005). Thus, both political and macro-economic instability are regarded as obstacles to the creation of productive jobs within MSEs.

2.3.3. Business regulations and laws

The regulation of businesses by laws, policies, and incentives influences economic activity in manifold ways. It is widely acknowledged that there is no 'optimal approach' to regulation, meaning that the intensity or the scope of regulating business-to-business and state-to-business relations is largely dependent upon local conditions, private-sector needs and the interests of national policy-makers (Reeg, 2015). With regard to the regulation of MSEs, governments find themselves in a position where they have to reconcile three conflicting goals: they have to foster enterprise growth and employment growth; they have to increase or ensure job quality; and they have to encourage formalization. Business regulations affect whether a firm registers itself, may enhance a firm's investments in human or physical capital, and can deter or stimulate the adoption of new technologies. Regulations and policies are set in place to protect (intellectual) property rights, enforce contracts, settle disputes and ensure that private companies uphold certain standards and contribute to common goods such as public education, health and the environment (Klein & Hadjimichael, 2003).

2.3.4. Access to finance

Finance has been identified in many MSE surveys as the most important factor determining the survival and growth of small and medium –sized enterprises in both developing and developed countries. Access to finance allows SME to undertake productive investments to expand their businesses and to acquire the latest technologies, thus ensuring their competitiveness and that of the nation as a whole. Poorly functioning financial systems can seriously undermine the microeconomic essentials of a country, resulting in lower growth in income and employment. Despite their dominant numbers and importance in job creation, SMEs traditionally have faced difficulty in obtaining formal credit or equity either because the numbers of financial institution are limited in number and capacity, and the existing commercial banks are not willing to give load for micro enterprises due to several reasons.

Moreover as indicated, in UNCTD, 2001, banks in many developing countries have traditionally lent overwhelmingly to the government, which offered less risk and higher returns. Such practices have crowded out most private sector borrowers and increased the cost of capital for them. Governments cannot expect to have a dynamic private sector as long as they absorb the bulk of private savings. In the case of venture capital funds, they have been concentrated in high technology sectors. Likewise, the international financial institutions have ignored the plight of SMEs.

Commercial banks and investors have been reluctant to service SMEs for a number of well-known reasons, which have explored in numerous UNCTAD reports. SMEs are regarded by creditors and investors as high-risk borrowers due to insufficient assets and low capitalization, vulnerability to market fluctuations and high mortality rates, (Reeg, 2015). Information asymmetry arising from

SMEs lack of accounting records, inadequate financial statements, or business plans makes it difficult for creditors and investors to assess the creditworthiness of potential SME proposals; High administrative/transaction costs of lending or investing small amounts do not make SME financing a profitable business. As a result, commercial banks generally biased toward large corporate borrowers, who provide better business plans, have credit ratings, more reliable financial information, better chances of success and higher profitability for the banks.

2.3.5. Productivity, innovation and market linkage

Micro and small enterprises frequently held back by poor access to markets, finance, and other business services. At the same time, these smaller enterprises are the ones creating most new employment. Especially in low-income countries, they suffer from a limited understanding of markets, have weak bargaining power, and lack adequate knowledge of managing finances. Unable to harness the potential of their value chain to expand and improve their own competitiveness, they often operate on a precarious basis, with low productivity and poor working conditions. Global value chain analysis offers a theoretical framework to understand the integration of firms into viable market system. Global value chain studies, mostly dealt with the process of integration of developing country firms into the value chains of large firms in developed countries, examined the inter-firm relationships, governance and upgrading practices by which firms improves their competitiveness.

It is well established that integration into global value chain helps the firms to improve their competitiveness. According to (Reji, 2013) integration of small-scale producers into market is constrained by a host of factors: small size, limited access to resources, information, skills, technology, and access to other business services. Integration of small-scale producers into high value market is a topic of current interest. *Value chain approach*[6] is widely used as a tool to facilitate this process of market integration. Unlike the traditional approaches to enterprise development, the value chain

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[6] *The value chain describes the full range of activities that firms and workers do to bring a product from its conception to its end use and beyond. This includes activities such as design, production, marketing, distribution and support to the final consumer. The activities that comprise a value chain can be contained within a single firm or divided among different firms. Value chain activities can produce goods or services, and can be contained within a single geographical location* or spread over wider areas

development emphasizes on facilitating market linkages, developing business services market, and improving the environment in which enterprises operate. It is claimed that adopting a value chain approach could help the small producers to benefit from integration into high value markets and improving their competitiveness.

It is also argued that integration into value chains helps the small firms to:1) increase the efficiency of its internal operation; 2) develop inter-firm linkages that reduce transaction costs; and 3) upgrade along the value chain, introduce product branding, new products, and improved version of existing products in the market faster than the rivals(Reji, 2013). Studies also reveal that, by forging extensive collaborative ties between the firms facilitate sharing of knowledge, technologies and inputs; develop greater responsiveness to global demands; and attain greater export levels as a result of collective efficiency and improving competitiveness.

In addition to this, most empirical research on horizontal inter-firm linkages and their advantages to MSEs is related to the analysis of industrial clusters. A cluster is defined as a group of firms specialized by sector, located in close geographic proximity, and comprised of enterprises mostly micro, small, and medium in size. Also – in many cases – clusters likewise accommodate other private or public agencies and research centers. As the performance of clusters varies in productivity, output growth, employment size and wage levels, clustering *per se* hardly drives enterprise success. Still, localization offers various benefits to firms: it saves on the costs of accessing electricity and building infrastructure; it attracts (international) buyers as well as suppliers; it enhances access to finance, trade credit, and skilled labour; it reduces transaction costs and promotes specialization. Besides, with several firms operating within a connected industry, spillovers of information, knowledge, and skills occur (Bair & Gereffi, 2001); various case studies are available documenting the advantages of clusters in Brazil (Schmitz, 1999), Mexico (Rabelotti, 1999), Pakistan (Nadvi, 1995) and India (Knorringa, 1999). Collecting data from industrial clusters in Ghana, Ethiopia, Tanzania, Bangladesh, Vietnam, and China, Sonobe et al. (2012) find that those clusters that have experienced firm-level innovations have grown rapidly both in the output and employment.

2.3.6. Business Service and market development

There is increasing recognition that MSEs need specific business development services (BDS) to reach higher value markets and/or improving competitiveness. However, the MSEs in general are constrained to access these business services. An important component of the most of the value chain development programs is the facilitation of BDS market. BDS refers to the wide range of services used by entrepreneurs to help them operate efficiently and grow their businesses. Formerly known as "non-financial services" the field originally concentrated on providing training, consulting, and other services that addressed the internal constraints of enterprises—their lack of education and technical capacity. The SEEP Guide to Business Development Services (Lusby, 2004) identified seven BDS categories that include market access, input supply, technology and product development, training and technical assistance, infrastructure, policy/advocacy, and alternative financing mechanisms. More recently, the BDS field has grown to include marketing services and information resources that help firms gain access to services usually enjoyed only by larger firms.

BDS market development initiatives are increasingly becoming part of broad development initiatives rather than standalone programs for provision of BDS services to individual entrepreneurs. The BDS market development aim to improve sector competitiveness, develop the private sector, and help micro-enterprises to compete in global markets.

The BDS market development proposes a new vision for success, one that looks like a healthy, private sector, business services market numerous, competitive BDS suppliers who sell a wide range of BDS commercially, to large numbers and types of small enterprises. The BDS market development process start by understanding the existing supply of BDS from the private sector, donor supported programs and government, and the market failures that lead to a gap between supply and demand for services. The goal of market development interventions, thus, is to overcome these market failures and take advantage of opportunities to expand the service market for small enterprises. The desired result is that numerous small enterprises buy the BDS of their choice from a wide selection of products offered (primarily) from unsubsidized, private sector suppliers in a competitive and evolving market. McVay and Miehlbradt provide a summary of various strategies used to promote business services to MSEs.

In response to MSE's demand for business services, some common trends in delivery of BDS are emerging. Some of these common BDS practices include common sector-common services; information and communication technologies; media sector services; and BDS finances. It is found that majority of the programmes in BDS have a sector focus. For example, programmes that targeting horticulture sector focuses on establishing sub-contracting, technical assistance to grow appropriate crops, micro-irrigation, organizing producer association/ groups, access to inputs and price information. Similarly, the BDS programs promoting animal husbandry focuses on providing veterinary services at village level through paravets and on improving infrastructure for marketing of fresh products. Programs promoting handmade products (crafts) have a focuses on linking the producers with international/national markets through organizing trade shows, product development and design, continuous quality improvement, association and group development, ensuring adequate supply of inputs, supplies and funds.

2.3.7. Education and entrepreneurship skill

Entrepreneurship is recognized as an important driver of economic growth, productivity, innovation, and employment. Entrepreneurship is related to the functional role of entrepreneurs and includes coordination, innovation, uncertainty bearing, capital supply, decision-making, ownership, and resource allocation in their organization (Munyori & Ngugi, 2014). Most of the prevalent areas in which MSE faces a problem are sales or marketing, human resource management, and general marketing research and training (Kefale & Chinnan, 2012).

The growth of a firm is, to a certain extent, does individual entrepreneur make a matter of decisions. This is very much pronounced for MSEs that are run by owner-managers. Personality traits, motivation, individual competencies and personal background are important factors for the success/failure of MSE (Baum, Locke, & Smith, 2001; Shane, Locke, & Collins, 2003). Schooling is important personal background that influences MSE performance and growth. Education helps entrepreneurs to make good judgments, best use of information, exploit opportunities well leading to firm growth and success. Study conducted by Goedhuys and Sleuwagen (2000), argue that higher education not only raises enterprise performance, but also increases outside options such as wage employment. Lower education and vocational training significantly influenced the likelihood of being entrepreneurs rather than wage employees. Higher education was found to influence post entry firm growth (Goedhuys &Sleuwaegen, 2000).

Marketing problem has been widely acknowledged as being the most important of all activities and critical for the survival and growth of MSEs. However, many studies found owner/managers of MSEs as having a very limited understanding of the marketing concept generally to be little more than advertising and public relations and lacking adequate marketing skills. Specifically, MSEs frequently encountered problems in promotion and marketing research. These problems include the selection of promotional media, low purchasing power of customers, advertising, content design and format of the promotional materials, market size, location and addresses of potential customers (Kefale & Chinnan, 2012).

2.4. Ethiopian MSEs development Strategy

MSEs Development is the key industrial policy direction contributing to the visualized structural transformation of the economy. MSEs have great value in Ethiopian socio-economic growth as it requires small capital, promote inter linkages as it is a base for medium and large scale enterprises, increased domestic saving and investment. It's also help for balanced development, provision of goods and services which are better adapted to local needs, access to improve quality of work and working conditions which may contribute to a better quality, increased economic participation of disadvantaged and marginalized groups in society, stimulating innovation, entrepreneurship, technology development, research, and eventually alleviation of poverty (GTP I, 2010).

For the last two decades, Ethiopia has experienced remarkable economic growth. MSEs are believed on playing an increasing role in the growth process through employment creation, investment, and production, while at the same time benefiting from expanded business opportunities arising from better growth performance of the overall economy. In the 2011 National MSE Strategy, the Government emphasized the important role that the MSE sector could play for Ethiopia, broadly and, more specifically, recognized the employment creation potential of MSEs and different institutionalized support system designed to improve the performances of enterprises.

According to a nationwide survey in 1997 by the Central Statistical Authority (CSA) of Ethiopia, the micro enterprises, and small-scale industries establishment account for 99% of all manufacturing sector, 93% share within total employment, and the value of production is as high as 28% from the total manufacturing output. In addition, the share for the difference between the gross value of production and the value of the inputs that put into the production from outside is staged at 30%. The MSE sector constitutes about 3.4% of the GDP; which is about 33% of the overall industrial sector's contribution and 52% of the manufacturing sector's contribution in Ethiopia (CSA, 1997). Therefore, when we look the overall objective of the national strategy is to create an enabling environment for MSEs, with explicit objective to facilitate economic growth , bring equitable development, create long term jobs, strengthen cooperation between MSEs, provide the basis for medium and large scale industries, promote export, generate income and a quick remedy for unemployment problems.

2.5. Objectives of the national MSE strategy

As indicated in Ethiopia MSE strategy document the primary objective of the national strategy framework is to create an enabling environment for small and micro enterprises. Given such an enabling environment, it is expected that hundreds and thousands of MSEs will themselves be responsible for the operation, growth, and progress of their enterprises. In addition to this basic objective of the national MSE strategy framework, the following specifics objectives assumed.

2.5.1. Facilitate economic growth and bring equitable development

MSEs by making use of predominantly local resources engage in the production of goods and services of mass consumption and stimulate the growth of the economy. The expansion of MSEs also contributes towards a more equitable regional development and distribution of income and wealth.

2.5.2. Creating long-term jobs

While small and micro enterprise activities have absorbed a large number of unemployed people, they are not always in a position to generate remunerating long-term jobs. Therefore, support for

MSEs has to include skill upgrading programs for MSE operators and strengthening the use of appropriate modern technologies that boost their capacity to create long-term jobs.

2.5.3. Strengthen cooperation between MSEs

There are many constraints that limit the growth of MSEs; the most pressing of which is shortage of resources. MSEs individually lack the skills and resources to improve their capabilities. Therefore, it would be very important that the small and fragmented enterprises within sectors, regions or other localities being supported to network more effectively in order to jointly address hindering obstacles, take up opportunities, and build collective efficiency. In addition to this, inter-sectoral linkage would also be crucial for their development.

2.5.4. Provide the basis for Medium and Large Scale Enterprises

MSEs provide the seedbed for growth and stimulate indigenous entrepreneurship. They provide training for entrepreneurs and managers and through this learning process, MSEs grow in to medium and large ones.

2.5.5. Export promotion

The strategy will also focus on designing and developing mechanisms that will help MSEs participate in export market especially in leather and leather products, textiles, horticulture, etc., in which the country has comparative advantages.

2.5.6. Balance preferential treatment between MSEs and bigger enterprises

The support strategy will help to correct the preferential treatment accorded in favour of bigger enterprises. At the same time, it aims at bringing the greatest possible cooperation and interaction between the segments (Micro, Small, Medium, and Large) of the economy.

2.6. MSE support Service provided by City Government of Addis Ababa MSE

The promotion of MSEs is one of the strategic directions pursued by the City Government of Addis Ababa Micro and Small Enterprise Development Agency during the GTP I implementation period

(2010/11-2014/15), the agency focused on promoting the development and competitiveness of MSEs by providing different supports. Accordingly, the following core support has been planned first the strategy backs to create and implement an enabling legal framework. Second, it envisages establishing user-friendly business environment, for example, by simplifying and standardizing registration, licensing, and other enterprise development services. Finally, the agency offers direct policy support by devising targeted and specific support programs such as access to finance, access to appropriate training and technology, marketing linkage, provision of physical infrastructures and access to working and selling spaces and other handholding supports as deemed appropriate.

Accordingly, to harness the potential of MSEs city government of Addis Ababa MSE agency developed its own strategy and within branch offices in all of the ten sub city admiration and the following support services provided as indicated on the report from FeMSEDA during 2010-2015 period.

Formation of Enterprises: Different activities are enacted in forming and formalizing enterprises through the legal registration processes and within GTP I period 7, 392 enterprises formed and 879, 770 jobs created by MSEs.

Credit Service provided by Micro finance institutions: during the five-year period MFI provided and offered birr 5.3 million loan to MSEs and in order to enhance the efficiency and productivity of MSEs training were provided for about 414735 MSE operators on business management, accounting and other technical skill trainings.

Market linkage**:** to address market linkage problems of MSEs the agency facilitated networking with consumers and supplied production and sales centers, allows them to show/display their products in bazaars and exhibitions and provided sales premises.

One Stop Shopping service (OSSSs): this is a service provided to MSEs to ensure their legality, facilitate enterprise growth and transition process through supplying services in an integrated, transparent and effective way and till the end of 2015 116 OSSCs established in Addis Ababa

2.7. Conceptual framework of this research

As evidently stated in European Bank Micro, Small and Medium Enterprises strategy document long-term sustainable economic growth and job creation will only be achieved through the existence of a vibrant entrepreneurial sector. Active promotion of this sector is both a means and an end to the transition to market economy and the creation of an entrepreneurial class will both mitigate the social costs associated with restructuring enterprises and enhance the likelihood of a durable commitment to democratic societies and the rule of law.

In this contemporary world, the promotion of MSEs is therefore at the heart of development of both developed and developing countries (MSMES strategy, European Bank, 2006)). Thus, policy dialogue work is intended to focus on improving the business climate for MSEs generally, with a priority on addressing policies and regulation which create impediments to accessing and providing financing, working infrastructure and business development support service, This can take many forms ranging from ad hoc interaction with local government bodies and workout developing short term and long term policy dialogue with the respective institutions working on this specific sector.

In Ethiopia s stated in the government MSE strategy document although there have been attempts by the government to liberalize and improve the policy, regulatory and institutional support environment for MSEs, which resulted in increase in investment and competition and improvement in the licensing procedures, the real practice as evidence by different research indicates that there is divergence between stated policies & directives and the outcome on the ground. Capital shortage, inadequate business premise, inadequate/uncertain market and high taxes remain major constraints to expand MSEs (Gebrehwiot and Wolday, 2006)

To sum up, studying MSE dynamics has led to the insight that there is no single factor, but rather a number of factors policy, financial and operational factors within the MSE owner’s drives enterprise growth, sustainability.

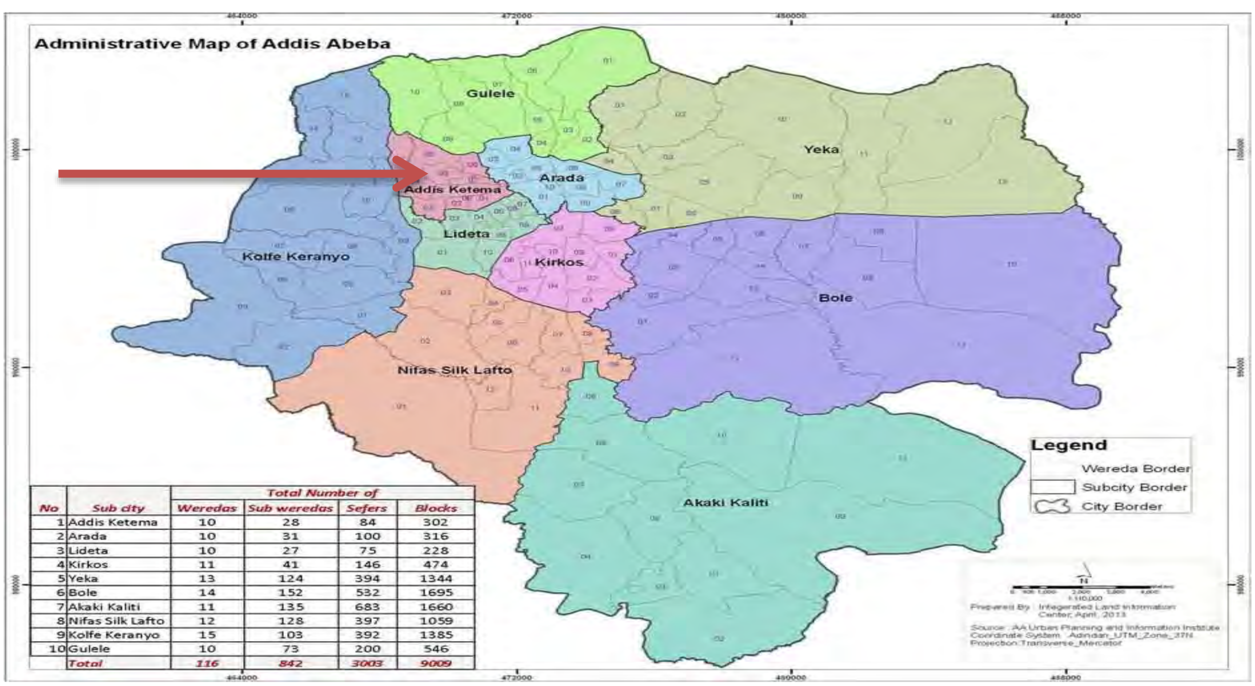
As specified above, in different segment of the literature review the researcher want to summarize that existence of favorable MSE development policy with access to finance, access to working premises, Well established infrastructure, in support of appropriate business development service, innovation, entrepreneurship, managerial, technical and skills will enhance performances of MSE enterprise only when the support is integrated and collectively provided for the enterprise based on their real need and challenges they encountered.

CHAPTER THREE
RESEARCH DESIGN AND METHODOLOGY

3.1. Description of the study area

Addis Ababa is the largest as well as the dominant political, economic, cultural, and historical city of the country established in 1887 by emperor Menilik II. It has the status of both a city and a state. It is the capital of federal government, and it is a chartered city, where the Africa Union, UNECA, UNDP Africa Regional Office, and other continental and international organizations reside. The city is divided in to ten sub-cities, which are the second administrative units next to city administration. In terms of area coverage, Bole is the largest sub-city followed by Akaki- Kality and Yeka. Addis ketema is the smallest and followed by Lideta and Arada Sub-cities. The sub-cities are also divided into weredas, which are the smallest administrative unit in the city. There are 116 weredas in the city administration according to Addis Ababa BOFED 2013 Socio Economic report. The number of weredas varies based on their size of the Sub city. Here is the map of Addis Ababa sub cities.

Figure 1: Map of Addis Ababa



No	Sub city	Total Number of Weredas	Sub weredas	Sefers	Blocks
1	Addis Ketema	10	28	84	302
2	Arada	10	31	100	316
3	Lideta	10	27	75	228
4	Kirkos	11	41	146	474
5	Yeka	13	124	394	1344
6	Bole	14	152	532	1695
7	Akaki Kaliti	11	135	683	1660
8	Nifas Silk Lafto	12	128	397	1059
9	Kolfe Keranyo	15	103	392	1385
10	Gulele	10	73	200	546
	Total	116	842	3003	9009

Source: Addis Ababa City Administration Integrated Land Management Information Center

According to CSA 2012 population projection   the total population of Addis Ababa was estimated to 3,048,631 of whom 52.3% female. This is 3.71 percent of Ethiopian population of 84.3 million and 22.42 percent of urban population (14 million). The population size of sub-cities varies depending on their area. As a result, Kolfe Keranyo (15.66%), Yeka (12.65%), Nefas Silk (11.55%), and Bole (11.28%) have the largest share of population of the city respectively. On the other hand, Lideta (7.36) sub-city has the smallest share of the city's population. Addis Ketema sub city is the sixth populist sub city with a population of 284, 183 of which 51% female.

Addis Ketema sub city is where this research focused; it is located in the northwestern area of the city, not far from its center. It borders with the districts of Gullele Sub City in the north, Arada Sub City in the east, Lideta Sub City in the south and Kolfe Keranio in the west. Addis Mercato, Africa's largest open-air marketplace, is found in Addis Ketema.

3.2. Research design and methodology

In this study, descriptive type of research used, relevant data collected from primary and secondary data sources. The primary data mainly gathered via survey with structured questionnaires. Secondary data will be extracted from statistical bulletin prepared by the Central Statics Authority, Addis Ababa MSEs development agency and desk review will be held to review different policy and strategic documents and performance reports of AAMSEDA's and sub city MSE office. The data gathered via structured questionnaire encoded on SPSS then analyzed using using graphs, tables and figures.

3.3. Population and sample size

There are about 868 registered MSEs in Addis Ketema Sub City Administration on four different sectors: Manufacturing, Construction, Service providers, trade and on urban Agriculture.

Table 6: Addis Ketema sub City number of registered MSEs by sector

MSEs Enterprises by Sector	#MSES
Manufacturing	439
Constriction	139
Service	169
Trade	109
Urban Agriculture	12
Total	868

Source: Addis Ketema Sub City Micro and Small Enterprises Development office MSE's registrar book, May 2008.

The sample size is determined based on Yamane's formula (Glenn D. Israel, IFAS); with an error 5% and with a confidence coefficient of 95% and the following equations applied

$$\text{n} = \frac{N}{1 + N * e^2}$$

Where,

n= sample size

N= the total size of population

e= acceptable sampling error, 95% confidence level with 10% precision. Accordingly, the sample is determined as follows:

$$\text{n} = \frac{868}{1 + 868 * 0.1^2}$$

n= 90

To fix the 90 MSEs random sampling will be apply in each of the MSE's sectors based on their proportion to the total number of population. Accordingly, one MSE from urban agriculture, 12 MSE from trade, 15 MSE from construction, 17 from service sector, and 45 from manufacturing randomly selected to fill the questionnaire.

3.4. Data collection instruments and analysis

The following are the data collection instrument used collect primary and secondary data to support the research work

- Structured Questionnaires used to collect primary data from 90 MSEs
- Desk review to apprise various policy documents and performance reports

The data collected verified, edited, coded, and entered in to data view of SPSS and analyzed by using graphs, tables.

CHAPTER FOUR
DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1. Respondents profile

This chapter is fully devoted for data presentation, analysis and interpretation followed by summary of research findings. As indicated in the methodology chapter in Addis Ketema Sub City Administration up to last June 2016 there are about 868 Micro and Small Business enterprises engaged in five different business sub sectors.

As indicated in the sub city MSEs registered book these 868 enterprise managed to create jobs for about 2,940 individuals and could managed to accumulate and run about birr 138,501,151 capital. (Addis Ketema sub City MSE Development office register book, 2008)

For this research to assess factors affecting performance of Micro and Small Enterprises 90 enterprises selected statistically and data collected from self-administered questionnaires. Details of the type of enterprises and level of enterprises described here under on the following table.

Table 7: Respondent's profile

Respondent's profile

MSEs Description		Level of the enterprise					
		Micro		Small		Row Total	
		Count	Column Total N %	Count	Column Total N %	Count	Column Total N %
Type of Business	Manufacturing	16	40.0%	29	58.0%	45	50.0%
	Construction	4	10.0%	11	22.0%	15	16.7%
	Urban Agriculture	0	0.0%	1	2.0%	1	1.1%
	Trade	8	20.0%	4	8.0%	12	13.3%
	Service	12	30.0%	5	10.0%	17	18.9%
	Column Total	40	100.0%	50	100.0%	90	100.0%

Source: Own computation and the table generated from SPSS data set.

As you can see in the table above, from 868 enterprises 90 Micro and Small business enterprises 45 from manufacturing, 15 from construction, 1 from urban agriculture, 12 from trade and 17 from service are proportionately and randomly selected and completed the questionnaires.

Table 8: Profile of respondent's in terms of type and growth pattern

Profile of respondents in terms of ownership type and growth pattern

Type of ownership	Enterprise growth pattern									
	Growing		Stagnating		declining		Bankrupted		Don't know the status	
	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %
Sole proprietorship	16	57.1%	9	32.1%	3	10.7%	0	0.0%	0	0.0%
partnership	17	56.7%	12	40.0%	1	3.3%	0	0.0%	0	0.0%
MSEs Cooperative	1	50.0%	1	50.0%	0	0.0%	0	0.0%	0	0.0%
Private Limited	10	66.7%	3	20.0%	1	6.7%	0	0.0%	1	6.7%
Share Company	8	53.3%	4	26.7%	2	13.3%	0	0.0%	1	6.7%
Column Total	52	57.8%	29	32.2%	7	7.8%	0	0.0%	2	2.2%

Source: Own computation and the table generated from SPSS data set.

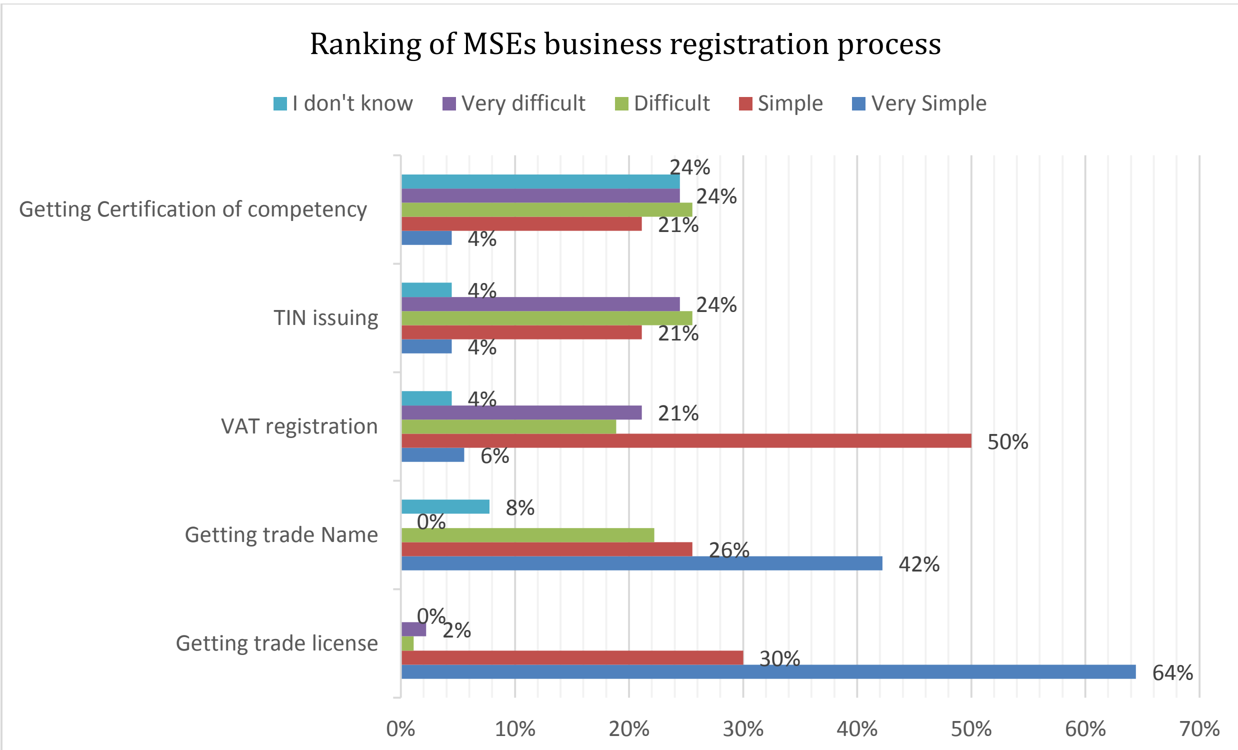
The table above shows respondents profile in terms of ownership of enterprise and their performance and growth pattern. As indicated in the above table 57.8% of the respondent believe that their enterprise is growing in terms of profit 32.2% confirmed that their business does not show any growth and progress rather it is stagnating; only 7.8% of the respondent confirmed that their business is declining and 2.2% does not know the status well.

4.2. Data Presentation analysis and interpretation

4.2.1. Business environment and registration process

In assessing how the business regulatory environment is affecting the new ventures to start up their business, the researcher set five compulsory requirements required by the government for acquiring business licenses, these are trade licensing, trade name, VAT registration, TIN issuing and getting certification of competency in some sectors. Thus, respondents requested to rank how the process of getting business license is relaxed. The following response noted from the survey result figure 4.

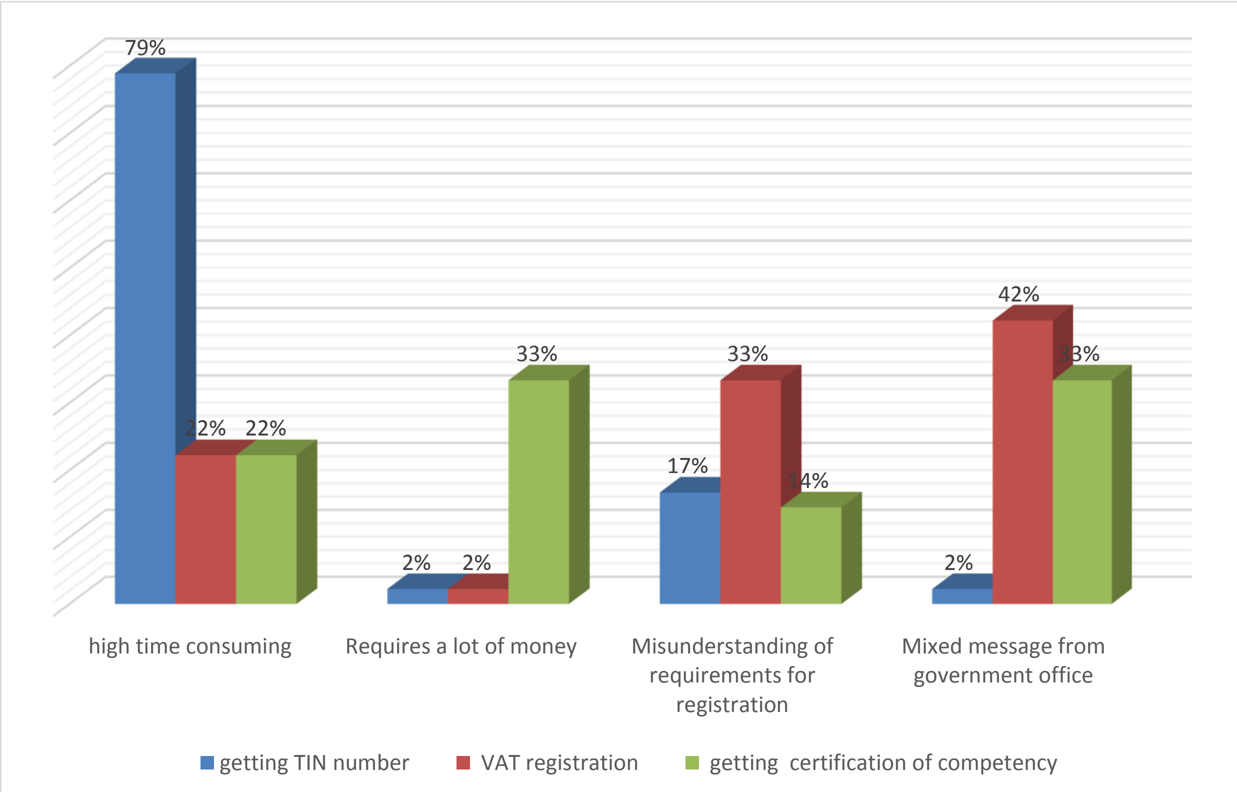
Figure 2: Ranking of MSEs business registration process



Source: Own computation and custom figure generated from excel sheet

Enterprises has been requested to rank how the business registration process is working, accordingly, 64% of the respondent ranked getting trade licensing very simple, 42% of the respondent ranked getting trade name very simple and 50% of the responded ranked getting VAT registration as simple. Whereas the respondent somehow leveled getting certification of competency, Tin issuing and somehow VAT registration as difficult and very difficult. The responded also requested to justify the difficult level of the above three requirement and the result presented herewith on chart 5.

Figure 3: Justification of difficulty level of business registration



Source: Own source and custom figure generated from excel sheet

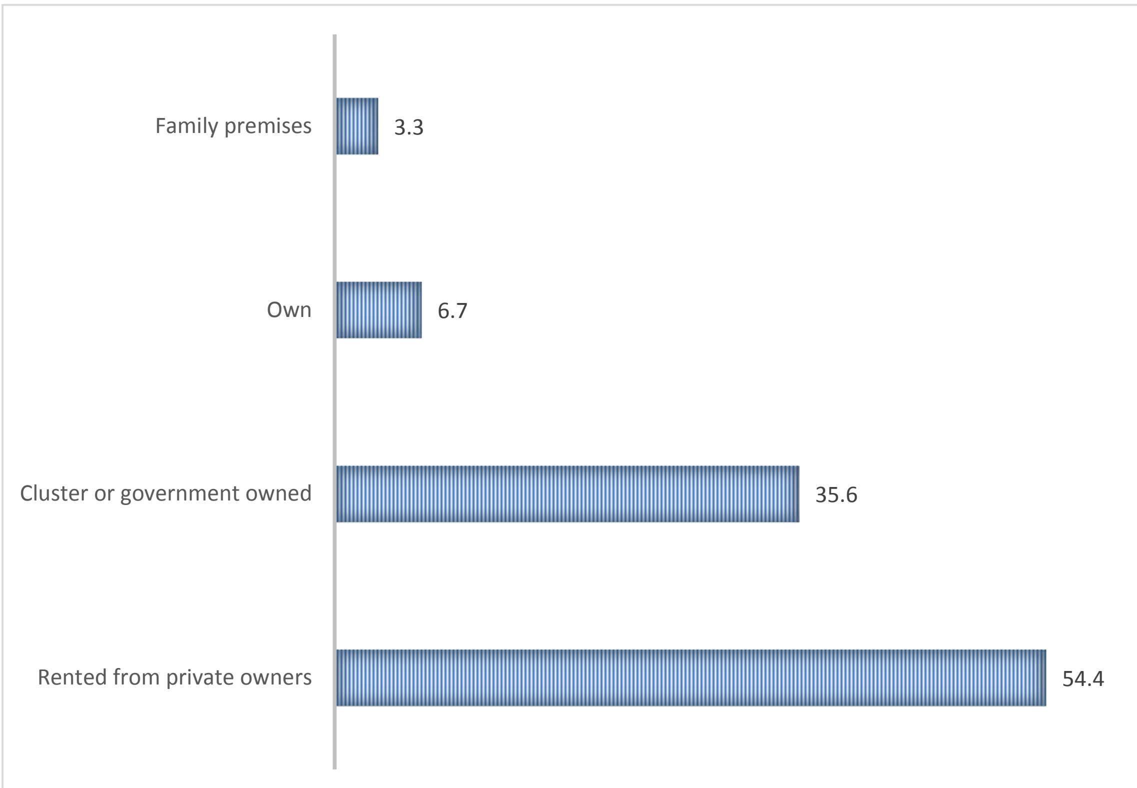
As show on the above chart, 79% of the respondents tagged getting, TIN identification number is a higher time consuming task and 17% of the respondent's leveled TIN issuing requirements from the government is subjected to misinterpretation. The requirements of getting certification of competency is required lots of money (33%) and or there are different mixed messaged directed in this matter (3%); as a result, majority of the respondents noted that VAT registration, getting TIN identification number and Certification of competency as a challenging tasks.

4.2.2. Working premises and infrastructure

This sub topic deals with the four type of questions presented to the respondent related to ownership of premises, time spend to get working premises and its advantage and access to infrastructure.

As you can see in the chart below 54.4% of the respondent confirmed that they are working on rented premises from private property owners, and 35.6% acquired from government cluster/sheds construct and earmarked for MSE business. Few respondents working on their own premises (6.7%) and others (3.3%) using family premises for their business.

Figure 4: Working premises ownership type



Source: Own computation and custom figure generated from excel sheet

When we see this distribution by business type from the MSE sampled most of the MSEs engaged on manufacturing sector 23 out of 45 (51.1%) has acquired their promises by renting and 22 out of 45 (48.9%) acquired government sheds. From constriction sector 9 out of 15 (60%) rented from private property owners, 3 out of 15 (20 %%) used their own premises the rest has other form of ownership.

Table 9: Ownership of working premises

Type of business	Ownership of working premises							
	Rented from private owners		Cluster or government owned		Own		Family premises	
	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %
Manufacturing	23	51.1%	22	48.9%	0	0.0%	0	0.0%
Construction	9	60.0%	1	6.7%	2	13.3%	3	20.0%
Urban agriculture	0	0.0%	1	100.0%	0	0.0%	0	0.0%
Trade	7	58.3%	5	41.7%	0	0.0%	0	0.0%
Service	10	58.8%	3	17.6%	4	23.5%	0	0.0%
Row Total	49	54.4%	32	35.6%	6	6.7%	3	3.3%

Source: Own computation and custom table generated from SPSS data set.

In terms of time, spend to get working premises the data showed that most of MSEs spend more than a year and considered this as the most puzzling task. As you can observe in the table below about 84% of the respondent spent more than six month and beyond, of the 90 respondent 57% spend more than a year and more than 27% of the respondent spend more than six month to find working premises.

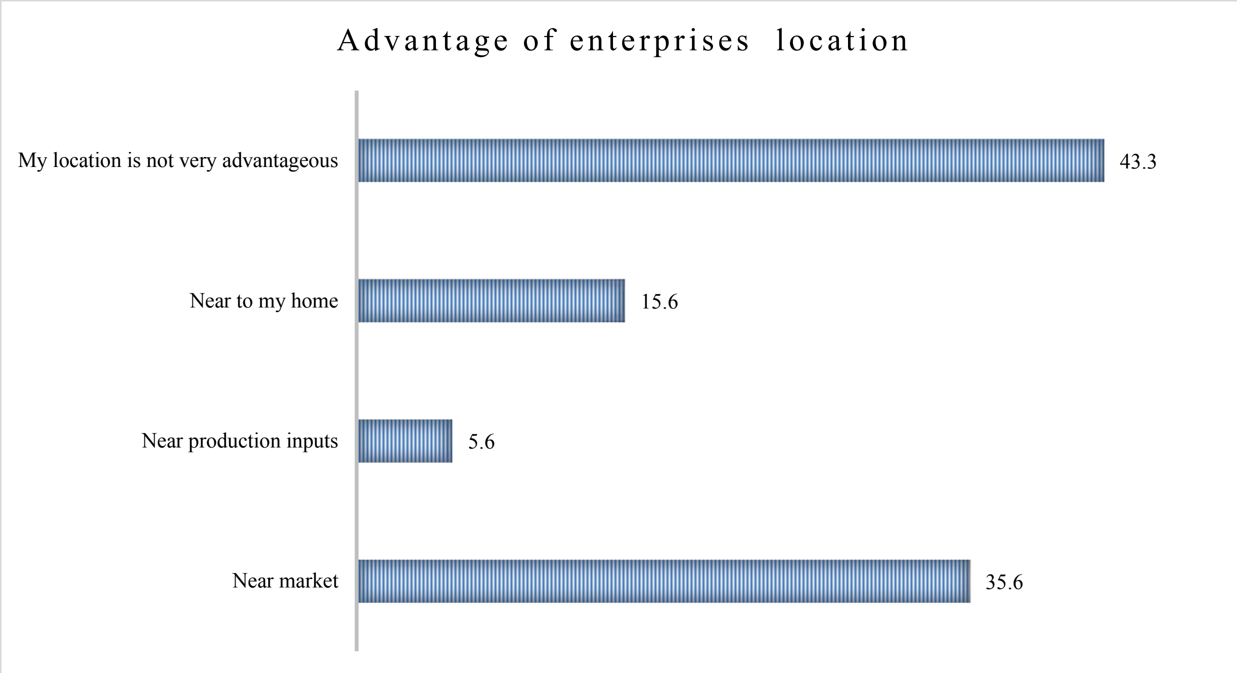
Table 10: Time taken to get working premises

Time taken to get work premises

		Frequency	Percent	Valid Percent
Valid	Less than one month	6	6.7	6.7
	One month to three months	3	3.3	3.3
	Three to six months	6	6.7	6.7
	More than six months	24	26.7	26.7
	More than a year	51	56.7	56.7
	Total	90	100.0	100.0

Source: Own computation and custom table generated from SPSS data set

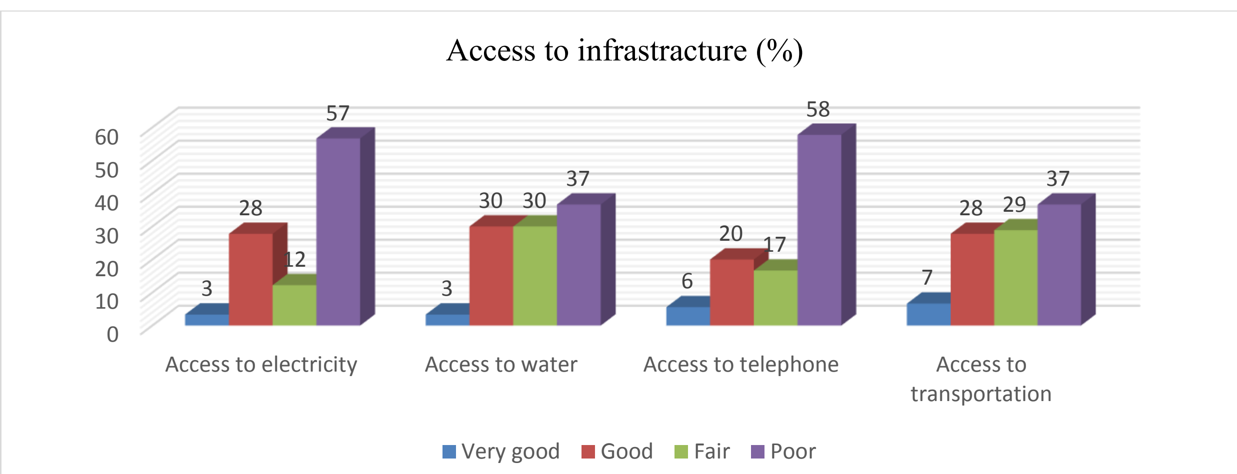
Figure 5: Advantage of enterprises location



Source: Own computation and custom Chart generated from excel sheet

Enterprise owners also requested how helpful their working premises is related to their day to day business, accordingly 43.3% of the respondent (39 of 90) confirmed that their location is not advantageous for their business and 36% of the respondent replied that their location is near to market, the other 17% choice their location because its near to their resident.

Figure 6: Access to infrastructure



Source: Own computation and custom chart generated from excel sheet

Access to infrastructure is basic for MSEs to grow, the sampled 90 enterprises has been requested to rate access of basic infrastructures, electricity, water, telephone and transportation. Summary of the data showed that access to electricity and telephone is very severe. 57% of the respondent rated access to electricity as poor, 58% of the respondent rated telephone access as poor both water, and transportation access rated poor by 37% of the respondent.

4.2.3. Access to finance and loan

As indicated in the literature review part access to finance is a critical factor for most enterprises to grow and the lack of it is mentioned by enterprises as their principal constrain for MSE to grow. There are lots of means to finance business, such as own saving, by accessing loan from different financial institution, debt association, grant from government and or from other Non-government actors, family support etc. during this survey MSEs requested if they have ever taken any loan to finance their business. The table below shows that 35% of the respondent access fund whereas the majority of the respondent (65%) could not access.

Table 11: Access to loan

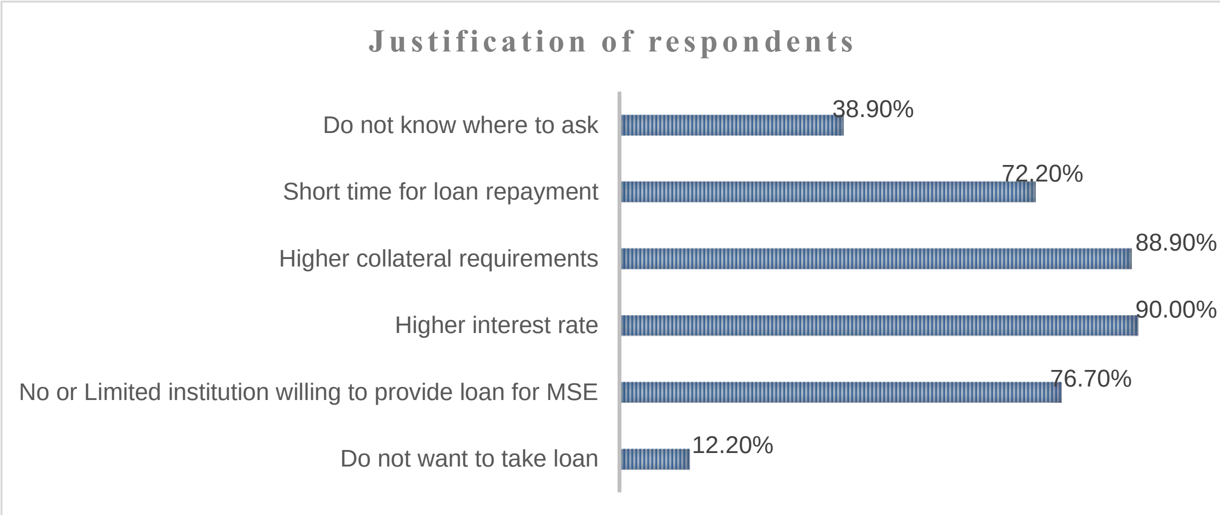
Access to loan/finance

Type of Business	Have you ever taken any loan?					
	Yes		No		Column Total	
	Count	Row N %	Count	Row N %	Count	Row N %
Manufacturing	15	33.3%	30	66.7%	45	100.0%
Construction	4	26.7%	11	73.3%	15	100.0%
Urban agriculture	1	100.0%	0	0.0%	1	100.0%
Trade	6	50.0%	6	50.0%	12	100.0%
Service	6	35.3%	11	64.7%	17	100.0%
Total	32 (35%)		58 (65%)		90	

Source: Own computation and custom table generated from excel sheet

Multiple response questions followed to recognize the challenges MSEs might have in accessing loan to support their business and the result presented hereafter on figure 9:

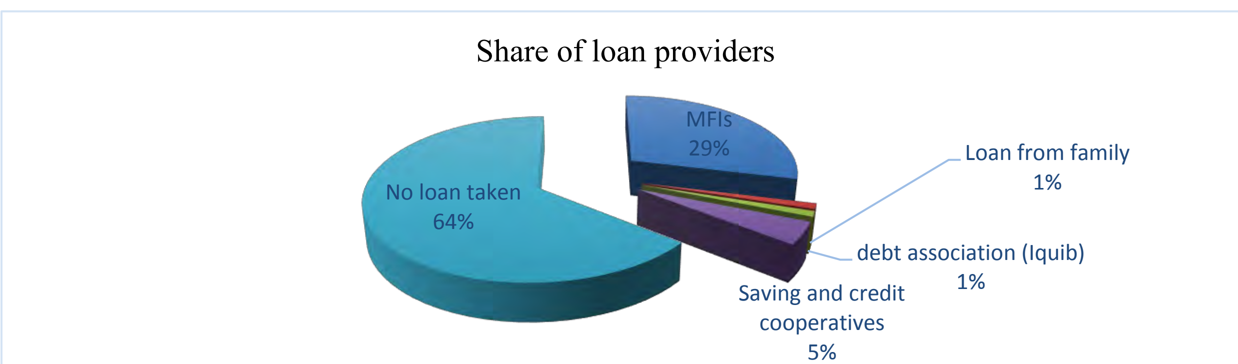
Figure 7: Respondents justification for not accessing loan



Source: Own computation and custom chart generated from excel sheet:

As you can see in the above chart the top four significant challenges are high interest rate for loan(90%), higher collateral requirements by money lender institutions (88.9%), short time loan repayment period(72%) and 77% counted for limited or no institution willing to provide loan for MSEs. In this research, paper respondents who accessed loan also requested to provide the possible moneylender institution who are there to support the MSEs.

Figure 8: Share of loan providers



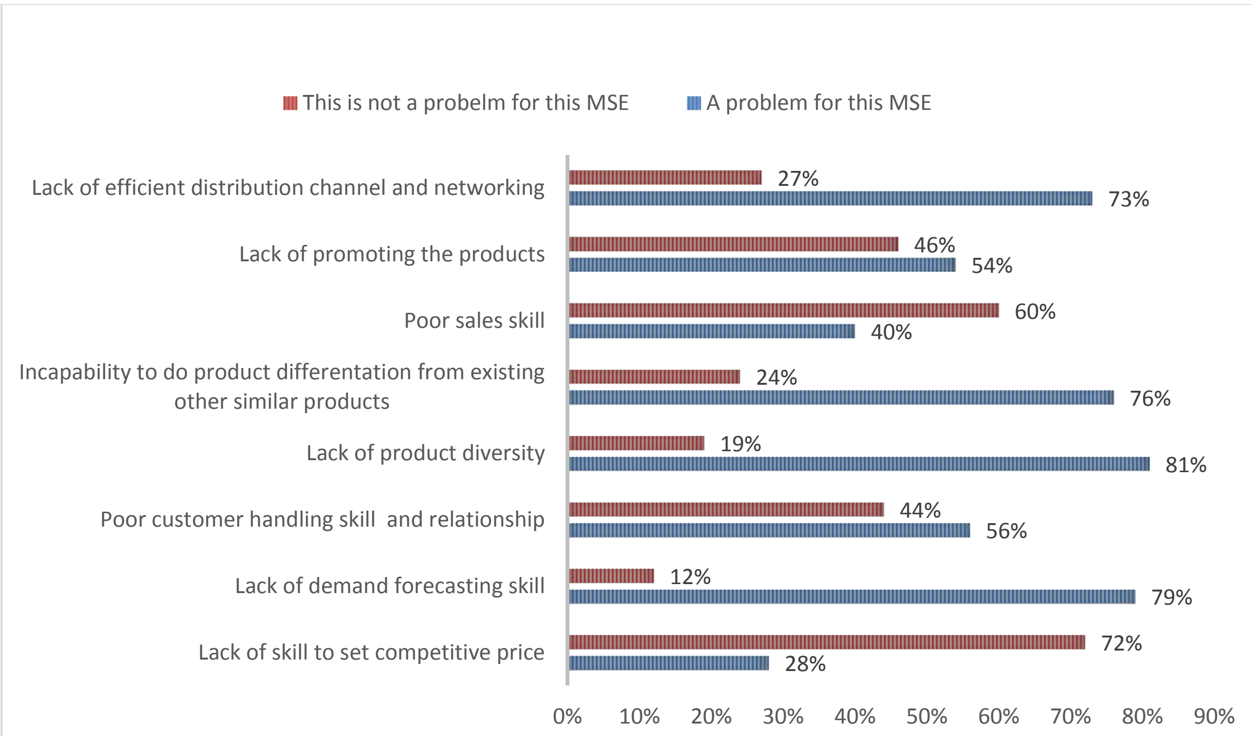
Source: Own computation and custom figure generated from excel sheet

As you can easily observe in the above chart from the 90 enterprises targeted for this research only 32 enterprises (36%) are accessed loan, and from these 26 of 32 MSEs who got loan (81%) are accessed loan from MFIs the others accessed loan from saving and credit cooperatives, family and debit association (iquib) respectively.

4.2.4. Business development and marketing

4.2.4.1.Marketing factors

Figure 9: Marketing factors affecting performances of MSEs



Source: Own computation and custom figure generated from excel sheet

The researcher try to explore how MSEs considering the marketing mix's in their daily performance, and respondent requested how the different marketing mix has a challenge to their business. Thus, 81% of the respondents consider lack of product diversity is a problem affecting their performance, lack of demanding forecasting skill is rated 79% and incapability to do product differentiation than the other similar products existing in the market , lack of demand forecasting rated 79%, Lack of promotion rated 76%, and poor customer handling skill and Product differentiation regarded 56%.

4.2.4.2. Comparative advantage

MSE has been requested what distinguished their business from others to give them comparative advantage from the competitors. Their response presented here below in the following table

Table 12: Business comparative advantages

What distinguish your business from your competitors to give you comparative advantage	Yes	No	Yes (%)	No (%)
No unique difference	17	73	19%	81%
Serving niche market	20	70	22%	78%
Access to better location	11	79	12%	88%
Unique technology used	14	76	16%	84%
Unique and differentiated product	11	79	12%	88%
Lower price	67	23	74%	26%
Significantly higher quality	29	59	32%	66%
Brand new product	13	77	14%	86%
Better customer service and support	13	77	14%	86%

Source: Own computation and Custom table generated from SPSS data set

The result reveals that

- About 81% of MSEs confirmed that their product has no unique difference from the competitors that will give them competitive advantage, only 19% of MSEs believed that their product has a unique feature.
- Only 22% of the respondent confirmed that they serve specific niche market, but 78% of MSEs are providing for all and does not have niche market target for their product compared to other competitors.
- About 88% of the respondent confirmed, that their business location is not superior compared to other competitors, only 12% of the respondent believed their location is better.
- About 76% of the respondent confirmed that they are not used unique technology for their product but 14% of MSEs confirmed that they used unique technology for their product compared to other competitors.

- Only 16% of the respondent confirmed that they supplied Unique and differentiated product, 84% of MSEs are supplying neither unique nor differentiated product that will give them comparative advantage than their competitors.
- About 74% of MSEs confirmed that they offered lower price than their competitors that give them comparative advantage.
- About 32% of MSEs believed that they supplied higher quality product compared to their competitors, but 66% does not believe that their product has higher quality.
- Only 14 of MSEs confirmed that that come up with brand new product with better customer service and support to hit competitors and that gives them comparative advantages, but 86% are not.

4.2.4.3. Business Development service

To access different business development support service MSEs need to register at the nearest MSE office for OSS, EDC, TVET training and for other business licensing and support to MSE office. The response from sampled MSE shows different response and presented here under on the following table.

Table 13: MSEs business development service registration

MSEs registration for support service	Yes	No	Yes (%)	No (%)
One stop shops service in the city (OSS)	41	49	46%	54%
Entrepreneurship Development Center (EDC)	30	60	33%	67%
Technical vocational educational training (TVET)	52	38	58%	42%
MSE Office	57	33	63%	37%

Source: Own computation and custom table generated from SPSS data set

As shown in the table above only 46% of MSES registered for One Stop Shop Services (OSS), 54% of MSES are not registered. Only 33% registered to get support service on Entrepreneurship Development Center, but 67% could not registered. This result different while we observe MSE office and TVET registration. Accordingly 63% of MSE registered on the nearby MSE office to get support and 52% of the MSE registered to get training on TVET.

4.2.4.4.Access to business development service

Sampled MSEs requested whether they received any business development service from any government organization and or from any other institution that will help them to improve their performance. Summary of their response shown below.

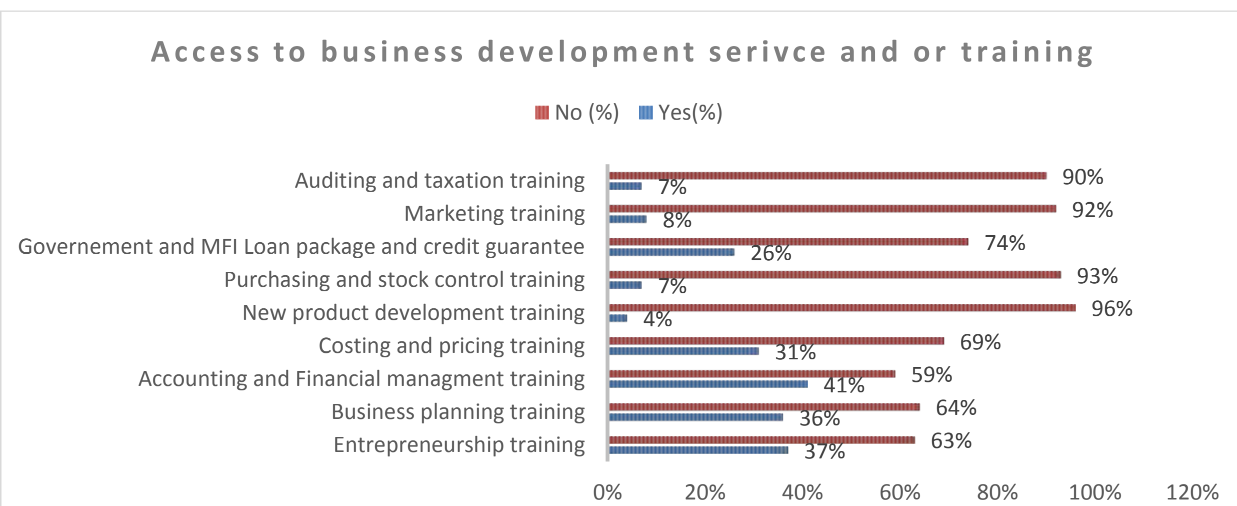
Table 14: Business development service

Type of business	Did you receive business development service from any government or other institution?			
	Yes		No	
	Count	Row N %	Count	Row N %
Manufacturing	15	33.3%	30	66.7%
Construction	7	46.7%	8	53.3%
Urban agriculture	1	100.0%	0	0.0%
Trade	6	50.0%	6	50.0%
Service	9	52.9%	8	47.1%
Row Total	**38**	**42.2%**	**52**	**57.8%**

Source: Own computation and custom table generated from SPSS data set

As shown above 58% of the respondent indicated that they did not received such business development service and 42% of MSE responded that they received business development services. We can say that the majority could not access business development service of any kind. Furthermore, this figure is higher for those who engaged in urban agriculture, service sector and trade.

Figure 10: Access to business development service and training



Source: Own computation and custom table generated from excel sheet

Related to business development service MSEs has been requested if they accessed the above mentioned training by MSE development office and or by any other institutions. The response indicated that significant number of MSEs could not get these trainings.

- Only 7% of the sampled MSEs got training on auditing and taxation; 90% of the MSEs could not get auditing and taxation training. Three MSEs not responded for this specific question (Missing).
- Only 8% of sampled MSEs got marketing training; 92% confirmed that they did not get this training.
- Only 26% of sampled MSEs got briefing on government and MFI loan package and credit guarantee procedures and options; 74% of MSES confirmed that they did not get this education.
- Only 7% of sampled MSEs got purchasing and stock control training; 93% confirmed that they did not get this training.
- Only 4 % of sampled MSEs got new product development training; 96% confirmed that they did not get this training.
- Only 31% of sampled MSEs got Costing and pricing training; 69% confirmed that they did not get this training.
- Only 41% of sampled MSEs got Accounting and financial management training; 59% confirmed that they did not get this training.
- Only 36 % of sampled MSEs got business planning training; 64% confirmed that they did not get this training.
- Only 37% of sampled MSEs got entrepreneurship training; 63% confirmed that they did not get this training.

4.2.4.5. Level of importance of business development trainings

The sub city MSE development office in collaboration with other stakeholders tried to delivered and coordinate various business development trainings; however, those who access these trainings are very few in numbers. The table below show the number of trainee and their response related to its importance. Take note that those who responded as "I don't know" the level of importance are not participated on the training.

Table 15: Level of importance of business development service

Level of importance of business development trainings	Very important	Fairly important	Important	Not important	I Don't Know	**Total**
Entrepreneurship training	23	4	6	0	57	90
Business planning training	8	16	7	1	58	90
Accounting and Financial management training	11	16	10	0	53	90
Costing and pricing	3	23	2	0	62	90
New product development technology	1	1	2	0	86	90
Purchasing and stock control	1	3	2	0	84	90
Government and MFI Loan package and credit guarantee	7	5	11	0	67	90
Marketing	0	4	3	0	83	90
Auditing and taxation	1	6	2	0	81	90

Source: Own computation and custom table generated from SPSS data set

As shown above from the sampled enterprises

- Only 33 of the 90 sampled MSEs got Entrepreneurship training.
- Only 32 of the 90 sampled MSEs got Business planning training.
- Only 37 of the 90 sampled MSEs got Accounting and Financial management training.
- Only 28 of the 90 sampled MSEs got Costing and pricing.
- Only four of the 90 sampled MSEs got new product development technology.
- Only six of the 90 sampled MSEs got Purchasing and stock control.
- Only 23 of the 90 sampled MSEs got Government and MFI Loan package and credit guarantee.
- Only seven of the 90 sampled MSEs got marketing.
- Only nine of the 90 sampled MSEs got Auditing and taxation.

However, those who took the training rated the training as very important, fairly important and important and has no problem on this except coverage on the training is questionable.

CHAPTER FIVE
CONCLUSION AND RECOMMENDATIONS

5.1. Conclusion

This research work try to examine the effect of all factors identified in the literature, based on the research work major findings are summarized here follows. Business startup environment and registration process found to be simple specially, getting trade license and trade name considered as very simple and simple; In addition to this VAT registration, process measured as simple. However, respondents confirmed that getting VAT registration, TIN issuing and getting certificate of competence cited to be the most pressing challenges. The requirements of getting certification of competency is not clearly know by the respondents and/ or there are different mixed messaged directed in this matter; as a result, majority of the respondents noted that VAT registration, getting TIN identification number, certification of competency as a challenging tasks. Government legislation and directives either not clear or copiously applied to all micro and small enterprises.

As it should be all options are there to get working premises for SMEs: own premises, rented premises, working on family premises and of premises provided by government (Clusters/sheds) which is purposely constructed to enhance MSEs Contribution for the economy. The main pressing finding is that enterprises are spending more than six months and above to getting working premises and started business. The other pressing issue is that working premises for a majority of respondent is not advantageous for their business, and or they choice their location because it is near to their resident. Hence, it could be concluded that MSEs do not consider other comparative advantages in selecting working premises.

Regarding the infrastructure issue sampled MSEs requested to measure effect of infrastructure access to their daily business. This research work concluded that poor infrastructure accesses obstructing MSEs performance; the data showed that access to electricity and telephone is very severe, 57% of the respondent rated access to electricity as poor, also 58% of the respondent rated telephone access as poor; however in relative terms water and transportation access is better.

Credit access for MSEs is limited. Institution involved in providing loan are likewise limited. This reveled the following from this research.

- Higher interest rate for loan is the big challenges for the Enterprises.
- Higher collateral requirement of loan providers
- Short period of loan repayment period and limited institutions willing to provide loan for MSEs well-thought-out as great challenges to access finance.
- In addition to this, MFIs identified as single most important sources of loan providers for MSEs and there is no commercial bank involved in providing loan for MSEs.

When I observe the entrepreneurial characteristics of MSEs, the data result indicates that most of the enterprises are not entreprenrual oriented. As shown in the data analysis 81% of MSEs confirmed that, their product has no unique difference from others similar competent enterprises; 78% of MSEs did not have niche market target for their product compared to other competitors. More that this about 76% of the respondent confirmed that they are not used unique technology for their product and about 66% does not believe that their product has higher quality.

This research also revealed that the majority of MSE operators did not received business development services and majorities could not reached. To support MSE operators MSE development office organized different business development training but failed to reach the majority. Finally, the statistical test also shows that existence of favorable MSE policy, access to finance, and access to working premises in support of appropriate business development service, managerial and technical skill will enhance MSE enterprise growth.

5.2. Recommendations

As discussed in the literature review part of this research paper the Ethiopian government emphasized the important role that the MSE sector could play for this country, broadly and, more specifically, recognized the employment creation potential of MSEs and different institutionalized support system designed to improve the performances of enterprises. However, this research work revealed that enterprises are still suffering in many aspects, finance, infrastructure, and business development service, lack of market linkage, inadequate innovation and entrepreneurship skill. Thus, based on the findings I offered the following recommendation for all stakeholders including policy makers and development practitioners who wish to leverage the potential of MSEs to contribute further for the economy.

- It is important to support enterprise-specific interventions for businesses to grow, it is equally important to look at the external environment in which they operate. Without addressing the issues related to the overall business environment, interventions at the enterprise level alone do not produce optimal results to achieve sustainable development. We can say that the universal policy environment for MSEs has been improved for the last ten year but there are still issues raised by enterprises. Government should create environment of equal opportunity issues raised by enterprises like TiN issuing, VAT registration, getting certification of competency should be universal and clear, and there application should common to all. Legislation and directive related to this should address enterprises quest that help entrepreneurs to expand their activities and create incentives for them to formalize their businesses.

- The policy toward access to finance should be improved to reflect the local realities; access to finance should be sufficient and should allow MSE to easily start up a new venture, undertake productive investments and to expand their businesses. Thus, the government can give due attention for these precise challenges identified on this research work and workout a different platform that MSEs can have easy access for loan with reduced interest rate, relaxed collateral requirement, allocate or arrange a different guarantee mechanism so that they can easily access finance with prolonged repayment period.

- There is increasing recognition that MSEs need specific business development services (BDS) to reach higher value markets and/or to improving their competitiveness. However, the MSEs in general are constrained to access these business services. BDS refers to the wide range of services used by entrepreneurs to help them operate efficiently and grow their businesses. It has revealed that the business development service is concentrated only on the training aspect and this the coverage is limited. Thus, MSE development office and other concerned stakeholder should revaluate this service and could work out to reach the majority with wider issues including market access, input supply, technology and product development training and technical assistance, infrastructure, market development, information service, and alternative financing mechanisms.

- This research work revealed that working premises is a challenge for MSEs; they spend more time on getting premises. Some of them are working in a premise that did not have advantageous for their day to day business. Some are selected their premises because it is nearby to their residents. All this has a big challenge for their success. Government is also making effort to build different cluster/sheds; that is a good initiative to address their need. However, government has to do more and apply a more effective approach by building premises that are rationally address their needs to MSEs and build more as demand arises. The sites to be chosen should be appropriate to the needs of MSEs that realize their infrastructure requirement, access for market, input etc.

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ANNEX I: RESEARCH QUESTIONNAIRE

Questionnaire

This research Questionnaire is prepared to collect data on the factors affecting performances of micro and small business enterprises in Addis ketema Sub City Administration. The data will be used only for academic research purpose to fulfill the requirement for the successful completion of postgraduate study. Thus, I kindly request your support to freely fill the questionnaire.

Thank you very much for your kind cooperation.

1. Type of business (sector and sub-sector) , Circle one of the below choose

   1= manufacturing sector
   2= construction sector
   3= Urban agriculture
   4= Trade sector
   5= Service sector
   6= other service, Specify

2. Would you classify your business as micro (1) or small (2) based on the FEMSEDA the total assets /capital your business reported ________________________________

Level of the enterprise	Sector	Human power	Total asset/capital
Micro enterprise	Industry	< 5	< 100000
	Service	< 5	< 50,000
Small enterprise	Industry	6-30	birr 1.5 million
	Service	6-30	birr 500,000

3. Is the business formally registered? 1=Yes 2=No

4. Ownership form of the current enterprise? Circle one of the list below

   1= Sole proprietorship 2= Partnership; 3= MSE s Cooperative
   4= private limited co. (PLC) 5= share company 6= other, please specify

5. Number of owners of enterprise currently? Male _________ Female_____________

6. Have you ever taken any loan? 1= Yes 2= No

7. If your answer for the above question # 7 is “2=No”. Please explain why
   1. Do not want to take loan
   2. No institution willing to provide loan for MSE
   3. Higher interest rate
   4. High collateral requirements
   5. Short time for loan repayment
   6. Don’t know where to ask
   7. Other, Specify

8. If you get loan, where have you get loan? You can choice more than one answer (Circle your choice)

   1= MFIs
   2=Loan from family
   3=debt association (iquib)
   4=saving and credit cooperatives
   5=From Commercial Bank
   6=other, specify ___________________

9. What are the top three challenges in accessing loan?

   1= high interest rate
   2= high collateral requirements
   3= long bureaucracy to secure loans
   4= short time for loan repayment (< three years, Very short)
   5=difficulty in developing business plan and feasibility study
   6=do not know where to ask
   7=No/limited institution willing to give loan
   8= other, specify________________

10. How do you label the pattern of growth of the enterprise?

    1=Growing
    2=Stagnating
    3=Declining
    4=bankrupted
    5=don't know the status

11. How would you rank each of the following business registration process? Rank from 1 to 5 on the black space

Trade licensing ________	
Trade Name ________	1=very simple
TIN issuing ________	2= simple
VAT ________	3= difficult
Certification of Competency (COC) _______	4= very difficult
	5= I do not know

12. Refer question # 12 and for the most difficult, and very difficult can you explain why?

Trade licensing ________	1= high time consuming
TIN issuing ________	2= requires a lot of money
VAT ________	3= misunderstand of requirements for registration
Certification of Competency _____	4= mixed message from government office
	5= other specify

13. Ownership of working and business premises

    1=rented
    2=cluster or Government owned
    3=own
    4= Family premises
    5= other, Specify

14. How long did it take you to get your work place?

    1=less than one month
    2=one month to three months
    3=three to six months
    4=more than six months
    5=more than a year

15. What is the most important advantage of your location?

    1=near market
    2=near production inputs
    3=near infrastructure
    4=near to my home
    5=my location is not very advantageous

16. How do you evaluate the quality and access of the following infrastructure related to your daily business performance and evaluate the overall infrastructure access and facility by circling from 1 to 4 options.

Electricity	__________	1. Very good
Water	__________	2. Good
Telephone	__________	3. Fair
Transportation	__________	4. Poor

17. Please indicate the degree to which the following factors are affecting your business

Lack of proper working premises	_______	1. Extremely affecting
Lack of access for loan	________	2. Moderately affecting
Poor marketing linkage	________	3. Low effect
Lack off working capital	________	4. No effect at all
Lack of management skill	________	
Infrastructure	________	

18. Please indicate which of the following marketing factors are affecting the Performance of your business? (Multiple response is possible)

    1=Lack of skill to set competitive price
    2=Lack of demand forecasting
    3=Poor customer handling and relationship
    4=Lack of product diversity
    5=Incapability to differentiate existing products
    6=Poor sales skill
    7=Lack of promote the products
    8=Lack of efficient distribution channel & networking
    9= other factor, Specify ___________________________

19. What distinguish your business from your competitors to give you a competitive advantage? (Multiple response)

    1=no such difference
    2=serving niche market
    3=access to better location
    4=unique technology used

5= unique and differentiated product
6=lower price
7=significantly higher quality
8=brand new product (Innovated)
9=better customer service and support
10= I do not know

20. Which is the most important business constraint that hindered your enterprise's expansion (You can choice more than one answer)

1=access to finance
2=access to land (working space)
3=access to inputs
4=Lack of managerial knowledge
5=Lack of technical knowledge
6=Access to market

21. Have you registered to receive support from any of the following organizations? (Yes= 1 No=2)

One stop shops service (OSS) in the city	
Entrepreneurship Development Center (EDC)	
TVET	
MSE office	
Others	

22. Did you receive business development services from any government or other institutions?

Yes=1 No=2

23. Which services did you receive? Of the service you received what is the level of importance for each one?

Training	Tick the training taken	24. Of the service you received what is the level of importance for each one? Choice one of the list in the header				
		1=Very important	2=Fairly important	3=important	4=not important	5=Don't know
1= Entrepreneurship training						
2=Business planning						
3=Accounting and Financial Management						
4=Training in costing and pricing						
5=Training in new product technology						
6=Purchasing and stock control						
7=Government and MFI loan package and credit guarantee						
8=Marketing						
9=Auditing and taxation						

10=other, Specify						

25. Is your enterprise registered for one stop service at local government office? 1= Yes 2= No

26. If no , Why
    1= Do not know about the service
    2=Do not think I need the services
    3=the location is not convenient
    4=the service is not relevant for my type of business
    5= other reason

27. Have you started to use the service? 1=Yes 2=No

28. If yes, to the above, which services are you using now?

    1=registration of business
    2=registration of tax
    3=advise ad technical support in business plan preparation
    4=bookkeeping and auditing
    5=Credit and Saving
    6=Participating in government development project
    7=Introducing products at exhibition
    8=market linkage among enterprises
    9=Audit service
    10=Experience sharing with successful enterprises
    11=loan for leasing equipment and machineries
    12=physical infrastructure (Communication like phone, intent, working space, utilizes)
    13=other, specify____

29. Rank the quality of service you received from one stop service?

    1=very good
    2=good
    3=fair
    4=poor